



**Notice of Meeting**

**and**

**Information Circular**

**in respect of the**

**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**to be held on May 15, 2014**

**March 12, 2014**

**VALEURA ENERGY INC.**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 15, 2014**

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

NOTICE IS HEREBY GIVEN that an annual and special 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 Royal Room at the Metropolitan Conference Centre, 333 - 4<sup>th</sup> Avenue S.W., Calgary, Alberta, at 9:00 a.m. (Calgary time) on May 15, 2014 for the following purposes:

1. to receive the audited financial statements of the Corporation for the year ended December 31, 2013 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;
4. to consider and, if deemed fit, approve an ordinary resolution ratifying and approving the Corporation’s amended and restated by-law no. 1;
5. to consider and, if deemed fit, approve an ordinary resolution approving all unallocated options under the Corporation’s stock option plan;
6. to consider and, if deemed fit, approve an ordinary resolution approving all unallocated performance share units under the Corporation’s performance share unit plan; and
7. 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 and Special 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 Valiant Trust Company, the registrar and transfer agent of the Corporation, at 310, 606 - 4<sup>th</sup> Street S.W., Calgary, Alberta, T2P 1T1, or by facsimile, at (403) 233-2857, by no later than 9:00 a.m. (Calgary time) on May 13, 2014 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 2, 2014 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 12, 2014

## INFORMATION CIRCULAR

### FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 15, 2014

#### 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 and special meeting (the “Meeting”) of the holders (“Shareholders”) of common shares (“Common Shares”) in the capital of Valeura.**

The Meeting will be held in the Royal Room of the Metropolitan Conference Centre, 333 - 4<sup>th</sup> Avenue S.W., Calgary, Alberta, at 9:00 a.m. (Calgary time) on May 15, 2014 and at any adjournment(s) or postponement(s) thereof for the purposes set forth in the Notice of Annual and Special Meeting of Shareholders (the “**Notice of Meeting**”) accompanying this Information Circular. Information contained herein is given as of March 12, 2014 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 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 Valiant Trust Company, the registrar and transfer agent of the Corporation, at 310, 606 - 4<sup>th</sup> Street S.W., Calgary, Alberta, T2P 1T1, or by facsimile, at (403) 233-2857, by no later than 9:00 a.m. (Calgary time) on May 13, 2014 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 Depository and Clearing 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.valianttrust.com](http://www.valianttrust.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 13, 2014 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 2, 2014 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 and financing warrants ("**Financing Warrants**") were issued and outstanding which are exercisable to purchase 13,269,217 Common Shares, as well as the Options and Performance Warrants defined and described below.

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 other than Scott

Lamacraft who owns or controls, directly or indirectly, 6,850,100 Common Shares representing approximately 11.8% 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, 3,439,728 Common Shares representing approximately 5.9% 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: (a) options (“**Options**”) to purchase 960,000 Common Shares issuable pursuant to the Corporation’s stock option plan (the “**Option Plan**”); (b) performance warrants (“**Performance Warrants**”) to purchase 2,607,750 Common Shares; and (c) Financing Warrants to, directly or indirectly purchase 137,479 Common Shares. If all such Options, Performance Warrants and Financing Warrants, directly or indirectly were exercised, the directors and executive officers of Valeura, as a group, would beneficially own 7,144,957 Common Shares representing approximately 9.4% 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, 2013 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 Valiant Trust Company, 310, 606 - 4<sup>th</sup> Street S.W., Calgary, Alberta, T2P 1T1.

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 concurrently with the completion of the Corporation’s transaction with Northern Hunter Energy Inc. (“**Northern Hunter**”) which resulted in the recapitalization and reorganization of the Corporation (the “**Reorganization**”).

### 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 six directors will be proposed for 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 six 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. Unless there is a contested election, a director who receives more *withhold* votes than *for* votes, will offer to resign. 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 majority voting policy, a *withhold* vote is effectively the same as a vote *against* a director nominee in an uncontested election.

<p><b>Abdel F. Badwi</b>                  Calgary, Alberta, Canada                  Director Since: April 9, 2010                  Age: 67                  Independent</p>	<p><b>Mr. Badwi</b> has been Vice Chairman of Bankers Petroleum Ltd. (a Toronto Stock Exchange (“TSX”) listed issuer) since April 2013 and, prior to that, had been its President and Chief Executive Officer since February 2008. Mr. Badwi has more than 37 years of experience in the exploration, development and production of oil and gas fields in North America, South America, Europe, Asia and the Middle East.</p> <p>Mr. Badwi is a Member of the Association of Professional Engineers and Geoscientists of Alberta and the Canadian Society of Petroleum Geologists.</p>					
	<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>	
	Board		6 of 7	86%	8 of 9	89%
	Governance and Compensation Committee		2 of 2	100%		
	<b>Current Public Board Membership</b>					
	Bankers Petroleum Ltd. ArPetrol Ltd.					
	<b>Educational Background</b>					
	Mr. Badwi holds a Bachelor of Science in Petroleum Geology and Chemistry from the University of Alexandria, Egypt, and received Management Development training from the University of Calgary.					
	<b>Common Shares Controlled or Directed</b>					
	<i>Common Shares</i>	<i>Total Amount at Risk</i>	<i>Satisfies Share Ownership Requirements</i>			
	214,250 <sup>(1)</sup>	\$63,204 <sup>(2)</sup>	yes			
	<b>Options Held<sup>(4)</sup></b>					
	<i>Expiry Date</i>	<i>Number Granted</i>	<i>Exercise Price</i>	<i>Total Unexercised</i>		
	March 18, 2020	42,000	\$1.00	42,000		
<b>Voting Results of 2013 Annual Meeting</b>						
99.67% (votes for) / 0.33% (votes withheld)						

<p><b>William T. Fanagan</b></p> <p><b>Chair</b></p> <p>Vancouver, British Columbia, Canada</p> <p>Director Since: April 9, 2010</p> <p>Age: 66</p> <p>Independent</p>	<p><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 24 years with assignments in Indonesia, Australia, USA, Russia and Canada, including President and CEO of Gulf Indonesia Resources Limited.</p> <p>Mr. Fanagan is a fellow of the Institute of Chartered Accountants in Ireland and a member of the Institute of Corporate Directors.</p>					
	<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>	
	Board		7 of 7	100%	13/13	100%
	Audit Committee and Governance and Compensation Committee		6 of 6	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</b>					
	<i>Common Shares</i>	<i>Total Amount at Risk</i>	<i>Satisfies Share Ownership Requirements</i>			
	188,000 <sup>(1)</sup>	\$55,460 <sup>(2)</sup>	yes			
	<b>Options Held<sup>(4)</sup></b>					
	<i>Expiry Date</i>	<i>Number Granted</i>	<i>Exercise Price</i>	<i>Total Unexercised</i>		
	March 18, 2020	42,000	\$1.00	42,000		
<b>Voting Results of 2013 Annual Meeting</b>						
99.73% (votes for) / 0.27% (votes withheld)						

<p><b>Claudio A. Gherinich</b></p> <p>Calgary, Alberta, Canada</p> <p>Director Since: April 9, 2010</p> <p>Age: 57</p> <p>Independent</p>	<p><b>Mr. Gherinich</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. since 1994. Mr. Gherinich has also been Chairman of ArPetrol Ltd. since March 2011 and, prior to that, had been a director of ArPetrol Inc. (private) since 2004 and Chairman since 2007.</p> <p>Mr. Gherinich has more than 32 years of oil and gas experience and was a co-founder of Vermilion Energy Inc. Mr. Gherinich has been a director of a number of public and private companies operating in Canada, Europe, Libya, Trinidad, Argentina and Australia.</p> <p>Mr. Gherinich is a member of the Association of Professional Engineers and Geoscientists of Alberta.</p>					
	<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>	
	Board		7 of 7	100%	11/13	85%
	Audit Committee and Reserves & Health, Safety and Environment Committee		4 of 6	67%		
	<b>Current Public Board Membership</b>					
	Vermilion Energy Inc. ArPetrol Ltd.					
	<b>Educational Background</b>					
	Mr. Gherinich holds a Bachelor of Science degree in Civil Engineering from the University of Manitoba.					
	<b>Common Shares Controlled or Directed</b>					
	<i>Common Shares</i>	<i>Total Amount at Risk</i>	<i>Satisfies Share Ownership Requirements</i>			
	1,235,500 <sup>(1)</sup>	\$364,473 <sup>(2)</sup>	yes			
	<b>Options Held<sup>(4)</sup></b>					
	<i>Expiry Date</i>	<i>Number Granted</i>	<i>Exercise Price</i>	<i>Total Unexercised</i>		
	March 18, 2020	42,000	\$1.00	42,000		
<b>Voting Results of 2013 Annual Meeting</b>						
99.79% (votes for) / 0.21% (votes withheld)						

<p><b>James D. McFarland</b></p> <p>Calgary, Alberta, Canada</p> <p>Director Since: June 29, 2010</p> <p>Age: 67</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. Mr. McFarland has more than 41 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. In 2003, Mr. McFarland was awarded the Australian Centenary Medal for outstanding service through business and commerce.</p>					
	<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>	
	Board		7 of 7	100%	16/16 <sup>(3)</sup>	100% <sup>(3)</sup>
	Not a Committee Member <sup>(3)</sup>		9 of 9 <sup>(3)</sup>	100% <sup>(3)</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</b>					
	<i>Common Shares</i>	<i>Total Amount at Risk</i>	<i>Satisfies Share Ownership Requirements</i>			
	388,134 <sup>(1)</sup>	\$114,500 <sup>(2)</sup>	yes			
	<b>Options Held<sup>(4)</sup></b>					
	<i>Expiry Date</i>	<i>Number Granted</i>	<i>Exercise Price</i>	<i>Total Unexercised</i>		
March 18, 2020	288,000	\$1.00	288,000			
<b>Voting Results of 2013 Annual Meeting</b>						
99.74% (votes for) / 0.26% (votes withheld)						

<p><b>Kenneth D. McKay</b></p> <p>Calgary, Alberta, Canada</p> <p>Director Since: April 9, 2010</p> <p>Age: 55</p> <p>Independent</p>	<p><b>Mr. McKay</b> has been a private businessman since August 2012. Prior to this, he was Executive Chairman of Bulldog Oil &amp; Gas Inc. (an oil and gas company) from October 2008 until July 2012, and President and Chief Executive Officer of Bulldog Resources Inc. from December 1, 2005 to February 2008.</p> <p>Mr. McKay has more than 31 years of oil and gas experience. Mr. McKay has founded, grown and sold a number of public and private oil and gas companies operating in Western Canada.</p> <p>Mr. McKay is a member of the Association of Professional Engineers and Geoscientists of Alberta.</p>					
	<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>	
	Board		7 of 7	100%	12/12	100%
	Governance and Compensation Committee and Reserves & Health, Safety and Environment Committee		5 of 5	100%		
	<b>Current Public Board Membership</b>					
	None					
	<b>Educational Background</b>					
	Mr. McKay holds a Bachelor of Science degree in Geology from the University of Calgary.					
	<b>Common Shares Controlled or Directed</b>					
	<i>Common Shares</i>	<i>Total Amount at Risk</i>	<i>Satisfies Share Ownership Requirements</i>			
	528,769 <sup>(1)</sup>	\$155,987 <sup>(2)</sup>	yes			
	<b>Options Held<sup>(4)</sup></b>					
	<i>Expiry Date</i>	<i>Number Granted</i>	<i>Exercise Price</i>	<i>Total Unexercised</i>		
	March 18, 2020	42,000	\$1.00	42,000		
<b>Voting Results of 2013 Annual Meeting</b>						
99.79% (votes for) / 0.21% (votes withheld)						

<p><b>Ronald W. Royal</b></p> <p>Abbotsford, British Columbia, Canada</p> <p>Director Since: June 29, 2010</p> <p>Age: 65</p> <p>Independent</p>	<p><b>Mr. Royal</b> has been a private businessman since April 2007. Mr. Royal has more than 36 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>Attendance</b>		<b>Attendance (Total)</b>	
	Board		7 of 7	100%	14 / 14	100%
	Audit Committee and Reserves & Health, Safety and Environment Committee		7 of 7	100%		
	<b>Current Public Board Membership</b>					
	Caracal 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</b>					
	<i>Common Shares</i>	<i>Total Amount at Risk</i>	<i>Satisfies Share Ownership Requirements</i>			
	183,000 <sup>(1)</sup>	\$53,985 <sup>(2)</sup>	yes			
	<b>Options Held<sup>(4)</sup></b>					
	<i>Expiry Date</i>	<i>Number Granted</i>	<i>Exercise Price</i>	<i>Total Unexercised</i>		
	March 18, 2020	42,000	\$1.00	42,000		
<b>Voting Results of 2013 Annual Meeting</b>						
99.73% (votes for) / 0.27% (votes withheld)						

**Notes:**

- (1) 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.

- (2) The value of the Common Shares held by the directors is calculated by multiplying the amount of Common Shares held by \$0.295, the closing price of Common Shares on the TSX on December 31, 2013.
- (3) 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.
- (4) 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, 2013 of \$0.295 and the exercise price.

### ***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: (i) 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 (ii) 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.

## **Confirmation of Amended and Restated By-Laws**

### ***General***

On March 11, 2014, the Board repealed by-law no. 1 of the Corporation and adopted amended and restated by-law no. 1 of Corporation in the form attached as Appendix “A” to this Information Circular (the “**Amended and Restated By-Laws**”). The Amended and Restated By-Laws incorporate advance notice provisions with respect to director nominations in certain circumstances, increase the quorum required for the transaction of business at meetings of Shareholders, authorize the Board to determine the number of directors and implement certain other changes of a “house-keeping” nature. The adoption of the Amended and Restated By-Laws must be ratified by the Shareholders at the Meeting to continue to have effect after the Meeting.

### ***Advanced Notice Provisions***

The Amended and Restated By-Laws incorporate advance notice provisions with respect to director nominations. The Amended and Restated By-Laws set forth a procedure requiring advance notice to the Corporation by any Shareholder who intends to nominate any person for election as a director of the Corporation other than pursuant to: (i) a requisition of a meeting made pursuant to the provisions of the *Business Corporations Act* (Alberta) (the “**Act**”); or (ii) a Shareholder proposal made pursuant to the provisions of the Act. Among other things, the Amended and Restated By-Laws set a deadline by which such Shareholders must notify the Corporation in writing of an intention to nominate directors prior to any meeting of Shareholders at which directors are to be elected and set forth the information that the Shareholder must include in the notice for it to be valid.

The Board believes that the advance notice provisions provide a clear and transparent process for all Shareholders to follow if they intend to nominate directors. In that regard, the advance notice provisions provide a reasonable time frame for Shareholders to notify the Corporation of their intention to nominate directors and require Shareholders to disclose information concerning the proposed nominees that is mandated by applicable securities laws. The Board will be able to evaluate the proposed nominees’ qualifications and suitability as directors and respond as appropriate in the best interests of the Corporation. The Amended and Restated By-Laws are also intended to facilitate an orderly and efficient meeting process.

In the case of an annual meeting of Shareholders, notice to the Corporation must be made not less than 30 and not more than 65 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the tenth day following such public announcement. In the case of a special meeting (which is not also an annual meeting) of Shareholders called for the purpose of electing directors (whether or not called for other purposes), notice to the Corporation must be made not later than the close of business on the fifteenth day following the date on which the first public announcement of the date of the special meeting of Shareholders was made.

### ***Quorum Requirements***

The Amended and Restated By-Laws increase the quorum required for the transaction of business at any meeting of the Shareholders from at least two persons present holding or representing by proxy not less than 10% of the outstanding shares of the Corporation entitled to vote at the meeting to at least two persons present holding or representing by proxy not less than 25% of the outstanding shares of the Corporation entitled to vote at the meeting.

### ***Determining the Number of Directors***

The Amended and Restated By-Laws authorize the Board to determine the number of directors by resolution without Shareholder approval where the articles of the Corporation provide for a minimum and maximum number of directors. The foregoing authority remains subject to the requirement under the Act that the Board may only appoint additional directors between meetings of Shareholders, if after such appointment, the total number of directors would not be greater than one and one-third times the number of directors required to have been elected at the last annual meeting of Shareholders.

The foregoing is only a summary of the principal provisions of the Amended and Restated By-Laws and is qualified by reference to the full text of the Amended and Restated By-Laws attached as Appendix "A" to this Information Circular. The Amended and Restated By-Laws also implement certain changes of a "house-keeping" or immaterial nature. Shareholders are urged to review the Amended and Restated By-Laws in their entirety.

### ***Shareholder Approval***

At the Meeting, Shareholders will be asked to pass the following ordinary resolution confirming the adoption of the Amended and Restated By-Laws, subject to such amendments, variations or additions as may be approved at the Meeting:

#### **"BE IT RESOLVED THAT:**

1. the repeal of by-law no. 1 of the Corporation and the adoption of the amended and restated by-law no. 1 of the Corporation attached as Appendix "A" to the information circular of the Corporation dated March 12, 2014 are hereby ratified, confirmed and approved; and
2. any one director or officer of the Corporation is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing."

If approval is not obtained at the Meeting, by-law no. 1 of the Corporation will remain effective in its unamended form.

### ***Recommendation of the Board***

The Board unanimously recommends that Shareholders vote FOR the foregoing resolution.

### **Approval of Unallocated Options**

#### ***General***

Section 613(a) of the TSX Company Manual provides that every three years after the institution of a security based compensation arrangement, all unallocated rights, options or other entitlements under such arrangement which does not have a fixed maximum number of securities issuable thereunder, must be approved by a majority of the issuer's directors and by the issuer's security holders. As the Option Plan is considered to be a security based compensation arrangement and as the maximum number of Common Shares issuable pursuant to the Option Plan is not a fixed number, but is instead equal to 10% of the

outstanding Common Shares (together with Common Shares issuable pursuant to all other security based compensation arrangements of the Corporation), approval is being sought at the Meeting to approve the grant of unallocated Options under the Option Plan. Options are considered to be “allocated” under the Option Plan when issued and Options which remain available for grant under the Option Plan are referred to as “unallocated”.

As at the date hereof, there were 1,847,250 Options issued and outstanding, representing approximately 3.2% of the outstanding Common Shares. Accordingly, 3,943,364 Options remain unallocated and available for grant under the Option Plan (less any PSUs) issued and outstanding. The terms of the Option Plan are fully described in this Information Circular under the heading “Equity Plan Compensation – Option Plan”.

### ***Shareholder Approval***

At the Meeting, Shareholders will be asked to pass the following ordinary resolution approving the unallocated Options issuable pursuant to the Option Plan:

#### **“BE IT RESOLVED THAT:**

1. all unallocated options under the stock option plan of the Corporation are hereby approved;
2. the Corporation shall have the ability to continue granting options under the stock option plan of the Corporation until May 14, 2017, being the date that is three years from the date hereof; and
3. any one director or officer of the Corporation is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.”

If approval is obtained at the Meeting, the Corporation will not be required to seek further approval of the grant of unallocated Options under the Option Plan until May 15, 2017. If approval is not obtained at the Meeting, Options which have not been allocated as of May 15, 2014, and Options which are outstanding as of May 15, 2014, and which are subsequently cancelled, terminated or exercised, will not be available for a new grant of Options under the Option Plan. Previously allocated Options will continue to be unaffected by the approval or disapproval of the resolution. If approval is not obtained at the Meeting, the Governance and Compensation Committee and the Board will have to consider alternate forms of performance based compensation, including the PSU Plan, additional cash bonuses, a share appreciation plan or other means in order to attract and retain qualified personnel.

### ***Recommendation of the Board***

The Board unanimously recommends that Shareholders vote FOR the foregoing resolution.

### **Approval of Unallocated PSUs**

#### ***General***

Section 613(a) of the TSX Company Manual provides that every three years after the institution of a security based compensation arrangement, all unallocated rights, options or other entitlements under such

arrangement which does not have a fixed maximum number of securities issuable thereunder, must be approved by a majority of the issuer's directors and by the issuer's security-holders. As the PSU Plan is considered to be a security based compensation arrangement and as the maximum number of Common Shares issuable pursuant to the PSU Plan is not a fixed number, but is instead equal to 10% of the outstanding Common Shares (together with Common Shares issuable pursuant to all other security based compensation arrangements of the Corporation), approval is being sought at the Meeting to approve the grant of unallocated PSUs under the PSU Plan. PSUs are considered to be "allocated" under the PSU Plan when issued and PSUs which remain available for grant under the PSU Plan are referred to as "unallocated".

As at the date hereof, no PSUs have been issued. Accordingly, 5,790,614 PSUs remain unallocated and available for grant under the PSU Plan (less any Options issued and outstanding). The terms of the PSU Plan are fully described in this Information Circular under the heading "Equity Plan Compensation – PSU Plan".

### ***Shareholder Approval***

At the Meeting, Shareholders will be asked to pass the following ordinary resolution approving the unallocated PSUs issuable pursuant to the PSU Plan:

#### **"BE IT RESOLVED THAT:**

1. all unallocated performance share units under the performance share unit plan of the Corporation are hereby approved;
2. the Corporation shall have the ability to continue granting performance share units under the performance share unit plan of the Corporation until May 14, 2017, being the date that is three years from the date hereof; and
3. any one director or officer of the Corporation is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing."

If approval is obtained at the Meeting, the Corporation will not be required to seek further approval of the grant of unallocated PSUs under the PSU Plan until May 15, 2017. If approval is not obtained at the Meeting, PSUs which have not been allocated as of May 15, 2014 will not be available for a new grant of PSUs under the PSU Plan. If approval is not obtained at the Meeting, the Governance and Compensation Committee and the Board will have to consider alternate forms of performance based compensation, including the Option Plan, additional cash bonuses, a share appreciation plan or other means in order to attract and retain qualified personnel.

### ***Recommendation of the Board***

The Board unanimously recommends that Shareholders vote FOR the foregoing resolution.

## 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, 2013 (each a “**Named Executive Officer**” or “**NEO**” and collectively, the “**Named Executive Officers**” or “**NEOs**”) and how the determinations in respect of the NEOs’ 2013 compensation were made. For the year ended December 31, 2013, 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, Performance Warrants and other security based incentives so as to foster alignment with the interests of the Shareholders.

Valeura's executive compensation program in 2013 consisted of four components as set forth in the following chart:

<b>Compensation Components</b>	<b>Description and Purpose</b>
<i>Base Salary</i>	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.
<i>Discretionary Cash Bonus</i>	A discretionary cash award based on the executive's position and corporate performance, which is designed to reward the achievement of key corporate objectives.
<i>Long Term Incentives (Options)</i>	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.
<i>Benefits</i>	Health and dental care and various forms of life, disability, critical illness and health spending accounts, plus certain additional perquisites 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 McKay. 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 compensation data from independent compensation consultants in the form of industry compensation surveys, and the services of Total Reward Professionals, the Corporation’s independent compensation consultant, to review its assessment and recommendations.

### *Peer Group*

In reviewing and approving the Corporation’s 2013 compensation program, the Board considered the recommendations of the CEO, which were based upon public disclosure information available for the Peer Group. The Peer Group was comprised of the following 11 junior and intermediate oil and gas companies operating internationally and listed on the TSX or the TSX Venture Exchange (with a market capitalization between approximately \$25 million and \$200 million at the time):

Antrim Energy Inc.  
Calvalley Petroleum Inc.  
Canadian Overseas Petroleum Limited  
Condor Petroleum Inc.  
CYGAM Energy Inc.  
Orca Exploration Group Inc.  
Petromanas Energy Inc.  
Sonoro Energy Ltd.  
Sterling Resources Ltd.  
Stream Oil & Gas Ltd.  
Winstar Resources Ltd.

In early 2014, the Governance and Compensation Committee and the Board reviewed the composition of the Peer Group, taking into account the guidance from the Corporation’s independent compensation consultant. For 2014, the Corporation revised the Peer Group to include 10 international oil and gas companies by: (i) removing Antrim Energy Inc., Calvalley Petroleum Inc., Canadian Overseas Petroleum Limited, CYCAM Energy Inc., Orca Exploration Group Inc., Sonoro Energy Ltd., Sterling Resources Limited and Winstar Resources Ltd.; and (ii) adding Bengal Energy Ltd., DualEx Energy International Inc., Eaglewood Energy Inc., Greenfields Petroleum Corporation, Petrofrontier Corp., Sea Dragon Energy Inc. and Touchstone Exploration Inc.. The revisions to the Peer Group were effected to reflect changes in market capitalization and a merger, and to also give consideration to factors other than market capitalization such as production volumes, funds flow from operations and reserves.

### *Corporate Performance Scorecard and CEO Goals and Objectives*

In 2013, the Governance and Compensation Committee and the Board determined the 2013 Corporate Performance Scorecard which set forth the following key corporate performance indicators for 2013: (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 2013, the Board also approved the CEO's 2013 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 compiled by third party providers, 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 comparative and 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 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 data of independent compensation consultants 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 2013 were reviewed in March 2013 and, in order to bring base salaries closer to the median of the Peer Group, the Board determined to increase salaries by an average of approximately 9% for the NEOs and approximately 7% for the broad employee base, with the increases effective on April 1, 2013. The total cost of the base salary increases in 2013 was \$183,000.

The annual base salaries in 2013 were set at \$255,000 for the CEO, \$220,000 for the CFO and \$205,000 for the VP Engineering and the VP Operations, effective April 1, 2013. In approving the 2013 base salaries for the NEOs, the Board considered the recommendations of the CEO and Governance and Compensation Committee, which were benchmarked against public disclosure information available for the Peer Group.

#### *Cash Bonus*

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 2013, the Governance and Compensation Committee and the Board reviewed and approved the proposed 2013 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, 2013, the Governance and Compensation Committee and the Board reviewed and measured the CEO's performance against CEO's stated goals and objectives for 2013, reflecting both the Corporate Performance Scorecard and individual performance goals, and also incorporating the results of the confidential CEO Feedback Instrument.

Cash bonuses for the year ended December 31, 2013 were determined by the Board in March 2014 and will be paid to the NEOs in April 2014 in the aggregate amount of \$100,000 representing 11% of their base salaries. See "NEO Compensation - Summary Compensation Table". The bonuses paid, in aggregate, to the NEOs in April 2014 were less than half the level paid in 2013 reflecting a corporate performance factor at approximately the 50% level. This score resulted primarily from under-performance on share price compared to the Peer Group and inability to achieve some strategic objectives, despite strong efforts. In addition, the bonuses for the NEOs were further reduced to reflect the current cash position of the Corporation.

#### *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, PSUs and Performance Warrants that are outstanding relative to the number of outstanding Common Shares.

During the year ended December 31, 2013, Messrs. McFarland, Bjornson, Shepherd and Martinson were granted an aggregate of 750,000 Options. These Options have a seven-year term and vest in thirds over a three year period. The Options granted in 2013 are exercisable at \$1.00 per Common Share, which was the closing price per Common Share on the TSX on the last trading day preceding the Option grants. 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".

On December 18, 2013, the NEOs voluntarily surrendered 1,500,000 Options for cancellation in exchange for nominal consideration of \$0.005 per Option.

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

### *Benefits*

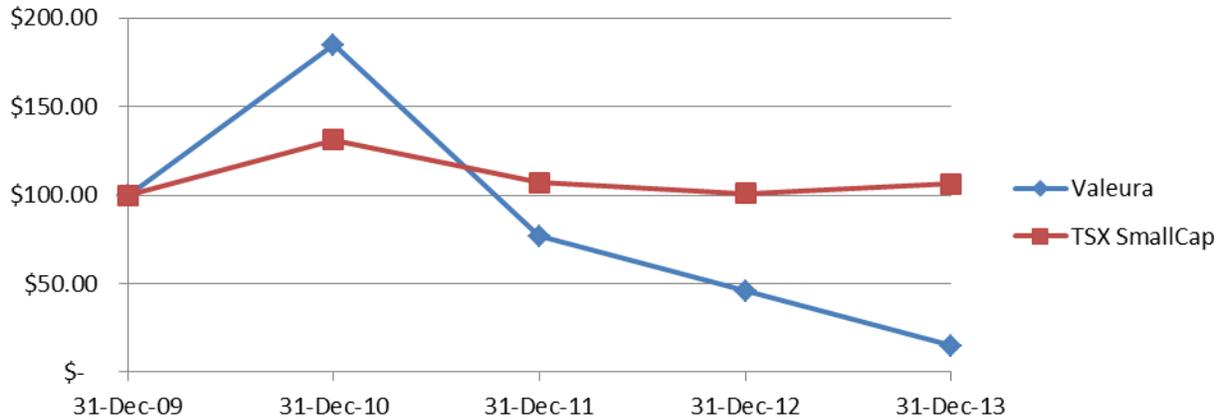
The Corporation's benefits program consists of health and dental care and various forms of life, disability and critical illness insurances and health spending accounts consistent with industry norms. In addition, the NEOs receive a reimbursement of parking costs up to a defined limit or a transportation 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, 2009 (at the last closing price prior to the trading halt that was in effect in contemplation of the Reorganization) to December 31, 2013, 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, 2009	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013
Valeura	\$100	\$185.00	\$77.00	\$46.00	\$15.00
TSX SmallCap	\$100	\$131.21	\$107.17	\$100.96	\$106.37

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, 2013, 2012 and 2011.

Name and Principal Position	Year	Salary (\$)	Option Awards (\$)	Non-equity incentive plan compensation (\$)	All Other Compensation <sup>(8)</sup> (\$)	Total Compensation (\$)
				Annual Incentive Plan		
James D. McFarland CEO	2013	248,750	207,360 <sup>(1)(4)</sup>	25,000 <sup>(5)</sup>	Nil	481,110
	2012	222,500	217,771 <sup>(2)(4)</sup>	81,000 <sup>(6)</sup>	Nil	521,271
	2011	191,580	442,941 <sup>(3)(4)</sup>	130,000 <sup>(7)</sup>	Nil	764,521
Stephen E. Bjornson CFO	2013	215,000	125,280 <sup>(1)(4)</sup>	25,000 <sup>(5)</sup>	Nil	365,280
	2012	193,750	131,570 <sup>(2)(4)</sup>	60,000 <sup>(6)</sup>	Nil	385,320
	2011	170,177	267,610 <sup>(3)(4)</sup>	93,000 <sup>(7)</sup>	Nil	530,787
Donald W. Shepherd VP Engineering	2013	201,250	103,680 <sup>(1)(4)</sup>	25,000 <sup>(5)</sup>	Nil	329,930
	2012	183,750	108,886 <sup>(2)(4)</sup>	48,000 <sup>(6)</sup>	Nil	340,636
	2011	159,080	221,471 <sup>(3)(4)</sup>	65,000 <sup>(7)</sup>	Nil	445,551
Lyle A. Martinson VP Operations	2013	201,250	103,680 <sup>(1)(4)</sup>	25,000 <sup>(5)</sup>	Nil	329,930
	2012	183,750	108,886 <sup>(2)(4)</sup>	48,000 <sup>(6)</sup>	Nil	340,636
	2011	159,080	221,471 <sup>(3)(4)</sup>	65,000 <sup>(7)</sup>	Nil	445,551

#### 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 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, none of these Options had vested as at December 31, 2013.
- (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 26, 2012 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 \$1.51 per share; Risk-Free Interest Rate of 1.59%; Expected Life of 4.5 years; Expected Volatility of 100%; and Dividend per Share of nil. The Options granted on March 26, 2012 were cancelled on December 18, 2013 in exchange for nominal consideration of \$1,875 or \$0.005 per Option (which has not been deducted from the amount shown in the table).
- (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 June 20, 2011 calculated through the use of the Black-Scholes Model. This grant date was the date the Options were granted to the NEOs in connection with the completion of the acquisition of natural gas production in Turkey of approximately 10.0 mmcf/d (net before royalties) and 588,719 net acres of land in the Thrace and Anatolian basin in Turkey (the "TBNG-PTI Acquisition"). 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 \$2.05 per share; Risk-Free Interest Rate of 2.08%; Expected Life of 4.5 years; Expected Volatility of 100%; and Dividend per Share of nil. The Options granted on June 20, 2011 were cancelled on December 18, 2013 in exchange for nominal consideration of \$2,813 or \$0.005 per Option (which has not been deducted from the amount shown in the table).
- (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) Represents the cash bonuses to be paid in respect of performance in the year ended December 31, 2013, which bonuses were determined by the Board in March 2014 and will be paid in April 2014.
- (6) Represents the cash bonuses paid to the NEOs in April 2013 in respect of performance in the year ended December 31, 2012.
- (7) Represents the cash bonuses paid to the NEOs in April 2012 in respect of performance for the year ended December 31, 2011.
- (8) 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, 2013. None of the NEOs exercised Options from January 1, 2013 to December 31, 2013.

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	288,000	1.00	March 18, 2020	Nil
Stephen E. Bjornson CFO	174,000	1.00	March 18, 2020	Nil
Donald W. Shepherd VP Engineering	144,000	1.00	March 18, 2020	Nil
Lyle A. Martinson VP Operations	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, 2013 of \$0.295 and the exercise price.

### ***Outstanding Performance Warrants***

The following table sets forth information with respect to the unexercised Performance Warrants granted to the NEOs which were outstanding as of December 31, 2013. No additional Performance Warrants were granted in 2013.

Name and Principal Position	Number of Common Shares Underlying Unexercised Performance Warrants	Performance Warrant Awards		
		Performance Warrant Exercise Price (\$)	Performance Warrant Expiration Date	Value of Unexercised In-the-Money Performance Warrants (\$) <sup>(1)</sup>
James D. McFarland CEO	526,500	2.00	January 8, 2015	Nil
Stephen E. Bjornson CFO	328,500	2.00	January 8, 2015	Nil
Donald W. Shepherd VP Engineering	198,000	2.00	January 8, 2015	Nil
Lyle A. Martinson VP Operations	198,000	2.00	January 8, 2015	Nil

**Note:**

- (1) The value shown is the product of the number of Common Shares underlying the Performance Warrant multiplied by the difference between the Common Share TSX closing price on December 31, 2013 of \$0.295 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 and Performance Warrants vested during the year ended December 31, 2013 as well as the cash bonuses granted to the NEOs during the year ended December 31, 2013.

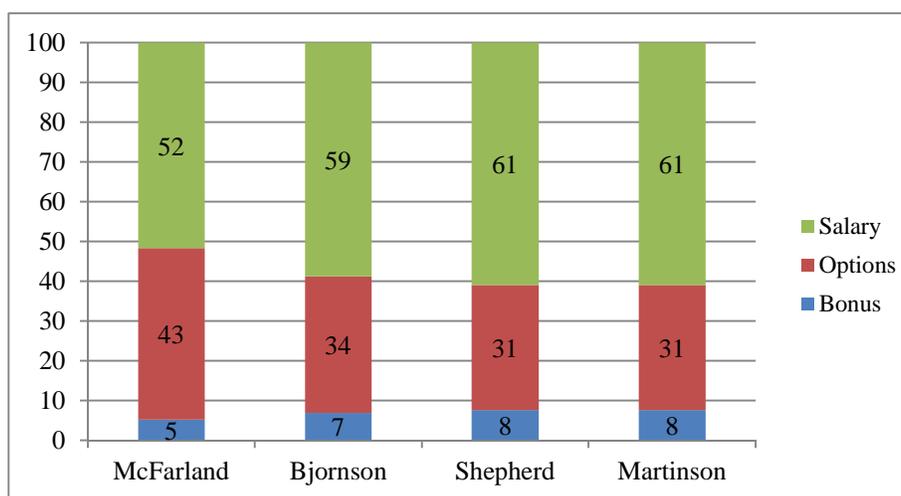
<b>Name and Principal Position</b>	<b>Option-Based Awards Value Vested During Year (\$)<sup>(1)</sup></b>	<b>Performance Warrants Value Vested During Year (\$)<sup>(1)</sup></b>	<b>Non-Equity Incentive Plan Compensation Value earned during the year (\$)<sup>(2)</sup></b>
James D. McFarland CEO	Nil	Nil	25,000
Stephen E. Bjornson CFO	Nil	Nil	25,000
Donald W. Shepherd VP Engineering	Nil	Nil	25,000
Lyle A. Martinson VP Operations	Nil	Nil	25,000

**Notes:**

- (1) The value shown is the product of the number of Common Shares underlying the Performance Warrants and Options that vested during the year multiplied by the difference between the Common Share TSX closing price on the respective days the Options and Performance Warrants vested and the exercise price of the respective Options and Performance Warrants that vested.
- (2) Cash bonuses to be paid to the NEOs in April 2014 in respect of the year ended December 31, 2013.

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

The 2013 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) and long term incentive compensation (Options), as opposed to fixed compensation (salaries). This chart reflects that between 39 and 48% of each NEO’s 2013 compensation was performance based “at risk” compensation. 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.



## **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 2013 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, 2013.

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	\$510,000	\$247,628 <sup>(2)</sup>	\$757,628
	Termination with cause or resignation	Nil <sup>(1)</sup>	Nil <sup>(3)</sup>	Nil
Stephen E. Bjornson	Termination without cause and Cessation of employment in the case of a change of control	\$330,000	\$132,688 <sup>(2)</sup>	\$462,688
	Termination with cause or resignation	Nil <sup>(1)</sup>	Nil <sup>(3)</sup>	Nil
Donald W. Shepherd	Termination without cause and Cessation of employment in the case of a change of control	\$205,000	\$74,732 <sup>(2)</sup>	\$279,732
	Termination with cause or resignation	Nil <sup>(1)</sup>	Nil <sup>(3)</sup>	Nil
Lyle A. Martinson	Termination without cause and Cessation of employment in the case of a change of control	\$205,000	\$75,167 <sup>(2)</sup>	\$280,167
	Termination with cause or resignation	Nil <sup>(1)</sup>	Nil <sup>(3)</sup>	Nil

**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, 2012, 2011 and 2010, plus the product of the number of Common Shares underlying the Options and the Performance Warrants multiplied by the difference between the Common Share TSX closing price on December 31, 2013 of \$0.295 and the exercise price.
- (3) The value shown is the product of the number of Common Shares underlying the vested Options and the vested Performance Warrants multiplied by the difference between the Common Share TSX closing price on December 31, 2013 of \$0.295 and the exercise price.

## Director Compensation

Non-executive Directors are remunerated based on their expertise and time commitment provided to the Corporation. Non-executive Directors receive a set retainer of \$20,000 per year, except for the Chairman who receives an additional set retainer of \$5,000. The Chair of the Audit Committee receives an additional \$8,000 retainer and the Chairs of the Governance and Compensation Committee and the Reserves & Health, Safety and Environment Committee each receive an additional \$6,000 retainer. Additional fees are paid for committee service and meeting attendance (\$1,000 per meeting). 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.

On December 18, 2013, the non-executive Directors voluntarily surrendered 420,000 Options for cancellation in exchange for nominal consideration of \$0.005 per Option.

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, 2013.

Name	Fees Earned (\$)	Option-based awards <sup>(1)(2)</sup> (\$)	All Other Compensation <sup>(3)</sup> (\$)	Total (\$)
Abdel F. Badwi	24,500	30,240	Nil	54,740
William T. Fanagan	33,750	30,240	Nil	63,990
Claudio A. Gherinich	25,000	30,240	Nil	55,240
Kenneth D. McKay	23,000	30,240	Nil	53,240
Ronald W. Royal	29,500	30,240	Nil	59,740

**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, 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, none of these Options granted in 2013 had vested as at December 31, 2013.
- (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.

### Outstanding Performance Warrants

The following table sets forth information with respect to the unexercised Performance Warrants granted to directors which were outstanding as of December 31, 2013.

Name	Number of Common Shares Underlying Unexercised Performance Warrants <sup>(1)</sup>	Performance Warrant Awards		
		Performance Warrant Exercise Price (\$)	Performance Warrant Expiration Date	Value of Unexercised In-the-Money Performance Warrants (\$) <sup>(2)</sup>
Abdel F. Badwi	146,250	2.00	January 8, 2015	Nil
William T. Fanagan	108,000	2.00	January 8, 2015	Nil
Claudio A. Gherinich	675,000	2.00	January 8, 2015	Nil
Kenneth D. McKay	319,500	2.00	January 8, 2015	Nil
Ronald W. Royal	108,000	2.00	January 8, 2015	Nil

**Notes:**

- (1) The allocation of Performance Warrants to the directors was based on the level of their investment in the Corporation as part of the private placement which occurred in connection with the Reorganization, as well as certain funds invested in Northern Hunter during the 12 month period prior to the Reorganization.
- (2) The value shown is the product of the number of Common Shares underlying the Performance Warrant multiplied by the difference between the Common Share TSX closing price on December 31, 2013 of \$0.295 and the exercise price. All of the Performance Warrants had fully vested as at January 18, 2012. See "Equity Plan Compensation - Performance Warrants" for a description of the vesting terms of the Performance Warrants.

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

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

**Note:**

(1) The value shown is the product of the number of Common Shares underlying the Performance Warrants and Options that vested during the year multiplied by the difference between the Common Share TSX closing price on the respective days the Options and Performance Warrants vested and the exercise price of the respective Options and Performance Warrants that vested, which, in all cases, was nil.

### **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 2013: the Corporation granted Options exercisable into 1,689,500 Common Shares, representing 2.9% of the issued and outstanding Common Shares as at December 31, 2013; Options exercisable into 3,174,000 Common Shares were voluntarily surrendered for cancellation; and, Options exercisable into 47,250 Common Shares were not exercised and were cancelled upon the voluntary resignation of one employee. As of December 31, 2013: the Corporation had Options exercisable into 1,847,250 Common Shares outstanding, which represents approximately 3.2% of the issued and outstanding Common Shares; and, Performance Warrants exercisable into 2,796,750 Common Shares outstanding, which represents approximately 4.8% of the issued and outstanding Common Shares.

### **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.

## Performance Warrants

The Performance Warrants were originally granted on January 8, 2010 and such grants were presented to the Shareholders as part of the Reorganization and were approved by Shareholders. The Performance Warrants are governed by performance warrant certificates between the Corporation and the holder.

The key attributes of the Performance Warrants are as set forth below. All Performance Warrants have vested.

The vesting of the Performance Warrants was based on the value attributed to the Common Shares at certain points in time and the continued employment of the relevant holder in the following manner:

- (1) if the applicable holder of Performance Warrants continued in his or her capacity (as an employee, officer or director) with the Corporation until January 8, 2011; and at any time during the term of the Performance Warrants, the consecutive 20-day weighted average market price of the Common Shares was equal to or greater than \$4.00 per share (post 10:1 share consolidation), then one-third of the Performance Warrants vested;
- (2) if the applicable holder of Performance Warrants continued in his or her capacity (as an employee, officer or director) with the Corporation until July 8, 2011; and at any time during the term of the Performance Warrants, the consecutive 20-day weighted average market price of the common shares was equal to or greater than \$5.00 per share (post 10:1 share consolidation), then one-third of the Performance Warrants vested; and
- (3) if the applicable holder of Performance Warrants continued in his or her capacity (as an employee, officer or director) with the Corporation until January 8, 2012; and at any time during the term of the Performance Warrants, the consecutive 20-day weighted average market price of the common shares was equal to or greater than \$6.00 per share (post 10:1 share consolidation), then one-third of the Performance Warrants vested.

## SHARE OWNERSHIP GUIDELINES

The Corporation has adopted share ownership guidelines for each director, the CEO, the CFO and each Vice President 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:

Position	Value of Common Shares or PSUs to be held
Director	3 times annual retainer
CEO	3 times annual base salary
CFO	2 times annual base salary
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.

### 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, 2013.

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	1,847,250	\$1.15	3,943,364 <sup>(1)</sup>
Equity compensation plans not approved by Shareholders	Nil	N/A	N/A
Total	1,847,250	-	3,943,364

**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, 2013. As at December 31, 2013, 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 "B" 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, 2013, 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, 2013 and information with respect to the

business of the Corporation is contained in the Corporation's annual information for the year ended December 31, 2013. 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.

**APPENDIX "A"**

**AMENDED AND RESTATED BY-LAW NO. 1**

**(see attached)**

## AMENDED AND RESTATED BY-LAW NO. 1

A By-law relating generally to the transaction of the business and affairs of Valeura Energy Inc.

### CONTENTS

<u>SECTION</u>	<u>SUBJECT</u>
One	Interpretation
Two	Business of the Corporation
Three	Directors
Four	Committees
Five	Protection of Directors and Officers
Six	Nomination of Directors
Seven	Shares
Eight	Dividends
Nine	Meetings of Shareholders
Ten	Notices
Eleven	Effective Date

IT IS HEREBY ENACTED as Amended and Restated By-law No. 1 of Valeura Energy Inc. (hereinafter called the “**Corporation**”), which replaces all previous by-laws of the Corporation and amendments thereto as follows:

### SECTION ONE INTERPRETATION

#### **1.01 Definitions**

In the by-laws of the Corporation, unless the context otherwise requires:

“**Act**” means the *Business Corporations Act* (Alberta), and any statute that may be substituted therefor, including the regulations thereunder, as from time to time amended;

“**appoint**” includes “**elect**” and vice versa;

“**Articles**” means the articles of the Corporation, as defined in the Act, and includes any amendments thereto;

“**Board**” means the board of directors of the Corporation;

“**By-laws**” means this amended and restated by-law no. 1 and all other by-laws of the Corporation from time to time in force and effect;

“**Meeting of Shareholders**” means any meeting of Shareholders, including any meeting of one or more classes or series of Shareholders;

“**public filing or announcement**” means disclosure in a press release disseminated by the Corporation through a national news service in Canada or in a document filed by the Corporation for public access under its profile on the System of Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com);

“**recorded address**” means, in the case of a Shareholder, the address of such Shareholder as recorded in the securities register; in the case of joint Shareholders, the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are more than one; and, in the case of a director, officer, auditor or member of a committee of the Board, the latest address of such person as recorded in the records of the Corporation;

“**Shareholders**” means the holders of any class or series of shares of the Corporation; and

“**Signing Officer**” means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by Section 2.03 or by a resolution passed pursuant thereto.

Save as aforesaid, words and expressions defined in the Act have the same meanings when used herein; and words importing the singular number include the plural and vice versa; words importing gender include the masculine, feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, trusts, unincorporated organizations and personal representatives.

## **1.02 Conflict with the Act, the Articles or any Unanimous Shareholder Agreement**

To the extent of any conflict between the provisions of the By-laws and the provisions of the Act, the Articles or any unanimous shareholder agreement relating to the Corporation, the provisions of the Act, the Articles or the unanimous shareholder agreement shall govern.

## **1.03 Headings and Sections**

The headings used throughout the By-laws are inserted for convenience of reference only and are not to be used as an aid in the interpretation of the By-laws. “**Section**” followed by a number means or refers to the specified section of this By-law.

## **1.04 Invalidity of any Provision of By-laws**

The invalidity or unenforceability of any provision of the By-laws shall not affect the validity or enforceability of the remaining provisions of the By-laws.

## **SECTION TWO** **BUSINESS OF THE CORPORATION**

### **2.01 Corporate Seal**

The corporate seal of the Corporation, if any, shall be in such form as the Board may from time to time by resolution approve.

## **2.02 Financial Year**

The financial year of the Corporation shall end on such date in each year as the Board may from time to time by resolution determine.

## **2.03 Execution of Instruments**

Deeds, transfers, assignments, contracts, mortgages, charges, obligations, certificates and other instruments of any nature whatsoever (collectively “**instruments**”) shall be signed on behalf of the Corporation by two persons, one of whom holds the office of Chair of the Board, President and Chief Executive Officer, Chief Financial Officer, Vice President or director and the other of whom holds one of the said offices or the office of Secretary, Treasurer, Assistant Secretary or Assistant Treasurer, or any other office created by resolution of the Board. In addition, the Board is authorized from time to time by resolution to appoint any person or persons on behalf of the Corporation either to sign instruments in writing generally or to sign specific instruments. Any Signing Officer may affix the corporate seal to any instrument requiring the same.

## **2.04 Execution in Counterpart, By Facsimile, and by Electronic Signature**

- (a) subject to the Act, any instrument or document required or permitted to be executed by one or more persons on behalf of the Corporation may be signed by electronic means or by facsimile; and
- (b) any instrument or document required or permitted to be executed by one or more persons may be executed in separate counterparts, each of which when duly executed by one or more of such persons shall be an original and all such counterparts together shall constitute one and the same such instrument or document.

## **2.05 Banking Arrangements**

The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be authorized by the Board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the Board may from time to time prescribe or authorize.

## **2.06 Voting Rights in Other Bodies Corporate**

The Signing Officers may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments, certificates or other evidence shall be in favour of such person or persons as may be determined by the persons executing such proxies or arranging for the issuance of voting certificates or such other evidence of the right to exercise such voting rights. In addition, the Board or, failing the Board, the Signing Officers may from time to time direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

## **2.07 Divisions**

The Board may from time to time cause the business and operations of the Corporation or any part thereof to be divided into one or more divisions upon such basis, including without limitation, types of business or operations, geographical territories, product lines or goods or services, as the Board may consider

appropriate in each case. From time to time the Board may authorize upon such basis as may be considered appropriate in each case:

- (a) the designation of any such division by, and the carrying on of the business and operations of any such division under, a name other than the name of the Corporation; provided that the Corporation shall set out its name in legible characters in all contracts, invoices, negotiable instruments and orders for goods or services issued or made by or on behalf of the Corporation; and
- (b) the appointment of officers for any such division and the determination of their powers and duties, provided that any such officers shall not, as such, be officers of the Corporation.

### **SECTION THREE** **DIRECTORS**

#### **3.01 Number of Directors**

The Board shall consist of the number of directors provided in the Articles, or, if a minimum number and a maximum number of directors is so provided, the number of directors of the Corporation shall be determined from time to time by resolution of the directors without shareholder approval.

#### **3.02 Calling and Notice of Meetings**

Meetings of the Board shall be called and held at such time and at such place as the Board, the Chair of the Board, the Chief Executive Officer, the President or any two directors may determine, and the Secretary or any other officer shall give notice of meetings when directed or authorized by such persons. Notice of each meeting of the Board shall be given in the manner provided in Section Ten to each director not less than forty-eight (48) hours before the time when the meeting is to be held unless waived in accordance with the Act. A notice of a meeting of the Board need not specify the purpose of or the business to be transacted at the meeting, except where required by the Act. Notwithstanding the foregoing, the Board may from time to time fix a day or days in any month or months for regular meetings of the Board at a place and hour to be named, in which case no other notice shall be required for any such regular meeting except where the Act requires specification of the purpose or the business to be transacted thereat. Provided that a quorum of directors is present, each newly elected Board may, without notice, hold its first meeting following the Meeting of Shareholders at which such Board was elected.

#### **3.03 Place of Meetings**

Meetings of the Board may be held at any place in or outside Alberta.

#### **3.04 Meetings by Telephonic, Electronic or Other Communication Facility**

A director may participate in a meeting of the Board or of a committee of the Board by electronic means, telephone or other communication facilities that permit all persons participating in the meeting to hear each other. A director participating in such a meeting in such manner shall be considered present at the meeting and at the place of the meeting.

### **3.05 Quorum**

Subject to the requirements under the Act requiring resident Canadians to be present at any meeting of the Board, the quorum for the transaction of business at any meeting of the Board shall consist of a majority of the directors or such greater number of directors as the Board may from time to time determine, provided that, if the Board consists of only one director, the quorum for the transaction of business at any meeting of the Board shall consist of one director.

### **3.06 Chair**

The chair of any meeting of the Board shall be the director present at the meeting who is the first mentioned of the following officers as have been appointed: Chair of the Board, President and Chief Executive Officer, Chief Financial Officer or a Vice-President (in order of seniority). If no such officer is present, the directors present shall choose one of their number to be chair. If the Secretary of the Corporation is absent, the chair of the meeting shall appoint some person, who need not be a director, to act as secretary of the meeting.

### **3.07 Action by the Board**

At all meetings of the Board every question shall be decided by a majority of the votes cast on the question. A director participating in a meeting by electronic means, telephone or other communication facilities may vote by means of such facility. In case of an equality of votes, the chair of the meeting shall not be entitled to a second or casting vote. The powers of the Board may also be exercised by resolution in writing signed by all the directors who would be entitled to vote on that resolution at a meeting of the Board.

### **3.08 Adjourned Meeting**

Any meeting of the Board may be adjourned from time to time by the chair of the meeting, with the consent of the meeting, to a fixed time and place. The adjourned meeting shall be duly constituted if a quorum is present and if it is held in accordance with the terms of the adjournment. If there is no quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated forthwith after its adjournment.

### **3.09 Remuneration and Expenses**

The directors shall be paid such remuneration for their services as the Board may from time to time determine. The directors shall also be entitled to be reimbursed for reasonable travelling and other expenses properly incurred by them in attending meetings of the Board or any committee thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

### **3.10 Officers**

The Board from time to time may appoint one or more officers of the Corporation and, without prejudice to rights under any employment contract, may remove any officer of the Corporation. The powers and duties of each officer of the Corporation shall be those determined from time to time by the Board and, in the absence of such determination, shall be those usually incidental to the office held.

### **3.11 Agents and Attorneys**

The Board shall have the power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers of management or otherwise (including the power to sub-delegate) as may be thought fit.

## **SECTION FOUR COMMITTEES**

### **4.01 Committees of the Board**

Subject to the Act, the Board may appoint one or more committees of the Board, however designated, and delegate to any such committee any of the powers of the Board.

### **4.02 Transaction of Business**

The powers of any committee of directors may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all the members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of any committee may be held at any place in or outside Alberta.

### **4.03 Procedure**

Unless otherwise determined by the Board, a quorum for meetings of any committee shall be a majority of its members, each committee shall have the power to appoint its chair and the rules for calling, holding, conducting and adjourning meetings of the committee which, unless otherwise determined, shall be the same as those governing the Board. Each member of a committee shall serve during the pleasure of the Board and, in any event, only so long as such person shall be a director. The directors may fill vacancies in a committee by appointment from among their members. Provided that a quorum is maintained, the committee may continue to exercise its powers notwithstanding any vacancy among its members.

## **SECTION FIVE PROTECTION OF DIRECTORS AND OFFICERS**

### **5.01 Limitation of Liability**

No director or officer for the time being of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee, or for joining in any receipt or act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Corporation shall be placed or invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation including any person, firm or corporation with whom or with which any moneys, securities or effects shall be lodged or deposited, or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets of or belonging to the Corporation or for any other loss, damage or misfortune whatsoever which may happen in the execution of the duties of his or her respective office or trust or in relation thereto unless the same shall happen by or through his or her failure to exercise the powers and to discharge the duties of his or her office honestly, in good faith and with a view to the best interests of the Corporation and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

## **5.02 Indemnity**

The Corporation shall, to the maximum extent permitted under the Act or otherwise by law, indemnify a director or officer of the Corporation, a former director or officer of the Corporation, and a person who acts or acted at the Corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, and their heirs and legal representatives, against all costs, charges and expenses, including any amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other action or proceeding to which he or she is made a party to or involved by reason of that association with the Corporation or such other entity.

## **5.03 Advance Of Costs**

The Corporation shall, to the maximum extent permitted under the Act or otherwise by law, advance moneys to an individual referred to in Section 5.02 to defray the costs, charges and expenses of a proceeding referred to in Section 5.02 provided such individual shall repay the moneys advanced if the individual does not fulfill the conditions set forth in the Act.

## **5.04 Court Approval**

The Corporation shall use reasonable commercial efforts to obtain any court or other approvals necessary for any indemnification pursuant to Sections 5.02.

## **5.05 Indemnities Not Exclusive**

The rights of any person to indemnification granted by the Act or this By-law are not exclusive of any other rights to which any person seeking indemnification may be entitled under any agreement, vote of Shareholders or directors, at law or otherwise, and shall continue as to a person who has ceased to be a director, officer, employee or agent and will enure to the benefit of the heirs and legal representatives of that person.

## **5.06 Insurance**

The Corporation may purchase, maintain or participate in insurance for the benefit of the persons referred to in Section 5.02 as the Board may from time to time determine.

## **SECTION SIX NOMINATION OF DIRECTORS**

### **6.01 Nomination of Directors**

Subject to the Act and the Articles, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board may be made:

- (a) by or at the direction of the Board, including pursuant to a notice of meeting;
- (b) by or at the direction or request of one or more Shareholders pursuant to a proposal made in accordance with the provisions of the Act or a requisition of the Shareholders made in accordance with the provisions of the Act; or

- (c) by any person (a “**Nominating Shareholder**”) who: (i) at the close of business on the date of the giving of the notice provided described in Section 6.02 and on the record date for notice of such Meeting of Shareholders, is a registered holder of one or more shares carrying the right to vote at such Meeting of Shareholders; and (ii) complies with the provisions set forth in this Section.

## 6.02 Timely Notice

A Nominating Shareholder must give notice of a nomination (a “**Nomination Notice**”) in proper form to the Chair of the Board:

- (a) in the case of an annual Meeting of Shareholders, not less than 30 days and not more than 65 days before the date of the annual Meeting of Shareholders, unless such Meeting of Shareholders is called for a date that is less than 50 days after the date on which the first public filing or announcement of the date of such meeting was made, in which case a Nomination Notice must be given not later than the close of business on the 10<sup>th</sup> day following the date of such public filing or announcement; and
- (b) in the case of a special Meeting of Shareholders (which is not also an annual Meeting of Shareholders) called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the 15<sup>th</sup> day following the day on which the first public filing or announcement of the date of such Meeting of Shareholders was made.

The time periods for giving of a Nomination Notice shall in all cases be determined based on the original date of the annual Meeting of Shareholders or the first public announcement of the annual or special Meeting of Shareholders, as applicable. In no event shall an adjournment or postponement of an annual meeting or special Meeting of Shareholders or any announcement thereof commence a new time period for the giving of a Nomination Notice.

## 6.03 Proper Written Form

To be in proper written form, a Nomination Notice must set forth:

- (a) disclose or include, as applicable, as to each person whom the Nominating Shareholder proposes to nominate for election as a director (a “**Nominee**”):
  - (i) their name, age, business and residential address, principal occupation or employment for the past five years, status as a “resident Canadian” (as such term is defined in the Act);
  - (ii) their direct or indirect beneficial ownership in, or control or direction over, any class or series of securities of the Corporation, including the number or principal amount and the date (s) on which such securities were acquired;
  - (iii) any relationships, agreements or arrangements, including financial, compensation and indemnity related relationships, agreements or arrangements, between the Nominee or any affiliates or associates of, or any person or entity acting jointly or in concert with, the Nominee and the Nominating Shareholder;

- (iv) any other information that would be required to be disclosed in a dissident proxy circular or other filings required to be made in connection with the solicitation of proxies for election of directors pursuant to the Act or applicable securities law; and
  - (v) a duly completed personal information form in respect of the Nominee in the form prescribed by the principal stock exchange on which the securities of the Corporation are then listed for trading;
- (b) disclose or include, as applicable, as to each Nominating Shareholder giving the notice and each beneficial owner, if any, on whose behalf the nomination is made:
- (i) their name, business and residential address, direct or indirect beneficial ownership in, or control or direction over, any class or series of securities of the Corporation, including the number or principal amount and the date(s) on which such securities were acquired;
  - (ii) their interests in, or rights or obligations associated with, an agreement, arrangement or understanding, the purpose or effect of which is to alter, directly or indirectly, the person's economic interest in a security of the Corporation or the person's economic exposure to the Corporation, including any derivative or hedging arrangements;
  - (iii) any proxy, contract, arrangement, agreement or understanding pursuant to which such person, or any of its affiliates or associates, or any person acting jointly or in concert with such person, has any interests, rights or obligations relating to the voting of any securities of the Corporation or the nomination of directors to the Board;
  - (iv) a representation that the Nominating Shareholder is a holder of record of securities of the Corporation, or a beneficial owner, entitled to vote at such meeting, and intends to appear in person or by proxy at the meeting to propose such nomination; and
  - (v) any other information relating to such person that would be required to be included in a dissident proxy circular or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to the Act or as required by applicable securities laws;
- (c) Such notice shall include a written consent duly signed by each Nominee to being named as a nominee and to serve as a director of the Corporation, if elected.
- (d) All information to be provided in a Nomination Notice shall be provided as of the date of such notice. The Nominating Shareholder shall update such information forthwith so that it is true and correct in all material respects as of the date that is 10 business days prior to the date of the Meeting of Shareholders, or any adjournment or postponement thereof.

#### **6.04 Further Information**

The Corporation may require any Nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of the Nominee to serve as an independent

director of the Corporation or that could be material to a reasonable Shareholder's understanding of the independence, or lack thereof, of the Nominee, including but not limited to an affidavit confirming eligibility to serve as a director under the Act.

#### **6.05 Discussion Permitted**

Nothing in this Section shall be deemed to preclude discussion by a Shareholder (as distinct from nominating directors) at a Meeting of Shareholders of any matter in respect of which such Shareholder would have been entitled to submit a proposal pursuant to the provisions of the Act.

#### **6.06 Notice**

A Nomination Notice may only be given by personal delivery, facsimile transmission or by e-mail at such e-mail address as may be stipulated from time to time by the Corporation for purposes of this notice, and shall be deemed to have been given and made only at the time it is served by personal delivery to the Chair of the Board at the address of the principal executive offices of the Corporation, sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) or sent by e-mail (at the address as aforesaid); provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Calgary time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day.

#### **6.07 Additional Matters**

- (a) The chair of any Meeting of Shareholders (the “**Chair**”) shall have the power to determine whether any proposed nomination is made in accordance with the provisions of the By-Laws, and if any proposed nomination is not in compliance with such provisions, must declare that such defective nomination shall not be considered at any Meeting of Shareholders.
- (b) Nothing in this Section shall obligate the Corporation or the Board to include in any proxy statement or other shareholder communication distributed by or on behalf of the Corporation or Board any information with respect to any proposed nomination or any Nominating Shareholder or Nominee.
- (c) Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in this Section.

### **SECTION SEVEN** **SHARES**

#### **7.01 Non-Recognition of Trusts**

Subject to the Act, the Corporation may treat as the absolute owner of any share the person in whose name the share is registered in the securities register as if that person had full legal capacity and authority to exercise all rights of ownership, irrespective of any indication to the contrary through knowledge or notice or description in the Corporation's records or on the share certificate.

#### **7.02 Joint Shareholders**

If two or more persons are registered as joint holders of any share:

- (a) the Corporation shall record only one address on its books for such joint holders;
- (b) the address of such joint holders for all purposes with respect to the Corporation shall be their recorded address; and
- (c) any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

## **SECTION EIGHT** **DIVIDENDS**

### **8.01 Dividend Cheques**

A dividend payable in cash shall be paid by cheque of the Corporation or of any dividend paying agent appointed by the Board, to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at the Shareholder's recorded address, unless such holder otherwise directs and the Corporation agrees to follow such direction. In the case of joint holders the cheque shall, unless such joint holders otherwise direct and the Corporation agrees to follow such direction, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold. Alternatively, dividends payable in money may be paid to Shareholders by such form of electronic funds transfer as the Board considers appropriate.

### **8.02 Non-receipt of Cheques**

In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the Board may from time to time prescribe, whether generally or in any particular case. No dividend shall bear interest against the Corporation.

### **8.03 Unclaimed Dividends**

Any dividend unclaimed after a period of six years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

## **SECTION NINE** **MEETINGS OF SHAREHOLDERS**

### **9.01 Place of Meetings**

Meetings of the Shareholders shall be held at such place within Alberta as the Board shall determine. Subject to the Act, meetings may be held outside of Alberta.

### **9.02 Participation in Meeting By Electronic Means**

Any person entitled to attend a Meeting of Shareholders may participate in the Meeting of Shareholders, in accordance with the Act, by electronic means, telephone or other communication facility that permits

all participants to hear each other or otherwise communicate with each other during the Meeting of Shareholders, if the Corporation makes available such a communication facility. A person participating in a Meeting of Shareholders by such means shall be deemed to be present at the Meeting of Shareholders.

### **9.03 Electronic Meetings**

If the Board or the Shareholders call a Meeting of Shareholders, the Board or those Shareholders, as the case may be, may determine that the Meeting of Shareholders shall be held, in accordance with the Act, entirely by electronic means, telephone or other communication facility that permits all participants to communicate adequately with each other during the Meeting of Shareholders.

### **9.04 Chair, Secretary and Scrutineers**

The Chair, who need not be a Shareholder, shall be any of the following officers as appointed by the Board to act as Chair and is present at such Meeting of Shareholders: Chair of the Board, President and Chief Executive Officer, Chief Financial Officer or a Vice-President. If no such officer is present and willing to act as Chair within fifteen (15) minutes from the time fixed for holding the Meeting of Shareholders, the persons present and entitled to vote shall choose one of their number to be Chair. The Chair shall conduct the proceedings at the Meeting of Shareholders in all respects and his or her decision in any matter or thing, including, but without in any way limiting the generality of the foregoing, any question regarding the validity or invalidity of any instruments of proxy and any question as to the admission or rejection of a vote, shall be conclusive and binding upon the Shareholders. The secretary of any Meeting of Shareholders shall be the Secretary of the Corporation, provided that, if the Corporation does not have a secretary or if the Secretary of the Corporation is absent, the Chair shall appoint some person, who need not be a Shareholder, to act as secretary of the Meeting of Shareholders. The Board may from time to time appoint in advance of any Meeting of Shareholders one or more persons to act as scrutineers at such Meeting of Shareholders and, in the absence of such appointment, the Chair may appoint one or more persons to act as scrutineers at any Meeting of Shareholders. Scrutineers so appointed may, but need not be, Shareholders or directors, officers or employees of the Corporation.

### **9.05 Persons Entitled to be Present**

The only persons entitled to be present at a Meeting of Shareholders shall be; (a) those entitled to vote at such Meeting of Shareholders; (b) the directors and auditors of the Corporation; (c) others who, although not entitled to vote, are entitled or required under any provision of the Act, the Articles or the By-laws to be present at the Meeting of Shareholders; (d) legal counsel to the Corporation when invited by the Corporation to attend the Meeting of Shareholders; and (e) any other person on the invitation of the Chair or with the consent of the meeting.

### **9.06 Quorum**

A quorum for the transaction of business at any Meeting of Shareholders shall be at least two persons present in person, each being a Shareholder entitled to vote thereat or a duly appointed proxy or representative for an absent Shareholder so entitled, and representing in the aggregate not less than twenty-five percent (25%) of the outstanding shares of the Corporation carrying voting rights at the Meeting of Shareholders, provided that, if there should be only one Shareholder entitled to vote at any Meeting of Shareholders, the quorum for the transaction of business at the Meeting of Shareholders shall consist of the one Shareholder.

### **9.07 Representatives**

The authority of an individual to represent a body corporate or association at a Meeting of Shareholders shall be established by depositing with the Corporation a certified copy of the resolution of the directors or governing body of the body corporate or association, as the case may be, granting such authority, or in such other manner as may be satisfactory to the Chair.

### **9.08 Action by Shareholders**

The Shareholders shall act by ordinary resolution unless otherwise required by the Act, the Articles, the By-laws or any unanimous shareholder agreement. In case of an equality of votes either upon a show of hands or upon a poll, the Chair shall not be entitled to a second or casting vote, but may request another vote.

### **9.09 Show of Hands**

Upon a show of hands, every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is required or demanded, a declaration by the Chair that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the Shareholders upon the said question.

### **9.10 Ballots**

A ballot required or demanded shall be taken in such manner as the Chair shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which he or she is entitled to vote at the Meeting of Shareholders upon the question, to that number of votes provided by the Act or the Articles, and the result of the ballot so taken shall be the decision of the Shareholders upon the said question.

### **9.11 Electronic Voting**

Notwithstanding Section 9.09, any vote referred to in Section 9.08 may be held, in accordance with the Act, partially or entirely by electronic means, telephone or other communication facility, if the Corporation has made available such a facility. Any person participating in a Meeting of Shareholders under Sections 9.02 or 9.03 and entitled to vote at the Meeting of Shareholders may vote, in accordance with the Act by electronic means, telephone or other communication facility that the Corporation has made available such purpose.

### **9.12 Resolution in Lieu of Meeting**

A resolution in writing signed by all the Shareholders entitled to vote on that resolution at a Meeting of Shareholders is as valid as if it had been passed at a Meeting of Shareholders. A resolution in writing may be signed in one or more counterparts.

**SECTION TEN**  
**NOTICES**

**10.01 Method of Giving Notices**

Except as otherwise provided herein, any notice (which term includes any communication or contract document or instrument in writing, or electronic document) to be given (which term includes sent, delivered or served) pursuant to the Act, the Articles or the By-laws or otherwise to a Shareholder, director, officer, or auditor or member of a committee of the Board shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to the person's record address or if mailed to such person at such record address by prepaid mail or if sent to such person by electronic means as permitted by, and in accordance with, the Act. The Secretary may change or cause to be changed the recorded address of any Shareholder, director, officer, auditor or member of a committee of the Board in accordance with any information believed by the Secretary to be reliable. The foregoing shall not be construed so as to limit the manner or effect of giving notice by any other means of communication otherwise permitted by law.

**10.02 Notice to Joint Holders**

If two or more persons are registered as joint holders of any share, any notice may be addressed to all of such joint holders but notice addressed to one of such persons shall be sufficient notice to all of them.

**10.03 Computation of Time**

In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the date of giving the notice shall be excluded and the date of the meeting or other event shall be included.

**10.04 Omissions and Errors**

The accidental omission to give any notice to any Shareholder, director, officer, auditor or member of a committee of the Board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

**10.05 Persons Entitled by Death or Operation of Law**

Every person who, by operation of law, transfer, death of a Shareholder or any other means whatsoever shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the Shareholder from whom such person derives title to such share prior to such person's name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which such person became so entitled) and prior to such person furnishing to the Corporation the proof of authority or evidence of such person's entitlement prescribed by the Act.

**SECTION ELEVEN**  
**EFFECTIVE DATE**

**11.01 Effective Date**

This By-law shall come into force when made by the Board in accordance with the Act.

## **11.02 Repeal**

All previous by-laws of the Corporation are repealed as of the coming into force of this By-law. Such repeal shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under, or the validity of any contract or agreement made pursuant to, or the validity of any Articles or predecessor charter documents of the Corporation obtained pursuant to, any such by-law prior to its repeal. All officers and persons acting under any by-law so repealed shall continue to act as if appointed under the provisions of this By-law and all resolutions of the Shareholders or the Board or a committee of the Board with continuing effect passed under any repealed by-law shall continue good and valid except to the extent inconsistent with this By-law and until amended or repealed.

**MADE** by the Board the 11th day of March, 2014.

Signed "*James D. McFarland*"

---

President and Chief Executive Officer

**CONFIRMED** by the Shareholders in accordance with the Act the 15th day of May, 2014.

---

President and Chief Executive Officer

**APPENDIX “B”**

**STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

**(see attached)**

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

*Capitalized terms used in this Appendix “B” but not otherwise defined herein shall have the meanings ascribed thereto in the Information Circular to which this Appendix “B” 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 “C” 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. 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 80% of the Board), being Messrs. Badwi, Fanagan, Ghersinich, McKay 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.

#### *Retirement Policy*

The Board adopted a retirement policy for directors. After the age of 70, a director may not stand for re-election unless the Board in its discretion decides otherwise.

#### *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:

Name	Name of other Reporting Issuer
Abdel F. Badwi	Bankers Petroleum Ltd. ArPetrol Ltd.
William T. Fanagan	None
Claudio A. Ghersinich	Vermilion Energy Inc. ArPetrol Ltd.
Kenneth D. McKay	None
James D. McFarland	Pengrowth Energy Corporation MEG Energy Corp.
Ronald W. Royal	Caracal Energy Inc.

### ***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. The Board has determined that an *in camera* session of the directors will be held at each regularly scheduled Board and committee meeting so that the independent members of the Board, will have an opportunity to meet without the presence of management members of the Board.

### ***Meeting Attendance***

Name	Board Meetings Attended in 2013		Committee Meetings Attended in 2013	
	No.	%	No.	%
Abdel F. Badwi	6 of 7	86	2 of 2	100
William T. Fanagan	7 of 7	100	6 of 6	100
Claudio A. Ghersinich	7 of 7	100	4 of 6	67
Kenneth D. McKay	7 of 7	100	5 of 5	100
James D. McFarland	7 of 7	100	9 of 9 <sup>(1)</sup>	100
Ronald W. Royal	7 of 7	100	7 of 7	100

**Note:**

- (1) 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. With the transition to IFRS in 2011, all directors received a comprehensive briefing by the Corporation's auditors on the implications of these new accounting rules.

### **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 its 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 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.

### **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. The following is a description of the committees and their current membership.

### **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 2013 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.

### ***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, 2013 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 Kenneth D. McKay. All three members are independent directors.

The main purposes of the Governance and Compensation Committee are: (i) to provide a focus on governance that will enhance the Corporation's performance, to assess and make recommendations regarding Board effectiveness and to establish and lead the process for identifying, recruiting, appointing and providing ongoing development for directors; and (ii) 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 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;

- regularly reviewing the corporate governance practices of the Corporation and, if appropriate, recommending changes to the Board;
- review and recommend for Board approval, corporate goals and objectives for the CEO to be considered in determining his compensation and performance evaluation;
- review management resources and succession plans to ensure that qualified personnel will be available for succession to executive positions;
- review and recommend 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, review the compensation principles for base salaries, bonuses, long term incentives and benefit plans and approve the compensation for the executive team (including the CEO).

Following each year, the Governance and Compensation Committee distributes and utilizes a confidential CEO Feedback Instrument to assess the CEO’s performance. 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 compensation for the following year. 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 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 2013	Fees paid in 2012
Executive compensation-related fees	\$17,798	\$19,031
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 will meet at least two times annually.

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

The Reserves & Health, Safety and Environment Committee is comprised of Ronald W. Royal (Chair), Kenneth D. McKay and Claudio A. Ghersinich. All members of the Reserves & Health, Safety and Environment Committee are independent.

The main purposes of the Reserves & Health, Safety and Environment Committee are: (i) to provide the Board with a mechanism to review oil and gas reserves and resources; (ii) to assist the Board in carrying out its responsibilities by having responsible persons to ensure that the Corporation's activities are conducted in an environmentally responsible manner; and (iii) to ensure the Corporation maintains the integrity of its health and safety policies.

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 will meet 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 Director.

**APPENDIX “C”**

**TERMS OF REFERENCE OF THE BOARD**

**(see attached)**

## **TERMS OF REFERENCE OF THE BOARD**

### **I. 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.

### **II. 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.

### **III. 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

---

<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).

**IV. 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.