



**Notice of Meeting  
and  
Information Circular  
in respect of the  
ANNUAL MEETING OF SHAREHOLDERS  
to be held on May 12, 2016**

**March 8, 2016**



**VALEURA ENERGY INC.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 12, 2016**

**TO THE SHAREHOLDERS OF VALEURA ENERGY INC.**

NOTICE IS HEREBY GIVEN that an annual meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of common shares (“**Common Shares**”) in the capital of Valeura Energy Inc. (the “**Corporation**”) will be held in the Northcote Room at the Bow Valley Square Conference Centre, Level 3, Bow Valley Square 2, 202-6<sup>th</sup> Ave. S.W., Calgary, Alberta, at 9:00 a.m. (Calgary time) on May 12, 2016 for the following purposes:

1. to receive the audited financial statements of the Corporation for the year ended December 31, 2015 and the report of the auditors thereon;
2. to appoint KPMG LLP, Chartered Accountants, as auditors of the Corporation for the ensuing year;
3. to elect the directors of the Corporation for the ensuing year; and
4. to transact such other business as may properly be brought before the Meeting or any adjournment(s) or postponement(s) thereof.

Shareholders should refer to the information circular accompanying this Notice of Annual Meeting of Shareholders for more detailed information with respect to the matters to be considered at the Meeting.

**If you are a registered Shareholder** and are unable to attend the Meeting in person, please date and execute the accompanying form of proxy and return it in the envelope provided to Computershare Trust Company of Canada, the registrar and transfer agent of the Corporation, at Computershare Trust Company of Canada, Proxy Dept., 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, or by facsimile at 1-866-249-7775, by no later than 9:00 a.m. (Calgary time) on May 10, 2016 or two business days preceding the date of any adjournment or postponement.

**If you are not a registered Shareholder** and receive these materials through your broker or through another intermediary, please complete and return the form of proxy in accordance with the instructions provided to you by your broker or by the other intermediary.

The board of directors of the Corporation has fixed April 1, 2016 as the record date (the “**Record Date**”) for the Meeting. Shareholders of record at the close of business on the Record Date are entitled to notice of the Meeting and to vote thereat or at any adjournment(s) or postponement(s) thereof on the basis of one vote for each Common Share held, except to the extent that: (i) a registered Shareholder has transferred the ownership of any Common Shares subsequent to the Record Date; and (ii) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he or she owns the Common Shares and demands, not later than 10 days before the Meeting, that his or her name be included on the list of persons entitled to vote at the Meeting, in which case, the transferee shall be entitled to vote such Common Shares at the Meeting. The transfer books will not be closed.

**BY ORDER OF THE BOARD OF DIRECTORS**

(Signed) “*James D. McFarland*”

James D. McFarland  
President & Chief Executive Officer  
March 8, 2016



**INFORMATION CIRCULAR**  
**FOR THE ANNUAL MEETING OF SHAREHOLDERS**  
**TO BE HELD ON MAY 12, 2016**

**PURPOSE OF SOLICITATION**

**This information circular (“Information Circular”) is furnished in connection with the solicitation of proxies by the management of Valeura Energy Inc. (“Valeura” or the “Corporation”) for use at the annual meeting (the “Meeting”) of the holders (“Shareholders”) of common shares (“Common Shares”) in the capital of Valeura.**

The Meeting will be held in the Northcote Room at the Bow Valley Square Conference Centre, Level 3, Bow Valley Square 2, 202-6<sup>th</sup> Ave. S.W., Calgary, Alberta, at 9:00 a.m. (Calgary time) on May 12, 2016 and at any adjournment(s) or postponement(s) thereof for the purposes set forth in the Notice of Annual Meeting of Shareholders (the “**Notice of Meeting**”) accompanying this Information Circular. Information contained herein is given as of March 8, 2016 unless otherwise specifically stated.

Solicitation of proxies will be primarily by mail but may also be by telephone, facsimile or in person by directors, officers and employees of Valeura who will not be additionally compensated therefor. Brokers, nominees or other persons holding Common Shares in their names for others shall be reimbursed for their reasonable charges and expenses in forwarding proxies and proxy material to the beneficial owners of such shares. The costs of soliciting proxies will be borne by Valeura.

Valeura is not using “notice-and-access” to send its proxy-related materials to Shareholders, and paper copies of such materials will be sent to all Shareholders. Valeura will not send proxy-related materials directly to non-objecting Beneficial Holders (as defined herein) and such materials will be delivered to non-objecting Beneficial Holders through their intermediaries.

**APPOINTMENT AND REVOCATION OF PROXIES**

Enclosed herewith is a form of proxy for use at the Meeting. The persons named in the form of proxy are directors and/or officers of Valeura. **A Shareholder submitting a proxy has the right to appoint a nominee (who need not be a Shareholder) to represent such Shareholder at the Meeting other than the persons designated in the enclosed form of proxy by inserting the name of the chosen nominee in the space provided for that purpose on the form of proxy and by striking out the printed names.**

A form of proxy will not be valid for the Meeting or any adjournment(s) or postponement(s) thereof unless it is signed by the Shareholder or by the Shareholder’s attorney authorized in writing or, if the Shareholder is a corporation, it must be executed by a duly authorized officer or attorney thereof. The proxy, to be acted upon, must be deposited with Computershare Trust Company of Canada, the registrar and transfer agent of the Corporation, at Computershare Trust Company of Canada, Proxy Dept., 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, or by facsimile at 1-866-249-7775, by no later than 9:00 a.m. (Calgary time) on May 10, 2016 or two business days preceding the date of any adjournment or postponement.

A Shareholder who has given a proxy may revoke it prior to its use, in any manner permitted by law, including by an instrument in writing executed by the Shareholder or by his or her attorney authorized in writing or, if the Shareholder is a corporation, executed by a duly authorized officer or attorney thereof and deposited at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment or postponement thereof, at which the proxy is to be used or with the chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof.

## ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES

**The information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold Common Shares in their own name.** Shareholders who do not hold their Common Shares in their own name (“**Beneficial Shareholders**”) should note that only proxies deposited by Shareholders whose names appear on the records of Valeura as the registered Shareholders can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder’s name on the records of Valeura. Such Common Shares will more likely be registered under the names of the Shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting Common Shares for the broker’s clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.**

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders’ meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered Shareholders; however, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically mails a scanable voting instruction form in lieu of the form of proxy. The Beneficial Shareholder is requested to complete and return the voting instruction form to them by mail or facsimile. Alternatively, the Beneficial Shareholder can call a toll free telephone number or visit Broadridge’s dedicated voting website at [www.proxyvote.com](http://www.proxyvote.com) to vote the Common Shares held by the Beneficial Shareholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting as the voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Common Shares voted.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker (or agent of the broker), a Beneficial Shareholder may attend the Meeting as proxyholder for a registered Shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for a registered Shareholder should enter their own names in the blank space on the instrument of proxy provided to them and return the same to their broker (or the broker’s agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

### VOTING BY INTERNET FOR REGISTERED HOLDERS OF COMMON SHARES

Shareholders may use the website at [www.investorvote.com](http://www.investorvote.com) to transmit their voting instructions. Shareholders should have the form of proxy in hand when they access the website. Shareholders will be prompted to enter their Control Number, which is located on the form of proxy. If Shareholders vote by internet, their vote must be received not later than 9:00 a.m. (Calgary time) on May 10, 2016 or 48 hours prior to the time of any adjournment or postponement of the Meeting. **The website may be used to**

**appoint a proxy holder to attend and vote on a Shareholder’s behalf at the Meeting and to convey a Shareholder’s voting instructions. Please note that if a Shareholder appoints a proxy holder and submits their voting instructions and subsequently wishes to change their appointment, a Shareholder may resubmit their proxy and/or voting direction, prior to the deadline noted above. When resubmitting a proxy, the most recently submitted proxy will be recognized as the only valid one, and all previous proxies submitted will be disregarded and considered as revoked, provided that the last proxy is submitted by the deadline noted above.**

### **VOTING OF PROXIES**

All Common Shares represented at the Meeting by properly executed proxies will be voted on any matter that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the accompanying form of proxy, the Common Shares represented by the proxy will be voted in accordance with such instructions. **In the absence of any such instruction, the persons whose names appear on the printed form of proxy will vote in favour of all the matters set out thereon. The enclosed form of proxy confers discretionary authority upon the persons named therein. If any other business or amendments or variations to matters identified in the Notice of Meeting properly comes before the Meeting, then discretionary authority is conferred upon the person appointed in the proxy to vote in the manner they see fit, in accordance with their best judgment.**

At the time of the printing of this Information Circular, the management of Valeura knew of no such amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting.

### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The board of directors of Valeura (the “**Board**”) has fixed April 1, 2016 as the record date (the “**Record Date**”) for the Meeting. Shareholders at the close of business on the Record Date are entitled to receive notice of the Meeting and to vote thereat or at any adjournment(s) or postponements(s) thereof on the basis of one vote for each Common Share held, except to the extent that: (i) a registered Shareholder has transferred the ownership of any Common Shares subsequent to the Record Date; and (ii) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he or she owns the Common Shares and demands, not later than 10 days before the Meeting, that his or her name be included on the list of persons entitled to vote at the Meeting, in which case, the transferee shall be entitled to vote such Common Shares at the Meeting.

As of the date hereof, 57,906,135 Common Shares were issued and outstanding as fully paid and non-assessable.

As of the date hereof, to the knowledge of the directors and executive officers of Valeura, there are no persons or companies who beneficially own, directly or indirectly, or control or direct Common Shares carrying 10% or more of the voting rights attached to all of the Common Shares, except as set forth below.

<b>Name</b>	<b>Number of Common Shares Held or Controlled</b>	<b>Percentage of Common Shares Held or Controlled</b>
Scott Lamacraft	8,499,100	14.7%

As of the date hereof, the directors and executive officers of Valeura, as a group, beneficially own, directly or indirectly, 3,150,459 Common Shares representing approximately 5.4% of the issued and outstanding Common Shares.

As of the date hereof, the directors and executive officers of Valeura, as a group, beneficially own, directly or indirectly, options (“**Options**”) to purchase 3,048,000 Common Shares issuable pursuant to the Corporation’s stock option plan (the “**Option Plan**”). If all such Options directly or indirectly were exercised, the directors and executive officers of Valeura, as a group, would beneficially own 6,198,459 Common Shares representing approximately 9.8% of the issued and outstanding Common Shares (on a fully diluted basis). As of the date hereof, no performance share units (“**PSUs**”) have been issued pursuant to Corporation’s performance share unit plan (“**PSU Plan**”).

## MEETING MATTERS

### Receipt of the Financial Statements and Auditors’ Report

The audited financial statements of the Corporation for the period ended December 31, 2015 and the report of the auditors thereon will be placed before the Shareholders at the Meeting.

Under National Instrument 51-102 - *Continuous Disclosure Obligations*, a person or corporation who in the future wishes to receive financial statements from the Corporation must deliver a written request for such material to the Corporation, together with a signed statement that the person or corporation is the owner of securities (other than debt instruments) of the Corporation. Shareholders who wish to receive financial statements are encouraged to send the enclosed return card, together with the completed form of proxy to Computershare Trust Company of Canada, Proxy Dept., 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1.

Copies of the Corporation’s annual and interim financial statements are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Appointment of Auditors

At the Meeting, Shareholders will be asked to pass a resolution appointing KPMG LLP, Chartered Accountants, as auditors of the Corporation, to hold office until the next annual meeting of Shareholders and to authorize the Board to fix the remuneration to be paid thereto. KPMG LLP, Chartered Accountants, were appointed as the auditors of Valeura on April 9, 2010.

### Election of Directors

The term of office for each director is from the date of the Meeting at which he is elected until the next annual meeting or until his successor is elected or appointed. At the Meeting, a board of five directors will be proposed for election. Mr. Badwi is not standing for re-election. The enclosed form of proxy or voting instruction form permits Shareholders to vote “for” or to “withhold” their vote in respect of each director nominee. Except where authority to vote on the election of directors is withheld, the persons designated by the Corporation in the enclosed form of proxy intend to vote for the election of the five nominees whose names are set forth below. If, due to unforeseen circumstances, any of the persons named below should not be available for election, it is intended that the persons named in the accompanying form of proxy will vote for such other person or persons as the Board may recommend. In 2012, the Corporation adopted a majority voting policy, which was amended in 2015. Unless there is a contested election, a director who receives more *withhold* votes than *for* votes, will tender his or her resignation immediately. The Governance and Compensation Committee will review the matter and recommend to the Board whether to accept the resignation. The director will not participate in any deliberations on the matter. In such case, the Board will publicly announce its decision within 90 days of the annual meeting.

Shareholders should note that, as a result of the aforementioned majority voting policy, a *withhold* vote is effectively the same as a vote *against* a director nominee in an uncontested election.



<b>William T. Fanagan</b>  <b>Chair</b>  Vancouver, British Columbia, Canada Director Since: April 9, 2010 Age: 68 Independent	<b>Mr. Fanagan</b> has been a private businessman since August 2001. Mr. Fanagan's financial and executive career with Gulf Canada Resources Limited and its affiliates spanned 25 years with assignments in Indonesia, Australia, USA, Russia and Canada, including President and CEO of Gulf Indonesia Resources Limited. Mr. Fanagan is a fellow of the Institute of Chartered Accountants in Ireland and a member of the Institute of Corporate Directors.					
	<b>Board/Committee Membership</b>		<b>2015 Attendance<sup>(1)</sup></b>		<b>2015 Attendance (Total)</b>	
	Board		6 of 6	100%	15 of 15	100%
	Audit Committee		4 of 4	100%		
	Governance and Compensation Committee		5 of 5	100%		
	<b>Current Public Board Membership</b>					
	None					
	<b>Educational Background</b>					
	Mr. Fanagan holds a Bachelor of Commerce degree from the University College Dublin.					
	<b>Common Shares Controlled or Directed (as of December 31, 2015)</b>					
	<i>Common Shares</i>	<i>Total Amount at Risk</i>	<i>Satisfies Share Ownership Requirements</i>			
	238,000 <sup>(2)</sup>	\$161,840 <sup>(3)</sup>	Yes			
	<b>Options Held (as of December 31, 2015)</b>					
	<i>Expiry Date</i>	<i>Number Granted</i>	<i>Exercise Price</i>	<i>Total Unexercised</i>		
	March 13, 2022	51,000	\$0.57	51,000		
March 31, 2021	42,000	\$0.64	42,000			
March 18, 2020	42,000	\$1.00	42,000			
<b>Voting Results of 2015 Annual Meeting</b>						
99.46% (votes for) / 0.54% (votes withheld)						

<p><b>Claudio A. Ghersinich</b></p> <p>Calgary, Alberta, Canada</p> <p>Director Since: April 9, 2010</p> <p>Age: 59</p> <p>Independent</p>	<p><b>Mr. Ghersinich</b> has been President and Chief Executive Officer of Carrera Investments Corp. (an investment company) since May 2005 and a director of Vermilion Energy Inc. (a TSX listed issuer) since 1994. Mr. Ghersinich has also been Chairman of ArPetrol Ltd. (a TSXV listed issuer) since March 2011 and, prior to that, had been a director of ArPetrol Inc. (private) since 2004 and Chairman since 2007.</p> <p>Mr. Ghersinich has more than 35 years of oil and gas experience and was a co-founder of Vermilion Energy Inc. Mr. Ghersinich has been a director of a number of public and private companies operating in Canada, Europe, Libya, Trinidad, Argentina and Australia.</p> <p>Mr. Ghersinich is a member of the Association of Professional Engineers and Geoscientists of Alberta.</p>					
	<b>Board/Committee Membership</b>		<b>2015 Attendance<sup>(1)</sup></b>		<b>2015 Attendance (Total)</b>	
	Board	6 of 6	100%	12 of 12	100%	
	Audit Committee	4 of 4	100%			
	Reserves & Health, Safety and Environment Committee	2 of 2	100%			
	<b>Current Public Board Membership</b>					
	Vermilion Energy Inc. ArPetrol Ltd.					
	<b>Educational Background</b>					
	Mr. Ghersinich holds a Bachelor of Science degree in Civil Engineering from the University of Manitoba.					
	<b>Common Shares Controlled or Directed (as of December 31, 2015)</b>					
	<i>Common Shares</i>	<i>Total Amount at Risk</i>	<i>Satisfies Share Ownership Requirements</i>			
	1,235,500 <sup>(2)</sup>	\$840,140 <sup>(3)</sup>	Yes			
	<b>Options Held (as of December 31, 2015)</b>					
	<i>Expiry Date</i>	<i>Number Granted</i>	<i>Exercise Price</i>	<i>Total Unexercised</i>		
	March 13, 2022	51,000	\$0.57	51,000		
March 31, 2021	42,000	\$0.64	42,000			
March 18, 2020	42,000	\$1.00	42,000			
<b>Voting Results of 2015 Annual Meeting</b>						
99.88% (votes for) / 0.12% (votes withheld)						

<p><b>Dr. Timothy R. Marchant</b></p> <p>Calgary, Alberta, Canada</p> <p>Director Since: April 15, 2015</p> <p>Age: 65</p> <p>Independent</p>	<p><b>Dr. Marchant</b> brings more than 36 years of senior executive experience in the oil and gas industry in Canada and internationally, with extensive experience in foreign growth strategies and international operations. In a career that spanned 29 years with Amoco and BP, he held senior executive positions in Canada and a number of countries in the Middle East including Egypt, Saudi Arabia, Abu Dhabi and Kuwait.</p> <p>Dr. Marchant is currently Adjunct Professor of Strategy and Energy Geopolitics at the Haskayne School of Business, University of Calgary. He has also been a director of Vermilion Energy Inc. (a TSX listed issuer) since 2010 and Cub Energy Inc. (a TSXV listed issuer) since 2014.</p>					
	<b>Board/Committee Membership</b>		<b>2015 Attendance<sup>(1)(4)</sup></b>		<b>2015 Attendance (Total)</b>	
	Board	4 of 4	100%	6 of 6	100%	
	Governance and Compensation	1 of 1	100%			
	Reserves & Health, Safety and Environment Committee	1 of 1	100%			
	<b>Current Public Board Membership</b>					
	Vermilion Energy Inc.					
	Cub Energy Inc.					
	<b>Educational Background</b>					
	Dr. Marchant has a Ph.D. in Geology from Trinity College, University of Dublin, Ireland. He completed the Executive Program at the Ivey School of Business, University of Western Ontario in 1994 and the Institute of Corporate Directors Education Program in 2011.					
	<b>Common Shares Controlled or Directed (as of December 31, 2015)</b>					
	<i>Common Shares</i>	<i>Total Amount at Risk</i>		<i>Satisfies Share Ownership Requirements</i>		
	96,000	\$65,280 <sup>(3)</sup>		On track. Requirement to be satisfied within five years from the date of appointment. <sup>(5)</sup>		
	<b>Options Held (as of December 31, 2015)</b>					
<i>Expiry Date</i>	<i>Number Granted</i>	<i>Exercise Price</i>	<i>Total Unexercised</i>			
April 15, 2022	100,000	\$0.68	100,000			
<b>Voting Results of 2015 Annual Meeting</b>						
99.88% (votes for) / 0.12% (votes withheld)						

<p><b>James D. McFarland</b></p> <p>Calgary, Alberta, Canada</p> <p>Director Since: June 29, 2010</p> <p>Age: 69</p>	<p><b>Mr. McFarland</b> has been President and Chief Executive Officer of Valeura since April 9, 2010. Prior to this, Mr. McFarland was President and Chief Executive Officer of Verenex Energy Inc. (a TSX listed issuer) from March 1, 2004 to December, 2009. He has also been a director of Pengrowth Energy Corporation and MEG Energy Corp. (both TSX listed issuers) since 2010.</p> <p>Mr. McFarland has more than 43 years of oil and gas experience in Canada, the USA, Europe, Australia and Libya, including a 23 year career with Imperial Oil Limited and other ExxonMobil affiliates.</p> <p>Mr. McFarland is a member of the Association of Professional Engineers and Geoscientists of Alberta, the Society of Petroleum Engineers International, the Program Committee of the World Petroleum Council and the Institute of Corporate Directors.</p> <p>In 2003, Mr. McFarland was awarded the Australian Centenary Medal for outstanding service through business and commerce.</p>					
	<b>Board/Committee Membership</b>		<b>2015 Attendance<sup>(1)</sup></b>		<b>2015 Attendance (Total)</b>	
	Board		6 of 6	100%	17 of 17 <sup>(6)</sup>	100% <sup>(6)</sup>
	Not a Committee Member		11 of 11 <sup>(6)</sup>	100% <sup>(6)</sup>		
	<b>Current Public Board Membership</b>					
	Pengrowth Energy Corporation					
	MEG Energy Corp.					
	<b>Educational Background</b>					
	Mr. McFarland holds a Bachelor of Science degree in Chemical Engineering from Queen's University and a Master of Science degree in Petroleum Engineering from the University of Alberta. Mr. McFarland completed the Executive Development Program at Cornell University.					
	<b>Common Shares Controlled or Directed (as of December 31, 2015)</b>					
	<i>Common Shares</i>		<i>Total Amount at Risk</i>		<i>Satisfies Share Ownership Requirements</i>	
	438,134 <sup>(2)</sup>		\$297,931 <sup>(3)</sup>		Yes	
	<b>Options Held (as of December 31, 2015)</b>					
	<i>Expiry Date</i>		<i>Number Granted</i>		<i>Exercise Price</i>	
March 13, 2022		349,000		\$0.57		349,000
March 31, 2021		288,000		\$0.64		288,000
March 18, 2020		288,000		\$1.00		288,000
<b>Voting Results of 2015 Annual Meeting</b>						
99.88% (votes for) / 0.12% (votes withheld)						

<p><b>Ronald W. Royal</b></p> <p>Abbotsford, British Columbia, Canada</p> <p>Director Since: June 29, 2010</p> <p>Age: 67</p> <p>Independent</p>	<p><b>Mr. Royal</b> has been a private businessman since April 2007. He has also been a director of Gran Tierra Inc. and Oando Energy Resources Inc. (both TSX listed issuers) since 2015. Mr. Royal has more than 38 years of oil and gas experience with Imperial Oil Limited and other ExxonMobil upstream affiliates in France and Chad, including serving as President and General Manager of Esso Chad Inc.</p> <p>In 2003, Mr. Royal was awarded the title “Chevalier de l’Ordre National du Chad” for his contributions to the economic development of Chad.</p>					
	<b>Board/Committee Membership</b>		<b>2015 Attendance<sup>(1)</sup></b>		<b>2015 Attendance (Total)</b>	
	Board		6 of 6	100%	12 of 12	100%
	Audit Committee		4 of 4	100%		
	Reserves & Health, Safety and Environment Committee		2 of 2	100%		
	<b>Current Public Board Membership</b>					
	Oando Energy Resources Inc. Gran Tierra Energy Inc.					
	<b>Educational Background</b>					
	Mr. Royal holds a Bachelor of Applied Science degree in Mechanical Engineering from the University of British Columbia.					
	<b>Common Shares Controlled or Directed (as of December 31, 2015)</b>					
	<i>Common Shares</i>	<i>Total Amount at Risk</i>	<i>Satisfies Share Ownership Requirements</i>			
	183,000 <sup>(2)</sup>	\$124,440 <sup>(3)</sup>	Yes			
	<b>Options Held (as of December 31, 2015)</b>					
	<i>Expiry Date</i>	<i>Number Granted</i>	<i>Exercise Price</i>	<i>Total Unexercised</i>		
March 13, 2022	51,000	\$0.57	51,000			
March 31, 2021	42,000	\$0.64	42,000			
March 18, 2020	42,000	\$1.00	42,000			
<b>Voting Results of 2015 Annual Meeting</b>						
99.88% (votes for) / 0.12% (votes withheld)						

**Notes:**

- (1) Meeting attendance on special and/or other ad hoc committees of directors which may be formed, from time to time, to make recommendations to the Board in regard to a particular matter is not included.
- (2) Includes all Common Shares held by the spouse or children living in the same residence of such individual, corporations controlled by them or family trusts of such individual.
- (3) The value of the Common Shares held by the directors is calculated by multiplying the amount of Common Shares held by \$0.68, the closing price of Common Shares on the TSX on March 8, 2016.
- (4) Mr. Marchant was appointed to the Board on April 15, 2015.
- (5) Valeura’s share ownership guidelines provide that a new director must hold the relevant number of Common Shares within five years of being appointed to the Board.
- (6) Mr. McFarland is not a member of any of the three standing committees but was requested by the chair of each committee to attend the meetings of each such committee. At each such meeting the members of each committee, all of whom are independent, meet *in camera* without Mr. McFarland.

**Corporate Cease Trade Orders or Bankruptcies**

Except as disclosed below, to the knowledge of management, no director of Valeura:

- (a) is, as at the date hereof, or has been, within 10 years before the date hereof, a director or chief executive officer or chief financial officer of any corporation (including Valeura) that, while that person was acting in that capacity:
  - (i) was the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days;

- (ii) was subject to an event that resulted, after the director or officer ceased to be a director or officer, in the corporation being the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (b) is, as the date hereof, or has been within 10 years from the date hereof, a director or executive officer of any company (including Valeura) that, while that person was acting in such capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### ***Personal Bankruptcies***

To the knowledge of management of Valeura, no director of Valeura has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

### ***Penalties or Sanctions***

To the knowledge of management of Valeura, no director of Valeura has: (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, other than penalties for late filing of insider reports; or (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable Shareholder in deciding whether to vote for a proposed director.

## **EXECUTIVE OFFICER AND DIRECTOR COMPENSATION**

### **Compensation Discussion and Analysis**

#### ***Introduction***

The purpose of this Compensation Discussion and Analysis (“**CD&A**”) is to provide information about the Corporation's philosophy, objectives and processes regarding executive compensation.

This disclosure is intended to communicate the compensation provided to the Chief Executive Officer (“**CEO**”), the Chief Financial Officer (“**CFO**”), and the three most highly compensated executive officers of the Corporation, if any, whose individual total compensation was more than \$150,000 for the year ended December 31, 2015 (each a “**Named Executive Officer**” or “**NEO**” and collectively, the “**Named Executive Officers**” or “**NEOs**”) and how the determinations in respect of the NEOs' 2015 compensation were made. For the year ended December 31, 2015, the Corporation had the following four NEOs and no other executive officers or individuals acting in a similar capacity:

James D. McFarland, President and CEO

Stephen E. Bjornson, CFO

Donald W. Shepherd, Vice President, Engineering (“**VP Engineering**”)

Lyle A. Martinson, Vice President, Operations (“**VP Operations**”)

The Board has established the Governance and Compensation Committee, comprised of three independent directors, to assist the Board in fulfilling its obligations relating to human resource and compensation matters and to establish a plan of continuity and development of senior management. The Governance and Compensation Committee's mandate includes:

- (a) reviewing and recommending for Board approval, the corporate goals and objectives for the CEO to be considered in determining his or her compensation and performance evaluation;
- (b) in consultation with the CEO, reviewing and recommending the compensation philosophy, guidelines and plans for the Corporation's employees and executives;
- (c) in consultation with the CEO, reviewing the appointment of and approving the compensation for the executive team;
- (d) evaluating and providing feedback regarding the CEO's performance and reviewing and recommending the compensation of the CEO;
- (e) in consultation with the CEO, reviewing and recommending all other compensation principles or policy matters including the annual budget for base salaries and bonuses, long term incentives (such as the Option Plan and the PSU Plan and other benefits); and
- (f) consideration of the risk management implications with respect to the Corporation's compensation policies and practices.

#### ***Compensation Philosophy and Objectives of Compensation Programs***

The executive compensation program adopted by Valeura and applied to its executive officers is designed to:

- attract and retain qualified and experienced executives who will contribute to the success of Valeura;
- ensure that the compensation of the executive officers provides a competitive base compensation package, with additional compensation to reward success and create a strong link between corporate performance and compensation; and
- motivate executive officers to enhance long term shareholder value, with current compensation being weighted toward at-risk long term incentives in the form of Options and other security based incentives so as to foster alignment with the interests of the Shareholders.

Valeura's executive compensation program in 2015 consisted of four components as set forth in the following chart.

<b>Compensation Components</b>	<b>Description and Purpose</b>
<b>Base Salary</b>	A base level of income that reflects the executive’s position and level of responsibility, as well as salary norms in the sector and the general marketplace.
<b>Discretionary Cash Bonus</b>	A discretionary cash award based on the executive’s position and corporate performance, which is designed to reward the achievement of key corporate objectives.
<b>Long Term Incentives (Options)</b>	A pay-at-risk component to compensation that rewards long term performance by allowing executives to participate in the market appreciation of the Common Shares over an extended period. This component is also intended to make the Corporation competitive from a total remuneration standpoint and encourage executive retention through time-based and performance-based vesting of awards.
<b>Benefits</b>	Health and dental care and various forms of life, disability, critical illness and health spending accounts, plus certain additional prerequisites for NEOs such as parking and priority healthcare insurance.

See “Compensation Discussion and Analysis - Elements of Compensation”.

The goals of the compensation program are to attract and retain the most qualified people, to motivate and reward such individuals on a short term and long term basis, and to create alignment between corporate performance and compensation. The Governance and Compensation Committee and the Board intend that the total cash components of compensation (base salary plus discretionary cash bonus) target the median of the Corporation’s peer group (the “**Peer Group**”).

The Corporation does not believe that its compensation programs encourage excessive or inappropriate risk taking as: (i) the Corporation’s employees receive both fixed and variable compensation, and the fixed (salary) portion provides a steady income regardless of Common Share value which allows employees to focus on the Corporation’s business; and (ii) the Option Plan encourages a long term perspective due to the vesting provisions of the Options. The Corporation believes that its compensation program is appropriately structured and balanced to motivate its executives and reward the achievement of annual performance goals, as well as the achievement of long term growth in shareholder value.

The Corporation has adopted an anti-hedging policy which prohibits any NEO or director from purchasing financial instruments designed to hedge or offset a decrease in market value of equity securities granted as compensation or held by the NEO or director.

### ***Determining Compensation***

The Governance and Compensation Committee assists the Board in fulfilling its oversight responsibilities with respect to compensation matters. The Governance and Compensation Committee operates under a written mandate adopted by the Board. The Governance and Compensation Committee is comprised of the following directors: Messrs. Badwi (Chair), Fanagan and Marchant. Each member of the Governance and Compensation Committee is an independent director as such term is defined by National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) and all members of the Governance and Compensation Committee have expertise and extensive experience in compensation and other human resource areas in the oil and gas industry through their tenure in executive roles in the energy sector. In addition, the Governance and Compensation Committee utilizes publicly disclosed compensation data from management information circulars and the services of Total Reward Professionals, the Corporation’s independent compensation consultant, to review its assessment and recommendations. Following the Meeting, Mr. Badwi will no longer be a member of the Board and it is expected that Dr. Marchant will become Chair of the Governance and Compensation Committee.



## Peer Group

In reviewing and approving the Corporation's 2015 compensation program, the Board considered the recommendations of the CEO, which were based upon public disclosure information available for the Peer Group. The following table sets forth the 2015 Peer Group and the market capitalization, assets and production (as at September 30, 2014, unless otherwise noted) based on public disclosure for each entity comprising the Peer Group.

Peer Group	Market Capitalization (\$ Million) <sup>(1)</sup>	Assets (\$ Million)	Production (boe/d) <sup>(2)</sup>
Americas Petrogas Inc.	43	161	1,022
Bengal Energy Ltd.	15	60	457
Calvalley Petroleum Inc.	56	206 (USD)	698
Condor Petroleum Inc.	55	196 (USD)	146
Canadian Overseas Petroleum Limited	34	27	-
Crown Point Energy Inc.	23	52 (USD)	1,336
Greenfields Petroleum Corporation	17	82 (USD)	1,582
Petromanas Energy Inc.	49	112 (USD)	-
Serinus Energy Inc.	87	307 (USD)	5,154
Touchstone Exploration Inc.	23	192	2,269
<b>Median of Peer Group</b>	<b>34</b>	<b>112 (USD)</b>	<b>698</b>
<b>Valeura</b>	<b>39</b>	<b>94</b>	<b>997</b>
<b>Valeura's Rank (Out of 11)<sup>(3)</sup></b>	<b>6</b>	<b>7</b>	<b>6</b>

### Notes:

- (1) As at February 28, 2015.
- (2) The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
- (3) Rank order is from largest to smallest.

In early 2016, the Governance and Compensation Committee and the Board reviewed the composition of the 2015 Peer Group, taking into account the liquidation or re-structuring of three of the companies in the 2015 Peer Group and guidance from the Corporation's independent compensation consultant, and reconstituted the 2016 Peer Group accordingly based on that review. The following table sets forth the 2016 Peer Group and the market capitalization, assets and production (as at September 30, 2015, unless otherwise noted) based upon public disclosure for each entity comprising such Peer Group.

Entity	Market Capitalization (\$ Million) <sup>(1)</sup>	Assets (\$ Million)	Production (boe/d) <sup>(2)</sup>
Bengal Energy Ltd.	7	67	592
Condor Petroleum Inc.	35	165	-
Canadian Overseas Petroleum Limited	19	21	-
Crown Point Energy Inc.	10	57 (USD)	1,452
Greenfields Petroleum Corporation	11	54 (USD)	1,273
Falcon Oil & Gas Ltd.	92	52 (USD)	-
Pan Orient Energy Corp.	44	309	299
Serinus Energy Inc.	43	192 (USD)	4,072
TAG Oil Ltd.	35	171	1,341
Touchstone Exploration Inc.	15	102	1,638
<b>Median of Peer Group</b>	35	57 (USD)	1,273
<b>Valeura</b>	43	91	794
<b>Valeura's Rank (Out of 11)<sup>(3)</sup></b>	3	5	6

**Notes:**

- (1) As at February 29, 2016.
- (2) The term boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
- (3) Rank order is from largest to smallest.

*Corporate Performance Scorecard and CEO Goals and Objectives*

In 2015, the Governance and Compensation Committee and the Board determined the 2015 Corporate Performance Scorecard which set forth the following key corporate performance indicators for 2015: (i) safety criteria; (ii) production per Common Share; (iii) reserves per Common Share; (iv) share price performance compared to the Peer Group; (v) funds flow from operations per Common Share; and (vi) corporate strategy and discretionary performance indicators.

In 2015, the Board also approved the CEO's 2015 Goals and Objectives. The goals and objectives are weighted 50% to achievement of the Corporate Performance Scorecard targets, and 50% on individual performance factors which include other key financial/strategic, operational, investor relations, and organizational performance indicators where the CEO's leadership is most influential.

*Compensation Approval Process*

Compensation for the Corporation's executive officers is recommended by the CEO and then reviewed by the Governance and Compensation Committee. Recommendations are then made by the Governance and Compensation Committee to the Board for the Board's ultimate approval. In making recommendations, the CEO, with support and input from Total Reward Professionals, reviews compensation data in the oil and gas sector as disclosed in management information circulars for the Peer Group, as well as other more subjective factors such as level of responsibility, importance to the Corporation and the degree to which an officer's contribution will be critical to the Corporation's success in the near and long term. The Governance and Compensation Committee then reviews and discusses these recommendations, including review of the Peer Group data provided, and determines what recommendations to make to the Board. Although discussions between the CEO and members of the Governance and Compensation Committee are customary during this process, certain deliberations of the Governance and Compensation Committee

and all final determinations by both the Governance and Compensation Committee and the Board regarding executive compensation are conducted during *in camera* sessions in the absence of any members of management and with the independent compensation consultant.

Following each year, the Governance and Compensation Committee distributes and utilizes a confidential CEO Feedback Instrument for the directors to assess the CEO's performance, including an assessment of the CEO's performance and achievement of the targeted goals and objectives for the prior year. The CEO also provides his self-assessment of his performance against the agreed CEO goals and objectives. The results of the directors' feedback are compiled on an anonymous basis to promote candid and constructive feedback. The results are distributed to the Board and play a role in setting the CEO's total compensation. The Chair of the Board provides feedback to the CEO on performance for the prior year compared to the targeted goals and objectives and results of the CEO Feedback Instrument.

The Board also approves compensation for the directors of the Corporation in the form of fees and long term equity incentives based upon recommendations made by the Governance and Compensation Committee, which also takes into account the assessment of publicly disclosed and from management information circulars and the analysis of Total Reward Professionals.

### ***Elements of Compensation***

#### ***Base Salaries***

Base salary is intended to reflect an executive officer's position within the corporate structure, his or her years of experience and level of responsibility, and salary norms in the sector and the general marketplace. As such, decisions with respect to base salary levels for executive officers are not based on objective identifiable performance measures but for the most part are determined by reference to competitive market information for similar roles and levels of responsibility, as well as more subjective performance factors such as leadership, commitment, accountability, industry experience and contribution. The Corporation's view is that a competitive base salary is a necessary element for retaining qualified executive officers, as it creates a meaningful incentive for individuals to remain at Valeura and not be unreasonably susceptible to recruiting efforts by the Corporation's competitors.

As consideration for the services provided by the NEOs, the Corporation has agreed to pay the NEOs an annual salary in an amount determined by the Board in its annual salary review completed in the first quarter of each fiscal year and effective April 1 of each year. Salaries for 2015 were reviewed in March 2015 and the Board determined to increase salaries for the NEOs by 2.0 – 2.4%. The salary increases were effective on April 1, 2015, and the total cost of the base salary increases for all employees in Canada and Turkey in 2015 was approximately \$80,000.

#### ***Cash Bonus***

Discretionary cash bonuses are part of the Corporation's compensation program as it is believed that they can be used to help to motivate executive officers to achieve key corporate objectives by rewarding the achievement of these objectives. Currently, cash bonuses are awarded on a discretionary basis following an evaluation of the corporate performance factors.

In early 2015, the Governance and Compensation Committee and the Board reviewed and approved the proposed 2015 bonus targets, as a percentage of base salary, approving up to 50% for the CEO, up to 40% for the CFO and up to 30% for the VP Engineering and VP Operations (which were the same as the bonus targets for the prior year). Following the completion of the year and the assessment of corporate performance, the bonus target is multiplied by the corporate performance factor for the respective year based on the Corporate Performance Scorecard and the performance criteria set out therein.

With respect to the CEO's bonus for the year ended December 31, 2015, the Governance and Compensation Committee and the Board reviewed and measured the CEO's performance against CEO's stated goals and objectives for 2015, reflecting both the Corporate Performance Scorecard and individual performance goals, and also incorporating the results of the confidential CEO Feedback Instrument.

Discretionary and conditional cash bonuses for the year ended December 31, 2015 were determined by the Board in March 2016. For the NEOs, the aggregate conditional bonus amounts were \$160,000 representing 17.7% of their base salaries. See "NEO Compensation - Summary Compensation Table". The bonus amounts reflected a corporate performance factor at the 54% level, which is a weighted average score of measurable targets and the discretionary components of the scorecard. However, payment of these bonus amounts was deferred and is conditional and will only be made if certain corporate milestone events are accomplished in 2016. If such milestone events are not achieved by September 1, 2016, no bonus amounts will be paid.

### *Performance and Long Term Incentives*

The Corporation believes that long term performance and increases in shareholder value are achieved through an ownership culture that encourages performance by all employees, including executives, through the use of at-risk long term incentives. Long term incentives are required in order for the Corporation to be competitive from a total remuneration standpoint, particularly given that the current size and stage of the Corporation prevents it from paying base cash salaries comparable to those of larger companies in the oil and gas industry with whom it must compete for experienced executive officers. Accordingly, the Corporation established the Option Plan and the PSU Plan to provide employees, including executive officers, with incentives to help align those employees' interests with the performance of the Corporation as reflected in the Common Share price. For a description of the Option Plan and the PSU Plan, see "Equity Plan Compensation".

The Governance and Compensation Committee, upon the recommendation of the CEO, reviews and makes recommendations to the Board for its ultimate approval with respect to grants of Options and/or PSUs to executive officers. When making recommendations with respect to Option and/or PSU awards and the size of such awards, the Governance and Compensation Committee will take into consideration the overall number of Options and PSUs that are outstanding relative to the number of outstanding Common Shares.

During the year ended December 31, 2015, Messrs. McFarland, Bjornson, Shepherd and Martinson were granted an aggregate of 908,000 Options. These Options have a seven-year term and vest in thirds over a three year period. The Options granted in 2015 are exercisable at \$0.57 per Common Share, which was the closing price per Common Share on the TSX on the last trading day preceding the Option grants, which were awarded on March 13, 2015. In approving the overall grant of Options, regard was given to the desire to weight total compensation toward at-risk long term incentives, as well as to foster alignment with the interests of Shareholders. In recommending to the Board the size of Option awards to individual executives, the Governance and Compensation Committee considered the recommendations made by the CEO and each executive's level of responsibility and authority, with a particular emphasis on the degree to which each executive's contribution would be critical to long term corporate success, and consideration was given to the amount of each executive's Option award relative to the allocation of Options granted to the CEO and other officers to ensure an appropriate scaling within the executive team. See "NEO Compensation - Outstanding Option-Based Awards".

As of the date hereof, no PSUs have been granted under the PSU Plan.

## Benefits

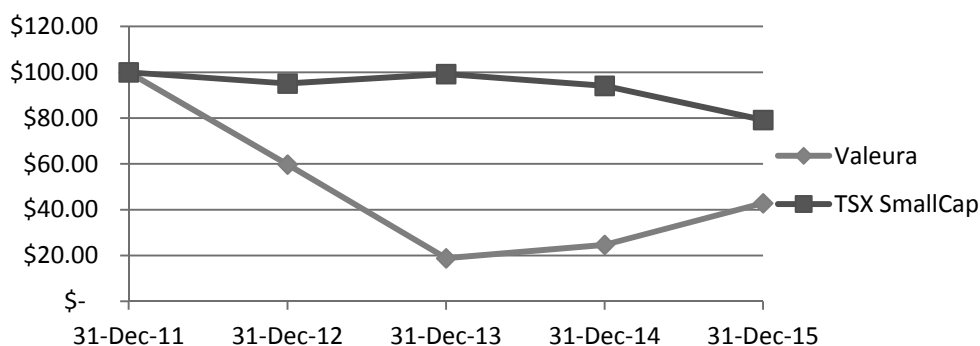
The Corporation's benefits program consists of health and dental care and various forms of life, disability and critical illness insurances and health spending accounts consistent with industry norms. In addition, the NEOs receive a reimbursement of parking costs up to a defined limit or a transportation allowance in lieu of parking, as well as priority healthcare insurance.

## Severance and Change of Control Agreements

Executive employment agreements were put in place for the NEOs effective June 17, 2011 providing for severance or other payouts upon a change of control event. See "Employment Agreements and Termination and Change of Control Benefits".

## Performance Graph

The following graph illustrates the cumulative return to Shareholders of a \$100 investment in Common Shares from December 31, 2011 to December 31, 2015, as compared to the cumulative total return on the Standard & Poor's/TSX SmallCap Index ("TSX SmallCap") for the same period, assuming the reinvestment of cash distributions and/or dividends.



	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015
Valeura	\$100	\$59.74	\$19.16	\$24.68	\$42.86
TSX SmallCap	\$100	\$95.11	\$99.26	\$94.11	\$79.20

The trend shown in the above graph does not necessarily correspond to the Corporation's trend of compensation for the NEOs for the period disclosed above. The Corporation considers a number of factors in connection with its determination of appropriate levels of compensation including, but not limited to, the demand for and supply of skilled professionals with experience in the oil and gas industry, individual performance, the Corporation's performance (which is not necessarily tied exclusively to the trading price of the Common Shares on the TSX and other factors discussed under "Compensation Discussion and Analysis" above).

## NEO Compensation

### Summary Compensation Table

The following table provides information concerning compensation of the NEOs for the years ended December 31, 2015, 2014 and 2013.

Name and Principal Position	Year	Salary (\$)	Option Awards (\$)	Non-equity incentive plan compensation (\$)	All Other Compensation <sup>(10)</sup> (\$)	Total Compensation (\$)
				Annual Incentive Plan		
James D. McFarland CEO	2015	258,750	122,150 <sup>(1)(4)</sup>	Nil <sup>(5)(6)</sup>	Nil	380,900
	2014	255,000	132,480 <sup>(2)(4)</sup>	95,500	Nil	482,980
	2013	248,750	207,360 <sup>(3)(4)</sup>	25,000	Nil	481,110
Stephen E. Bjornson CFO	2015	223,750	73,850 <sup>(1)(4)</sup>	Nil <sup>(5)(7)</sup>	Nil	297,600
	2014	220,000	80,240 <sup>(2)(4)</sup>	66,000	Nil	366,240
	2013	215,000	125,280 <sup>(3)(4)</sup>	25,000	Nil	365,280
Donald W. Shepherd VP Engineering	2015	208,750	60,900 <sup>(1)(4)</sup>	Nil <sup>(5)(8)</sup>	Nil	269,650
	2014	205,000	66,240 <sup>(2)(4)</sup>	46,000	Nil	317,240
	2013	201,250	103,680 <sup>(3)(4)</sup>	25,000	Nil	329,930
Lyle A. Martinson VP Operations	2015	208,750	60,900 <sup>(1)(4)</sup>	Nil <sup>(5)(9)</sup>	Nil	269,650
	2014	205,000	66,240 <sup>(2)(4)</sup>	46,000	Nil	317,240
	2013	201,250	103,680 <sup>(3)(4)</sup>	25,000	Nil	329,930

#### Notes:

- (1) This does not represent cash paid to the NEO. This figure is based on the grant date fair value of such Options as at March 13, 2015 calculated through the use of the Black-Scholes Model. The grant date fair value was determined in accordance with International Financial Reporting Standards. This methodology was chosen in order to be consistent with the accounting fair value used by the Corporation in its financial statements and since Black-Scholes is a commonly used methodology for valuing options which provides an objective and reasonable estimate of fair value. The key assumptions of this valuation include current market price of the stock, exercise price of the option, option term (weighted average expected life), risk-free interest rate, dividend yield of stock and volatility of stock return. The actual assumptions and estimates used for the summary compensation table values were as follows: Fair Value of \$0.35 per share; Risk-Free Interest Rate of 0.77%; Expected Life of 4.5 years; Expected Volatility of 81.31%; and Dividend per Share of nil. The Options vest in thirds, on the first, second and third year anniversary of the grant date. Accordingly, none of these Options had vested as at December 31, 2015.
- (2) This does not represent cash paid to the NEO. This figure is based on the grant date fair value of such Options as at March 31, 2014 calculated through the use of the Black-Scholes Model. The grant date fair value was determined in accordance with International Financial Reporting Standards. This methodology was chosen in order to be consistent with the accounting fair value used by the Corporation in its financial statements and since Black-Scholes is a commonly used methodology for valuing options which provides an objective and reasonable estimate of fair value. The key assumptions of this valuation include current market price of the stock, exercise price of the option, option term (weighted average expected life), risk-free interest rate, dividend yield of stock and volatility of stock return. The actual assumptions and estimates used for the summary compensation table values were as follows: Fair Value of \$0.46 per share; Risk-Free Interest Rate of 1.6%; Expected Life of 4.5 years; Expected Volatility of 100%; and Dividend per Share of nil. The Options vest in thirds, on the first, second and third year anniversary of the grant date. Accordingly, one-third of these Options had vested as at December 31, 2015.
- (3) This does not represent cash paid to the NEO. This figure is based on the grant date fair value of such Options as at March 18, 2013 calculated through the use of the Black-Scholes Model. The grant date fair value was determined in accordance with International Financial Reporting Standards. This methodology was chosen in order to be consistent with the accounting fair value used by the Corporation in its financial statements and since Black-Scholes is a commonly used methodology for valuing options which provides an objective and reasonable estimate of fair value. The key assumptions of this valuation include current market price of the stock, exercise price of the option, option term (weighted average expected life), risk-free interest rate, dividend yield of stock and volatility of stock return. The actual assumptions and estimates used for the summary compensation table values were as follows: Fair Value of \$0.72 per share; Risk-Free Interest Rate of 1.5%; Expected Life of 4.5 years; Expected Volatility of 100%; and Dividend per Share of nil. The Options vest in thirds, on the first, second and third year anniversary of the grant date. Accordingly, two thirds of these Options had vested as at December 31, 2015.
- (4) The actual value of the Options granted to the NEOs will be determined based on the market price of the Common Shares at the time of exercise of such Options, which may be greater or less than grant date fair value reflected in the table above. See "NEO Compensation - Outstanding Option-Based Awards".
- (5) The Board reviewed the corporate performance of the Corporation for 2015 and determined bonus amounts for the NEOs, but deferred such bonuses and made payment of such amounts conditional upon achieving certain corporate milestones by September 1, 2016.
- (6) If the milestone is achieved by September 1, 2016, Mr. McFarland shall receive a bonus payment of \$60,000.
- (7) If the milestone is achieved by September 1, 2016, Mr. Bjornson shall receive a bonus payment of \$40,000.
- (8) If the milestone is achieved by September 1, 2016, Mr. Shepherd shall receive a bonus payment of \$30,000.
- (9) If the milestone is achieved by September 1, 2016, Mr. Martinson shall receive a bonus payment of \$30,000.
- (10) Nil indicates that perquisites and other personal benefits did not exceed \$50,000 or 10% of the total salary of the NEO for the financial year.

### ***Outstanding Option-Based Awards***

The following table sets forth information with respect to the unexercised Options granted under the Option Plan to the NEOs which were outstanding as of December 31, 2015. None of the NEOs exercised Options from January 1, 2015 to December 31, 2015.

Name and Principal Position	Number of Common Shares Underlying Unexercised Options	Option-Based Awards		
		Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) <sup>(1)</sup>
James D. McFarland CEO	349,000	0.57	March 13, 2022	31,410
	288,000	0.64	March 31, 2021	5,760
	288,000	1.00	March 18, 2020	Nil
Stephen E. Bjornson CFO	211,000	0.57	March 13, 2022	18,990
	174,000	0.64	March 31, 2021	3,480
	174,000	1.00	March 18, 2020	Nil
Donald W. Shepherd VP Engineering	174,000	0.57	March 13, 2022	15,660
	144,000	0.64	March 31, 2021	2,880
	144,000	1.00	March 18, 2020	Nil
Lyle A. Martinson VP Operations	174,000	0.57	March 13, 2022	15,660
	144,000	0.64	March 31, 2021	2,880
	144,000	1.00	March 18, 2020	Nil

**Note:**

- (1) The value shown is the product of the number of Common Shares underlying the Option multiplied by the difference between the Common Share TSX closing price on December 31, 2015 of \$0.66 and the exercise price.

### ***Incentive Plan Awards - Value Vested or Earned During the Year***

The following table sets forth information with respect to the value of Options vested during the year ended December 31, 2015 as well as the cash bonuses granted to the NEOs during the year ended December 31, 2015.

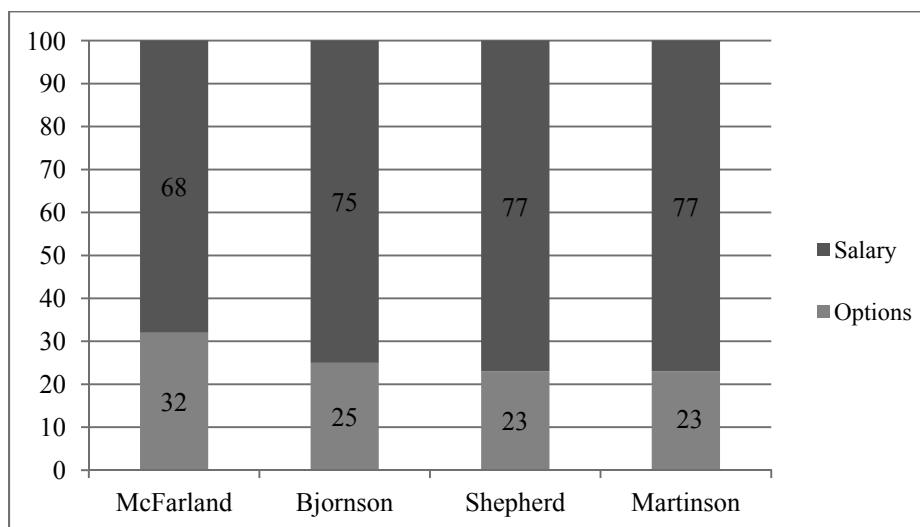
Name and Principal Position	Option-Based Awards Value Vested During Year (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation Value earned during the year (\$) <sup>(2)</sup>
James D. McFarland CEO	Nil	Nil <sup>(3)</sup>
Stephen E. Bjornson CFO	Nil	Nil <sup>(4)</sup>
Donald W. Shepherd VP Engineering	Nil	Nil <sup>(5)</sup>
Lyle A. Martinson VP Operations	Nil	Nil <sup>(6)</sup>

**Notes:**

- (1) The value shown is the product of the number of Common Shares underlying the Options that vested during the year multiplied by the difference between the Common Share TSX closing price on the day the Options vested and the exercise price of the Options that vested.
- (2) The Board reviewed the corporate performance of the Corporation for 2015 and determined bonus amounts for the NEOs, but deferred such bonuses and made payment of such amounts conditional upon achieving certain corporate milestones by September 1, 2016.
- (3) If the milestone is achieved by September 1, 2016, Mr. McFarland shall receive a bonus payment of \$60,000.
- (4) If the milestone is achieved by September 1, 2016, Mr. Bjornson shall receive a bonus payment of \$40,000.
- (5) If the milestone is achieved by September 1, 2016, Mr. Shepherd shall receive a bonus payment of \$30,000.
- (6) If the milestone is achieved by September 1, 2016, Mr. Martinson shall receive a bonus payment of \$30,000.

## Executive Compensation Breakdown: Fixed vs. Performance Based “At Risk” Compensation

The 2015 executive compensation breakdown chart below reflects the Corporation’s performance approach that emphasizes variable (or “at risk”) compensation in the form of short term incentive (bonuses) (see note regarding 2015 bonuses) and long term incentive compensation (Options), as opposed to fixed compensation (salaries). The Governance and Compensation Committee and the Board believe that the mix of short term and long term incentive awards, combined with corporate performance goals related to safety, growth in production, reserves and funds flow from operations, share price performance and achievement of strategic objectives, result in an appropriate mix of pay for performance and discouragement of inappropriate risk taking behavior.



**Note:**

- (1) The Board reviewed the corporate performance of the Corporation for 2015 and determined bonus amounts for the NEOs, but deferred such bonuses and made payment of such amounts conditional upon achieving certain corporate milestones by September 1, 2016. The deferred conditional bonuses, if paid, will represent 14% of total 2015 compensation for Mr. McFarland, 12% for Mr. Bjornson, 10% for Mr. Shepherd and 10% for Mr. Martinson.

## Employment Agreements and Termination and Change of Control Benefits

Each of the NEOs is a party to an executive employment agreement (the “**Executive Employment Agreements**”) with the Corporation. The Executive Employment Agreements were established in 2011 for the President and CEO, CFO, VP Engineering and VP Operations. The Executive Employment Agreements have an indefinite term and contain standard confidentiality and non-solicitation provisions.

Valeura has agreed pursuant to the Executive Employment Agreements that the NEOs will receive base salaries determined by the Board and may receive discretionary bonuses, grants of Options, PSUs, reimbursement of expenses, benefits and certain perquisites as set forth in the Executive Employment Agreements, with the amounts paid in 2015 with respect to such matters set forth in the Summary Compensation Table.

The Executive Employment Agreements provide that, upon the termination of employment without just cause, in the case of constructive dismissal, upon disability as defined in the amended Executive Employment Agreements, or upon a change of control of the Corporation if the executive does not remain with the Corporation, the NEO is entitled to receive the amount of unpaid annual salary and declared but unpaid bonuses to and including the date of termination of employment, plus:



- (a) in the case of the President and CEO, a severance payment in the amount of two times the annual salary and cost of benefits plus two times the average amount of the bonus paid for the three calendar years prior to the date of termination;
- (b) in the case of the CFO, a severance payment in the amount of one and one-half times annual salary and cost of benefits plus one and one-half times the average amount of the bonus paid for the three calendar years prior to the date of termination; and
- (c) in the case of each of the VP Engineering and VP Operations, a severance payment in the amount of one time the annual salary and cost of benefits plus one time the average amount of bonus paid for the three calendar years prior to the date of termination.

Upon the death of any of the NEOs, such NEOs personal representatives shall be entitled to receive the amount of unpaid salary to and including the date of death, plus any bonus declared but not yet paid, plus all outstanding vacation pay and expense reimbursements.

In addition, in the event of termination of employment for any reason, any outstanding Options shall be treated in the manner set forth in the Option Plan and applicable stock option agreement, which provide that all unvested Options shall terminate as of the date notice is given in respect of such termination. Notwithstanding the foregoing, in the event of any Change of Control Transaction (as defined in the Option Plan) or an Unsolicited Offer (as defined in the Option Plan) or upon the death or disability of the NEO, all unexercised and unvested outstanding Options granted shall vest and become immediately exercisable unless otherwise determined by the Board in accordance with the Option Plan and the applicable stock option agreement.

The following table sets forth information with respect to the estimated aggregate dollar amount to which each NEO would have been entitled if the event resulting in termination of employment occurred on December 31, 2015.

Name	Triggering Event	Cash Payment	Value of Equity and Share Based Awards and other Benefits	Total Payout
James D. McFarland	Termination without cause and Cessation of employment in the case of a change of control	\$517,500	\$218,614 <sup>(2)</sup>	\$736,114
	Termination with cause or resignation	Nil <sup>(1)</sup>	\$1,920 <sup>(3)</sup>	\$1,920
Stephen E. Bjornson	Termination without cause and Cessation of employment in the case of a change of control	\$335,625	\$126,947 <sup>(2)</sup>	\$462,572
	Termination with cause or resignation	Nil <sup>(1)</sup>	\$1,160 <sup>(3)</sup>	\$1,160
Donald W. Shepherd	Termination without cause and Cessation of employment in the case of a change of control	\$208,750	\$81,390 <sup>(2)</sup>	\$290,140
	Termination with cause or resignation	Nil <sup>(1)</sup>	\$960 <sup>(3)</sup>	\$960
Lyle A. Martinson	Termination without cause and Cessation of employment in the case of a change of control	\$208,750	\$77,148 <sup>(2)</sup>	\$285,898
	Termination with cause or resignation	Nil <sup>(1)</sup>	\$960 <sup>(3)</sup>	\$960

**Notes:**

- (1) In the event of a termination for just cause, resignation or retirement, the Corporation shall have no further obligation to the NEO,

- other than the payment of unpaid base salary, any bonus declared but not yet paid, plus all outstanding vacation pay and expense reimbursement.
- (2) The value shown is a multiple of the annual cost of benefits and the average cash bonus paid in respect of the years ended December 31, 2014, 2013 and 2012, plus the product of the number of Common Shares underlying the Options multiplied by the difference between the Common Share TSX closing price on December 31, 2015 of \$0.66 and the exercise price.
- (3) The value shown is the product of the number of Common Shares underlying the vested Options multiplied by the difference between the Common Share TSX closing price on December 31, 2015 of \$0.66 and the exercise price.

## Director Compensation

Non-executive Directors are remunerated based on their expertise and time commitment provided to the Corporation. In 2015, the Board approved the recommendation of the Governance and Compensation Committee to increase non-executive Director compensation as of April 1, 2015. Non-executive Directors receive a set retainer of \$25,000 per year (\$20,000 in 2014), except for the Chairman who receives an additional set retainer of \$10,000 (\$5,000 in 2014). The Chairs of the Audit Committee, the Governance and Compensation Committee and the Reserves & Health, Safety and Environment Committee each receive an additional \$8,000 retainer (\$6,000 in 2014 for the Governance and Compensation Committee and the Reserves & Health, Safety and Environment Committee). Additional fees are paid for committee service and meeting attendance (\$1,500 per meeting (\$1,000 in 2014)). Non-executive Directors are also eligible to receive grants of Options and PSUs. The Governance and Compensation Committee recommend compensation levels and any Option or PSU awards for directors to the Board, taking into account compensation data from independent compensation consultants and the compensation levels for the directors of companies in the Peer Group, as well as the recommendations received from Total Reward Professionals.

Mr. McFarland does not receive any compensation as a director of the Corporation and thus is not included in the following tables. All of Mr. McFarland's compensation information is reflected under "NEO Compensation – Summary Compensation Table".

### Summary Compensation Table

The following table sets forth information concerning compensation paid to the non-executive Directors for the year ended December 31, 2015.

Name	Fees Earned (\$)	Option-based awards (\$) <sup>(1)(2)</sup>	All Other Compensation (\$) <sup>(3)</sup>	Total (\$)
Abdel F. Badwi	43,750	17,850	Nil	61,600
William T. Fanagan	59,500	17,850	Nil	77,350
Claudio A. Ghersinich	39,750	17,850	Nil	57,600
Timothy R. Marchant <sup>(4)</sup>	27,750	42,000	Nil	69,750
Kenneth D. McKay <sup>(5)</sup>	19,750	17,850	Nil	37,600
Ronald W. Royal	47,250	17,850	Nil	65,100

#### Notes:

- (1) This does not represent cash paid to the director. This figure is based on the grant date fair value of such Options as at March 13, 2015 calculated through the use of the Black-Scholes Model. The grant date fair value was determined in accordance with International Financial Reporting Standards. This methodology was chosen in order to be consistent with the accounting fair value used by the Corporation in its financial statements and since Black-Scholes is a commonly used methodology for valuing options which provides an objective and reasonable estimate of fair value. The key assumptions of this valuation include current market price of the stock, exercise price of the option, option term (weighted average expected life), risk-free interest rate, dividend yield of stock and volatility of stock return. The actual assumptions and estimates used for the option-based awards are as follows: Fair Value of \$0.35 per share; Risk-Free Interest Rate of 0.77%; Expected Life of 4.5 years; Expected Volatility of 81.31%; and Dividend per Share of nil. The Options vest in thirds, on the first, second and third year anniversary of the grant date. Accordingly, none of these Options had vested as at December 31, 2015.
- (2) The actual value of the Options granted to the directors will be determined based on the market price of the Common Shares at the time of exercise of such Options, which may be greater or less than grant date fair value reflected in the table above. See "Director Compensation - Outstanding Option-Based Awards".

- (3) Nil indicates that no other compensation was paid or otherwise provided, indirectly or directly, by the Corporation to a director in any capacity, under any other arrangement.
- (4) Dr. Marchant was appointed to the Board on April 15, 2015 at which time he received an initial option award. The actual assumptions and estimates used for the option-based award are as follows: Fair Value of \$0.42 per share; Risk-Free Interest Rate of 0.71%; Expected Life of 4.5 years; Expected Volatility of 81.43%; and Dividend per Share of nil.
- (5) Mr. McKay did not stand for re-election at the annual and special meeting of Shareholders held June 17, 2015.

### ***Outstanding Option-Based Awards***

The following table sets forth information with respect to the unexercised Options granted under the Option Plan to the directors which were outstanding as of December 31, 2015. None of the directors exercised Options from January 1, 2015 to December 31, 2015.

Name and Principal Position	Number of Common Shares Underlying Unexercised Options	Option-Based Awards		
		Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) <sup>(1)</sup>
Abdel F. Badwi	51,000	0.57	March 13, 2022	4,590
	42,000	0.64	March 31, 2021	840
	42,000	1.00	March 18, 2020	Nil
William T. Fanagan	51,000	0.57	March 13, 2022	4,590
	42,000	0.64	March 31, 2021	840
	42,000	1.00	March 18, 2020	Nil
Claudio A. Ghersinich	51,000	0.57	March 13, 2022	4,590
	42,000	0.64	March 31, 2021	840
	42,000	1.00	March 18, 2020	Nil
Timothy R. Marchant <sup>(2)</sup>	100,000	0.68	April 15, 2022	Nil
Ronald W. Royal	51,000	0.57	March 13, 2022	4,590
	42,000	0.64	March 31, 2021	840
	42,000	1.00	March 18, 2020	Nil

**Notes:**

- (1) The value shown is the product of the number of Common Shares underlying the Option multiplied by the difference between the Common Share TSX closing price on December 31, 2015 of \$0.66 and the exercise price.
- (2) Dr. Marchant was appointed to the Board on April 15, 2015.

### ***Incentive Plan Awards - Value Vested or Earned During the Year***

The following table sets forth information with respect to the value of Options vested during the year ended December 31, 2015 as well as the cash bonuses granted to directors during the year ended December 31, 2015.

Name	Option-Based Awards Value Vested During Year (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation Value earned during the year (\$)
Abdel F. Badwi	Nil	N/A
William T. Fanagan	Nil	N/A
Claudio A. Ghersinich	Nil	N/A
Timothy R. Marchant	Nil	N/A
Kenneth D. McKay	Nil	N/A
Ronald W. Royal	Nil	N/A

**Note:**

- (1) The value shown is the product of the number of Common Shares underlying the Options that vested during the year multiplied by the difference between the Common Share TSX closing price on the respective days the Options vested and the exercise price of the respective Options that vested.

## **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED ON**

Except as disclosed in this Information Circular, management of Valeura is not aware of any material interest of any director or executive officer or any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No director, proposed director, executive officer, nor any of their respective associates or affiliates, is or has been indebted to the Corporation or its subsidiaries since the beginning of the Corporation's most recently completed financial year.

## **EQUITY PLAN COMPENSATION**

The Corporation currently has two equity compensation plans in place, the Option Plan and PSU Plan. Both plans authorize the Board to make grants to directors, officers, employees or other services providers of the Corporation. In 2015, the Corporation granted Options exercisable into 2,138,000 Common Shares, representing 3.7% of the issued and outstanding Common Shares as at December 31, 2015, and 135,000 Options exercisable into Common Shares were not exercised and were cancelled. As of December 31, 2015, the Corporation had Options exercisable into 5,177,000 Common Shares outstanding, which represents approximately 8.9% of the issued and outstanding Common Shares. On January 8, 2015, 2,796,750 performance warrants of the Corporation expired unexercised.

### **Number of Common Shares Available Under the Option Plan and the PSU Plan**

The 10% rolling limit on the number of Common Shares that may be reserved for issuance applies to the Common Shares reserved for issuance under the Option Plan and the PSU Plan as well as any other security based compensation plans of the Corporation.

Subject to the policies of the TSX, the number of Common Shares reserved for issuance under the Option Plan, the PSU Plan and any other security based compensation plan of the Corporation, in the aggregate: (i) shall not exceed 5% of the total number of Common Shares outstanding to any one individual in any 12 month period (2% in the case of both a consultant or an employee conducting investor relations activities); (ii) shall not exceed 10% of the total number of Common Shares outstanding to Insiders; and (iii) shall not exceed 10% of the total number of Common Shares outstanding to Insiders in any 12 month period. The term "Insider" has the meaning ascribed thereto in the TSX Company Manual.

### **Option Plan**

The Option Plan is intended to achieve a number of objectives through the grant of Options including:

- retaining and attracting qualified directors, officers, employees and consultants;
- promoting a proprietary interest in the Corporation;
- providing a long term incentive element in compensation; and
- promoting profitability of the Corporation.

### ***Participation and Change in Employment***

The Option Plan provides that:

- participation in the plan shall be entirely voluntary and any decision not to participate shall not affect an optionee's relationship or employment with the Corporation. Similarly, the Option Plan specifies that the granting of Options pursuant to the Option Plan shall in no way be construed as conferring on any optionee any right with respect to continuance as a director, officer, employee or consultant of the Corporation or of any of its subsidiaries; and
- Options shall not be affected by any change of employment of the optionee or by the optionee ceasing to be a director, officer, employee or consultant of the Corporation or a subsidiary, where the optionee becomes or continues to be a director, officer, employee or consultant of the Corporation or a subsidiary.

### ***Ceasing to be a Director, Officer, Employee or Consultant***

The Option Plan gives the Board discretion when issuing Options to determine whether Options may be exercised at all or for a limited period of time following an optionee ceasing to be an employee, officer, director or consultant for any reason other than death or permanent disability, provided however, that Options held by such optionees must expire within a reasonable period following the date of such cessation as required under TSX policies. In the event of the death or permanent disability of an optionee, Options held by such optionee, whether or not vested, shall be exercisable for 12 months following the death or permanent disability of the optionee or the expiry time of such Options, whichever occurs first and thereafter shall be of no further force or effect.

### ***Term and Black-out Periods***

Under the Option Plan, all Options shall be for a term as determined in the discretion of the Board at the time of the grant, provided that no Options shall have a term exceeding 10 years.

The Option Plan also allows for the extension of the expiry date for an Option during a black-out period imposed by the Corporation. In the event that the expiration date of an Option falls within such a black-out period or within five business days after a black-out period, the expiry date of such Options shall be altered to be 10 business days after the black-out period ends, provided that in no case shall such extension create an Option having a term exceeding 10 years.

### ***Change of Control Transactions and Unsolicited Offers***

The Option Plan contains a comprehensive definition of Change of Control Transaction and provides that, unless otherwise determined by the Board, in the event of a Change of Control Transaction or an Unsolicited Offer (as such terms are defined in the Option Plan), all Options shall vest and become immediately exercisable.

In addition, if the Board approves a Change of Control Transaction, the Board may provide notice to the optionees of the time period during which such optionees must purchase all or a portion of that number of Common Shares to which such optionees are entitled pursuant to the unexercised Options. Any Options not exercised at the expiry of such period shall terminate and expire, unless such Change of Control Transaction is not completed. Any Options remaining unexercised following the earlier of the withdrawal of an Unsolicited Offer and the expiry of such Unsolicited Offer in accordance with its terms again become subject to the original terms of such options as if the Unsolicited Offer had not been made.

### ***Amendment, Termination and Adjustments***

The Option Plan contains provisions specifically outlining amendments to the Option Plan which may be made by the Board without the further approval of Shareholders. While this is not specifically required by the policies of the TSX, these provisions provide clarity and are consistent with the rules of the TSX

which require that in order for amendments to proceed without requiring securityholder approval, the plan must specify if securityholder approval is required for each type of amendment to a stock option plan.

The Option Plan gives the Board discretion to may make adjustments to Options to prevent substantial dilution or enlargement of the rights granted to optionees in the context of certain specified corporate events.

### ***Non Assignability***

The Options are not transferable or assignable, except for a limited right of assignment on the death or permanent disability of an optionee.

### **PSU Plan**

No awards of PSUs have yet been granted under the PSU Plan.

### ***Purpose of the PSU Plan***

The principal purposes of the PSU Plan are to: (i) to strengthen the ability of the Corporation to attract and retain qualified directors, officers, employees and consultants which the Corporation and its subsidiaries require; (ii) to encourage the acquisition of a proprietary interest in the Corporation by such directors, officers, employees and consultants, thereby aligning their interests with the interests of the Shareholders; and (iii) to focus management of the Corporation and its subsidiaries on operating and financial performance and total long term Shareholder return by providing an increased incentive to contribute to the Corporation's growth and profitability.

### ***Eligibility and Award Determination***

In accordance with the terms of the PSU Plan, awards of PSUs ("**Unit Awards**") may be granted to employees, officers, directors or consultants of the Corporation or a subsidiary (individually, a "**Service Provider**" and collectively, "**Service Providers**").

In determining the Service Providers to whom Unit Awards may be granted and the number of PSUs to be awarded pursuant to each Unit Award, the Board will take into account the following factors: (i) compensation data for comparable benchmark positions among the Corporation's competitors; (ii) the duties and seniority of the Service Provider; (iii) corporate performance measures of the Corporation for the most recently completed fiscal year; (iv) individual and/or departmental contributions and potential contributions to the success of the Corporation; and (v) such other factors as the Board shall deem relevant in connection with accomplishing the purpose of the PSU Plan.

### ***Vesting and Performance Factor***

The vesting date for the PSUs issued under the Unit Award and any adjustment (upward or downward) to the number of PSUs awarded by the application of a Performance Factor (as term is defined in the PSU Plan) shall be determined at the discretion of the Board, provided, however, in the event of a Change of Control Transaction or an Unsolicited Offer (as such terms are defined in the PSU Plan), unless otherwise determined by the Board, all PSUs credited to the grantee's Performance Account (as term is defined in the PSU Plan) that have not yet vested as of such time multiplied by the Performance Factor shall vest on the earlier of: (i) the next applicable vesting date determined in accordance with the Unit Award; and (ii) immediately prior to the effective time of a Change of Control Transaction, or on the date the Unsolicited Offer is made, as applicable. Under the terms of the PSU Plan, in the event that the Corporation pays a dividends on the Common Shares since the granting of a Unit Award, the number of all PSUs credited to the grantee's Performance Account will be increased.

### ***Cash Payment Option***

Under the terms of the PSU Plan, the Board may elect, in its sole discretion, to pay to any grantee of a Unit Award in lieu of delivering all or any part of the Common Shares that would be otherwise delivered to the grantee on such vesting date, a cash amount equal to the aggregate fair market value of such Common Shares that would otherwise be issued on such vesting date in consideration for surrender by the grantee to the Corporation of the right to receive all or any part of the Common Shares under such Unit Award.

### ***Termination of Relationship as Service Provider and Non-Transferability***

In the event that a grantee of a Unit Award is terminated (whether for cause or without cause), all outstanding Unit Award Agreements (as term is defined in the PSU Plan) and unvested PSUs held by such grantee shall be terminated and all rights to receive Common Shares thereunder shall be forfeited. In the event that a grantee of a Unit Award ceases to be a Service Provider for any reason other than due to a termination or the disability or death of such grantee, all Unit Award Agreements and all unvested PSUs will be terminated and all rights to receive Common Shares thereunder shall be forfeited as of the last day of any notice period applicable in respect of such voluntary resignation. In the event of the disability or death of the grantee, the vesting date of all PSUs shall be accelerated as of the date of the grantee's death or as of the date of the determination of disability, as applicable, provided that the Board, taking into account the performance of the Corporation and the grantee, may determine the Performance Factor (as such term is defined in the PSU Plan) to be applied in determining the number of PSUs which will vest.

All rights to receive Common Shares pursuant to a Unit Award granted to a Service Provider may only be exercised by such Service Provider personally (except in the event of the death of the grantee of a Unit Award, in which case, Common Shares or cash may be delivered to the grantee's estate or designated beneficiary).

### ***Black-out Periods***

The PSU Plan also allows for the extension of the vesting date for a PSU during a black-out period imposed by the Corporation. In the event that the vesting date of a PSU falls within a black-out period or within five business days after a black-out period, the vesting date of such PSU shall be altered to be 10 business days after the black-out period ends.

### ***Administration of the PSU Plan***

The PSU Plan shall be administered by the Board. The Board shall have the authority to make Unit Awards, to determine to whom and the times at which Unit Awards will be granted, to determine the fair market value of the Common Shares on any date, to determine the number of PSUs to be awarded pursuant to each Unit Award, to determine the vesting dates of the PSUs, to prescribe, amend and rescind rules and regulations relating to the PSU Plan, to interpret the PSU Plan, to determine the terms and provisions of Unit Award Agreements and to make all other determinations deemed necessary for the administration of the PSU Plan.

Outstanding Unit Awards granted under the PSU Plan may be adjusted in certain events, such as any change in the Common Shares through a reorganization or the granting of rights to Shareholders to purchase Common Shares at prices substantially below fair market value. In these events, the PSU Plan or any Unit Awards may be adjusted by the Board to prevent dilution or enlargement.

### ***Amendment and Termination of the PSU Plan***

Under the PSU Plan, the Corporation retains the right to amend from time to time or to suspend, terminate or discontinue the terms and conditions of the PSU Plan and the PSUs granted thereunder by resolution of the Board. The Board shall have the power to approve amendments relating to the Plan or to Unit Awards granted, without further approval of Shareholders, to the extent that such amendment: is to cure any ambiguity, error or omission in the PSU Plan; is necessary to comply with applicable law of any stock exchange on which the Common Shares are listed; is an amendment to the PSU Plan respecting administration and eligibility for participation under the PSU Plan; changes the terms and conditions of which Unit Awards may be or have been granted; alters, extends or accelerates the terms of vesting applicable to any Performance Share Unit; changes the termination provisions of a Performance Share Unit; or is an amendment to the PSU Plan for housekeeping purposes. Any amendments will be subject to the prior consent of any applicable regulatory bodies, including the TSX, and Shareholder approval, as may be required. Amendments having the following result will require Shareholder approval: changing the number of Common Shares issuable under the PSU Plan; material or unreasonable dilution in the number of outstanding Common Shares or any material benefit to a Service Provider; or changing the class of eligible participants to the PSU Plan with the potential of increasing participation by insiders. Any amendment to the PSU Plan shall take effect only with respect to Unit Awards granted after the effective date of such amendment, provided that it may apply to any outstanding Unit Awards with the mutual consent of the Corporation and the Service Providers to whom such Unit Awards have been granted.

### **SHARE OWNERSHIP GUIDELINES**

The Corporation has adopted share ownership guidelines for each director, the CEO, the CFO and each Vice President who is an officer of the Corporation to further align the interests of directors and executive officers with those of the Shareholders. Directors and executive officers are required to hold a number of Common Shares or PSUs (based on the minimum vesting of 50%) equivalent to the value set out below:

<b>Position</b>	<b>Value of Common Shares or PSUs to be held</b>
Director	3 times annual retainer
CEO	3 times annual base salary
CFO	2 times annual base salary
Officer Vice President	1 times annual base salary

The value of the Common Shares or PSUs required to be held by each director and executive officer corresponds to the value which is the higher of: (i) the acquisition price of the Common Shares or the value of the PSUs (based on minimum vesting or 50%) at the grant date; and (ii) the current market price of the Common Shares or the value of the PSUs (based on minimum vesting or 50%) based on the current market price of the Common Shares.

Each director and executive officer must hold the relevant number of Common Shares and/or PSUs within five years of being appointed or elected to the Board or being hired or promoted as an executive officer, as the case may be.

As of the date hereof, each director and executive officer was in compliance with the share ownership guidelines, other than Dr. Marchant who was appointed as a director on April 15, 2015. Under the share ownership guidelines, Dr. Marchant has five years from the date of appointment to satisfy the ownership requirements.



## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth the number of Common Shares to be issued upon exercise of outstanding Options, the weighted average exercise price of such outstanding Options and the number of Common Shares remaining available for future issuance under equity compensation plans as at December 31, 2015.

Equity Compensation Plan Category	Number of Common Shares to be issued upon exercise of outstanding options, warrants or rights	Weighted-average exercise price of outstanding options, warrants or rights	Number of Common Shares remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by Shareholders	5,177,000	\$0.72	613,614
Equity compensation plans not approved by Shareholders	Nil	N/A	N/A
Total	5,177,000	-	613,614

**Note:**

- (1) Based on the figure that is 10% of the issued and outstanding Common Shares that are available for issuance under the Option Plan or PSU Plan as at December 31, 2015. As at December 31, 2015, there were 57,906,135 Common Shares issued and outstanding.

## CORPORATE GOVERNANCE

The Corporation's Statement of Corporate Governance Practices is set out in Appendix "A" to this Information Circular.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed in this Information Circular, which is available on SEDAR at [www.sedar.com](http://www.sedar.com), neither the Corporation nor any director or officer of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any other insider of the Corporation, nor any associate or affiliate of any one of them has or has had, at any time since the beginning of the year ended December 31, 2015, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Corporation.

## OTHER BUSINESS

Management of Valeura is not aware of any other business to come before the Meeting other than as set forth in the Notice of Meeting. If any other business properly comes before the Meeting, it is the intention of the persons named in the form of proxy to vote the Common Shares represented thereby in accordance with their best judgment on such matter.

## ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is contained in the Corporation's consolidated financial statements and management's discussion and analysis for the year ended December 31, 2015 and information with respect to the business of the Corporation is contained in the Corporation's annual information for the year ended December 31, 2015. In addition, a Shareholder may obtain copies of the Corporation's financial statements and management's discussion and analysis by contacting the Corporation at Suite 1200, 202 - 6<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 2R9, by telephone at (403) 237-7102.

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## APPENDIX “A”

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

(See Attached)

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

*Capitalized terms used in this Appendix “A” but not otherwise defined herein shall have the meanings ascribed thereto in the Information Circular to which this Appendix “A” is appended.*

The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interests of the Shareholders but that it also promotes effective decision making at the Board level. The Board is of the view that its approach to corporate governance is appropriate and continues to work to align with the recommendations currently in effect and contained in National Policy 58-201 - *Corporate Governance Guidelines* (“NP 58-201”) which are addressed below.

#### **Mandate of the Board**

The Board has responsibility for the stewardship of the Corporation. The Board has adopted a formal written mandate which is set out as Appendix “B” to this Information Circular. In carrying out this mandate, the Board meets regularly and a broad range of matters are discussed and reviewed for approval. These matters include overall corporate plans and strategies, budgets, internal controls and management information systems, risk management as well as interim and annual financial and operating results. The Board is also responsible for the approval of all major transactions, including equity issuances, acquisitions and dispositions, as well as the Corporation’s debt and borrowing policies. The Board strives to ensure that actions taken by management correspond closely with the objectives of the Board and Shareholders.

#### **Composition of the Board**

##### ***Independence***

The Board currently consists of six directors who provide the Corporation with a wide diversity of business experience. Dr. Marchant was appointed to the Board on April 15, 2015. Additional information for each of the nominee directors can be found under the heading “Meeting Matters - Election of Directors”. None of the directors are “Related” as such term is defined by the Canadian Coalition for Good Governance. Five of the current Board members (representing more than 83% of the Board), being Messrs. Badwi, Fanagan, Ghersinich, Marchant and Royal are independent directors as such term is defined by National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“NI 58-101”). Mr. McFarland as a member of the Board and in his capacity as the CEO is not an independent director as that term is defined in NI 58-101. Each of the independent directors has no direct or indirect material relationship with the Corporation, including any business or other relationship, which could reasonably be expected to interfere with the director’s ability to act with a view to the best interests of the Corporation or which could reasonably be expected to interfere with the exercise of the director’s independent judgment. Following the Meeting, Mr. Badwi will no longer be a member of the Board, and it is expected that Dr. Marchant will become Chair of the Governance and Compensation Committee.

	Year Appointed	Committees		
		Audit	Governance and Compensation	Reserves & Health, Safety and Environment
<b>Independent Board Members</b>				
Abdel F. Badwi	2010		Chair	
William T. Fanagan (Chair)	2010	Chair	Member	
Claudio A. Ghersinich	2010	Member		Member
Dr. Timothy R. Marchant	2015		Member	Member
Ronald W. Royal	2010	Member		Chair
<b>Not Independent – Management</b>				
James D. McFarland	2010			

### ***Director Term Limits and Other Mechanics of Board Renewal***

The Board adopted a retirement policy for directors, which provides the framework for the Corporation to allow for the renewal of the Board. After the age of 70, a director may not stand for re-election unless the Board in its discretion decides otherwise. The Board has not established any term limits for directors, as the Board takes the view that term limits are an arbitrary mechanism for removing directors which can result in valuable, experienced directors being forced to leave the Board solely because of length of service. The Board's priorities continue to be ensuring the appropriate skill sets are present amongst the Board to optimize the benefit to the Corporation. The Board conducts annual evaluations of the individual directors, the committees of the Board and the Board Chair, which are overseen by the Governance and Compensation Committee, to ensure these objectives are met. See "Board Assessments".

### ***Other Directorships***

The following directors currently serve on the board of directors of the reporting issuers (or equivalent) listed below, each of which are reporting issuers in one or more Canadian (or foreign) jurisdictions.

<b>Name</b>	<b>Name of other Reporting Issuer</b>	<b>Exchange</b>	<b>Committee Appointments</b>
William T. Fanagan	None		
Abdel F. Badwi	Bankers Petroleum Ltd.	TSX	Health, Safety and Environment
	ArPetrol Ltd.	TSX Venture Exchange	Governance and Compensation Health, Safety and Environment Reserves
	Americas Petrogas Inc.	TSX Venture Exchange	Executive Chairman
Claudio A. Ghersinich	Vermilion Energy Inc.	TSX	Audit Reserves
	ArPetrol Ltd.	TSX Venture Exchange	Chairman Audit Reserves
James D. McFarland	Pengrowth Energy Corporation	TSX	Audit and Risk Compensation
	MEG Energy Corp.	TSX	Compensation Governance and Nominating
Dr. Timothy R. Marchant	Vermilion Energy Inc.	TSX	Health, Safety and Environment Reserves
	Cub Energy Inc.	TSX Venture Exchange	Audit Compensation, Nominating and Governance Reserves
Ronald W. Royal	Oando Energy Resources Inc.	TSX	Audit Corporate Governance Environment, Health and Safety
	Gran Tierra Energy Inc.	TSX	Audit Health, Safety and Environment Reserves

### ***Directors Serving Together***

Common memberships on boards of public companies among our current directors are set out below. The Board has determined that these directorship interlocks do not impair the ability of such directors to exercise independent judgment as directors of Valeura.

<b>Public Company</b>	<b>Director</b>	<b>Committee Membership</b>
ArPetrol Ltd.	Abdel F. Badwi	Governance and Compensation Health, Safety and Environment Reserves
	Claudio A. Ghersinich	Chairman Audit Reserves
Vermilion Energy Inc.	Claudio A. Ghersinich	Audit Reserves
	Dr. Timothy R. Marchant	Health, Safety and Environment Reserves

## Board Meetings

The Board holds a minimum of four regular quarterly meetings and a corporate strategy session each year, as well as additional meetings as required. An *in camera* session of the directors is held at each regularly scheduled Board and committee meeting so that the independent members of the Board have an opportunity to meet without the presence of management members of the Board.

## Meeting Attendance

Name	Board Meetings Attended in 2015 <sup>(1)</sup>		Committee Meetings Attended in 2015	
	No.	%	No.	%
Abdel F. Badwi	6 of 6	100	4 of 5	80
William T. Fanagan	6 of 6	100	9 of 9	100
Claudio A. Ghersinich	6 of 6	100	6 of 6	100
Timothy R. Marchant <sup>(2)</sup>	4 of 4	100	2 of 2	100
Kenneth D. McKay <sup>(3)</sup>	3 of 3	100	5 of 5	100
James D. McFarland	6 of 6	100	11 of 11 <sup>(4)</sup>	100
Ronald W. Royal	6 of 6	100	6 of 6	100

### Notes:

- (1) Meeting attendance on special and/or other ad hoc committees of directors which may be formed, from time to time, to make recommendations to the Board in regard to a particular matter is not included.
- (2) Mr. Marchant was appointed to the Board on April 15, 2015.
- (3) Mr. McKay did not stand for re-election at the annual and special meeting of Shareholders held on June 17, 2015.
- (4) Mr. McFarland is not a member of any of the three standing committees, but was requested by the chair of each committee to attend the meetings of each such committee. At each such meeting, the members of each committee, all of whom are independent meet *in camera* without Mr. McFarland.

## Orientation and Continuing Education

New directors are provided with an orientation and education program which includes written information about the duties and obligations of directors and the business and operations of the Corporation included in a comprehensive Board manual. New directors are also provided with the opportunity to review documents from recent Board meetings and to participate in meetings and discussions with senior management and other directors. Orientation programs are tailored to meet a director's individual needs and areas of expertise.

Continuing education opportunities are directed at enabling individual directors to maintain or enhance their skills and abilities as directors, as well as ensuring that their knowledge and understanding of the Corporation's affairs remains current. Directors are kept informed as to matters which may impact the Corporation's operations through regular reports and presentations at Board and committee meetings. Non-management directors are encouraged to, and often, attend committee meetings of which they are not members.

## Ethical Business Conduct

The Board has adopted a Code of Business Conduct and Ethics (the "**Code**"), which applies to all directors, officers, employees and contractors of the Corporation. In 2012, management and the Board conducted a thorough review of anti-corruption legislation in Canada and Turkey. The Code was subsequently amended to include the Anti-Corruption Policy Relating to Foreign Public Officials (the "**Anti-Corruption Policy**"), and the Board amended the Audit Committee Terms of Reference to provide it with oversight over such

policy, with further reporting to and supervision by the Board as appropriate. The Code and the Anti-Corruption Policy are consistent with the ethical goals and guidelines discussed herein. A complete copy of the Code is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Code demonstrates the Corporation's commitment to conducting business ethically, legally and in a safe and fiscally, environmentally and socially responsible manner. It outlines a framework of guiding principles to which each employee, director, officer and contractor is expected to adhere and acknowledge, and this acknowledgement is an annual requirement.

The Code provides that directors, officers, employees and contractors must, among other things:

- (a) at all times abide by all applicable laws and respect their intent, including laws related to insider trading and reporting, anti-bribery statutes and health, safety and environmental laws;
- (b) always act in the best interests of the Corporation;
- (c) avoid situations that may result in a conflict or perceived conflict between their personal interests and those of the Corporation;
- (d) provide full disclosure of any actual or potential conflicts of interest in accordance with the procedures of the Code;
- (e) maintain the confidentiality of all non-public information relating to the Corporation;
- (f) not use the Corporation's property for personal benefit;
- (g) maintain proper records and ensure compliance with internal controls and financial reporting and accounting standards; and
- (h) conduct operations with the aim of preventing adverse effects on the environment and safeguarding life and health.

The Board monitors compliance with the Code and reviews it on at least an annual basis to determine whether updates are appropriate. Where a director or officer has any interest in or a perceived conflict involving a contract or business relationship with the Corporation, that director or officer is excluded from all discussions and deliberations regarding the contract or relationship and such director abstains from voting in respect thereof. Directors and executive officers have disclosed to the Corporation all directorships held by such member and the existence and nature of any interests that could result in a conflict situation with the Corporation.

The Board has also adopted a Whistleblower Policy relating to the reporting of inappropriate activity to encourage and promote a culture of ethical business conduct. The Whistleblower Policy is intended to encourage and facilitate the reporting of:

- (a) questionable accounting, internal accounting controls, or auditing matters;
- (b) the reporting of fraudulent financial information to Shareholders, regulatory agencies or financial markets; and
- (c) conduct which results in a violation of law by the Corporation or in substantial mismanagement of the Corporation's resources that, if proven, would constitute a criminal offence or reasonable grounds for dismissal of the person engaging in this conduct, without the fear of recrimination, retaliation or harassment.

## **Risk Oversight**

One of the major responsibilities of the Board is to oversee the identification of the principal risks affecting the Corporation's business and ensure there are systems in place to effectively identify, monitor and manage them. Management and the Board have developed a risk register describing the key areas of risk, the probability of certain events and the systems and controls in place to mitigate those risks. Each of the Board committees also reviews and evaluates the risks covered under their respective mandates, as well as the insurance coverage in place for insurable risks.

## **Nomination of Directors**

The Governance and Compensation Committee has the responsibility for reviewing the composition of the Board by taking into account, among other things, its size and the particular competencies and skills of its members. The Governance and Compensation Committee, in consultation with the Board Chair and CEO, will then identify potential Board nominees and recommend such nominees for election as directors based on the competencies and skills each new member possesses in the context of the needs of the Corporation. The Board as a whole is then responsible for nominating new directors.

The Corporation has not adopted a written policy relating to the identification and nomination of women directors. While the Governance and Compensation Committee considers gender, ethnic background, geographic representation and other personal characteristics that contribute to diversity amongst Board members, it is the skills, experience and integrity that are most important in assessing the value an individual could bring and contribution he or she can make to the Board. The Corporation has not adopted targets regarding women on the Board, and there are currently no women on the Board.

## **Board Assessments**

The Board is responsible for ensuring that there is a process in place for annually evaluating the effectiveness and contribution of the CEO, the Board, the committees of the Board, the Board Chair and the individual directors based on their applicable terms of reference or position description.

The objective of the assessments is to ensure the continued effectiveness of the Board in the execution of its responsibilities and to contribute to a process of continuing improvement. In addition to any other matters the Board deems relevant, the assessments may consider in the case of the Board or a committee, the applicable terms of reference, the applicable position descriptions, as well as the competencies and skills each individual director is expected to bring to the Board.

The Governance and Compensation Committee annually reviews and makes recommendations to the Board on the method and content of such evaluations and oversees the evaluation process. The Governance and Compensation Committee has developed an annual Board effectiveness survey which includes an individual director self-evaluation questionnaire and guide and evaluation of peer performance. The evaluation uses confidential director questionnaires and anonymous summaries of results, which encourage candid and constructive commentary. Confidentiality of individual director comments is maintained.



## Areas of Expertise

Valeura maintains a skills matrix to evaluate the skill set of the Board. The intent is to ensure the Board as a whole has the range of skills, expertise and experience to fulfill the overall mandate effectively. Each director indicates his level of expertise in each area annually on a four-point scale from limited (one) to expert application (four). There were no significant gaps identified in any of the desired skill areas. The matrix helps the Corporation identify gaps and is used to search for new directors.

The Governance and Compensation Committee reviewed the completed skills matrix and evaluations for 2015 and noted that the Board as a whole rated its aggregate score as between the skilled and expert level, with no significant gaps identified in any of the desired skill areas. The Governance and Compensation Committee is therefore satisfied that the Board has the appropriate experience and expertise to ensure that each of these areas is well-addressed and the Board is performing well. The table below highlights the skill areas assessed.

Skill/Experience Description
<b>Managing/Leading Growth</b> – Senior executive experience leading significant growth agenda through mergers and acquisitions. Demonstrates knowledge in developing long term corporate business strategies.
<b>Global</b> – Experience leading an international operation. Has a solid understanding of cultural and industry environments in the regions where the Corporation operates.
<b>Government Relations/Regulatory</b> - Broad regulatory, political and public policy experience at Canadian and international levels.
<b>CEO/Senior Officer</b> – Experience working as a CEO or senior officer for an organization of size similar to or greater than the Corporation.
<b>Industry Knowledge</b> – Maintains an understanding of the regulatory, business, social and political environments in which the Corporation operates. Becomes knowledgeable about the Corporation’s business including industry trends and key competitors.
<b>Oil and Gas</b> – Senior executive experience in the oil and gas industry, combined with a strong knowledge of the Corporation’s strategy and operations. May have formal training in engineering, geology, and/or geophysics.
<b>Company Knowledge</b> – Becomes generally knowledgeable about the Corporation’s business, including operations, markets, challenges, opportunities and internal control systems. Established knowledge of the Corporation’s senior management team and other high potential senior employees.
<b>Governance/Board</b> – Prior or current experience as a board member of a Canadian operation (public, private or non-profit sectors).
<b>Financial and Operational Acumen</b> – Senior executive experience in financial accounting and reporting and corporate finance. Familiarity with internal financial controls. Knowledge of and ability to evaluate strategic operating, capital and financing plans.
<b>Compensation</b> – Senior executive experience or board compensation committee participation with a thorough understanding of compensation, benefits and long term incentive programs, legislation and agreements. This includes specific expertise in executive compensation programs including base pay, incentives, equity and perquisites.
<b>Health, Safety &amp; Environment</b> – Thorough understanding of industry regulations and public policy related to workplace health, safety and environment. Demonstrated commitment to the Corporation’s health and safety values and knowledge of current programs.
<b>Social Responsibility</b> – Demonstrated understanding and commitment to the Corporation’s social responsibility values and programs.
<b>Diversity</b> – Contributes to the Board in a way that enhances perspectives through diversity in gender, ethnic background, geographic origin, experience (industry and public, private and non-profit sectors), etc.
<b>Personal Effectiveness</b> – Full and frank participation, effective, independent and respected presence. Displays personal effectiveness through interaction with others including Board members and company representatives.

## Board Committees

The Board has three standing committees, being the Audit Committee, the Governance and Compensation Committee and the Reserves & Health, Safety and Environment Committee. Below is a description of the committees and their current membership.

### ***Audit Committee***

The Audit Committee is comprised of William T. Fanagan (Chair), Ronald W. Royal and Claudio A. Ghersinich. All members are independent directors that the Board has determined are “financially literate” as defined in National Instrument 52-110 - *Audit Committees* (“NI 52-110”).

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing: (i) the financial information that will be provided to Shareholders and others; (ii) the systems of internal controls management and the Board have established; and (iii) all audit functions.

Further information relating to the Audit Committee, including its Terms of Reference, can be found under the heading “Audit Committee” in the Corporation’s annual information form for the year ended December 31, 2015 and filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### ***Governance and Compensation Committee***

The Governance and Compensation Committee is comprised of Abdel F. Badwi (Chair), William T. Fanagan and Timothy R. Marchant. All members are independent directors. Following the Meeting, Mr. Badwi will no longer be a member of the Board and it is expected that Dr. Marchant will become Chair of the Governance and Compensation Committee.

The key responsibilities of the Governance and Compensation Committee include:

- reviewing and considering the current and long term composition of the Board and recommending nominees for election as members of the Board;
- reviewing, monitoring and making recommendations regarding the orientation and ongoing development of directors;
- reviewing the Board manual periodically including the terms of reference for the Board, the Board Chair, the CEO, individual directors and Board committees;
- reviewing the director compensation program and making recommendations to the Board accordingly;
- implementing evaluations of the CEO, the Board, the Board Chair, Board committees and individual directors;
- appointing and overseeing the Corporation’s disclosure committee (a management committee) and public disclosure matters;
- overseeing the Code and ensuring a system to monitor compliance is in place;
- reviewing the corporate governance practices of the Corporation and, if appropriate, recommending changes to the Board;
- reviewing and recommending corporate goals and objectives for the CEO to be considered in determining his compensation and performance evaluation;

- reviewing management resources and succession plans to ensure that qualified personnel will be available for succession to executive positions;
- reviewing and recommending the compensation philosophy, guidelines and plans for the Corporation's employees and executives, and consider the risk implications of such policies and practices; and
- in consultation with the CEO, reviewing the compensation principles for base salaries, bonuses, long term incentives and benefit plans and approve the compensation for the executive team (including the CEO).

The Governance and Compensation Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to determine the compensation of such advisors. The Corporation has retained Total Reward Professionals to assist the Governance and Compensation Committee with its executive and director compensation deliberations. Total Reward Professionals' role includes, but is not limited to: (i) advising the Governance and Compensation Committee on emerging trends and developments in compensation; (ii) advice and recommendations regarding the Peer Group; and (iii) reviewing and advising on the overall compensation blueprint including overall strategy, target positioning, proxy comparators, survey comparators, performance metrics, pay element design and compensation levels under the various components of the Corporation's compensation plan.

The table below shows the fees paid to Total Reward Professionals over the last two years:

Services Performed	Fees paid in 2015	Fees paid in 2014
Executive compensation-related fees	\$24,440	\$17,169
All other fees	Nil	Nil

Total Reward Professionals was first retained in October 2011.

The Governance and Compensation Committee holds *in camera* meetings, without management present, at every regularly scheduled meeting of the Governance and Compensation Committee, and meets *in-camera* with the Corporation's independent compensation consultant. The Governance and Compensation Committee meets at least two times annually.

The Corporation recognizes that diversity is an economic driver of competitiveness for companies and it strives to promote an environment and culture conducive to the appointment of well qualified persons so that there is appropriate diversity to maximize the achievement of corporate goals. The Governance and Compensation Committee does not consider the level of representation of women in executive officer positions when making executive officer appointments. The recruitment, nomination and selection processes recognize the benefits of a diversity of views and do not discriminate on the basis of race, gender or other arbitrary factors. The Corporation has not adopted targets regarding women in executive officer positions. Currently, there are no women in executive officer positions. Ms. Stimpson, a partner of Torys LLP, has served as Corporate Secretary (an officer) of the Corporation since the incorporation of Northern Hunter Energy Inc. in 2006 and she is present at all Board and committee meetings.

### ***Reserves & Health, Safety and Environment Committee***

The Reserves & Health, Safety and Environment Committee is comprised of Ronald W. Royal (Chair), Timothy R. Marchant and Claudio A. Ghersinich. All members are independent.

The key responsibilities of the Reserves & Health, Safety and Environment Committee include:

- reviewing the selection and qualifications of the independent engineering firm(s) responsible for the estimate of reserve and resource quantities, the scope of its work and ensuring consistency of its practices and standards and all matters related to the independent engineering firm(s);
- reviewing with the independent engineering firm the evaluation report and summary of the reserves and future cash flows of the Corporation's oil and gas properties;
- assisting the Board in respect of matters related to evaluations of petroleum and natural gas reserves and resources;
- reviewing the health, safety and environment policies, activities and performance of the Corporation on behalf of the Board to ensure compliance with applicable laws, regulations, policies and industry standards; and
- advising and making recommendations to the Board, as appropriate on matters relating to health, safety and the environment.

The Reserves & Health, Safety and Environment Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to determine the compensation of such advisors.

The Reserves & Health, Safety and Environment Committee holds *in camera* meetings, without management present, at every regularly scheduled meeting of the Reserves & Health, Safety and Environment Committee, and meets *in camera* with the Corporation's independent engineering firm(s). The Reserves & Health, Safety and Environment Committee meets at least two times annually.

### **Position Descriptions**

The Board has developed written position descriptions which identify the responsibilities of the Board chair, the President and CEO, each committee of the Board and each Director.

**APPENDIX “B”**

**TERMS OF REFERENCE OF THE BOARD**

**(See Attached)**

## TERMS OF REFERENCE OF THE BOARD

### 1. INTRODUCTION

- (a) The Board's primary responsibility is to foster the long-term success of Valeura Energy Inc. (the "**Corporation**")<sup>1</sup> consistent with the Board's responsibility to the shareholders to maximize shareholder value.
- (b) The Board of Directors has plenary power. Any responsibility not delegated to management or a committee of the Board remains with the Board.
- (c) These terms of reference are prepared to assist the Board and management in clarifying responsibilities and ensuring effective communication between the Board and management.

### 2. COMPOSITION AND BOARD ORGANIZATION

- (a) Nominees for directors are initially considered and recommended by the Governance and Compensation Committee of the Board, approved by the entire Board and elected annually by the shareholders of the Corporation.
- (b) At least two-thirds of directors comprising the Board must qualify as independent directors. Any future expansion of the Board will be targeted to maintain two-thirds of the directors as independent.
- (c) Certain of the responsibilities of the Board referred to herein may be delegated to committees of the Board. The responsibilities of those committees will be as set forth in their terms of reference, as amended from time to time.

### 3. DUTIES AND RESPONSIBILITIES

#### (a) **Managing the Affairs of the Board**

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. The legal obligations of the Board are described in detail in Section IV. Subject to these legal obligations and to the Articles and By-laws of the Corporation, the Board retains the responsibility for managing its own affairs, including:

- (i) planning its composition and size;
- (ii) selecting and setting the terms of reference for the Board Chair;
- (iii) nominating candidates for election to the Board;
- (iv) appointing committees;
- (v) determining director compensation; and

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<sup>1</sup> Reference to the Corporation's operations and employees and matters related thereto shall include the Corporation's subsidiaries, as applicable.

- (vi) assessing the effectiveness of the Board, committees and directors in fulfilling their responsibilities.

(b) **Management and Human Resources**

The Board has the responsibility for:

- (i) the appointment and succession of the President and Chief Executive Officer (the “CEO”) and monitoring CEO performance, approving CEO compensation and providing advice and counsel to the CEO in the execution of the CEO’s duties;
- (ii) approving terms of reference for the CEO;
- (iii) in consultation with the CEO, approve annual objectives that the CEO is responsible for meeting;
- (iv) reviewing CEO performance at least annually, against agreed upon written objectives;
- (v) approving decisions relating to senior management, including the:
  - (A) appointment and discharge of officers;
  - (B) compensation and benefits for executive officers;
  - (C) CEO’s acceptance of public service commitments or outside directorships; and
  - (D) employment contracts, termination and other special arrangements with executive officers, or other employee groups.
- (vi) ensuring succession planning programs are in place, including programs to train and develop management;
- (vii) approving certain matters relating to all employees, including:
  - (A) the annual salary policy/program for employees; and
  - (B) new benefit programs or material changes to existing programs.

(c) **Strategy and Plans**

The Board has the responsibility to:

- (i) participate with management, in the development of, and ultimately approve, the Corporation’s strategic plan;
- (ii) approve the annual business plans that enable the Corporation to realize its objectives;
- (iii) approve annual capital and operating budgets which support the Corporation’s ability to meet its strategic objectives;

- (iv) approve the entering into, or withdrawing from, lines of business that are, or are likely to be, material to the Corporation;
- (v) approve material divestitures and acquisitions; and
- (vi) monitor the Corporation's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances.

(d) **Financial and Corporate Issues**

The Board has the responsibility to:

- (i) with consideration to the recommendation of the Audit Committee, nominate an External Auditor for approval by shareholders; and if the Board does not adopt the Audit Committee's recommendation for External Auditor, ensure this fact is disclosed in the Annual Information Form;
- (ii) with consideration to the recommendation of the Audit Committee, approve the compensation of the External Auditor; and if the Board does not adopt the Audit Committee's recommendation, ensure this fact is disclosed in the Annual Information Form;
- (iii) take reasonable steps to ensure the implementation and integrity of the Corporation's internal control and management information systems;
- (iv) review operating and financial performance relative to budgets or objectives;
- (v) approve annual and quarterly financial statements and approve release thereof by management;
- (vi) approve the Management Proxy Circular, Annual Information Form and documents incorporated by reference therein;
- (vii) approve financings, changes in authorized capital, issue and repurchase of units, issue of debt securities, listing of units and other securities, issue of commercial paper, and related prospectuses;
- (viii) submitting to the shareholders of the Corporation, any question or matter requiring approval
- (ix) approve the commencement or settlement of litigation that may have a material impact on the Corporation; and
- (x) adopting, amending or repealing the By-laws of the Corporation.

(e) **Business and Risk Management**

The Board has the responsibility to:

- (i) ensure management identifies the principal risks of the Corporation's business and implements appropriate systems to manage these risks;



- (ii) assess and monitor management control systems:
  - (A) evaluate and assess information provided by management and others (e.g., internal and external auditors) about the effectiveness of management control systems; and
  - (B) understand principal risks and determine whether the Corporation achieves a proper balance between risk and returns.

(f) **Policies and Procedures**

The Board has the responsibility to:

- (i) approve and monitor compliance with all significant policies and procedures by which the Corporation is operated;
- (ii) direct management to ensure the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards;
- (iii) adopt a written Code of Business Conduct and Ethics; and
- (iv) review significant new corporate policies or material amendments to existing policies (including, for example, policies regarding business conduct, conflict of interest and the environment).

(g) **Compliance Reporting and Corporate Communications**

The Board has the responsibility to:

- (i) ensure the Corporation has in place effective and timely communication processes with shareholders, other stakeholders, the public in general and financial, regulatory and other recipients;
- (ii) approve interaction with shareholders on all items requiring shareholder response or approval;
- (iii) ensure that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;
- (iv) ensure the financial results are reported fairly and in accordance with applicable accounting principles and financial reporting standards (including IFRS);
- (v) ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation; and
- (vi) report annually to shareholders on the Board's stewardship for the preceding year (through an annual report or otherwise).

4. **GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS**

- (a) The Board is responsible for:

- (i) directing management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained; and
  - (ii) approving matters requiring shareholder approval, and agendas for shareholder meetings.
- (b) Legal requirements for the Board include:
  - (i) to act honestly and in good faith with a view to the best interests of the Corporation; and
  - (ii) to exercise the care, diligence and skill that reasonably prudent people would exercise in comparable circumstances.



