



***GEAR ENERGY***

**MANAGEMENT INFORMATION CIRCULAR DATED APRIL 1, 2019  
FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD MAY 8, 2019**

**GEAR ENERGY LTD.**  
**NOTICE OF ANNUAL AND SPECIAL MEETING**  
**OF SHAREHOLDERS TO BE HELD**  
**MAY 8, 2019**

**TO THE HOLDERS OF COMMON SHARES**

Notice is hereby given that an annual and special meeting (the "**Meeting**") of the holders of common shares ("**Common Shares**") of Gear Energy Ltd. ("**Gear**" or the "**Corporation**") will be held in the Conference Centre, Room A, 3rd Floor, Jamieson Place, 308 – 4<sup>th</sup> Avenue SW, Calgary, Alberta on Wednesday, May 8, 2019, at 3:00 p.m. (Calgary time) for the following purposes:

1. to receive the financial statements of the Corporation for the year ended December 31, 2018 and the auditor's report thereon;
2. to fix the number of directors to be elected at the Meeting at six (6);
3. to consider and, if thought appropriate, to elect directors of the Corporation;
4. to consider and, if thought appropriate, to appoint the auditors of the Corporation, authorizing the directors to fix their remuneration as such;
5. to consider and, if thought appropriate, to pass with or without variation, an ordinary resolution, the full text of which is set forth in the accompanying management information circular of the Corporation dated April 1, 2019 ("**Information Circular**"), to approve all unallocated options issuable under the Corporation's option plan, as more particularly described in the Information Circular; and
6. to transact such further and other business as may properly come before the Meeting or any adjournment or adjournments thereof.

The nature of the business to be transacted at the Meeting and the specific details of the matters proposed to be put to the Meeting are described in further detail in the Information Circular.

The record date for the determination of shareholders entitled to receive notice of and to vote at the Meeting is April 1, 2019 (the "**Record Date**"). Shareholders of Gear whose names have been entered in the register of shareholders at the close of business on that date will be entitled to receive notice of and vote at the Meeting, provided that, to the extent a shareholder transfers the ownership of any of his or her Common Shares after such date and the transferee of those Common Shares establishes that he or she owns the Common Shares and requests, not later than 10 days before the Meeting, to be included in the list of shareholders eligible to vote at the Meeting, such transferee will be entitled to vote those Common Shares at the Meeting.

A shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting or any adjournment thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment thereof. To be effective, the enclosed proxy must be mailed so as to reach or be deposited with Computershare Trust Company of Canada, Proxy Dept., 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, or by facsimile at 1-866-249-7775, not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting or any adjournment thereof. Registered shareholders may also use the internet site at [www.investorvote.com](http://www.investorvote.com) to transmit their voting instructions or vote by phone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America).

The instrument appointing a proxy shall be in writing and shall be executed by the shareholder or his or her attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized.

The persons named in the enclosed form of proxy are directors and/or officers of the Corporation. Each shareholder has the right to appoint a proxyholder other than such persons, who need not be a shareholder, to attend and to act for such shareholder and on such shareholder's behalf at the Meeting. To exercise such right, the names of the nominees of management should be crossed out and the name of the shareholder's appointee should be legibly printed in the blank space provided.

DATED this 1<sup>st</sup> day of April 2019.

**BY ORDER OF THE BOARD OF DIRECTORS**

(signed) "*Ingram Gillmore*"

\_\_\_\_\_  
Ingram Gillmore

President, Chief Executive Officer and a Director

**GEAR ENERGY LTD.**  
**MANAGEMENT INFORMATION CIRCULAR**  
**FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**  
**TO BE HELD ON WEDNESDAY, MAY 8, 2019**  
**DATED: APRIL 1, 2019**

**Solicitation of Proxies**

This management information circular (this "**Information Circular**") is furnished in connection with the solicitation of proxies by the management of Gear Energy Ltd. ("**Gear**" or the "**Corporation**") for use at the annual and special meeting (the "**Meeting**") of the holders ("**Shareholders**") of common shares ("**Common Shares**") of the Corporation to be held on Wednesday, May 8, 2019 at 3:00 p.m. (Calgary time) in the Conference Centre, Room A, 3rd Floor, Jamieson Place, 308 – 4<sup>th</sup> Avenue SW, Calgary, Alberta and at any adjournment thereof, for the purposes set forth in the Notice of Meeting.

Forms of proxy must be addressed to and reach Computershare Trust Company of Canada, Proxy Dept., 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, or by facsimile at 1-866-249-7775, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for the holding of the Meeting or any adjournment thereof.

The board of directors of the Corporation (the "**Board**") has fixed the record date for the Meeting at the close of business on April 1, 2019 (the "**Record Date**").

Registered shareholders may also use the internet site at [www.investorvote.com](http://www.investorvote.com) to transmit their voting instructions or vote by phone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America). Shareholders should have the form of proxy in hand when they access the website and 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 less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for the holding 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.

Shareholders of record as at the Record Date are entitled to receive notice of the Meeting and to vote their Common Shares, included in the list of Shareholders entitled to vote at the Meeting prepared as at the Record Date, except to the extent that any such Shareholder transfers their Common Shares after the Record Date and the transferee of such Common Shares, having produced properly endorsed certificates evidencing such Common Shares or having otherwise established that he or she owns such Common Shares, demands, not later than ten (10) days before the Meeting, that the transferee's name be included in the list of Shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such Common Shares at the Meeting.

Unless otherwise stated, information provided in this Information Circular is given as at April 1, 2019.

The instrument appointing a proxy shall be in writing and shall be executed by the Shareholder or the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

**The persons named in the enclosed form of proxy are directors and officers of the Corporation. Each Shareholder has the right to appoint a proxyholder other than the persons designated above, who need not be a Shareholder, to attend and to act for the Shareholder at the Meeting. To exercise such right, the names of the nominees of management should be crossed out and the name of the Shareholder's appointee should be legibly printed in the blank space provided.**

## Beneficial Holders of Common Shares

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

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. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically provides a scannable voting request form or applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting request forms or proxy forms to Broadridge. Often Beneficial Shareholders are alternatively provided with a toll-free telephone number to vote their shares or website address where shares can be voted. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction request or a proxy with a Broadridge sticker on it cannot use that instruction request or proxy to vote Common Shares directly at the Meeting as the proxy must be returned as directed by Broadridge well in advance of the Meeting in order to have the Common Shares voted. Accordingly, it is strongly suggested that Beneficial Shareholders return their completed instructions or proxies as directed by Broadridge well in advance of the Meeting.**

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 the registered Shareholder and vote their Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the form 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.

## Notice-And-Access

Gear is not using "notice-and-access" to send its proxy-related materials to its Shareholders, and paper copies of such materials will be sent to all Shareholders. The Corporation will not send proxy-related materials directly to non-objecting Beneficial Shareholders and such materials will be delivered to non-objecting Beneficial Shareholders through their intermediary. The Corporation intends to pay for an intermediary to deliver to objecting Beneficial Shareholders the proxy-related materials and Form 54-101F7 – *Request for Voting Instructions Made by Intermediary of National Instrument 54-101 Communication With Beneficial Owners of Securities of a Reporting Issuer*.

## Revocability of Proxy

A Shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Shareholder or the Shareholder's attorney authorized in writing deposited either 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 thereof or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the commencement of the Meeting.

### **Persons Making the Solicitation**

**The solicitation is made on behalf of the management of the Corporation.** The costs incurred in the preparation and mailing of the enclosed form of proxy, Notice of Meeting and this Information Circular will be borne by the Corporation. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors, officers and employees of the Corporation, who will not be specifically remunerated therefore.

### **Exercise of Discretion by Proxy**

The Common Shares represented by proxy in favour of management nominees shall be voted on any ballot at the Meeting and, where the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares shall be voted or withheld from voting on any ballot in accordance with the specification so made.

**In the absence of such specification, the Common Shares will be voted in favour of the matters to be acted upon. The persons appointed under the form of proxy furnished by the Corporation are conferred with discretionary authority with respect to amendments or variations of those matters specified in the enclosed form of proxy, the Notice of Meeting and this Information Circular. At the time of printing this Information Circular, management of the Corporation knows of no such amendment, variation or other matter.**

## **MATTERS TO BE ACTED UPON AT THE MEETING**

### **1. Financial Statements and Auditor's Report**

Pursuant to the *Business Corporations Act* (Alberta) (the "**ABCA**"), the Board will place before the Shareholders at the Meeting the audited financial statements of the Corporation for the year ended December 31, 2018 and the auditor's report thereon, accompanying this Information Circular. Shareholder approval is not required in relation to the audited financial statements.

### **2. Fixing Number of Directors**

At the Meeting, Shareholders will be asked to fix the number of directors to be elected at the Meeting at six (6). There are currently seven (7) directors of the Corporation, being Raymond Cej, Harry English, Ingram Gillmore, Don T. Gray, John O'Connell, Kevin Olson and Bindu Wyma; however, Raymond Cej has decided not to stand for re-election at the Meeting. As such, six (6) individuals will be nominated for election at the Meeting, as stated below.

Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of fixing the number of directors to be elected at the Meeting at six (6) members.

### **3. Election of Directors**

At the Meeting, Shareholders will be asked to elect six (6) directors to hold office until the next annual general meeting or until their successors are elected or appointed.

Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of the election as directors of the six (6) nominees hereinafter set forth:

Harry English	Ingram Gillmore	Don T. Gray
John O'Connell	Kevin Olson	Bindu Wyma

The directors will be elected on an individual basis and the voting for or withhold on one director will be mutually exclusive to the voting for or withhold on any other director.

The names, provinces and countries of residence of the persons nominated for election as directors, the number of voting securities of the Corporation beneficially owned, or directed or controlled, directly or indirectly, the offices held by each in the Corporation, the period served as director and the principal occupation and background of each are set forth below. The information as to Common Shares beneficially owned or directed or controlled, directly or indirectly, is based upon information furnished to the Corporation by the nominees as of April 1, 2019.

Name, Province/State and Country of Residence and Position with the Corporation	Principal Occupation and Background	Director Since	Number of Common Shares Beneficially Owned or Controlled or Directed, Directly or Indirectly
Harry English <sup>(1)</sup> Alberta, Canada Director	Corporate director and independent businessman since June 2014. Prior thereto, partner at Deloitte LLP, Calgary since 2002.	2014	43,334
Ingram Gillmore Alberta, Canada President & Chief Executive Officer and a Director	President and Chief Executive Officer of the Corporation since May 2010; prior thereto Vice President, Engineering at ARC Resources Ltd. since January 2007; prior thereto, Manager Engineering at ARC Resources Ltd. since 2005.	2010	1,370,644
Don T. Gray <sup>(1)(2)(3)</sup> Arizona, United States of America Director (Chairman)	Private investor; a director of the Corporation since February 2009 and Chairman of the Corporation since January 2010; a founding partner and President of EIQ Capital Corp., a private capital management company from May 2007 to September 2013; Chairman of the Board of Petrus Resources Ltd., a public oil and gas company since 2010; from August 2006 to January 2007, Mr. Gray was the Chief Executive Officer of Peyto Exploration & Development Corp. (formerly Peyto Energy Trust) (" <b>Peyto</b> "); from October 1998 to August 2006, Mr. Gray was the President and Chief Executive Officer of Peyto.	2009	6,450,281 <sup>(4)</sup>
John O'Connell <sup>(3)</sup> Ontario, Canada Director	Chairman and Chief Executive Officer of Davis-Rea Ltd., an investment management company since November 2010; prior thereto, Vice President, Director and portfolio manager with the Harbour Group at RBC Dominion Securities from June 1986 to November 2010.	2016	13,024,846 <sup>(5)</sup>
Kevin Olson <sup>(1)(2)(3)</sup> Alberta, Canada Director	President of Camber Capital Corp. since March 2019; from 2011 through 2019, President of Kyklopes Capital Management Ltd.; President of Energy X Equity Inc. from 2001 to 2010; from 2000 to 2001, Vice President, Corporate Development of Northrock Resources Ltd.; and from 1993 to 1999, Vice President, Corporate Finance of FirstEnergy Capital Corp.	2016	6,563,260 <sup>(6)</sup>

Name, Province/State and Country of Residence and Position with the Corporation	Principal Occupation and Background	Director Since	Number of Common Shares Beneficially Owned or Controlled or Directed, Directly or Indirectly
Bindu Wyma <sup>(2)</sup> Alberta, Canada Director	An independent businesswoman; Vice President of Business Development for North America of Talisman Energy Inc. from 2011 to 2015. Prior thereto, Ms. Wyma held various positions at Talisman since 1997.	2018	Nil

## Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Reserves Committee.
- (3) Member of the Compensation and Governance Committee.
- (4) Includes: (i) 1,907,046 Common Shares held by 1940022 Alberta ULC, a corporation directly or indirectly controlled by Mr. Gray; and (ii) 4,543,235 Common Shares held directly by Mr. Gray.
- (5) Includes: (i) 10,247,213 Common Shares held by the Davis-Rea Equity Fund; (ii) 2,651,883 Common Shares held by Davis-Rea Ltd.; (iii) and 750 Common Shares held by Solutions Investment Management Inc., each of which are directly or indirectly controlled by Mr. O'Connell; and (iv) 125,000 Common Shares held directly by Mr. O'Connell.
- (6) Includes: (i) 4,434,360 Common Shares held by funds managed by ClearSight Energy Fund 2, which is directly or indirectly, controlled or directed, by Mr. Olson; (ii) 116,250 Common Shares held by Mr. Olson's spouse; and 2,012,650 Common Shares held directly by Mr. Olson.

*Majority Voting for Directors*

The Board has adopted a policy (the "**Majority Voting Policy**") stipulating that if the number of Common Shares voted in favour of the election of a particular director nominee at a Shareholders' meeting is less than the number of Common Shares withheld from voting for that nominee, the nominee will immediately submit his or her resignation to the Board, with the resignation to take effect when and if such resignation is accepted by the Board. The Compensation and Governance Committee will consider the director nominee's offer to resign and will make a recommendation to the Board as to whether or not to accept the resignation. The Compensation and Governance Committee will be expected to recommend acceptance of the resignation except in exceptional circumstances.

The Board will consider the Compensation and Governance Committee's recommendation and make a decision as to whether to accept the director's offer to resign within 90 days of the date of the meeting. The decision of the Board will be announced by way of a press release, which, if the Board has decided to reject such resignation, will include the reasons for rejecting the resignation. No director who is required to tender his or her resignation shall participate in the deliberations or recommendations of the Compensation and Governance Committee or the Board. The Board shall accept the resignation absent any exceptional circumstances.

If a director's offer of resignation is accepted, at the Board's discretion, it may fill the vacancy through the appointment of a new director whom the Board considers appropriate in accordance with the Corporation's by-laws and articles and applicable laws. The Majority Voting Policy does not apply in circumstances involving contested director elections.

A copy of the Majority Voting Policy is available on Gear's website at [www.garenergy.com](http://www.garenergy.com).

*Advance Notice By-law*

The Corporation has adopted an advance notice by-law regarding advance notice of nominations of directors of the Corporation (the "**Advance Notice By-law**"). The Advance Notice By-law provides that advance notice to the Corporation must be made in circumstances where nominations of persons for election to the Board are made by Shareholders other than pursuant to: (a) a "proposal" made in accordance with the ABCA; or (b) a requisition of a meeting made pursuant to the ABCA.

The Advance Notice By-law fixes a deadline by which Shareholders must submit director nominations to the Chief Financial Officer of the Corporation prior to any annual or special meeting of Shareholders and outlines the specific information that a nominating Shareholder must include in the written notice to the Chief Financial Officer of the Corporation for an effective nomination to occur. No person nominated by a Shareholder will be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of the Advance Notice By-law.

In the case of an annual meeting of Shareholders, notice to the Chief Financial Officer of the Corporation must be made not less than 30 days 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 10<sup>th</sup> day following such public announcement. In the case of a special meeting of Shareholders (which is not also an annual meeting), notice to the Corporation must be made not later than the close of business on the 15<sup>th</sup> day following the day on which the first public announcement of the date of the special meeting was made.

The Board may, in its sole discretion, waive any requirement of the Advance Notice By-law.

A copy of the Advance Notice By-law is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on Gear's website at [www.gearenergy.com](http://www.gearenergy.com).

#### *Corporate Cease Trade Orders or Bankruptcies*

No proposed director is as at the date hereof, or has been, within 10 years of the date hereof, a director or chief executive officer or chief financial officer (or any executive officer, for the purpose of subsection (iii)) of any company, including the Corporation, that: (i) while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days (an "order"); (ii) after that person ceased to act in that capacity, was the subject of an order that resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer; or (iii) is or has, within 10 years before the date of this Information Circular 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 its assets, while that person was acting in that capacity.

No proposed director has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

#### *Penalties or Sanctions*

No proposed director has been subject to: (i) 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; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

#### **4. Appointment of Auditors**

Unless otherwise directed, it is management's intention to vote the proxies in favour of appointing the firm of Deloitte LLP, Chartered Professional Accountants, of Calgary, Alberta to serve as auditors of the Corporation until the next annual general meeting of the Shareholders and to authorize the directors to fix their remuneration as such. The appointment of the auditors must be approved by a majority of votes cast by the Shareholders. Deloitte LLP has been the Corporation's auditors since March 2, 2010.

For information relating to the fees paid to Deloitte LLP in the two most recently completed financial years see the information set out under the heading "*Audit Committee Information*" in the Corporation's Annual Information Form dated March 25, 2019, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## 5. Approval of Unallocated Options

When options to purchase Common Shares ("**Options**") have been granted pursuant to the Corporation's share option plan (the "**Option Plan**"), Common Shares that are reserved for issuance under an outstanding Option are referred to as "allocated options". The Corporation has additional Common Shares that may be issued under the Option Plan, but as they are not subject to current Option grants, they are referred to as "unallocated options". The Option Plan limits the number of Common Shares that may be subject to Options granted and outstanding under the Option Plan, and any other share compensation arrangements established by the Corporation, at any time to 10% of the outstanding Common Shares. As of the date hereof, the Corporation has Options to purchase 14,435,091 Common Shares (equal to approximately 6.6% of the Corporation's issued and outstanding Common Shares as of the date hereof) outstanding under the Option Plan, leaving unallocated Options to purchase an aggregate of 7,466,426 Common Shares (equal to approximately 3.4% of the Corporation's issued and outstanding Common Shares as of the date hereof) available for future grants based on the number of outstanding Common Shares.

The policies of the Toronto Stock Exchange (the "**TSX**") require that shareholders must approve all unallocated Options under the Option Plan every three years. The Corporation's current unallocated Options expire on May 11, 2019, being the three year anniversary from the most recent date on which the Shareholders approved an ordinary resolution approving all unallocated Options issuable under the Option Plan.

Therefore, at the Meeting, Shareholders will be asked to approve an ordinary resolution approving all unallocated Options under the Option Plan.

As discussed under "*Statement of Executive Compensation – Compensation Discussion and Analysis – Elements of the Corporation's Executive Compensation Program – Long-Term Incentive Compensation*", as with most companies in the Corporation's peer group, Options form an important part of the total compensation provided to the Corporation's officers and employees. Options are provided to align employee and Shareholder interests by attempting to create a direct link between compensation and Shareholder return. In addition, as Options do not require any payment of cash by the Corporation, Options help the Corporation preserve cash which can then be used for capital expenditures relating to exploration and development plans for the continued growth of the Corporation. If unallocated Options are not approved by the Shareholders at the Meeting, the Board will have to consider alternative forms of compensation to replace the grant of Options to attract, compensate and incentivize officers and employees.

Additional details of the Option Plan are provided under "*Statement of Executive Compensation – Incentive Plan Awards – Option Plan*". A copy of the Option Plan will be filed on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com) under the heading "Other" on April 9, 2019.

At the Meeting, Shareholders will be asked to approve an ordinary resolution in the following form approving all unallocated Options issuable under the Option Plan:

"BE IT RESOLVED, AS AN ORDINARY RESOLUTION OF THE SHAREHOLDERS OF GEAR ENERGY LTD. (THE "**CORPORATION**") that all unallocated options issuable under the Corporation's share option plan be approved until the third anniversary of the date that this resolution is passed."

Pursuant to the requirements of the TSX, the foregoing resolution must be approved by a simple majority of the votes cast by the Shareholders voting in person or by proxy at the Meeting. Currently outstanding Options will be unaffected if this resolution is not approved, but currently outstanding Options which have been exercised or that have expired or been cancelled will not be available for re-grant and the Board will not be able to grant new Options if the unallocated Options are not approved.

**Unless otherwise directed, it is the intention of the persons named in the enclosed form of proxy, if named as proxy, to vote for approval of the foregoing resolution approving all unallocated Options under the Option Plan.**

## INFORMATION CONCERNING THE CORPORATION

### Voting Securities and Principal Holders Thereof

As at April 1, 2019, 219,043,906 Common Shares were issued and outstanding, with each Common Share carrying the right to one (1) vote on a ballot at the Meeting. A quorum for the transaction of business at the Meeting will be present if not less than two (2) Shareholders representing not less than 25% of the Common Shares are present in person or by proxy.

The Record Date as of which Shareholders are entitled to vote at the Meeting has been fixed by the Corporation as April 1, 2019.

To the knowledge of the directors and senior officers of the Corporation, other than as noted below, as at the date hereof, no person or company beneficially owned, or controlled or directed, directly or indirectly, voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation.

Burgundy Asset Management Ltd. ("**Burgundy**") owns or controls, directly or indirectly, 20,598,039 Common Shares, representing approximately 9.4% of the outstanding voting securities of the Corporation. Burgundy also owns or controls, directly or indirectly, \$11,501,000 aggregate principal amount of the 4.00% convertible unsecured subordinated debentures of Gear (the "**Convertible Debentures**"), of which there is currently \$13.3 million aggregate principal amount outstanding. The Convertible Debentures are convertible into Common Shares based on a conversion price of \$0.87 per Common Share. As a result, an aggregate of 13,219,540 Common Shares are issuable on conversion of the Convertible Debentures held by Burgundy. If Burgundy was to elect to convert all the Convertible Debentures it holds, Burgundy would hold 33,815,579 Common Shares representing approximately 14.6% of the issued and outstanding Common Shares (assuming the conversion of the Convertible Debentures by Burgundy and that no other Convertible Debentures are converted). The information with respect to the number of Common Shares and the principal amount of Convertible Debentures held by Burgundy is based on information provided to the Corporation by Burgundy and such information has not been independently verified by the Corporation.

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The Corporation's compensation program is administered by the Compensation and Governance Committee (the "**Compensation and Governance Committee**") of the Board. The Compensation and Governance Committee, amongst its other responsibilities, reviews and recommends annually to the Board the remuneration of the Corporation's executive officers, employees and directors.

The current members of the Compensation and Governance Committee are Raymond Cej, Don T. Gray, John O'Connell and Kevin Olson, all of whom are highly experienced executives, directors and/or businessmen who have dealt with compensation issues in the course of their respective leadership roles and each of whom are independent. The skills and experience that enable the members of the Compensation and Governance Committee to make decisions on the suitability of the Corporation's compensation policies and practices is as follows:

- Mr. Cej is an independent businessman and was previously the President of Teine Energy Ltd., a private oil and gas company. His primary oil and gas experience was gained through a 26-year career with Shell, culminating with senior executive responsibility for all of Shell's upstream activities. Mr. Cej has also served as an independent director on several boards of directors including First Calgary Petroleum Ltd., Canada Southern Petroleum Ltd., Brooklyn Energy Corporation and Geocan Energy Inc. Mr. Cej is a registered professional engineer in Ontario and Alberta and holds a Bachelor of Engineering in Chemical Engineering (Royal Military College) and Master of Sciences, Chemical Engineering (California Institute of Technology).

- Mr. Gray holds a Bachelor of Sciences in Petroleum Engineering from Texas A&M University and has over 30 years experience in the Canadian oil and gas business in various capacities. Mr. Gray is the Chairman of Gear and is a Co-Founder and former President and Chief Executive Officer of Peyto. Mr. Gray is also Chairman and co-founder of Petrus Resources Ltd., and was formerly the Chairman of EIQ Capital Corp., a former private investment company.
- Mr. O'Connell holds a Bachelor of Arts in Economics and Philosophy from York University and is a Fellow of the Canadian Securities Institute and a Chartered Financial Analyst. Since November 2010, Mr. O'Connell has been the Chairman and Chief Executive Officer of Davis-Rea Ltd. Prior thereto, Mr. O'Connell was a Vice President, Director and portfolio manager with the Harbour Group at RBC Dominion Securities.
- Mr. Olson holds a Bachelor of Commerce from the University of Calgary and has in excess of 20 years experience in the Canadian oil and gas business in various capacities. He is currently the President of Camber Capital Corp. and has served as President since March 2019. From 2011 through 2019, Mr. Olson served as President of Kyklopes Capital Management, being the manager of a private equity fund, and has held a similar position since October 2001. From 2000 to 2001, Mr. Olson served as Vice-President, Corporate Development of Northrock Resources Ltd. Prior thereto, Mr. Olson was Vice President, Corporate Finance at FirstEnergy Capital Corp.

Following the Meeting, Mr. Cej will cease to be a member of the Compensation and Governance Committee as he will no longer be a director of the Corporation.

At no point during the year ended December 31, 2018 has the Corporation retained a compensation consultant or advisor to assist the Board or the Compensation and Governance Committee in determining the compensation of the directors or executive officers of the Corporation.

During the year ended December 31, 2017, the Compensation and Governance Committee retained In4med Solutions Inc. ("**In4med**") to provide updated compensation reviews and reports on executive officer and director compensation including a peer group review and compensation benchmarking for executive officers and directors.

The fees payable to In4med for the year ended December 31, 2017 were as follows:

<u>Type of Fee</u>	<u>2017 (\$)</u>
Executive Compensation-Related Fees	8,925
All Other Fees	-

No other fees were payable to In4med or any other compensation consultant in the two most recently completed financial years.

The Corporation's compensation philosophy includes a "pay-for-performance" element, which supports the Corporation's desire to deliver continuous, strong performance for its shareholders. In addition, the Corporation's compensation philosophy is aimed at attracting and retaining quality and experienced people, which is critical to the success of the Corporation for the benefit of its shareholders. Employee compensation, including executive officer compensation, is comprised of three elements: base salary, short-term incentive compensation (cash bonuses) and long-term incentive compensation (Options under the Option Plan). The Compensation and Governance Committee reviews all components in assessing the compensation paid to individual executive officers and paid by the Corporation as a whole. Salaries and bonuses are intended to provide current compensation and a short-term incentive for employees to meet the Corporation's goals, as well as to remain competitive with the industry. Options are granted as a long-term incentive and to encourage commitment to the Corporation.

When determining executive compensation, the Compensation and Governance Committee gives regard to the contributions made by officers, how their compensation levels relate to compensation packages that would be achievable from other opportunities, available salary survey data and other information publically disclosed by some of the Corporation's competitors and peers. As well, the Compensation and Governance Committee considers the

Corporation's and individual's performance in relation to production, reserve growth, funds from operations (including, in each case, on a debt adjusted per share basis) and other strategic objectives.

The President and Chief Executive Officer ("**CEO**" or "**Chief Executive Officer**") of the Corporation is responsible for making recommendations to the Compensation and Governance Committee with respect to compensation for the executive officers of the Corporation, including the CEO. In making such recommendations, the CEO analyzes a number of factors including compensation data compiled from the Corporation's peer groups, corporate performance and individual executive officer performance. In assessing corporate performance, the Corporation does not have any pre-determined set targets, but the following factors are considered: (a) year over year growth in debt adjusted reserves value; (b) the Corporation's performance relative to its industry peer group; (c) funds from operations and funds from operations per share amounts; (d) total operating costs and total general and administrative costs, as well as operating costs and general and administrative costs per barrel of oil equivalent; and (e) annual finding, development and acquisitions costs. In assessing the performance of individual executive officers, consideration is given to objective factors such as level of responsibility, experience and expertise, as well as subjective factors such as leadership and performance in such executive officer's specific role with the Corporation. In evaluating corporate performance, management and the Board compare Gear's corporate performance relative to a benchmarking group of publicly traded junior energy companies. In 2018, the Corporation's benchmarking group included the following companies: BlackPearl Resources Inc., Delphi Energy Corp., Granite Oil Corp., Ikkuma Resources Corp., InPlay Oil Corp., Journey Energy Inc., Leucrotta Exploration Inc., Petrus Resources Ltd., Pine Cliff Energy Ltd., Prairie Provident Resources Canada Ltd., Questerre Energy Corporation, Storm Resources Ltd., Strategic Oil and Gas Ltd., and Yangarra Resources Ltd.

The CEO then makes a recommendation to the Compensation and Governance Committee with respect to the various elements of compensation to be awarded to each executive officer. The CEO also presents his analysis of corporate performance and individual executive officer performance to the Compensation and Governance Committee.

Upon the receipt of such recommendation, the Compensation and Governance Committee reviews the evaluation in addition to the compensation data compiled with respect to the Corporation's peer group and determines whether to accept the recommendation or make any changes. Recommendations for executive compensation, as well as for compensation paid by the Corporation as a whole, are then made by the Compensation and Governance Committee to the Board for approval.

### ***Short Sales, Puts, Calls and Options***

The Corporation's Disclosure, Confidentiality and Trading Policy contains anti-hedging provisions. Directors, officers and employees of the Corporation shall not knowingly sell, directly or indirectly, a security of the Corporation if such person selling such security does not own or has not fully paid for the security to be sold. Directors, officers and employees of the Corporation shall not, directly or indirectly, buy or sell a call or put in respect of a security of the Corporation.

### ***Elements of the Corporation's Executive Compensation Program***

Each element of the Corporation's executive compensation program is described in more detail below.

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

The Compensation and Governance Committee recognizes that the size of the Corporation prohibits base salary compensation for executive officers from matching those of larger companies in the oil and gas industry. The Compensation and Governance Committee does believe, however, that performance-based compensation plans are an important element in the compensation packages for the Corporation's executive officers, and that long-term equity interests, in the form of Options, compensate for lower base salaries. This compensation strategy is similar to the strategies of many other companies in the Corporation's benchmarking group.

In setting base compensation levels of individual executive officers, consideration is given to objective factors such as level of responsibility, experience and expertise, as well as subjective factors such as leadership. Base salaries paid

to executive officers of the Corporation, including the CEO, are set to be competitive with industry levels relative to the Corporation's peer group. Salaries of executive officers, including that of the CEO, are reviewed annually.

In August 2018, the Board reviewed and approved salary increases for the Corporation including the executive team. Following such increase, the salaries of the Named Executive Officers were set at: (i) \$250,000 for Mr. Ingram Gillmore, President and Chief Executive Officer; (ii) \$219,000 for Mr. David Hwang, Vice President, Finance and Chief Financial Officer; (iii) \$208,000 for Mr. Jason Kaluski, Vice President, Operations; (iv) \$194,000 for Mr. Yvan Chretien, Vice President, Land; and (v) \$208,000 for Mr. Bryan Dozzi, Vice President, Engineering, all effective as at July 1, 2018.

### ***Bonuses***

The Corporation has a discretionary bonus plan and the basis of awarding bonuses was approved by the Compensation and Governance Committee. The discretionary bonus plan is structured to drive and reward current year results. It is the Compensation and Governance Committee's philosophy that the total amount of bonuses paid should be tied primarily to the Corporation's performance and rewarded to individuals relative to their performance of their duties and for their contribution to the achievement of the Corporation's annual goals and objectives. The Committee reviews the factors mentioned above relative to the Corporation's benchmarking group, in order to determine whether a bonus is in fact warranted. The amount of the bonus paid is linked to actual reserves value created after making adjustments for debt levels and changes in the Common Shares outstanding, amongst other factors and is approved by the Board based upon the recommendations of the Compensation and Governance Committee.

In February 2018, the Compensation and Governance Committee met and discussed bonuses to be paid to the officers and employees of the Corporation in respect of 2017 performance. The Compensation and Governance Committee recognized management's accomplishments in 2017 and granted moderate bonuses to management and staff of the Corporation in respect of 2017 performance.

In February 2019, the Compensation and Governance Committee met and discussed the results of the Corporation's debt adjusted proved developed producing reserves model used in determining bonuses to be paid to officers and employees of the Corporation in respect of 2018 performance. Based on these factors, and other factors considered in February 2019, the Compensation and Governance Committee determined that no bonuses would be paid to the Named Executive Officers or employees in respect of the Corporation's performance in 2018.

### ***Long-Term Incentive Compensation***

#### ***Share Option Plan***

The Corporation has the Option Plan, which permits the granting of Options to officers, directors, employees and consultants to the Corporation and its subsidiaries, and other persons who provide ongoing management and consulting services to the Corporation and its subsidiaries.

Options are granted by the Board on the recommendation of senior management, in the case of employees, and by the Compensation and Governance Committee, in the case of executive officers including the CEO. Options are intended to encourage retention and provide incentive, thereby aligning employee and shareholder interests by attempting to create a direct link between compensation and shareholder return. In addition, the Option Plan provides the opportunity for executive officers to develop and maintain a significant ownership position in the Corporation. By allowing participation in the Option Plan, the Corporation is able to reward overall corporate performance year over year. As with most companies in the Corporation's peer group, Options form an important part of the total compensation provided to the Corporation's executive officers as Options help compensate for lower base salaries relative to larger companies in the oil and gas industry.

Options are normally awarded by the Board upon the commencement of employment with the Corporation, based on the level of responsibility within the Corporation. Additional grants may be made periodically to ensure that the number of Options granted to any particular individual is commensurate with the individual's level of ongoing responsibility within the Corporation. When determining Options to be allocated to each individual executive officer,

a number of factors are considered including the number of outstanding Options held by such executive officer, Options held by the executive officer that have been exercised or that have expired since the last grant to such executive officer, the value of such Options held by the executive officer and the total number of available Options for grant.

During the year ended December 31, 2018, the Corporation granted an aggregate of 5,472,000 Options to officers, directors, employees and consultants and as at the date hereof: (i) the Corporation has 14,435,091 Options outstanding, pursuant to which 14,435,091 Common Shares would be issuable upon exercise representing 6.6% of the issued and outstanding Common Shares; and (ii) there remain 7,466,426 Options available for grant, pursuant to which 7,466,426 Common Shares would be issuable upon exercise representing 3.4% of the issued and outstanding Common Shares, which in aggregate represents 10% of the currently issued and outstanding Common Shares.

The Option grants during the year ended December 31, 2018 included grants to Named Executive Officers of 2,019,000 Options.

The maximum number of Common Shares that may be issued under the Option Plan at any time shall not exceed 10% of the aggregate number of Common Shares outstanding at that time, as determined on a non-diluted basis.

### ***Summary***

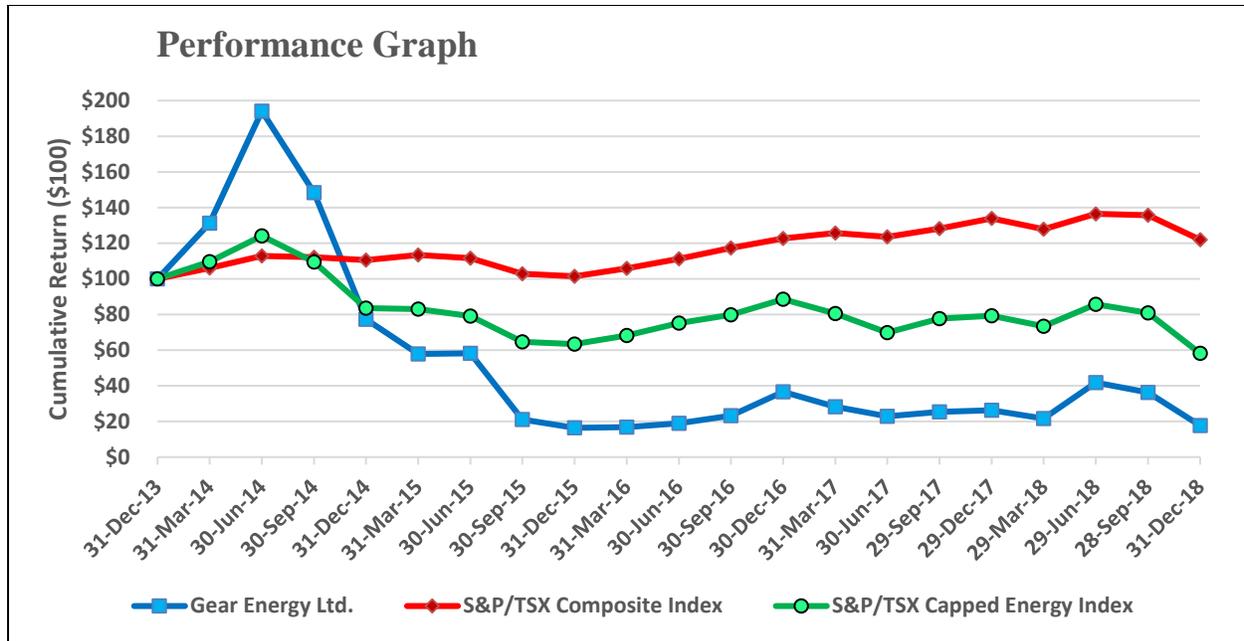
The Corporation's compensation policies have allowed the Corporation to attract and retain a team of motivated professionals and support staff working towards the common goal of enhancing shareholder value. The Compensation and Governance Committee and the Board will continue to review compensation policies to ensure that they are competitive within the oil and natural gas industry and consistent with the performance of the Corporation.

### **Risk Adjusted Compensation**

As part of its review of the Corporation's compensation program, the Compensation and Governance Committee considered whether the compensation program provided executive officers of the Corporation with adequate incentives to achieve both short and long term objectives without motivating them to take inappropriate or excessive risk. The Compensation and Governance Committee concluded that the compensation program and policies of the Corporation did not encourage its Named Executive Officers to take inappropriate or excessive risks. This assessment is based on a number of considerations including, without limitation, the following: (a) the terms of Options granted provide that Options vest over a period of three years and expire one month following the vesting date, which encourages executive officers to continue to develop favorable results over a longer period of time and reduces the risk of actions that may have short term advantages; (b) a portion of executive compensation in the form of bonuses is not guaranteed and is variable, year over year, as the Board has discretion to pay bonuses to Named Executive Officers based on recommendations made by the Compensation and Governance Committee, whose recommendations are based on internal corporate, administrative, operating and financial and reserve addition performance; (c) the Corporation's compensation program for certain executive officers is not structured significantly differently from the compensation program for other executive officers within the Corporation; and (d) the overall compensation program is market based and aligned with the Corporation's business plan and long-term strategies.

### **Performance Graph**

The Common Shares commenced trading on the TSX on November 18, 2013. The following graph compares the change in the cumulative total shareholder return for the five most recently completed financial years, of a \$100 investment in the Common Shares, with the cumulative total return of the S&P/TSX Capped Energy Index and the S&P/TSX Composite Index for the period commencing December 31, 2013 and ending December 31, 2018.



	2013/12/31	2014/12/31	2015/12/31	2016/12/31	2017/12/31	2018/12/31
Gear Energy Ltd.	\$100	\$77	\$16	\$37	\$26	\$18
S&P/TSX Composite Index	\$100	\$111	\$101	\$123	\$134	\$122
S&P/TSX Capped Energy Index	\$100	\$84	\$63	\$89	\$79	\$58

The trend shown in the above graph does not necessarily correspond to the Corporation's compensation of the Named Executive Officers 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). Additionally, as Options form a significant portion of compensation, the total compensation for the Named Executive Officers is affected by increases and decreases in the price of the Common Shares as the value of such Options decrease as the Common Share price decreases.

The trading price of the Common Shares on the TSX is subject to fluctuation based on a number of factors, many of which are outside the control of the Corporation. These include, but are not limited to, fluctuations and volatility in commodity prices for crude oil and natural gas, global economic conditions, changes in government, environmental policies, legislation and royalty regimes, and other factors, some of which are disclosed and discussed under the heading "*Risk Factors*" in the Corporation's annual information form dated March 25, 2019.

### Summary Compensation Table

The following table sets forth, for the years ended December 31, 2018, 2017 and 2016 information concerning the compensation paid to the President and CEO, the Vice President, Finance and Chief Financial Officer, the Vice President, Operations, the Vice President, Engineering and the Vice President, Land (each a "**Named Executive Officer**" or "**NEO**" and collectively, the "**Named Executive Officers**" or "**NEOs**").

Name and principal position	Year	Salary <sup>(1)</sup> (\$)	Option-based awards <sup>(2)</sup> (\$)	Non-equity incentive plan compensation (\$)		All other compensation	Total compensation (\$) <sup>(4)</sup>
				Annual incentive plans <sup>(3)</sup>	Long-term incentive plans		
Ingram B. Gillmore President and CEO	2018	244,688	82,029	-	-	6,000	332,717
	2017	225,406	69,120	85,500	-	6,000	386,026
	2016	212,250	286,684	130,000	-	6,459	635,393
David Hwang <sup>(5)</sup> Vice President, Finance and Chief Financial Officer	2018	213,375	58,773	-	-	5,400	277,548
	2017	199,531	50,688	56,500	-	5,400	312,119
	2016	172,417	194,313	80,000	-	6,734	453,464
Jason Kaluski Vice President, Operations	2018	203,000	54,400	-	-	6,300	263,700
	2017	190,156	42,240	52,500	-	6,300	291,196
	2016	177,083	175,265	80,000	-	6,759	439,107
Bryan Dozzi Vice President, Engineering	2018	203,000	35,250	-	-	5,500	243,750
	2017	190,156	40,704	52,500	-	5,500	288,860
	2016	177,083	172,090	80,000	-	6,901	436,074
Yvan Chretien Vice President, Land	2018	189,938	47,820	-	-	6,000	243,758
	2017	179,844	37,632	45,000	-	6,000	268,476
	2016	174,750	168,915	70,000	-	6,459	420,124

## Notes:

- (1) Effective July 1, 2018, the base salaries for all officers and employees were increased, including the salaries of the Named Executive Officers, which were set at (i) \$250,000 for Mr. Ingram Gillmore, President and Chief Executive Officer; (ii) \$219,000 for Mr. David Hwang, Vice President, Finance and Chief Financial Officer; (iii) \$208,000 for Mr. Jason Kaluski, Vice President, Operations; (iv) \$194,000 for Mr. Yvan Chretien, Vice President, Land; and (v) \$208,000 for Mr. Bryan Dozzi, Vice President, Engineering. See "Statement of Executive Compensation – Elements of the Corporation's Executive Compensation Program – Base Salaries" above.
- (2) The grant date fair value for compensation purposes is calculated using Black-Scholes Option pricing methodology. Key assumptions used in the pricing model for 2018, 2017 and 2016, respectively were: dividend yield: 2018 – nil, 2017 – nil, and 2016 – nil; expected volatility: 2018 – 21%, 2017 – 67%, and 2016 – 87%; risk-free interest rate: 2018 – 2.04%, 2017 – 1.57%, and 2016 – 0.53%; and weighted average life: 2018 – 2.0 years, 2017 – 2.0 years, and 2016 – 2.5 years. The Black-Scholes Option pricing methodology was selected due to its acceptance as an appropriate valuation model used by similar sized oil and gas companies.
- (3) No bonuses were paid to the NEOs in respect of 2018 performance. 2017 amounts reflect bonuses earned with respect to 2017 performance but paid in 2018. 2016 amounts reflect bonuses earned with respect to 2016 performance but paid in 2017.
- (4) The value of perquisites received by each of the NEOs, including property or other personal benefits provided to the NEOs that are not generally available to all employees, were not in the aggregate greater than \$50,000 or 10% of the NEO's total salary for the financial year.
- (5) For a portion of 2016, Mr. Hwang was on long-term disability paid by the Corporation's benefits provider. The long-term disability received by Mr. Hwang has not been included in the above table.
- (6) None of the NEOs hold, or have ever been granted, share-based awards. The Corporation does not provide any pension benefits.

## **Incentive Plan Awards**

### ***Option Plan***

The Option Plan limits the number of Common Shares that may be subject to Options granted and outstanding under the Option Plan, and any other share compensation arrangements established by the Corporation, at any time to 10% of the outstanding Common Shares.

Options granted pursuant to the Option Plan have a term as determined by the Board and vest in such manner as determined by the Board. Options which expire during a blackout period (as defined in the Option Plan) or within nine business days following the expiration of a blackout period, shall be extended for a period of ten business days after the end of such blackout period. Options granted under the Option Plan are non assignable. The exercise price of Options granted is determined by the Board at the time of grant and, if at such time the Common Shares are listed on a stock exchange, the weighted average trading price per Common Share on a stock exchange, for the last five (5) consecutive trading days immediately prior to the date of grant or such other minimum price that may be prescribed by such exchange.

The Option Plan provides that the number of Common Shares issuable under the Option Plan and all other security based compensation arrangements of the Corporation may not exceed 10% of the total number of issued and outstanding Common Shares from time to time. The number of Common Shares that may be issued under the Option Plan are subject to the following additional limitations: (i) the number of Common Shares reserved for issuance at any time, pursuant to the Option Plan and all other established or proposed share compensation arrangements of the Corporation, to insiders of the Corporation shall not exceed 10% of the outstanding Common Shares and the number of Common Shares issued within one year, pursuant to the Plan and all other established or proposed share compensation arrangements of the Corporation, to any one insider and such insider's associates shall not exceed 10% of the outstanding Common Shares; and (ii) the aggregate number of Common Shares that may be reserved for issuance pursuant to the exercise of Options awarded to directors who are not officers or employees of the Corporation ("**Non-Management Directors**") under the Option Plan shall not exceed in the aggregate 1% of the Common Shares outstanding from time to time and the aggregate value of Options granted to any one Non-Management Director in any one year period shall not exceed \$100,000.

Although the Option Plan provides that, unless otherwise determined by the Board, Options will expire five (5) years from the date of grant, in August 2016 the Board determined that any future Options granted (unless otherwise determined) would expire 30 business days following the date the Options vest. In the absence of any determination by the Board to the contrary, Options will vest and be exercisable as to one-third (1/3) of the total number of Common Shares subject to the Options on each of the first, second and third anniversaries of the date of grant, computed in each case to the nearest full share (subject to acceleration of vesting at the discretion of the Board).

In case of death of an optionee, Options terminate on the date determined by the Board which may not be more than 12 months from the date of death and, if the optionee ceases to be a director, officer or employee of, or to provide ongoing management or consulting services (for reason other than death) to, the Corporation, Options terminate on the expiry of a period not in excess of six months as determined by the Board at the time of grant. In each case, the optionee is entitled to exercise those Options that the optionee was entitled to exercise on the date of death or the date the optionee ceased to be an officer, director or employee of, or to provide ongoing management or consulting services to, the Corporation, as the case may be. An optionee may make an offer ("**Surrender Offer**") to the Corporation, at any time, for the disposition and surrender by the optionee to the Corporation of any Options granted for an amount in cash or in Common Shares equal to the difference between the fair market value of the Common Shares underlying the Options (if Common Shares are listed on a stock exchange, fair market value will be the weighted average trading price per Common Share on a stock exchange, for the last five (5) consecutive trading days immediately prior to the date of grant or such other minimum price that may be prescribed by such exchange) and the exercise price of such Options and the Corporation may, but is not obligated to, accept the Surrender Offer.

The Option Plan provides that if a grantee is terminated in connection with a "Change of Control" (as defined in the Option Plan) or voluntarily resigns within six (6) months of such Change of Control for "Good Reason" (as such term is defined in the Option Plan) then all Options held by such grantee will vest and be exercisable.

If approved by the Board, Options may provide that, whenever the shareholders receive a take-over proposal (a "**Take-over Proposal**"), such Option may be exercised as to all or any of the Common Shares in respect of which such Option has not previously been exercised (including in respect of Common Shares not otherwise vested at such time) by the Optionee, but any such Option not otherwise vested and deemed only to have vested in accordance with the foregoing may only be exercised for the purposes of tendering to such Take-over Proposal.

The Board may make certain amendments to the Option Plan or discontinue the Option Plan at any time without the consent of the participants as permitted by the provisions of the Option Plan and, if required, subject to the approval by any exchange on which the Common Shares are listed. However, the Board may not amend the Option Plan without Shareholder approval with respect to: (i) increasing the number of Common Shares reserved for issuance under the Option Plan or the Option Plan maximum; (ii) reduce the exercise price of any Options granted; (iii) extend the expiry date of any outstanding Options other than as permitted in the Option Plan; (iv) permit a holder of Options to transfer or assign Options to a new beneficial holder, other than for estate settlement purposes; (v) any amendment to increase the number of Common Shares that may be issued to insiders above the restrictions contained in the Option Plan; (vi) increase the number or value of Common Shares reserved for issuance or permitted to be issued or granted to Non-Management Directors; or (vii) any amendments to the amendments section of the Option Plan. Other than as listed above, the Corporation may make such amendments to the Option Plan and any Options granted thereunder without the approval of Shareholders in accordance with the provisions of the Option Plan.

#### *Outstanding Option-based Awards*

The following table sets forth, for each Named Executive Officer, all Option-based awards outstanding as at December 31, 2018. No share-based awards were outstanding as at December 31, 2018.

Name	Option-based Awards			
	Number of securities underlying unexercised Options (# of Common Shares)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)
Ingram B. Gillmore	43,950	1.79	March 27, 2020	-
	470,500	1.99	June 13, 2020	-
	98,340	0.60	December 5, 2020	-
	149,520	0.35	March 2, 2021	32,894
	266,667	0.71	30 business days after vesting <sup>(2)</sup>	-
	180,000	0.69	30 business days after vesting <sup>(3)</sup>	-
	261,000	0.73	30 business days after vesting <sup>(4)</sup>	-
	342,000	1.16	30 business days after vesting <sup>(5)</sup>	-
David Hwang	177,000	5.32	August 23, 2019	-
	29,700	1.79	March 27, 2020	-
	40,635	1.99	June 13, 2020	-
	54,120	0.60	December 5, 2020	-
	86,265	0.35	March 2, 2021	18,978
	184,000	0.71	30 business days after vesting <sup>(2)</sup>	-
	132,000	0.69	30 business days after vesting <sup>(3)</sup>	-
	177,000	0.73	30 business days after vesting <sup>(4)</sup>	-
252,000	1.16	30 business days after vesting <sup>(5)</sup>	-	

Name	Option-based Awards			
	Number of securities underlying unexercised Options (# of Common Shares)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)
Jason Kaluski	146,100	5.32	August 23, 2019	-
	27,300	1.79	March 27, 2020	-
	36,570	1.99	June 13, 2020	-
	49,620	0.60	December 5, 2020	-
	77,640	0.35	March 2, 2021	17,081
	166,000	0.71	30 business days after vesting <sup>(2)</sup>	-
	110,000	0.69	30 business days after vesting <sup>(3)</sup>	-
	180,000	0.73	30 business days after vesting <sup>(4)</sup>	-
	222,000	1.16	30 business days after vesting <sup>(5)</sup>	-
Bryan Dozzi	201,000	5.21	May 19, 2020	-
	15,900	1.79	March 27, 2020	-
	26,997	1.99	June 13, 2020	-
	150,000	1.72	July 14, 2020	-
	49,950	0.60	December 5, 2020	-
	76,200	0.35	March 2, 2021	16,764
	163,000	0.71	30 business days after vesting <sup>(2)</sup>	-
	106,000	0.69	30 business days after vesting <sup>(3)</sup>	-
	225,000	1.16	30 business days after vesting <sup>(5)</sup>	-
Yvan Chretien	121,950	5.32	August 23, 2019	-
	25,350	1.79	March 27, 2020	-
	40,245	1.99	June 13, 2020	-
	46,920	0.60	December 5, 2020	-
	74,760	0.35	March 2, 2021	16,447
	160,000	0.71	30 business days after vesting <sup>(2)</sup>	-
	98,000	0.69	30 business days after vesting <sup>(3)</sup>	-
	180,000	0.73	30 business days after vesting <sup>(4)</sup>	-
	180,000	1.16	30 business days after vesting <sup>(5)</sup>	-

Notes:

- (1) Calculated based on the closing market price of the Common Shares on December 31, 2018 (\$0.57) and the exercise price of the Options.
- (2) The Option grant date was effective August 17, 2016, with 1/3 of the Options granted vesting on each of the first, second and third anniversaries of the date of grant.
- (3) The Option grant date was effective August 23, 2017, with 1/3 of the Options granted vesting on each of the first, second and third anniversaries of the date of grant.
- (4) The Option grant date was effective March 5, 2018, with 1/3 of the Options granted vesting on each of the first, second and third anniversaries of the date of grant.
- (5) The Option grant date was effective August 24, 2018, with 1/3 of the Options granted vesting on each of the first, second and third anniversaries of the date of grant.

***Incentive Plan Awards – Value Vested or Earned During the Year***

The following table sets forth, for each Named Executive Officer, the value of Option-based awards that vested during the year ended December 31, 2018 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2018.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year <sup>(2)</sup> (\$)
Ingram B. Gillmore	179,192	N/A	Nil
David Hwang	123,511	N/A	Nil
Jason Kaluski	109,192	N/A	Nil
Bryan Dozzi	106,738	N/A	Nil
Yvan Chretien	103,259	N/A	Nil

Notes:

- (1) Calculated based on the difference between the closing price of the Common Shares on the vesting date and the exercise price of the Options multiplied by the Options vested during the year.
- (2) No bonuses were paid to the NEOs in respect of 2018 performance.

### Pension Plan Benefits

The Corporation does not have a pension plan or similar benefit program.

### Termination and Change of Control Benefits

The Corporation has entered into executive employment agreements (the "**Employment Agreements**") with each of the NEOs. The Employment Agreements continue indefinitely until terminated in accordance with the terms thereof and the annual salary payable thereunder is subject to annual review. NEOs are entitled to participate in any benefit plans adopted by the Corporation.

The Employment Agreements may be terminated by the Corporation for just cause at any time without any payment, other than salary owing for services rendered up to and including the last day of employment and outstanding vacation pay. The Corporation may terminate an Employment Agreement without just cause upon paying the NEO all salary earned but not paid to the termination date, all vacation pay due and owing to such date and a retiring allowance (as calculated in accordance with the Employment Agreements) of the sum of:

For the CEO:

- (i) one (1) year of the CEO's annual base salary as at the Cessation Date (as defined in the CEO's Employment Agreement); and
- (ii) an amount equal to the bonus amounts, if any, paid in the twelve (12) month period immediately preceding the Cessation Date.

For all other NEOs:

- (iii) six (6) months of the NEO's annual base salary as at the Cessation Date (as defined in the Employment Agreements) plus three months for every completed year of service, to a maximum of 12 months; and
- (iv) an amount equal to one half (1/2) the bonus amounts, if any, paid to the NEO in the twelve (12) month period immediately preceding the Cessation Date.

In addition, an NEO may terminate his or her Employment Agreement within six (6) months following the occurrence of a change of control if there is an event which constitutes "Good Reason" as defined in the Employment Agreement, which includes: material adverse change by the Corporation and without the agreement of the NEO, in the NEO's salary, title or lines of reporting, or the requirement that the NEO be based anywhere other than the Corporation's Calgary office on a normal and regular basis, such that immediately after such change or series of changes, the responsibilities and status of the NEO, taken as a whole, are not at least substantially equivalent to those assigned to the NEO immediately prior to such change, or any reason which would constitute constructive dismissal, in which

case the NEO shall also be entitled to the termination payments outlined above. In exchange for payment of the retiring allowance, the NEO agrees to provide a release in an agreed upon form. Pursuant to the terms of the Employment Agreements, the NEOs recognize their obligation not to disclose confidential information and to refrain from using such information for purposes other than authorized by the Corporation both during and after termination of employment.

If the Employment Agreements were terminated by the Corporation, other than for just cause or by the respective NEOs for Good Reason following a change of control, at December 31, 2018, the aggregate amount payable thereunder would have been \$1,079,000. Under the terms of the Option Plan, if a grantee is terminated in connection with a "Change of Control" (as defined in the Option Plan) or voluntary resigns within six (6) months of such Change of Control for "Good Reason" (as such term is defined in the Option Plan) then all Options held by such grantee will vest and be exercisable. Options may also accelerate vesting at the discretion of the Board in the event of a Take-over Proposal (see "*Statement of Executive Compensation – Incentive Plan Awards – Option Plan*"). Specifically, the total termination payments that would have been received by each of the Corporation's NEOs and the value of Options that would have vested are as follows:

<b>Named Executive Officers</b>	<b>Change of Control Pursuant to Employment Agreements (\$)</b>	<b>Value of Outstanding Options at December 31, 2018<sup>(1)</sup> (\$)</b>
Ingram B. Gillmore President and CEO	250,000	32,894
David Hwang Vice President, Finance and Chief Financial Officer	219,000	18,978
Jason Kaluski Vice President, Operations	208,000	17,081
Bryan Dozzi Vice President, Engineering	208,000	16,764
Yvan Chretien Vice President, Land	194,000	16,447
<b>Total:</b>	1,079,000	102,164

Note:

- (1) Calculated based on the difference between the closing market price of the Common Shares on December 31, 2018 (\$0.57) and the exercise price of the Options.

### **Director Compensation**

At the start of 2018, the annual fees paid to independent members of the Board were as follows: (i) \$25,000 per year to each director as a base director fee; (ii) \$8,000 per year as an additional fee for the chair of the Audit Committee; (iii) \$5,000 per year as an additional fee for the chair of the Reserves Committee; (iv) \$4,000 per year as an additional fee for the chair of the Compensation and Governance Committee; and (v) \$15,000 per year as an additional fee for the chair of the Board (collectively, the "**Board Member Fees**"). Effective July 1, 2018, the base director fee was increased by \$6,000 to \$31,000 per annum. The additional fees paid to the chair of the Board and the chairs of each of the committees of the Board were not increased. One half of the applicable Board Member Fee is tied to the price performance of the Common Shares in the given year based on the volume weighted average price of the Common Shares on the TSX for the last 10 trading days prior to the applicable year end as compared to the volume weighted average price of the Common Shares on the TSX for the last 10 trading days of the prior year and subject to a maximum

2x multiplier. As a result of the price performance of the Common Shares in 2018, the one-half of the Board Member Fees subject to price performance were decreased by 33%.

Board members are also eligible to participate in the Option Plan. The Corporation will reimburse directors for all reasonable expenses incurred in order to attend meetings. The number of Options awarded to directors will be determined by criteria to be established by the Compensation and Governance Committee. The Option grants during the year ended December 31, 2018 included grants to directors of 747,000 Options.

The Option Plan provides that the aggregate number of Common Shares that may be reserved for issuance pursuant to Options granted to Non-Management Directors shall not exceed 1% of the Common Shares outstanding from time to time and the aggregate value of Options granted to any one Non-Management Director in any one year period shall not exceed \$100,000. The Board will not be able to amend the limits on the number of Options issuable to Non-Management Directors without the approval of the Shareholders.

### *Directors' Summary Compensation Table*

The following table sets forth, for the year ended December 31, 2018, information concerning the compensation paid to the Corporation's directors, other than directors who are also Named Executive Officers.

Name	Salary/Fees earned (\$)	Option-based awards <sup>(2)</sup> (\$)	Non-equity incentive plan compensation (\$)	All other compensation (\$)	Total (\$)
Raymond Cej	27,500	12,628	-	-	40,128
Harry English	30,000	7,050	-	-	37,050
Don T. Gray	39,167	9,400	-	-	48,567
John O'Connell	23,333	16,450	-	-	39,783
Kevin Olson	23,333	16,450	-	-	39,783
Bindu Wyma <sup>(1)</sup>	14,653	41,596	-	-	56,249

Notes:

- (1) Ms. Wyma was appointed to the Board on May 31, 2018.
- (2) The grant date fair value for compensation purposes is calculated using Black-Scholes Option pricing methodology. Key assumptions used in the pricing model for 2018 were: dividend yield: nil; expected volatility: 21%; risk-free interest rate: 2.04%; and weighted average life: 2.0 years. The Black-Scholes Option pricing methodology was selected due to its acceptance as an appropriate valuation model used by similar sized oil and gas companies.
- (3) None of the directors hold, or have ever been granted, share-based awards. The Corporation does not provide any pension benefits.

### *Directors' Outstanding Option-Based Awards and Share-Based Awards*

The following table sets forth, for each of the Corporation's directors other than directors who are also Named Executive Officers, all Option-based outstanding as at December 31, 2018. No share-based awards were outstanding as at December 31, 2018.

Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(2)</sup> (\$)
Raymond Cej	5,790	1.79	March 27, 2020	-
	23,190	0.60	December 5, 2020	-
	4,470	0.35	March 2, 2021	983
	28,850	0.71	30 business days after vesting <sup>(3)</sup>	-
	68,000	0.69	30 business days after vesting <sup>(4)</sup>	-

	108,000	0.73	30 business days after vesting <sup>(5)</sup>	-
	42,000	1.16	30 business days after vesting <sup>(6)</sup>	-
Harry English	105,000	6.05	July 3, 2019	-
	5,790	1.79	March 27, 2020	-
	23,190	0.60	December 5, 2020	-
	4,470	0.35	March 2, 2021	983
	28,850	0.71	30 business days after vesting <sup>(3)</sup>	-
	68,000	0.69	30 business days after vesting <sup>(4)</sup>	-
	45,000	1.16	30 business days after vesting <sup>(6)</sup>	-
Don T. Gray	234,825	1.79	March 27, 2020	-
	48,000	0.60	December 5, 2020	-
	9,390	0.35	March 2, 2021	2,066
	35,929	0.71	30 business days after vesting <sup>(3)</sup>	-
	106,000	0.69	30 business days after vesting <sup>(4)</sup>	-
	60,000	1.16	30 business days after vesting <sup>(6)</sup>	-
John O'Connell	75,000	0.71	30 business days after vesting <sup>(3)</sup>	-
	100,000	0.69	30 business days after vesting <sup>(4)</sup>	-
	105,000	1.16	30 business days after vesting <sup>(6)</sup>	-
Kevin Olson	75,000	0.71	30 business days after vesting <sup>(3)</sup>	-
	100,000	0.69	30 business days after vesting <sup>(4)</sup>	-
	105,000	1.16	30 business days after vesting <sup>(6)</sup>	-
Bindu Wyma <sup>(1)</sup>	228,000	1.08	30 business days after vesting <sup>(7)</sup>	-
	54,000	1.16	30 business days after vesting <sup>(6)</sup>	-

## Notes:

- (1) Ms. Wyma was appointed to the Board on May 31, 2018.
- (2) Calculated based on the difference between the closing market price of the Common Shares on December 31, 2018 (\$0.57) and the exercise price of the Options.
- (3) The Option grant date was effective August 17, 2016, with 1/3 of the Options granted vesting on each of the first, second and third anniversaries of the date of grant.
- (4) The Option grant date was effective August 23, 2017, with 1/3 of the Options granted vesting on each of the first, second and third anniversaries of the date of grant.
- (5) The Option grant date was effective March 5, 2018, with 1/3 of the Options granted vesting on each of the first, second and third anniversaries of the date of grant.
- (6) The Option grant date was effective August 24, 2018, with 1/3 of the Options granted vesting on each of the first, second and third anniversaries of the date of grant.
- (7) The Option grant date was effective June 1, 2018, with 1/3 of the Options granted vesting on each of the first, second and third anniversaries of the date of grant.

***Directors' Incentive Plan Awards – Value Vested or Earned During the Year***

The following table sets forth, for each of the Corporation's directors, other than directors who are also Named Executive Officers, the value of Option-based awards and share-based awards which vested during the year ended December 31, 2018 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2018.

<b>Name</b>	<b>Option-based awards – Value vested during the year<sup>(2)</sup> (\$)</b>	<b>Share-based awards – Value vested during the year (\$)</b>	<b>Non-equity incentive plan compensation – Value earned during the year (\$)</b>
Raymond Cej	30,155	N/A	N/A
Harry English	30,155	N/A	N/A
Don T. Gray	43,452	N/A	N/A
John O'Connell	57,500	N/A	N/A
Kevin Olson	57,500	N/A	N/A
Bindu Wyma <sup>(1)</sup>	-	N/A	N/A

Notes:

- (1) Ms. Wyma was appointed to the Board on May 31, 2018.
- (2) Calculated based on the difference between the closing price of the Common Shares on the vesting date and the exercise price of the Options multiplied by the Options vested during the year.

### **Securities Authorized for Issuance Under Equity Compensation Plans**

#### *Securities Authorized for Issuance Under Equity Compensation Plans*

The following sets forth information in respect of securities authorized for issuance under the Corporation's equity compensation plans as at December 31, 2018.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding Options, warrants and rights (a)</b>	<b>Weighted average exercise price of outstanding Options, warrants and rights (\$)(b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(c)<sup>(1)</sup></b>
Equity compensation plans approved by securityholders (Options)	14,089,091	1.33	7,812,426
Equity compensation plans not approved by securityholders	-	-	-
<b>Total</b>	<b>14,089,091</b>	<b>1.33</b>	<b>7,812,426</b>

Note:

- (1) The total dilution from the Option Plan is limited to 10% of the Corporation's outstanding Common Shares. For a summary of the Option Plan, see "Statement of Executive Compensation – Incentive Plan Awards – Share Option Plan" above.

#### *Annual Burn Rate Under Equity Compensation Plans*

The following sets forth the number of Options granted during the periods noted below and the potential dilutive effect of such Options.

Period	Number of Options Granted	Weighted Average Common Shares Outstanding	Burn Rate <sup>(1)</sup> (%)
2018	5,472,000	202,020,301	3
2017	3,780,000	193,477,028	2
2016	7,405,003	133,172,338	6

Note:

- (1) The burn rate for a given period is calculated by dividing the number of Options granted during such period by the weighted average number of Common Shares outstanding during such period.

For further information regarding the outstanding Options held by the Named Executive Officers, see "Statement of Executive Compensation – Incentive Plan Awards – Named Executive Officers".

## CORPORATE GOVERNANCE

Set forth below is a description of the Corporation's current corporate governance practices, as prescribed by Form 58-101F1, of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101").

### 1. Board of Directors

- (a) **Disclose the identity of directors who are independent.**

The following six directors of the Corporation are independent (for purposes of NI 58-101):

Don T. Gray (Chairman)  
Raymond Cej  
Harry English  
Kevin Olson  
John O'Connell  
Bindu Wyma

Raymond Cej is not seeking re-election as a director at the Meeting and as a result he will cease to be a director of the Corporation effective May 8, 2019.

- (b) **Disclose the identity of directors who are not independent, and describe the basis for that determination.**

Ingram Gillmore is not independent as he occupies the position of President and Chief Executive Officer of the Corporation.

- (c) **Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors does to facilitate its exercise of independent judgement in carrying out its responsibilities.**

A majority of the directors of the Corporation (currently six of seven) are independent. Five of the six proposed nominees are independent.

- (d) **If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other**

issuer.

The following directors are presently directors of other issuers that are reporting issuers (or the equivalent):

<u>Name</u>	<u>Name of Reporting Issuer</u>
Don T. Gray	Peyto Exploration & Development Corp. Petrus Resources Ltd.
Kevin Olson	Baytex Energy Corp.

- (e) **Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.**

At the end of or during each meeting of the Board, the members of management of the Corporation and the non-independent director of the Corporation who are present at such meeting leave the meeting in order for the independent directors to meet. In addition, as all committees are comprised of independent directors, all committee meetings also serve as forums for discussion amongst independent members of the Board. In addition, other meetings of the independent directors may be held from time to time if required. The Chairman of the Board also communicates informally, from time to time, with the independent members including discussions required on written consent resolutions that are approved from time to time.

- (f) **Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.**

The Chairman of the Board is Don T. Gray, who is an independent member of the Board. The Chairman presides at all meetings of the Board and, unless otherwise determined, at all meetings of shareholders and to enforce the rules of order in connection with such meetings. The Chairman is to provide overall leadership to the Board without limiting the principle of collective responsibility and the ability of the Board to function as a unit. The Chairman is to endeavour to fulfill his Board responsibilities in a manner that will ensure that the Board is able to function independently of management and is to consider, and allow for, when appropriate, a meeting of independent directors, so that Board meetings can take place without management being present. The Chairman is also to endeavour to ensure that reasonable procedures are in place to allow directors to engage outside advisors at the expense of the Corporation in appropriate circumstances.

- (g) **Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.**

The attendance record of each of the directors of the Corporation for Board meetings and committee meetings held from January 1, 2018 to the date of this Information Circular is as follows:

<u>Name of Director</u>	<u>Attendance Record</u>	
Raymond Cej	11 out of 11	Board Meetings
	3 out of 3	Reserves Committee Meetings
	6 out of 6	Compensation and Governance Committee Meetings
	<b>20 out of 20 (100%)</b>	<b>Total</b>

<u>Name of Director</u>	<u>Attendance Record</u>	
Harry English	11 out of 11 5 out of 5 <b>16 out of 16 (100%)</b>	Board Meetings Audit Committee Meetings <b>Total</b>
Ingram Gillmore	11 out of 11 <b>11 out of 11 (100%)</b>	Board Meetings <b>Total</b>
Don T. Gray	10 out of 11 5 out of 5 3 out of 3 6 out of 6 <b>24 out of 25 (96%)</b>	Board Meetings Audit Committee Meetings Reserves Committee Meetings Compensation and Governance Committee Meetings <b>Total</b>
John O'Connell	10 out of 11 6 out of 6 <b>16 out of 17 (94%)</b>	Board Meetings Compensation and Governance Committee Meetings <b>Total</b>
Kevin Olson	10 out of 11 4 out of 5 2 out of 3 5 out of 6 <b>21 out of 25 (84%)</b>	Board Meetings Audit Committee Meetings Reserves Committee Meetings Compensation and Governance Committee Meetings <b>Total</b>
Bindu Wyma <sup>(1)</sup>	7 out of 7 2 out of 2 <b>9 out of 9 (100%)</b>	Board Meetings Reserves Committee Meetings <b>Total</b>

Note:

(1) Ms. Wyma was appointed to the Board on May 31, 2018.

2. **Board Mandate – Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.**

The mandate of the Board is attached to this Information Circular as Schedule "A".

3. **Position Descriptions**

- (a) **Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.**

The Board has developed written position descriptions for the Chairman of the Board as well as the Chairman of each of the committees of the Board.

- (b) **Disclose whether or not the Board and Chief Executive Officer have developed a written position description for the Chief Executive Officer. If the Board and Chief Executive Officer have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the Chief Executive Officer.**

The Board, with the input of the Chief Executive Officer of the Corporation, has developed a written position description for the Chief Executive Officer.

#### 4. **Orientation and Continuing Education**

- (a) **Briefly describe what measures the Board takes to orient new directors regarding (i) the role of the Board, its committees and its directors, and (ii) the nature and operation of the issuer's business.**

While the Corporation does not currently have a formal orientation and education program for new recruits to the Board, the Corporation has historically provided such orientation and education on an informal basis. As new directors join the Board, management will provide these individuals with corporate policies, historical information about the Corporation, as well as information on the Corporation's performance and its strategic plan with an outline of the general duties and responsibilities entailed in carrying out their duties. The Board believes that these procedures will prove to be a practical and effective approach in light of the Corporation's particular circumstances, including the size of the Corporation and the experience and expertise of the members of the Board. The Compensation and Governance Committee has the responsibility and duty to work with management of the Corporation to facilitate an education and comprehensive orientation program for new members of the Board and a continuing education program for all directors.

- (b) **Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.**

Presentations are made regularly to the Board and committees to educate and inform them of changes within the Corporation and on appropriate other subjects such as regulatory and industry requirements and standards, capital markets, commodity pricing and corporate governance. Historically, the Audit Committee has quarterly presentations on emerging trends and issues in the accounting and audit fields from management. During the year ended December 31, 2018, the auditor of the Corporation was present at all Audit Committee meetings in which financial statements were recommended for approval by the Audit Committee. The Board has quarterly presentations on operational results and technical and regulatory issues pertaining to reserves evaluation from management and the independent reserves evaluator is present at a minimum of one of the Board meetings each year. The Corporation's legal counsel provides the Board with periodic updates on corporate governance "best practices" and management provides the Board with reports on new legislation or regulation relating to health, safety and environmental matters.

The Corporation also encourages the directors to attend, enrol or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters and has agreed to pay the cost of such courses and seminars. Each director of the Corporation has the responsibility for ensuring that he maintains the skill and knowledge necessary to meet his obligations as a director. The Compensation and Governance Committee has the responsibility and duty to work with management of the Corporation to facilitate an education and comprehensive orientation program for new members of the Board and a continuing education program for all directors.

#### 5. **Ethical Business Conduct**

- (a) **Disclose whether or not the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code:**

The Corporation has adopted a Code of Business Conduct and Ethics (the "Code") for directors, officers, employees and contractors of the Corporation. Officers, employees and contractors are required to sign annual acknowledgements that they have read and understand the Code. Any reports of variance from the Code will be reported to the Board. To the extent that management is unable to make a determination as to whether a breach of the Code has taken place, the Board will review the alleged breach in order to make a determination.

- (i) **disclose how a person or company may obtain a copy of the code;**

A copy of the Code is available on SEDAR at [www.sedar.com](http://www.sedar.com).

- (ii) **describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and**

The Board monitors compliance with the Code by requiring each of the senior officers of the Corporation to affirm in writing on an annual basis his or her agreement to abide by the Code, as to his or her ethical conduct and with respect to any conflicts of interest. Please also see 5(c) below for a discussion of the Whistleblower Policy.

- (iii) **provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.**

There have been no material change reports filed since the beginning of the Corporation's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the Code.

- (b) **Describe any steps the Board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.**

In accordance with the ABCA, directors who are a party to, or are a director or an officer of a person which is a party to, a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. In addition, in certain cases, an independent committee of the Board may be formed to deliberate on such matters in the absence of the interested party. Any potential conflicts of interest must be reported immediately to senior management.

- (c) **Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.**

The Board has also adopted a Whistleblower Policy which provides employees with the ability to report, on a confidential and anonymous basis, any violations within the organization, including (but not limited to) questionable accounting practices, inadequate internal accounting controls, the misleading or coercion of auditors, disclosure of fraudulent or misleading financial information and instances of corporate fraud. The Board believes that providing a forum for employees to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness fosters a culture of ethical conduct within the Corporation.

The Board has also adopted a Disclosure, Confidentiality and Trading Policy which provides guidance on disclosure of material information and maintaining confidentiality and restrictions on trading securities of the Corporation.

## 6. **Nomination of Directors**

- (a) **Describe the process by which the Board identifies new candidates for Board nomination.**

Pursuant to its mandate, the Compensation and Governance Committee, in conjunction with the Board Chairman, is responsible for recommending suitable candidates as nominees for election or appointment as director, and, in consultation with the Board, in recommending the criteria governing

the overall composition of the Board and governing the desirable characteristics for directors. In making such recommendations, the Compensation and Governance Committee, in consultation with the Board, is to consider: (i) the competence and skills that the Board considers to be necessary for the Board, as a whole, to possess; (ii) the competence 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.

The Compensation and Governance Committee is also to review on a periodic basis the composition of the Board to ensure that an appropriate number of independent directors sit on the Board, and analyze the needs of the Board and recommend nominees who meet such needs.

- (b) **Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.**

The Compensation and Governance Committee, which is responsible for nominating directors, is comprised of only independent directors.

- (c) **If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.**

See item 6(a).

## 7. **Compensation**

- (a) **Describe the process by which the Board determines the compensation for the issuer's directors and officers.**

### *Compensation of Directors*

For a description of the compensation of directors of the Corporation, see "*Statement of Executive Compensation – Director Compensation*".

### *Compensation of Executive Officers*

For a description of the compensation of executive officers of the Corporation, see "*Statement of Executive Compensation – Compensation Discussion and Analysis*".

- (b) **Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.**

The Compensation and Governance Committee is comprised entirely of independent directors.

- (c) **If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.**

The Compensation and Governance Committee's responsibility is to formulate and make recommendations to the Board in respect of compensation issues relating to directors and officers of the Corporation. Without limiting the generality of the foregoing, the Compensation and Governance Committee has the following duties:

- advise the Board on executive compensation matters;
- review and recommend a compensation philosophy, guidelines and plans for the Corporation's executives and employees;
- review and approve corporate goals and objectives relevant to CEO compensation;
- evaluate the CEO's performance in light of those goals, and make recommendations to the Board with regard to the CEO's compensation based on this evaluation;
- in consultation with the CEO, review and approve all executive compensation (including that of the CEO), incentive-compensation plans and equity-based plans;
- review and approve all discretionary compensation granted;
- review and approve fees to be paid to members of the Board;
- review executive compensation disclosure before it is publicly disclosed; and
- be the forum for meetings of all independent directors of the Corporation.

The Compensation and Governance Committee is required to be comprised of at least three directors, or such greater number as the Board may determine from time to time. All members of the Compensation and Governance Committee are required to be independent, as such term is defined for this purpose under applicable securities law requirements. Pursuant to the mandate and terms of reference of the Compensation and Governance Committee, meetings of the Compensation and Governance Committee are to take place regularly in each year on such dates and at such locations as the Chair of the Compensation and Governance Committee shall determine and may also meet at any other time or times on the call of the Chair of the Compensation and Governance Committee or any two of the other members.

8. **Other Board Committees – If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.**

In addition to the Audit Committee and the Compensation and Governance Committee, the Corporation has established a Reserves Committee. The Reserves Committee is comprised entirely of independent directors.

The Reserves Committee is responsible for various matters relating to reserves of the Corporation that may be delegated to the Reserves Committee pursuant to National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*, including:

- reviewing the Corporation's procedures relating to the disclosure of information with respect to oil and gas activities, including reviewing its procedures for complying with disclosure requirements and restrictions set forth under applicable securities law requirements;
- reviewing the Corporation's procedures for providing information to the independent evaluator;
- meeting, as considered necessary, with management and the independent evaluator to determine whether any restrictions placed by management affect the ability of the evaluator to report without reservation on the reserves information and data (the "**Reserves Data**") and to review the Reserves Data and the report of the independent evaluator thereon (if such report is provided);
- reviewing the appointment of the independent evaluator and, in the case of any proposed change to such independent evaluator, determining the reason therefor and whether there have been any disputes with management;
- providing a recommendation to the Board as to whether to approve the content or filing of the statement of the Reserves Data and other information that may be prescribed by applicable securities law requirements including any reports of the independent engineer and of management in connection therewith;
- reviewing the Corporation's procedures for reporting other information associated with oil and gas producing activities;
- health, safety and environmental matters; and
- generally reviewing all matters relating to the preparation and public disclosure of estimates of the Corporation's reserves.

Copies of the mandates of each of the Audit Committee, the Compensation and Governance Committee and the Reserves Committee are available on Gear's website at [www.gearenergy.com](http://www.gearenergy.com).

9. **Assessments – Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.**

The Board assesses the effectiveness of the Board, its committees and the effectiveness and contributions of individual directors by way of an annual written questionnaire distributed to each Board member. The questionnaire provides an opportunity for each Board member to provide a peer review of the performance of all of the other members of the Board. The Board also satisfies itself with respect to the effectiveness of the Board, its committees and individual directors by monitoring, on an informal basis, whether the objectives of each of the Board and the Corporation are being achieved and whether the responsibilities of each of the Board, its committees, its individual directors and the Corporation are being fulfilled.

10. **Director Term Limits and Other Mechanisms of Board Renewal**

The Board does not believe that fixed term limits or mandatory retirement ages are in the best interest of the Corporation. Therefore it has not specifically adopted term limits or other mechanisms for board renewal.

However, when considering nominees for the Board, the Compensation and Governance Committee reviews the skills and experience of the current directors of the Corporation to assess whether the Board's skills and experience need to be strengthened in any area. In addition to considering the skills and experience of the Board, the Compensation and Governance Committee also assesses the knowledge and character of all nominees to the Board and other factors such as independence of the directors to ensure that the Board is operating effectively and independently of management. The Compensation and Governance Committee considers both the term of service and age of individual directors, the average term of the Board as a whole and turnover of directors over the prior years when proposing nominees for election of the directors of the Corporation. The Compensation and Governance Committee considers the benefits of regular renewal in the context of the needs of the Board at the time and the benefits of the institutional knowledge of the Board members.

11. **Policies Regarding the Representation of Women on the Board**

The Board has not adopted any policies that address the identification and nomination of women directors of the Corporation.

The Board believes that Board nominations and executive officer appointments should be made on the basis of the skills, knowledge, experience and character of individual candidates and the requirements of the Board and management at the time. The Corporation is committed to a meritocracy and believes that considering the broadest group of individuals who have the skills, knowledge, experience and character required to provide leadership needed to achieve our business objectives, without reference to their age or gender is in the best interests of the Corporation and all of its stakeholders.

Despite its commitment to meritocracy, if and when the Board intends to add members to the Board or to replace a retiring Board member, the Board intends to ensure that the search for candidates includes searching for women with the necessary skills and experience to complement the skills and experience of the Board members remaining on the Board. The Board currently believes that the Board is the right size and that the current members have an appropriate mix of skills and experience for the Board and each of its committees to operate effectively and as such there is no need to add or replace any members of the Board.

12. **Consideration of the Representation of Women in the Director Identification and Selection Process**

As a result of the Corporation's commitment to meritocracy, the level of representation of women on the Board is not considered in identifying and nominating candidates for election or re-election to the Board; however, the Board encourages the consideration of women who have the necessary, skills, knowledge, experience and character when considering new potential candidates for the Board.

13. **Consideration Given to the Representation of Women in Executive Officer Appointments**

As a result of the Corporation's commitment to meritocracy the level of representation of women in executive officer positions is not considered when making executive officer appointments; however, the Board encourages the consideration of women who have the necessary, skills, knowledge, experience and character when considering new potential candidates for executive officer positions.

14. **Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions**

The Corporation has not imposed quotas or targets regarding the representation of women on the Board and in executive officer positions. The Board believes that imposing quotas or targets regarding the representation of women in executive officer positions would compromise the principles of meritocracy.

15. **Number of Women on the Board and in Executive Officer Positions**

There is presently one woman serving on the Board representing 14% of the current directors and 17% of proposed nominees. No women currently serve in executive officer positions at the Corporation.

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

No person who is or has been a director or executive officer of the Corporation at any time since the beginning of the year ended December 31, 2018, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any one of them, is or was indebted to (i) the Corporation or (ii) another entity where such indebtedness is or was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, in either case at any time since the beginning of the year ended December 31, 2018.

#### **AUDIT COMMITTEE INFORMATION**

The information required by Form 52-110F1 of National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators, including information regarding the fees billed to the Corporation by Deloitte LLP, Chartered Professional Accountants, Calgary, Alberta, is contained in the Corporation's annual information form for the year ended December 31, 2018, under the heading "*Audit Committee Information*", an electronic copy of which is available on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as set forth herein, there were no material interests, direct or indirect, of directors, nominees for director or executive officers of the Corporation, or any Shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Common Shares, or any other Informed Person (as defined in National Instrument 51-102 *Continuous Disclosure Obligations*) or any known associate or affiliate of such persons, in any transaction since the commencement of the last completed financial year of the Corporation or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

**INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

Management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership or otherwise of any director or nominee for director, or executive officer of the Corporation, or anyone who has held office as such since the beginning of the Corporation's last financial year, or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting, other than the election of directors, other than the resolution approving unallocated Options under the Option Plan.

**ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information in respect of the Corporation and its affairs is provided in the Corporation's annual audited comparative financial statements for the year ended December 31, 2018 and the related management's discussion and analysis. Copies of the Corporation's financial statements and related management's discussion and analysis are available upon request from the Corporation at phone number (403) 538-8435 and on the Corporation's website at [www.garenergy.com](http://www.garenergy.com).

**OTHER MATTERS**

Management knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Annual Meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

## SCHEDULE "A"



### MANDATE OF THE BOARD OF DIRECTORS

#### GENERAL

The Board of Directors (the "**Board**") of Gear Energy Ltd. (the "**Corporation**" or "**Gear**") is responsible for the stewardship of the Corporation. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of Gear. In general terms, the Board will:

- in consultation with the chief executive officer of the Corporation (the "**CEO**"), define the principal objectives of Gear;
- supervise the management of the business and affairs of Gear with the goal of achieving Gear's principal objectives as developed in association with the CEO;
- discharge the duties imposed on the Board by applicable laws; and
- for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

#### SPECIFIC

The Board will also have the following responsibilities:

##### *Executive Team Responsibility*

- Appoint the CEO and senior officers, approve their compensation, and monitor the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value.
- In conjunction with the CEO, develop a clear mandate for the CEO, which includes a delineation of management's responsibilities.
- Establish processes as required that adequately provides for succession planning, including the appointing, training and monitoring of senior management.
- Establish limits of authority delegated to management.

##### *Operational Effectiveness and Financial Reporting*

- Annual review and adoption of a strategic planning process and approval of Gear's strategic plan, which takes into account, among other things, the opportunities and risks of the business.
- Establish or cause to be established systems to identify the principal risks to Gear and that the best practical procedures are in place to monitor and mitigate the risks.
- Consider or cause to be considered the implications of risk associated with Gear's compensation policies and practices.

- Endeavour to establish or cause to be established processes to address applicable regulatory, corporate, securities and other compliance matters.
- Establish or cause to be established an adequate system of internal control and management information systems.
- Establish or cause to be established due diligence processes and appropriate controls with respect to applicable certification requirements regarding Gear's financial and other disclosure.
- Review and approve Gear's financial statements and oversee Gear's compliance with applicable audit, accounting and reporting requirements.
- Approve annual operating and capital budgets.
- Review and consider for approval all amendments or departures proposed by management from established strategy, capital and operating budgets.
- Review operating and financial performance results relative to established strategy, budgets and objectives.

#### ***Integrity/Corporate Conduct***

- Establish a communications policy or policies to ensure that a system for corporate communications to all stakeholders exists, including processes for consistent, transparent, regular and timely public disclosure, and to facilitate feedback from stakeholders.
- Approve a Business Conduct & Ethics Practice for directors, officers and employees and monitor compliance with the Practice and approve any waivers of the Practice for officers and directors.
- To the extent feasible, satisfy itself as to the integrity of the CEO and other executive officers of the Corporation and that the CEO and other executive officers create a culture of integrity throughout Gear.

#### ***Board Process/Effectiveness***

- Endeavour to ensure that Board materials are distributed to directors in advance of regularly scheduled meetings to allow for sufficient review of the materials prior to the meeting. Directors are expected to attend all meetings.
- Engage in the process of determining Board member qualifications with the Corporate Governance Committee including ensuring that a majority of directors, including the Chairman of the Board, qualify as independent directors pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices* (as implemented by the Canadian Securities Administrators and as amended from time to time) and that the appropriate number of independent directors are on each committee of the Board as required under applicable securities rules and requirements.
- Approve the nomination of directors.
- Provide or cause to be provided a comprehensive orientation to each new director.
- Establish an appropriate system of corporate governance including practices to ensure the Board functions independently of management.
- Establish appropriate practices for the regular evaluation of the effectiveness of the Board, its committees and its members.

- Establish committees and approve their respective mandates and the limits of authority delegated to each committee.
- Review and re-assess the adequacy of the mandate of the committees of the Board on a regular basis, but not less frequently than on an annual basis.
- Review the adequacy and form of the directors' compensation to ensure it realistically reflects the responsibilities and risks involved in being a director.

Each member of the Board is expected to understand the nature and operations of Gear's business, and have an awareness of the political, economic and social trends prevailing in all countries or regions in which Gear operates, or is contemplating potential operations.

Independent directors shall meet regularly, and in no case less frequently than quarterly, without non-independent directors and management participation.

The Board may retain persons having special expertise and may obtain independent professional advice to assist it in fulfilling its responsibilities at the expense of the Corporation, as determined by the Board.

In addition to the above, adherence to all other Board responsibilities as set forth in the Corporation's By-Laws, applicable policies and practices and other statutory and regulatory obligations, such as issuance of securities, etc., is expected.

## **DELEGATION**

The Board may delegate its duties to, and receive reports and recommendations from, any committee of the Board.

Subject to terms of the Disclosure, Confidentiality and Trading Policy and other policies and procedures of Gear, the Chairman of the Board will act as a liaison between stakeholders of Gear and the Board (including independent members of the Board).

## **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. The Board may adopt additional policies and procedures as it deems necessary from time to time to fulfill its responsibilities.

March 26, 2018