



## CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE MANDATE

### INTRODUCTION

Gear Energy Ltd. (the "**Corporation**") is an Alberta based junior oil and gas exploration and development, company. The Board of Directors of the Corporation (the "**Board**") has the responsibility for the overall stewardship of the conduct of the business of the Corporation and its subsidiaries and the activities of management of the Corporation, which is responsible for the day-to-day conduct of the business.

### PURPOSE

The Corporate Governance and Compensation Committee (the "**Committee**") is responsible for: (i) overseeing and assessing the functioning of the Board and the committees of the Board and for the development, recommendation to the Board, implementation, and assessment of effective governance principles and for the nomination of appropriate candidates to serve the Board as directors, as Chair of the board, as committee members and as committee Chairs for the Board of Directors; (ii) undertaking on behalf of the Board such other governance initiatives as may be necessary or desirable to enable the Board to provide effective governance for the Corporation; and (iii) implementing and overseeing compensation policies and general human resources policies and guidelines concerning employee compensation and benefits approved by the Board for the Corporation. The Committee will also review and/or approve any other matters specifically delegated to the Committee by the Board.

### COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Committee shall consist of at least three members of the Board, each of whom shall be "independent", as that term is defined in the Section 1.4 of National Instrument 52-110, *Audit Committees* or such guidelines as may hereafter replace the same.
2. The Board shall appoint the members of the Committee. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
3. The Committee shall have a Chair who is a full voting member of the Committee and who is appointed by the Board. Unless the Board shall have appointed a Chair of the Committee, the members of the Committee shall elect a Chair from among their members.
4. The Committee shall meet regularly in each year on such dates and at such locations as the Chair of the Committee shall determine and may also meet at any other time or times on the call of the Chair of the Committee or any two of the other members.
5. Minutes of Committee meeting shall be approved by the Chair and maintained with the Corporation's records by the Corporate Secretary or designate. Minutes of all Committee meetings shall be available to all Directors.
6. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and hear each other.
7. Any two directors may request the Chair to call a meeting of the Committee and may attend at such meeting or inform the Committee of a specific matter of concern to such directors, and may participate in such meeting to the extent permitted by the Chair of the Committee.

8. The Committee may retain special legal, accounting, financial or other consultants or advisors to advise the Committee at the Corporation's expense including any compensation consulting firm and shall have sole authority to retain and terminate any such consultants or advisors and to approve any such consultant's or advisor's fees and retention terms.
9. The Committee may delegate from time to time any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.
10. The Committee shall have access to such officers and employees of the Corporation, its external auditors and legal counsel, and to such information respecting the Corporation, as it considers being necessary or advisable in order to perform its duties and responsibilities.
11. The Committee will conduct meetings "in-camera", without management, as deemed appropriate by the Committee.

## **DUTIES AND RESPONSIBILITIES**

Corporate governance means the process and structure used to supervise the business and affairs of the Corporation. The process and structure define the division of power and establish mechanisms for achieving accountability among shareholders, the Board and management.

The duties and responsibilities of the Committee shall be as follows:

1. Corporate Governance Matters
  - (a) to develop and monitor the Corporation's overall approach to corporate governance issues and, subject to approval by the Board, to implement and administer a system of corporate governance which reflects superior standards of corporate governance practices;
  - (b) to report annually to the Corporation's shareholders, through the Corporation's annual management information circular to shareholders in accordance with National Instrument 58-101, *Disclosure of Corporate Governance Practices*, on the Corporation's system of corporate governance and the operation of its system of governance, having reference to the Corporate Governance Guidelines set forth in National Policy 58-201, *Corporate Governance Guidelines* and such other laws, rules, regulations, policies and instruments as may affect the corporate governance of the Corporation from time to time;
  - (c) to consider the relationship of each director to the Corporation and significant shareholders as to whether such director is an independent director;
  - (d) to advise the Board or any of the committees of the Board of any corporate governance issues which the Committee determines ought to be considered by the Board or any such committee;
  - (e) to review with the Board, the role of the Board, the terms of reference of each of the committees of the Board and the methods and processes by which the Board fulfills its duties and responsibilities, including without limitation:
    - (i) the number and content of meetings;
    - (ii) the annual schedule of issues to be presented to the Board at its meetings or those of its committees;
    - (iii) material which is to be provided to the directors generally and with respect to meetings of the Board or its committees;

- (iv) resources available to directors; and
- (v) the communication process between the Board and management;
- (f) to propose to the Board, when required, the assignment of members to the committees of the Board and the Chair for each committee;
- (g) to recommend to the Board a system which enables a committee or an individual director to engage separate independent counsel and advisors at the expense of the Corporation in appropriate circumstances and, upon the approval by the Board of such a process, to be responsible for the management and administration thereof;
- (h) whenever the Board Chair is also an executive officer of the Corporation, to establish practices and procedures to permit the Board in appropriate circumstances to act independently;
- (i) to assist the Board in developing position descriptions for and, as appropriate, assessing the performance of the Chair of the Board and the Chief Executive Officer of the Corporation;
- (j) to review periodically the Corporation's approach to governance issues;
- (k) to review annually the mandate for the Board and the position description for the Board Chair;
- (l) to evaluate annually the effectiveness and contribution of the Board, the Board Chair and the Chair of each committee and the effectiveness and contribution of individual directors, and, in doing so, should have regard for the mandate of the Board and position description, the results of surveys of the directors, attendance at Board committee meetings, overall contribution and, in the case of individual directors, the competencies and skills the individual director is expected to bring to the Board; and
- (m) to endeavour to recommend, as deemed appropriate, policies regarding succession in the event of an emergency or the retirement of the Board Chair.

2. Selection, Nomination, Orientation, Education, and Remuneration of Directors

- (a) in consultation with the Board, to consider the appropriate size of the Board, with a view to facilitating effective decision-making;
- (b) in consultation with the Board, to establish criteria for Board membership and to identify individuals qualified to become members of the Board, and, in doing so, should consider:
  - (i) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;
  - (ii) the competencies and skills that the Board considers each existing director to possess;
  - (iii) the competencies and skills that each new nominee will bring to the Board; and
  - (iv) whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board;
- (c) in conjunction with the Chair of the Board, to propose to the Board, annually, the members proposed for re-election to the Board and identify and, where appropriate, recommend new nominees for the Board;

- (d) to work with management to facilitate an education and comprehensive orientation program for new members of the Board and a continuing education program for all directors;
  - (e) to periodically review the adequacy and form of the compensation of directors and to ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective director, and to report and make recommendations to the Board accordingly.
3. Review and Assessment of the Effectiveness of the Board and its Committees
- (a) to establish and administer a process for assessing the effectiveness of the Board as a whole and the committees of the Board;
  - (b) to assess the needs of the Board in terms of the frequency and location of Board and committee meetings and information provided to directors for such meetings and make recommendations to the Board as required; and
  - (c) to review the Corporation's structures and procedures in an effort to ensure the Board is able to, and does, function independently of management.
4. Compensation Matters
- (a) to recommend to the Board compensation policies and guidelines concerning executive compensation and benefits;
  - (b) to endeavour to ensure that the Corporation has in place programs to attract and develop high calibre management and a process to provide for the orderly succession of management;
  - (c) to review and approve corporate goals and objectives relevant to compensation of the Chief Executive Officer, and evaluate the Chief Executive Officer's performance in light of such corporate goals and objectives;
  - (d) to make recommendations to the Board with respect to the annual salary, bonus and other benefits, direct and indirect, of the Chief Executive Officer having consideration to the Committee's evaluation of the Chief Executive Officer's performance and to recommend to the Board compensation for all other designated officers of the Corporation after considering the recommendations of the Chief Executive Officer, all within the compensation policies and general human resources policies and guidelines concerning employee compensation and benefits, such compensation to realistically reflect the responsibilities and risks of such positions;
  - (e) to implement and administer compensation policies and guidelines concerning executive compensation and benefits concerning the following:
    - (i) executive compensation, contracts, stock plans or other incentive plans; and
    - (ii) proposed personnel changes involving officers reporting to the Chief Executive Officer;
  - (f) from time to time, to review the Corporation's broad policies and programs in relation to benefits;
  - (g) to annually receive from the Chief Executive Officer recommendations concerning annual compensation policies;
  - (h) from time to time, to review with the Chief Executive Officer the Corporation's broad policies on compensation;

- (i) to review and endorse, as deemed appropriate, major changes in the organizational structure of management as proposed by the Chief Executive Officer;
- (j) to review and recommend to the Board for approval, the compensation committee report and statement of executive compensation for inclusion in the public disclosure documents;
- (k) to review with the Chief Executive Officer any significant outside commitments the Chief Executive Officer is considering before the commitment is made. This includes commitments to act as a director or trustee of for-profit and not-for-profit organizations;
- (l) to review annually director compensation and recommend compensation terms that adequately reflect the responsibilities being assumed by directors, the Board Chair and Committee Chairs and members;
- (m) to annually review and, as deemed appropriate, recommend changes to the Committee's mandate; and
- (n) to report regularly to the Board on the Committee's activities and findings during that year.

#### **ANNUAL REVIEW AND ASSESSMENT**

The Committee shall conduct an annual review and assessment of its performance, including compliance with this mandate and submit such report to the Board of Directors for consideration.

#### **ACCOUNTABILITY**

The Committee shall report its activities and proceedings to the Board by distributing the minutes of its meetings or by oral or written report at the next Board meeting.

#### **STANDARDS OF LIABILITY**

Nothing contained in this mandate is intended to expand applicable standards of liability under statutory, regulatory, common law or any other legal requirements for the Board or members of the Committee. The Committee may adopt additional policies and procedures as it deems necessary from time to time to fulfill its responsibilities.

March 26, 2018