



**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON**

**MAY 18, 2017**

**MANAGEMENT INFORMATION CIRCULAR**

**APRIL 6, 2017**



Centennial Place, East Tower  
1900, 520 – 3<sup>rd</sup> Avenue SW  
Calgary, Alberta, T2P 0R3

## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN THAT** an annual and special meeting (the “**Meeting**”) of holders of common shares (“**Common Shares**”) of SDX Energy Inc. (the “**Corporation**”) will be held at Holiday Inn London Oxford Circus, Meeting Room 3, 57-59 Welbeck Street, London, W1G 9BL, London, United Kingdom, on Thursday the 18<sup>th</sup> day of May, 2017 at 9:00 am (UK time) for the following purposes:

1. to receive the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2016;
2. to elect the board of directors for the ensuing year;
3. to appoint PricewaterhouseCoopers LLP, Chartered Accountants, United Kingdom, as auditors of the Corporation, at a remuneration to be fixed by the board of directors;
4. to consider and, if thought appropriate, to pass, with or without variation, an ordinary resolution approving the stock option plan of the Corporation. See “*Matters to be Considered at the Meeting – Approval of Stock Option Plan*” in the Management Information Circular of the Corporation dated April 6, 2017 (the “**Circular**”) for details; and
5. to transact such other business as may be properly brought before the Meeting or any adjournment or adjournments thereof.

The details of all matters proposed to be put before shareholders at the Meeting are set forth in the Management Information Circular accompanying this Notice of Meeting. At the Meeting, shareholders will be asked to approve each of the foregoing items. Only shareholders of record at the close of business on March 31, 2017 are entitled to notice of and to attend the Meeting or any adjournment or adjournments thereof and to vote thereat.

**DATED** at the City of Calgary, in the Province of Alberta this 6<sup>th</sup> day of April, 2017.

### BY ORDER OF THE BOARD OF DIRECTORS

“*Michael Doyle*”

Michael Doyle

Non-Executive Chairman and Director

## **IMPORTANT**

A shareholder may attend the Meeting in person or may be represented thereat by proxy. It is desirable that as many Common Shares as possible be represented at the Meeting. If you do not expect to attend and would like your Common Shares represented, please complete the enclosed instrument of proxy and return it as soon as possible in the envelope provided for that purpose. In accordance with the by-laws of the Corporation, all proxies, to be valid, must be deposited at the office of the Registrar and Transfer Agent of the Corporation, TSX Trust Company, 200 University Avenue, Suite 300, Toronto, ON, M5H 4H1, no later than 9:00 am (UK time)/4:00 am (Toronto time) on Tuesday, May 16, 2017, or not less than 48 hours (excluding Saturdays and holidays) preceding any adjournment of the Meeting. You may also send your proxies by fax to (416) 595-9593 or vote your shares online at [www.voteproxyonline.com](http://www.voteproxyonline.com).



**MANAGEMENT INFORMATION CIRCULAR  
ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 18, 2017**

This Management Information Circular is furnished in connection with the solicitation of proxies by the management of SDX Energy Inc. (the “**Corporation**”) for use at the annual and special meeting of the holders of common shares (the “**Common Shares**”) of the Corporation to be held at Holiday Inn London Oxford Circus, Meeting Room 3, 57-59 Welbeck Street, London, W1G 9BL, London, United Kingdom, on Thursday, the 18<sup>th</sup> day of May, 2017 at 9:00 am (UK time) (the “**Meeting**”), or at any adjournment thereof, for the purposes set forth in the Notice of Meeting. The information contained herein is given as of the 31<sup>st</sup> day of March, 2017 except where otherwise indicated. There is enclosed herewith a form of proxy for use at the Meeting. The Corporation’s audited consolidated financial statements for the financial year ended December 31, 2016 will be presented at the meeting. Each shareholder who is entitled to attend at meetings of shareholders is encouraged to participate in the Meeting and shareholders are urged to vote in person or by proxy on matters to be considered.

**PERSONS MAKING THE SOLICITATION**

This solicitation is made on behalf of the management of the Corporation. The cost incurred in the preparation and mailing of both the proxy and this Management Information Circular will be borne by the Corporation. In addition to the use of mail, proxies may be solicited by personal interviews, personal delivery, telephone or any form of electronic communication or by directors, officers and employees of the Corporation who will not be directly compensated therefor.

In accordance with National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held on record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

**APPOINTMENT AND REVOCATION OF PROXIES**

Those shareholders desiring to be represented by proxy must deposit their respective forms of proxy with TSX Trust Company (“**TSX Trust**”) at 200 University Avenue, Suite 300, Toronto, ON, M5H 4H1, by no later than 9:00 am (UK time)/4:00 am (Toronto time) on May 16, 2017 or not less than 48 hours (excluding Saturdays and holidays) preceding any adjournment of the Meeting. You may also send your proxies by fax to (416) 595-9593 or vote your shares online at [www.voteproxyonline.com](http://www.voteproxyonline.com). A proxy must be executed by the shareholder or by his attorney authorized in writing, or if the shareholder is a corporation, under its seal or by an officer or attorney thereof duly authorized. A proxy is valid only at the Meeting in respect of which it is given or any adjournment of the Meeting.

**Each shareholder submitting a proxy has the right to appoint a person to represent him or it at the Meeting other than the persons designated in the form of proxy furnished by the Corporation.** The shareholder may exercise this right by striking out the names of the persons so designated and inserting the name of the desired representative in the blank space provided, or by completing another form of proxy and in either case depositing the proxy with TSX Trust at the place and within the time specified above for the deposit of proxies.

**An instrument of proxy may be revoked by the person giving 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 by depositing an instrument in writing executed by the shareholder or its attorney authorized in writing with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.** 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 its attorney authorized in writing, or if the shareholder is a corporation, under its seal or by an officer or attorney thereof duly authorized, and deposited with TSX Trust at the place specified above for the deposit of proxies and at any time up to and including the last business day preceding the Meeting, or any adjournment thereof.

## NOTICE AND ACCESS

The Canadian Securities Administrators have adopted amendments to NI 54-101, which allow for the use of the “notice-and-access” regime for the delivery of meeting materials.

Under the notice-and-access regime, reporting issuers are permitted to deliver the meeting materials by posting them on SEDAR as well as a website other than SEDAR and sending a notice package to each shareholder receiving the meeting materials under this regime. The notice package must include: (i) the relevant form of proxy or voting instruction form; (ii) basic information about the meeting and the matters to be voted on; (iii) instructions on how to obtain a paper copy of the meeting materials; and (iv) a plain-language explanation of how the notice-and-access system operates and how the meeting materials can be accessed online. Where prior consent has been obtained, a reporting issuer can send this notice package to shareholders electronically. This notice package must be mailed to shareholders from whom consent to electronic delivery has not been received.

The Corporation has elected to send its meeting materials to Beneficial Shareholders (as defined herein) using the notice-and-access regime. Accordingly, the Corporation will send the above-mentioned notice package to Beneficial Shareholders which includes instructions on how to access the Corporation’s meeting materials online and how to request a paper copy of these materials. Distribution of the Corporation’s meeting materials pursuant to the notice-and-access regime has the potential to substantially reduce printing and mailing costs.

Notwithstanding the notice-and-access regime, the *Canada Business Corporations Act* (“CBCA”) requires the Corporation to deliver a paper copy of the meeting materials to a registered shareholder unless such shareholder provides written consent to electronic delivery. In order to ensure compliance with the CBCA, registered shareholders will be mailed a copy of the meeting materials this year, together with a mail card soliciting a registered shareholders’ consent to electronic delivery in future years.

## EXERCISE OF DISCRETION

**The Common Shares represented by the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions of the shareholder.**

**The persons appointed under the enclosed form of proxy are conferred with discretionary authority with respect to amendments or variations of those matters specified in the proxy and Notice of Meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof.** If any such matters should come before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy in accordance with their best judgment unless the shareholder has specified to the contrary or that Common Shares are to be withheld from voting. At the time of printing of this Management Information Circular, the management of the Corporation is not aware of any such amendment, variation or other matter.

**Unless otherwise specified, proxies in the accompanying form will be voted in favour of each of the matters set forth in the Notice of Meeting, provided that in the event that a vacancy occurs among the nominees,**

hereinafter set forth, for the directors of the Corporation prior to the Meeting, as a result of death or for any other reason, proxies shall not be voted with respect to such vacancy.

### ADVICE TO BENEFICIAL SHAREHOLDERS

The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold Common Shares in their own name. Shareholders who hold their Common Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to herein as “Beneficial Shareholders”) should note that only proxies deposited by shareholders who appear on the records maintained by the Corporation’s registrar and transfer agent as registered holders of Common Shares will 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, those Common Shares will, in all likelihood, *not* be registered in the shareholder’s name. Such Common Shares will more likely be registered under the name of the shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). In the United States, the vast majority of such Common Shares are registered under the name of Cede & Co., the registration name for The Depository Trust Company, which acts as nominee for many United States brokerage firms. In the United Kingdom, the vast majority of such Common Shares are held through CREST (an electronic trading system) and are registered under the name of Capita IRG Trustees Limited.

Common Shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted or withheld at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker’s clients. Each Beneficial Shareholder should therefore ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.

The Intermediaries (or their service companies) are responsible for forwarding the meeting materials to each Beneficial Shareholder, unless the Beneficial Shareholder has waived the right to receive them.

In accordance with the requirements of NI 54-101, proxy-related materials will be distributed to the clearing agencies and Intermediaries for onward distribution to Beneficial Shareholders of the Corporation.

Intermediaries are required to forward such materials to Beneficial Shareholders of the Corporation unless the Beneficial Shareholders have waived the right to receive them. Very often, Intermediaries will use service companies to forward the Management Information Circular to beneficial shareholders.

Generally, a Beneficial Shareholder who has not waived the right to receive meeting materials will either:

- (a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Beneficial Shareholder and must be completed, but not signed, by the Beneficial Shareholder and deposited with TSX Trust; or
- (b) more typically, be given a Voting Information Form (“VIF”) which is not signed by the Intermediary, and which, when properly completed and signed by the Beneficial Shareholder and returned to the Intermediary or its service company, will constitute voting instructions which the Intermediary must follow.

The purpose of this procedure is to permit Beneficial Shareholders to direct the voting of the Common Shares that they beneficially own. **Should a Beneficial Shareholder of the Corporation wish to vote at the Meeting in person, the Beneficial Shareholder should follow the procedure in the request for voting instructions**

**provided by or on behalf of the Intermediary and print their name in the Appointee box which will grant the Beneficial Shareholder the right to attend the Meeting and vote in person.** Beneficial Shareholders of the Corporation should carefully follow the instructions of their Intermediary, including those regarding when and where the completed request for voting instructions is to be delivered. Beneficial Shareholders of the Corporation who wish to change their vote must, in sufficient time in advance of the Meeting, arrange with their respective Intermediaries to change their vote and if necessary revoke their proxy in accordance with the revocation procedures set out above.

**If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.** All references to shareholders in this Management Information Circular and the accompanying Instrument of Proxy and Notice of Meeting are to registered shareholders unless specifically stated otherwise.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

As at March 31, 2017, the Corporation had 186,900,253 Common Shares outstanding. Each Common Share confers upon the holder thereof the right to one vote. The close of business on March 31, 2017 is the record date for the determination of shareholders who are entitled to notice of, and to attend and vote at, the Meeting (the “**Record Date**”). Only those shareholders of record on the Record Date are entitled to notice of, and to attend and vote at the Meeting. Any transferee or person acquiring Common Shares after the Record Date may, on proof of ownership of Common Shares, demand of TSX Equity not later than 10 days before the Meeting that their name be included in the list of persons entitled to attend and vote at the Meeting.

To the knowledge of the directors and executive officers of the Corporation, as of the date hereof there are four companies that beneficially own, control or direct, directly or indirectly, more than 3% of the voting rights attached to all of the outstanding Common Shares.

The Corporation may not have accurate information regarding Beneficial Shareholders of the Corporation as it is not entitled to such information and cannot access such information under Canadian securities laws. Further, under the securities laws of Canada the threshold for the disclosure of interests in the share capital of the Corporation is 10%. Accordingly, the Company cannot necessarily be aware of interests below this figure.

<b>Company</b>	<b>Holding</b>	<b>% of Voting Rights<sup>(1)</sup></b>
Ingalls & Snyder LLC	28,204,758	15.09%
MEA Energy Investment Company Limited	26,919,437	14.40%
River & Mercantile	7,843,000	4.20%
The City Financial Absolute Equity Fund – held by Trustee BNY Mellon Trust and Depository	6,750,000	3.61%

Note:

(1) Based on 186,900,253 Common Shares issued and outstanding as at the Record Date and the date hereof.

## **EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

#### **Overview of Compensation Program**

The compensation committee (the “**Compensation Committee**”) of the board of directors of the Corporation (the “**Board**”) exercises general responsibility regarding the overall compensation policy for the senior employees and executive officers of the Corporation. Subject to the approval of the Board, it is responsible for: (i) recommending the salary and benefits of the Chief Executive Officer and Chief Financial Officer, subject to terms of any existing contractual arrangements; (ii) recommending the general compensation structure and policies and programs for the Corporation and the salary and benefit levels for the senior officers and management; (iii) reviewing the Corporation’s stock option plan and authorizing its use, determining the number of options, and the terms thereof, that may be issued under the stock option plan of the Corporation during any particular period and issuing or authorizing the issuance of such options in accordance with the plan; (iv) reviewing and making recommendations to the Board on issues that arise in relation to any employment contracts in force from time to time; (v) reviewing annually all other benefit programs for salaried personnel; (vi) reviewing and approving severance arrangements for senior officers and management; (vii) reviewing the executive compensation disclosure required to be included in the information circular for the shareholders’ annual meeting; (viii) recommending the compensation for members of the Board, as well as for committee members, including the compensation of the Chairman of the Board and any chairman of a Board committee; (ix) reviewing and making recommendations on the succession plan for the Chief Executive Officer and for key employees of the Corporation; and (x) reviewing and making recommendations on any material changes in human resources policy, procedure, remuneration and benefits.

#### **Compensation Philosophy and Objectives**

The objectives of the Corporation’s executive compensation policy are to attract and retain individuals of high calibre to serve as officers of the Corporation, to motivate their performance in order to achieve the Corporation’s strategic objectives and to align the interests of executive officers with the long-term interests of the shareholders of the Corporation. These objectives are designed to ensure that the Corporation continues to grow shareholder value. The Corporation’s compensation policy is designed to pay for performance and, accordingly, the performance of the Corporation and of the Chief Executive Officer and Chief Financial Officer as individuals are both examined by the Compensation Committee. The Corporation’s compensation program for all of the Corporation’s employees, including the Corporation’s executive officers, is comprised of three principal components: base salary, short-term incentive compensation (comprised of annual discretionary cash bonuses) and long-term incentive compensation (comprised of discretionary stock options).

Together, these components are designed to achieve the following key objectives:

- to support the Corporation’s overall business strategy and objectives;
- to provide market competitive compensation that is substantially performance based;
- to provide incentives which encourage superior corporate performance and retention of highly skilled and talented employees; and
- to align executive compensation with corporate performance and therefore shareholders’ interests.

The aggregate value of these principal components and related benefits is used as a basis for assessing the overall competitiveness of the Corporation’s compensation package. The fixed element of compensation provides a competitive base of secure compensation required to attract and retain executive talent. The variable performance based, or “at risk” compensation, is designed to encourage both short-term and long-term performance of the



Corporation. At more senior levels of the organization, a significant portion of compensation eligible to be paid is variable performance based compensation which places a greater emphasis on rewarding executives for their individual contributions, business results of the Corporation and long-term value creation for shareholders of the Corporation.

### **Compensation Review Process**

When determining compensation, including the assessment of the competitiveness of the Corporation's compensation program, management and the Compensation Committee reviews the compensation practices of companies in its selected peer group.

To provide benchmarking information, the Corporation reviews freely available, industry reports and general compensation surveys conducted by independent consultants which provide comparative information. Specifically, the Compensation Committee reviewed two PwC Reports ("Ready for a Change?: Alternative Remuneration Structures in FTSE 250 and SmallCap companies" and "Time to Listen 2016"). Amongst other things, the Compensation Committee considered these reports in its determination of compensation for the Corporation's executive officers.

In October 2016, the Corporation engaged an independent consultant, Hugessen Consultancy, to carry out a review of executive and director pay programs and to provide context on the design of potential short term and long term incentive schemes. Hugessen Consultancy charged the Corporation C\$42,000 for these Executive Compensation-Related Fees. The Compensation Committee is in the process of considering the findings of the work undertaken by Hugessen Consultancy.

The Chief Executive Officer annually assesses the individual performance and development of each executive officer, and recommends to the Compensation Committee the appropriate salary, annual incentive and long-term incentive for each individual. The Compensation Committee then reviews these recommendations, in conjunction with its own review of the Corporation's performance, executive performance and comparative data, and thereafter recommends to the Board the compensation package payable to the executive officers for the Board's review, discussion and approval.

The Compensation Committee considers numerous factors in assessing performance of the Chief Executive Officer and other executive officers. Some of the factors considered are as follows: (a) absolute and per share production growth; (b) finding and on stream costs (for both current and longer periods); (c) overall and per share oil and gas reserve changes, looking at both proven and probable reserves; (d) operating costs and the change in operating costs per barrel of oil equivalent in the context of the overall market; (e) funds from operations per share changes; (f) the overall performance of the Corporation's common shares on the TSX Venture Exchange ("TSX-V") and the London Stock Exchange AIM market; (g) general and administrative cost control; and (h) the Corporation's performance for all of the above relative to its goals and objectives and in relation to the performance of its industry peer group.

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

#### *Base Salaries*

The base salary component is intended to provide a fixed level of competitive pay that reflects each executive officer's primary duties and responsibilities and the level of skills and experience required to successfully perform their role. The Corporation intends to pay base salaries to its executive officers, including the Chief Executive Officer, that are competitive with those for similar positions within the Corporation's selected peer group. For the Corporation's executive officers, base salaries are targeted at the median of the Corporation's comparative peer group. Salaries of the executive officers, including that of the Chief Executive Officer, are reviewed annually by the Corporation's Compensation Committee and adjustments are made taking into account the executive's job responsibilities, demonstration of capability and the market comparative information.

### *Short-Term Incentive Compensation – Annual Cash Bonuses*

In addition to base salaries, the Corporation has a discretionary bonus plan pursuant to which the Board, upon recommendation of the Compensation Committee, may award annual cash bonuses to executive officers. The bonus element of the Corporation's executive compensation program is designed to retain top quality talent and reward both corporate and individual performance during the Corporation's last completed financial year. To determine bonus awards for senior executives, including the Named Executive Officers, the Compensation Committee considers both the executive's personal performance and the performance of the Corporation relative to its peers. The proposed bonus amounts for executive officers are recommended by the Compensation Committee for review, discussion and approval by the Board of Directors.

### *Long Term Incentive Compensation – Share Options*

Executive officers, along with all of the Corporation's officers, directors, employees, contractors and other service providers, are eligible to participate in the Corporation's stock option plan (the "**Stock Option Plan**"). The Stock Option Plan provides a long-term incentive designed to reward eligible participants for their contribution in enhancing total shareholder return over the long-term both on an absolute and relative basis. The Stock Option Plan promotes an ownership perspective among the executives, encourages the retention of key executives and provides an incentive to enhance shareholder value by furthering the Corporation's growth and profitability.

As with most companies in the Corporation's peer group, options form an integral component of the total compensation package provided to the Corporation's executive officers. Participation in the Stock Option Plan rewards overall corporate performance, as measured through the price of the Common Shares. In addition, the Stock Option Plan enables executives to develop and maintain a significant ownership position in the Corporation. This results in a significant portion of executive compensation being "at risk" and directly linked to the achievement of business results and long-term value creation.

Options are normally recommended by management and approved by the Compensation Committee and Board of Directors upon the commencement of an individual's employment with the Corporation based on the level of their respective responsibility within the Corporation. Additional grants may be made periodically, generally on an annual basis, 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. In considering additional grants, a number of factors are considered including the number of options held by such individual, the exercise price and implied value of the options, the term remaining on those options and the total number of options the Corporation has available for grant under its Stock Option Plan. See "*Executive Compensation – Stock Option Plan*" for a description of the detailed terms of the Stock Option Plan.

As a key component of its remuneration policy, the Compensation Committee is currently reviewing alternatives to its existing Stock Option Plan. This is to ensure that it is utilising the most appropriate incentive structure to align meaningful elements of participants' total rewards with shareholder value creation.

### **Risks Associated with Compensation Policies and Practices**

The oversight and administration of the Corporation's executive compensation program requires the Compensation Committee to consider risks associated with the Corporation's compensation policies and practices. Potential risks with compensation policies and compensation awards are considered at annual meetings of the Compensation Committee at which compensation related recommendations to the Board are formulated.

The Corporation's executive compensation policies and practices are intended to align management incentives with the long-term interests of the Corporation and its shareholders. In each case, the Corporation seeks an appropriate balance of risk and reward. Practices that are designed to avoid inappropriate or excessive risks include (i) the Corporation's operating strategy and related compensation philosophy, (ii) the effective balance, in each case, between cash and equity mix, near-term and long-term focus, corporate and individual performance, and financial and non-financial performance; and (iii) a multi-faceted approach to performance evaluation and compensation which discourages risky behaviour.

The Compensation Committee believes that the Corporation's total executive compensation program does not encourage executive officers to take unnecessary or excessive risk.

The Corporation does not prohibit the Named Executive Officers or the directors of the Corporation from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by such person. The Named Executive Officers and directors have advised the Corporation that they have not entered into any such agreements. To the extent that they subsequently enter into an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, their economic exposure to the Corporation, insider reporting laws in Canada provide that they must file a report disclosing the existence and material terms of the agreement, arrangement or understanding within five days of the event.

## Compensation Governance

The policies and practices adopted by the Board to determine the compensation of the Corporation's executive officers and directors is described under "*Executive Compensation – Compensation Discussion and Analysis*".

The Compensation Committee is comprised of two directors, David Richards (Chair) and David Mitchell, each of whom are independent. The skills and experience of each Committee member in executive compensation that is relevant to his responsibilities and the making of decisions on the suitability of the Corporation's compensation policies and practices is as follows:

David Richards (Chair)

Mr. Richards is a Fellow of the Institute of Chartered Accountants of Alberta. He founded Network Capital Inc., a successful Calgary based investment management company focused on private equity, in 1997 and served as President and Managing Director until June 30, 2016.

Mr. Richards formerly served as a senior tax partner with both PricewaterhouseCoopers and Arthur Andersen and Co. He is a Past President of the Alberta Chamber of Commerce and a past Vice President of the Calgary Chamber of Commerce. Mr. Richards is currently a director of Wilmington Capital Management Inc., Mood Media Inc. and Standard Exploration. Previous public board experience includes Boardwalk Equities, Alliance Atlantis Movie Distribution Income Fund, Forte Energy and Bonnetts Energy Services Trust.

David Mitchell

Mr Mitchell, is a successful oil and gas executive with more than 35 years proven track record in the International arena, including with BP and Nexen. During this time, Mr Mitchell discovered and built projects with his teams in the Middle East, West Africa, Latin America and the North Sea. He has lived and worked in a number of countries including a year with BP Egypt.

Mr Mitchell received his BSc Honours Geology from the University of London and his MPhil Mining Engineering from the University of Nottingham, UK. Mr Mitchell was appointed CEO of Madison PetroGas on joining in 2008, building the company prior to the merger with Sea Dragon Energy in 2015.

The Compensation Committee's mandate is to oversee the compensation policies of the Corporation. See "*Compensation Discussion and Analysis – Overview of Compensation Program*" for a summary of the Compensation Committee's responsibilities and powers.

## 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 Committee has reviewed the compensation regime and is satisfied that the current levels of total compensation are reflective of competitive market practices, align pay for performance with the interests of shareholders and support the Corporation's objective to attract, retain and motivate highly capable executive talent. The Compensation 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.

## Summary Compensation Table

The following table sets forth all compensation earned by persons acting in the positions of Chief Executive Officer, Chief Financial Officer and the three most highly compensated executive officers of the Corporation or its subsidiaries, at the end of the most recently completed financial year, who earned greater than \$150,000 in total salary and bonus, during the three most recently completed financial years (the “Named Executive Officers”).

Name and principal position	Year	Salary (\$)	Share based awards (\$)	Option-based awards <sup>(4)(5)</sup> (\$)	Non-equity incentive plan compensation (\$)		All other Compensation (\$) <sup>(6)</sup>	Total Compensation (\$)
					Annual incentive plans	Long-term incentive plans		
<b>Paul Welch</b> <sup>(1)</sup> President and Chief Executive Officer	2016	576,716	Nil	Nil	Nil	Nil	83,147	659,863
	2015	614,626	Nil	406,903	Nil	Nil	84,919	1,106,448
	2014	542,069	Nil	79,350	Nil	Nil	61,588	683,007
<b>Mark Reid</b> <sup>(2)</sup> Chief Financial Officer	2016	331,334	Nil	Nil	Nil	Nil	2,249	333,583
	2015	55,396	Nil	203,451	Nil	Nil	Nil	258,847
<b>Ahmed Farid Moaaz</b> <sup>(3)</sup> Country Manager	2016	295,465	Nil	Nil	Nil	Nil	Nil	295,465
	2015	521,236	Nil	203,451	Nil	Nil	Nil	724,687
	2014	255,414	Nil	132,250	Nil	Nil	Nil	387,664

### Notes:

- (1) Mr. Welch was appointed President and Chief Executive Officer on April 12, 2013. Mr Welch’s 2016, 2015 and 2014 salary were paid in US\$ and GBP. They have been converted at the year-end US rates of 1.3467, 1.3872 and 1.1629 respectively to CDN and at the year-end GBP rates of 1.6567, 2.0529 and 1.8064 respectively to CDN.
- (2) Mr. Reid was appointed Chief Financial Officer on November 13, 2015. Mr Reid’s 2016 and 2015 salary were paid in GBP. They have been converted at the year-end GBP rates of 1.6567 and 2.0529 respectively to CDN.
- (3) Mr. Moaaz’s 2016, 2015 and 2014 salary were paid in US\$ and EGP. Mr. Moaaz elected to receive a portion of his salary in EGP. They have been converted at the year-end EGP rates of 0.0739, 0.1766 and 0.1631 respectively and the US rates of 1.3467, 1.3872 and 1.1629 to CDN, respectively.
- (4) The Corporation has calculated the grant date fair value of the options granted to Named Executive Officers using the Black-Scholes model. The Corporation chose this methodology because it is recognized as the most common methodology used for valuing options and doing value comparisons. The Black-Scholes assumptions used by the Corporation for the options granted on November 30, 2015 were: (i) an initial expected useful life of 5 years; (ii) a forfeiture rate of 0; (iii) volatilities of 115.5% and (iv) risk-free interest rates of 0.81%. The Black-Scholes assumptions used by the Corporation for the options granted on June 20, 2014 were: (i) an initial expected useful life of 5 years; (ii) a forfeiture rate of 0.73; (iii) volatilities of 92%; and (iv) risk-free interest rates of 1.3%.
- (5) The Corporation cancelled the 2014 and 2013 previously granted options as a condition of the business combination between the Corporation and Madison PetroGas Ltd, effective October 1, 2015. The fair value of the cancelled options for the Named Executive Officers, shown in the table above, as calculated by the Black-Scholes model was \$634,800.
- (6) None of the Named Executive Officers, with the exception of Mr. Welch, received perquisites, including property or personal benefits not generally available to all employees that in aggregate were worth \$50,000 or more, or were worth 10% or more of the Named Executive Officer’s total salary for the financial year ended December 31, 2015. Mr. Welch received other compensation of \$83,147 in regard to BUPA worldwide medical insurance (34,429 GBP), tax advice and support related to the calculation, completion and filing of U.S. and U.K. annual personal tax returns (13,606 GBP) and life insurance (2,154 GBP).

## **The Stock Option Plan**

In order to attract and retain qualified personnel and provide incentives and rewards to the directors, officers, employees and consultants of the Corporation, the Board adopted the Stock Option Plan, which was amended and reapproved, by the shareholders on September 16, 2016. There are currently 18,690,025 Common Shares (being 10% of the issued and outstanding Common Shares) reserved for issuance pursuant to the Stock Option Plan.

Principal features of the Stock Option Plan include:

1. The Stock Option Plan is administered by the Board or a committee thereof (the “**Administrators**”) who designate qualified participants and set appropriate terms for the granting of options.
2. The maximum number of Common Shares which may be reserved for issuance pursuant to the Stock Option Plan is 10% of the outstanding listed Common Shares and the Common Shares reserved for issuance to any one person shall not exceed 5% of the outstanding Common Shares.
3. The options may be exercisable for a maximum of five years, subject to extension in certain circumstances where the expiry date occurs in a blackout period.
4. The price of the options shall be fixed by the Administrators and shall not be less than the market price of the Common Shares.
5. The option vesting period is over a period of three years or as otherwise determined at the discretion of the Administrators.
6. The Stock Option Plan contains provisions to prevent dilution, to protect holders of options in the event of reorganization and to allow limited amendments of individual grants by the Administrators.

The Stock Option Plan provides that in the event of a sale of all or substantially all of its assets or in the event of a change of control of the Corporation a person that has participated in the Stock Option Plan (the “**Participant**”) shall be entitled to exercise in full or in part any unexercised option previously granted under the Stock Option Plan, whether vested or not, until the earlier of the expiration of the period during which an option may be exercised or the expiration of ninety days after the termination of the employment of the Participant with the Corporation or its subsidiary, or ninety days after the cessation or termination of the Participant as a director, officer or employee of, or provider of services to the Corporation or its subsidiary.

No options were exercised during the recently completed financial year ended December 31, 2016 by the Named Executive Officers.

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

The following table sets forth information in respect of incentive plan awards outstanding at the end of the financial year ended December 31, 2016 held by the Named Executive Officers. The Named Executive Officers do not receive share-based awards.

Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)
Ahmed Farid Moaaz	400,000	0.63	December 1, 2020	Nil
Mark Reid	400,000	0.63	December 1, 2020	Nil
Paul Welch	800,000	0.63	December 1, 2020	Nil

**Note:**

- (1) Based on the closing price of the Common Shares on December 30, 2016 of \$0.55, being the last day the Common Shares traded on the TSX-V during the financial year ended December 31, 2016.

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

The following table sets forth information in respect of the value of incentive plan awards held by the Named Executive Officers vested during the financial year ended December 31, 2016. The Named Executive Officers received option-based awards, as set forth in the table above, but did not nor will receive share-based awards.

Name	Option-based awards - value vested during year <sup>(1)(2)(3)</sup> (\$)
Ahmed Farid Moaaz	Nil
Mark Reid	Nil
Paul Welch	Nil

**Notes:**

- (1) Represents the aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date based on the difference between the closing market price of the Corporation's Common Shares on the vesting date and the exercise price of the options held.
- (2) Options are priced at the market price at the time of grant.
- (3) Options granted to employees, consultants and officers vest over a three-year period, with 1/3 vesting on the first anniversary of the date of grant, 1/3 vesting on the second anniversary and the remaining 1/3 vesting on the third anniversary.

**Termination and Change of Control Benefits**

*Employment Agreements*

Except as set out below, the Corporation has not entered into any employment contracts with Named Executive Officers or any compensatory plan, contract or arrangement whereby a Named Executive Officer would receive payment from the Corporation in the event of (a) the resignation, retirement or termination of a Named Executive Officer, (b) a change of control of the Corporation or (c) a change in a Named Executive Officer's responsibilities, except pursuant to statute or common law rights.

Mr. Paul Welch was appointed President, Chief Executive Officer and Chief Operating Officer of the Corporation on April 12, 2013. The Corporation has entered into an employment contract with Mr. Welch. Pursuant to the terms of the employment contract, the Corporation is entitled to terminate Mr. Welch's employment at any time, without cause, by providing Mr. Welch written notice of the termination or, at the Corporation's sole discretion, by paying Mr. Welch compensation in lieu of notice of an amount equal to the

base salary (450,000 USD per annum as of December 31, 2016) that Mr. Welch would have received during the applicable notice period, or any combination of written notice and payment in lieu of notice. If Mr. Welch is provided with a payment in lieu of notice for any portion, Mr. Welch's eligibility for all health and benefit plans shall cease immediately on the last day of active employment, unless otherwise required by law. The termination notice period or termination payment shall be a minimum of 12 months' salary.

Mr. Mark Reid was appointed Chief Financial Officer of the Corporation on November 13, 2015. The Corporation has entered into an employment contract with Mr. Reid. Pursuant to the terms of the employment contract, the Corporation is entitled to terminate Mr. Reid's employment at any time, without cause, by providing Mr. Reid written notice of the termination or, at the Corporation's sole discretion, by paying Mr. Reid compensation in lieu of notice of an amount equal to the base salary (200,000 GBP per annum as of December 31, 2016) that Mr. Reid would have received during the applicable notice period, or any combination of written notice and payment in lieu of notice. If Mr. Reid is provided with a payment in lieu of notice for any portion, Mr. Reid's eligibility for all health and benefit plans shall cease immediately on the last day of active employment, unless otherwise required by law. The termination notice period or termination payment shall be a minimum of 6 months' salary. If there is a Change of Control within the Corporation, and notice of termination is given by the Corporation to Mr. Reid, then the applicable notice period shall be a minimum of 12 months' salary.

Assuming that the triggering events occurred on December 31, 2016 for the scenarios outlined in the paragraphs above: (a) Mr. Welch would be entitled to receive 450,000 USD (12 months' salary, assuming no notice period) and (b) Mr. Reid would be entitled to receive 100,000 GBP (6 months' salary, assuming no notice period), or for a change of control, Mr. Reid would be entitled to receive 200,000 GBP (12 months, salary, assuming no notice period).

In addition to the foregoing, the option agreements entered into between the Corporation and the Named Executive Officers under the Stock Option Plan provide that if a bona fide third party offer is made for the Common Shares of the Corporation, then the Corporation shall notify the optionee of the offer and the optionee shall be entitled to exercise all options (including unvested options which shall be deemed to vest) so as to enable the optionee to tender the option shares pursuant to such exercise to the offer. Further, in the event of a change of control of the Corporation or the sale of all or substantially all of the Corporation's assets, all unvested options shall immediately become vested and be considered vested options as of the date of the change of control.

In the event of an offer to acquire the Corporation, all unvested options held by Named Executive Officers as at December 31, 2016 would vest and be immediately exercisable on December 31, 2016. If this occurred, the Named Executive Officers would receive the following amounts, based on the difference between the closing price of the Common Shares on the TSX-V on December 30, 2016, being the last day the Common Shares traded during the year ended December 31, 2016 and the exercise price of such options: (a) Mr. Moaaz – Nil, (b) Mr. Reid - Nil; and (c) Mr. Welch – Nil.

## **Compensation of Directors**

### *Director Compensation Table*

For the financial year ended December 31, 2016, the independent directors of the Corporation, other than Mr Raynes, received a fee for serving on the Board and were reimbursed for their expenses for attending meetings of the Board and any committees thereof. The following table sets out the compensation paid to directors of the Corporation for the financial year ended December 31, 2016.



Name <sup>(1)</sup>	Fees Earned (\$)	Option-based awards (\$) <sup>(4)</sup>	All other compensation (\$)	Total (\$)
Paul Moase <sup>(2)</sup>	24,781	Nil	Nil	24,781
Michael Doyle <sup>(3)</sup>	46,337	Nil	Nil	46,337
David Mitchell <sup>(3)</sup>	39,717	Nil	Nil	39,717
David Richards <sup>(3)</sup>	46,337	Nil	Nil	46,337
Barrie Wright <sup>(2)</sup>	24,781	Nil	Nil	24,781
Michael Raynes <sup>(5)</sup>	Nil	Nil	Nil	Nil

**Notes:**

- (1) Information for Mark Reid, the Chief Financial Officer and Paul Welch, the President and Chief Executive Officer is provided under “*Summary Compensation Table*”.
- (2) Paul Moase and Barrie Wright resigned as directors effective September 16, 2016 upon completion of the 2016 annual and special meeting of shareholders.
- (3) Michael Doyle, David Mitchell and David Richards were appointed directors effective October 1, 2015 upon completion of the business combination between the Corporation and Madison PetroGas Ltd. The Directors are entitled to receive an annual retainer of 25,000 USD and 5,000 USD per annum for each Committee chair they hold. Mr. Doyle is also entitled to receive 10,000 USD per annum as the Chairman of the Corporation. The above amounts have been converted at the year-end US rate of 1.3467 to CDN.
- (4) The Corporation has calculated the grant date fair value of the options granted to the Board using the Black-Scholes model. The Corporation chose this methodology because it is recognized as the most common methodology used for valuing options and doing value comparisons. Please see Note 4 to the “*Summary Compensation Table*” on page 10 for the underlying assumptions used by the Corporation.
- (5) Michael Raynes was elected as a director on September 16, 2016. He received no fees or other remuneration for this role as he is a representative of a major shareholder.

*Outstanding Share-Based Awards and Option-Based Awards*

The following table sets forth information in respect of outstanding incentive plan awards held by the directors at the end of the financial year ended December 31, 2016. The directors do not receive share-based awards.

Name <sup>(1)</sup>	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(2)</sup> (\$)
Michael Doyle	160,000	0.63	December 1, 2020	Nil
David Mitchell	160,000	0.63	December 1, 2020	Nil
Paul Moase <sup>(3)</sup>	Nil	Nil	N/A	Nil
David Richards	160,000	0.63	December 1, 2020	Nil
Barrie Wright <sup>(3)</sup>	Nil	Nil	N/A	Nil
Michael Raynes	Nil	Nil	N/A	Nil

**Notes:**

- (1) Information for Mark Reid, the Chief Financial Officer of the Corporation and Paul Welch, the President and Chief Executive Officer of the Corporation is provided on page 11 and 12 under “*Outstanding Share-Based Awards and Option-Based Awards*”.
- (2) Based on the closing price of the Common Shares on December 30, 2016 of \$0.55, being the last day the Common Shares traded on the TSX-V during the financial year ended December 31, 2016.

- (3) Paul Moase and Barrie Wright resigned as directors effective September 16, 2016 upon completion of the annual and special meeting of shareholders. As at December 31, 2016 they had no outstanding options.

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

The following table sets forth information in respect of the value of incentive plan awards held by the directors vested during the financial year ended December 31, 2016. The directors do not receive share-based awards.

Name <sup>(2)</sup>	Option-based awards - value vested during year <sup>(1)</sup> (#)
Michael Doyle	Nil
David Mitchell	Nil
Paul Moase	Nil
David Richards	Nil
Barrie Wright	Nil
Michael Raynes	Nil

**Notes:**

- (1) Represents the aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date based on the difference between the closing market price of the Corporation’s Common Shares on the vesting date and the exercise price of the options held.
- (2) Information for Mark Reid, the Chief Financial Officer of the Corporation and Paul Welch, the President and Chief Executive Officer is provided at page 12 under “*Incentive Plan Awards – Value Vested or Earned During the Year*”.

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

The following table sets forth information as at December 31, 2016 with respect to the Corporation’s compensation plans under which equity securities of the Corporation are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights (\$)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by security holders	2,445,000 <sup>(1)</sup>	\$0.61	5,539,390 <sup>(1)</sup>
Equity compensation plans not approved by security holders	N/A	N/A	N/A
<b>Total</b>	<b>2,445,000</b>	<b>\$0.61</b>	<b>5,539,390</b>

**Note:**

- (1) The Stock Option Plan is a rolling 10% stock option plan and accordingly the number of shares available for issuance on a certain date under such plan will be determined based on the number of Common Shares outstanding at that date. On

December 31, 2016, the Corporation had 79,843,902 Common Shares issued and outstanding resulting in a maximum number of 7,984,390 Common Shares that could be issued. As at December 31, 2016 the Corporation had granted 2,445,000 stock options which were outstanding. As of the date herein of this Management Information Circular the Corporation had 186,900,253 Common Shares issued and outstanding. The number of securities available for issuance under the equity compensation plans and in accordance with the rolling 10% stock option plan is 18,690,025. Stock options currently issued and outstanding at the date of the Management Information Circular are 2,445,000 with 16,245,025 remaining available for future issuance.

### **Indebtedness of Directors and Executive Officers**

No executive officer, director, employee, former executive officer, former director, former employee, proposed nominee for election as a director, or associate of any such person has been indebted to the Corporation or its subsidiaries at any time since the commencement of the Corporation's last completed financial year, nor is, or at any time since the commencement of the Corporation's last completed financial year has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or its subsidiaries.

## **AUDIT COMMITTEE**

### **Terms of Reference for the Audit Committee**

The Audit Committee of the Corporation is a committee of the Board established for the purpose of overseeing the accounting and financial reporting process of the Corporation. The Audit Committee has set out its responsibilities and composition requirements in fulfilling its oversight in relation to the Corporation's internal accounting standards and practices, financial information, accounting systems and procedures. See Appendix A attached hereto for a copy of the Audit Committee Terms of Reference.

### **Composition of the Audit Committee**

The Audit Committee currently consists of David Richards (Chair), Michael Doyle and Michael Raynes. All members of the Audit Committee have been determined to be independent, and all members are considered to be financially literate, as such terms are defined in National Instrument 52-110 – *Audit Committees* (“NI 52-110”).

### **Relevant Education and Experience of Audit Committee Members**

The education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee is as follows.

#### *David Richards - Chair*

Mr. Richards is a Fellow of the Institute of Chartered Accountants of Alberta. He founded Network Capital Inc., a successful Calgary based investment management company focused on private equity, in 1997 and served as President and Managing Director until June 30, 2016.

Mr. Richards formerly served as a senior tax partner with both PricewaterhouseCoopers and Arthur Andersen and Co. He is a Past President of the Alberta Chamber of Commerce and a past Vice President of the Calgary Chamber of Commerce. Mr. Richards is currently a director of Wilmington Management Inc., Mood Media Inc. and Standard Exploration. Previously public board experience includes Boardwalk Equities, Alliance Atlantis Movie Distribution Income Fund, Forte Energy and Bonnetts Energy Services Trust.

#### *Michael Doyle*

Michael Doyle is a Professional Geophysicist and Certified Corporate Director (ICD.D) with over 40 years of wide-ranging experience in the finance and development of international energy and resource projects. Mr Doyle is a

principal of privately-held CanPetro International Ltd. He is also a director or officer of a number of companies, principally in the petroleum sector. His previous experience includes acting as Chairman of NYSE listed Equal Energy, and as principal and Chief Executive of Petrel Robertson Ltd. where he was responsible for providing advice and project management to clients in Canada and numerous other parts of the globe.

Mr. Doyle was a founding director and Chairman of an SDX Energy Inc. predecessor company, Madison PetroGas, from its inception in 2003.

#### *Michael Raynes*

Mr. Raynes is the Managing Partner of MEA Energy Advisory UK LLP, an Energy focussed investment advisory partnership, and a Director of MEA Energy Investment Company Limited. MEA Energy Investment Company Limited is a significant shareholder in SDX Energy Inc.. Previously Mr. Raynes was the Chief Operating Officer of Waha Capital with responsibility for all investing activity including Sales & Trading, Private Equity, Infrastructure, Real Estate and Energy. Mr. Raynes brings with him an intricate understanding of investing in the Middle East and North Africa and has established a strong track record of adding value to businesses and generating strong returns for investors.

Prior to Mr. Raynes' role at Waha Capital, he was a Senior Investment Banker with Barclays Capital in London.

#### **Audit Committee Oversight**

At no time since the commencement of the Corporation's most recently completed fiscal year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

#### **Reliance on Certain Exemptions**

At no time since the commencement of the Corporation's most recently completed fiscal year has the Corporation relied on: (i) the De Minimis Non-Audit Services exemption provided for in section 2.4 of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”); (ii) an exemption contained in subsection 6.1.1(4), 6.1.1(5) or 6.1.1(6) of NI 52-110; or (iii) an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*) of NI 52-110. However, as a “venture issuer”, the Corporation is relying on the exemptions provided by section 6.1 of NI 52-110 with respect to Part 3 – *Composition of the Audit Committee* and Part 5 – *Reporting Obligations*.

#### **Pre-Approval Policies and Procedures**

The Corporation has not adopted specific policies and procedures for the engagement of non-audit services, however, the duties of the Audit Committee include the review and pre-approval of all non-audit services to be provided by the external auditor's firm or its affiliates (including estimated fees) and the consideration of the effect of such services on the independence of the external audit.

#### **External Auditor Service Fees (By Category)**

The following table discloses the fees billed by the Corporation's external auditor for the period indicated.

<b>Period Ended</b>	<b>Audit Fees (GBP£)<sup>(1)</sup></b>	<b>Audit-Related Fees (US\$)<sup>(2)</sup></b>	<b>Tax Fees (GBP£)<sup>(3)</sup></b>	<b>All Other Fees (Cdn\$)<sup>(4)</sup></b>	<b>All Other Fees (GBP£)<sup>(4)</sup></b>	<b>All Other Fees (USD\$)<sup>(4)</sup></b>
December 31, 2016	£105,000	Nil	£18,710	\$217,541	£131,310	\$161,536
December 31, 2015	£198,078	Nil	£21,015	\$6,388	£10,000	\$9,550

**Notes:**

- (1) The aggregate fees billed for audit services. **These fees are in GBP**
- (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit review of the Corporation's financial statements and are not disclosed in the 'Audit Fees' column. **These fees are in US\$.**
- (3) The aggregate fees billed for tax compliance, tax advice, and tax planning services. **These fees are in GBP.**
- (4) The aggregate fees billed for professional services other than those listed in the other three columns.

## **CORPORATE GOVERNANCE**

Attached to this Management Information Circular as Appendix B, is the Corporation's corporate governance disclosure prescribed by Form 58-101F2 – *Corporate Governance Disclosure*.

### **MATTERS TO BE CONSIDERED AT THE MEETING**

#### **1. Financial Statements**

The audited consolidated financial statements of the Corporation for the year ended December 31, 2016 and the independent auditor's report thereon will be tabled at the Meeting, but no vote by the shareholders with respect thereto is required or proposed to be taken. A copy of the audited consolidated financial statements and the independent auditor's report thereon, have previously been sent to the shareholders.

#### **2. Election of Directors**

At the Meeting, it is proposed that six directors be elected until the next annual meeting of shareholders or until their successors are elected or appointed. **Each director nominee will be elected on an individual basis and not as a member of a slate.** Each director elected will hold office until the close of the next annual meeting of shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the By-laws of the Corporation.

**The persons named in the enclosed form of proxy, if named as proxy, intend to vote proxies in favour of the election of the nominees hereinafter set forth as directors for the ensuing year.**

There are currently six directors of the Corporation. Pursuant to the *Canada Business Corporations Act* ("CBCA"), the current directors of the Corporation cease to hold office at the close of the Meeting.

The following table sets forth, in respect of each nominee, the province and country of residence, the period during which each has served as a director, all positions currently held with the Corporation, principal occupation and the approximate number of Common Shares beneficially owned, controlled or directed, directly or indirectly, as of March 31, 2017. The information contained herein is based upon information furnished by the respective nominees.

<b>Name and Province and Country of Residence</b>	<b>Date Since Served as a Director</b>	<b>Office or Position</b>	<b>Present Principal Occupation</b>	<b>Number of Common Shares Beneficially Owned, or Controlled or Directed</b>
<b>Paul Welch</b> London, U.K.	September 12, 2013	President, Chief Executive Officer and Director	Chief Executive Officer and President of the Corporation since April 2013. Prior thereto Chief Executive Officer of Chariot Oil and Gas Limited from October 2009 to December 2012. Prior thereto, Regional Manager of Pioneer Natural Resources Company.	574,297
<b>Michael Doyle</b> <sup>(1)(3)(4)</sup> Calgary, Alberta	October 1, 2015	Non-Executive Chairman and Director	Non-Executive Chairman and Director of the Corporation since October 1, 2015. Prior thereto Chairman and Director of Madison PetroGas from its inception in 2003 until September 30, 2015. Mr Doyle is also a Director of CanPetro International Ltd., and Richmond Road Capital Corp.	2,200,158
<b>David Mitchell</b> <sup>(3)(5)</sup> Calgary, Alberta	October 1, 2015	Non-Executive Director	Non-Executive Director of the Corporation since October 1, 2015. Prior thereto Chief Executive Officer of Madison PetroGas from joining in 2008 until September 30, 2015.	1,635,110
<b>David Richards</b> <sup>(4)(5)</sup> Calgary, Alberta	October 1, 2015	Non-Executive Director	Non-Executive Director of the Corporation since October 1, 2015. Prior thereto President and Managing Director of Network Capital Inc. from 1997 until June 30, 2016. Prior thereto Tax Partner at Arthur Andersen & Co. 1993-1995. Prior thereto Tax Partner at PricewaterhouseCoopers 1986 to 1993. Mr Richards is also a Director of Wilmington Capital Management Inc., Mood Media Inc. and Standard Exploration.	967,531
<b>Michael Raynes</b> <sup>(2)(4)</sup> London, U.K.	September 16, 2016	Non-Executive Director	Director MEA Energy Investments Company Ltd. and Chief Operating Officer Waha Capital. Prior thereto, Global Head of Aerospace, Defense and Trade Finance at Barclays Capital in London between February 2002 and September 2008.	26,919,437

<b>Name and Province and Country of Residence</b>	<b>Date Since Served as a Director</b>	<b>Office or Position</b>	<b>Present Principal Occupation</b>	<b>Number of Common Shares Beneficially Owned, or Controlled or Directed</b>
<b>Mark Reid</b> London, U.K.	September 16, 2016	Chief Financial Officer and Director	Chief Financial Officer of the Corporation from November 13, 2015 to present; CFO and Director of Chariot Oil and Gas Limited from April 2012 to May 2015. CFO and Director of Aurelian Oil and Gas PLC from September 2009 to April 2012.	247,500

Notes:

- (1) Michael Doyle is a principal of CanPetro International Ltd which holds 907,764 Common Shares of the Corporation which is included within the number of common shares shown above.
- (2) Michael Raynes is the Board representative of MEA Energy Investments Company Ltd., which holds 26,919,437 Common Shares of the Corporation. Michael Raynes does not hold any Common Shares of the Corporation in his personal capacity.
- (3) Member of the Reserves Committee.
- (4) Member of the Audit Committee.
- (5) Member of the Compensation Committee.

No proposed director of the Corporation is, as at the date of this Management Information Circular, or has been, within the preceding 10 years, a director, chief executive officer or chief financial officer 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; or (ii) was subject to 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 that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer.

Except as described below, no proposed director of the Corporation is, as at the date of this Management Information Circular, or has been, within the preceding 10 years, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Michael Doyle was a director of Brevia Energy Inc., an Alberta oil and gas producer, which entered into a voluntary receivership in January 2016 as a result of financial difficulties.

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

No proposed director of the Corporation has been subject to any: (a) penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or (b) other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in deciding whether to vote for a proposed director.

### **3. Appointment of Auditors**

At the Meeting, shareholders will be asked to pass an ordinary resolution appointing PricewaterhouseCoopers LLP (UK), Chartered Accountants, to serve as auditors of the Corporation to hold office until the close of the next Annual and Special Meeting of shareholders or until such firm is removed from office or resigns as provided by law, at a remuneration to be fixed by the Board. PricewaterhouseCoopers LLP (UK) has served as auditors of the Corporation since October 4, 2013. In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by shareholders who vote in person or by proxy at the Meeting.

**The persons named in the enclosed form of proxy, if named as proxy, intend to vote proxies in favour of the ordinary resolution to appoint PricewaterhouseCoopers LLP (UK), Chartered Accountants, as auditors of the Corporation at a remuneration to be fixed by the Board and to hold such office until the next annual meeting of the Corporation.**

### **4. Approval of Stock Option Plan**

Pursuant to the policies of the TSX-V, listed issuers are permitted to have “rolling” stock option plans reserving a maximum of 10% of the issued shares of the Corporation at the time of the stock option grant (“**Rolling Plan**”). The Stock Option Plan is considered to be a Rolling Plan. The Stock Option Plan, as amended from time to time, was initially approved by the shareholders of the Corporation on September 18, 2008, and was amended and reapproved most recently, by the shareholders of the Corporation on September 16, 2016. The policies of the TSX-V require that Rolling Plans be approved annually by the shareholders of listed issuers. Accordingly the shareholders of the Corporation will be asked to consider and, if thought appropriate, approve an ordinary resolution approving the Stock Option Plan, in the manner set forth below. The Stock Option Plan has not been amended since it was last approved by the shareholders of the Corporation.

The text of the ordinary resolution which management intends to place before the Meeting for the approval of the Stock Option Plan is as follows:

**“BE IT HEREBY RESOLVED** as an ordinary resolution of the Corporation that:

1. the stock option plan (the “**Stock Option Plan**”) of SDX Energy Inc. (the “**Corporation**”), substantially in the form attached as Schedule C to the Management Information Circular of the Corporation dated April 6, 2017, be and is hereby approved and adopted as the stock option plan of the Corporation;
2. the form of Stock Option Plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the shareholders of the Corporation; and
3. any one director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this ordinary resolution.”

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by shareholders who vote in person or by proxy at the Meeting.

**The persons named in the enclosed form of proxy, if named as proxy, intend to vote proxies in favour of the ordinary resolution to approve the Plan.**



## 5. Other Matters to be Acted Upon

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

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

Other than as described below, none of the Corporation's directors or executive officers or companies or persons that beneficially own, control or direct, directly or indirectly, or a combination of both, more than 3% of the Corporation's Common Shares, proposed nominees for election as directors of the Corporation or any of their respective associates and affiliates, has any material interest in any transaction with the Corporation since the commencement of the Corporation's last financial year or in any proposed transaction which has materially affected or would materially affect the Corporation.

On May 20, 2016 SDX Energy Inc. was admitted to the London Stock Exchange (AIM) and completed a private placing of 42,201,835 new Common shares by way of a firm placing of shares issued on admission of 38,291,835 common shares and a conditional placing of 3,910,000 common shares which were deemed firm and subsequently issued on July 25, 2016. Pursuant to the subscription agreement entered into between the Corporation and MEA Energy Investment Company Limited ("MEA") relating to this placing and conditional placing, the Corporation has given MEA the right to appoint one director to the Board for so long as it holds at least 9.9 per cent, of the then issued Common Shares of the Corporation. Accordingly, as MEA continues to hold more than 9.9 per cent of the issued Common Shares of the Corporation at the date of this Circular, the Board has put forward Michael Raynes, MEA's nominee, as a nominee for election as a director of the Corporation at the Meeting. See "*Matters to be Considered at the Meeting – Election of Directors*" for additional information.

There are potential conflicts of interest to which the directors and officers of the Corporation may be subject in connection with the operations of the Corporation. Some of the directors and officers of the Corporation are engaged and will continue to be engaged in other business opportunities on their own behalf and on behalf of other corporations, and situations may arise where such directors and officers will be in competition with the Corporation. Individuals concerned shall be governed in any conflicts or potential conflicts by applicable law and internal policies of the Corporation.

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

No person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, nor any proposed nominee for election as a director of the Corporation, or any associate or affiliate of any one of them, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors, except as described below.

All of the directors and officers of the Corporation, other than Mr. Raynes, hold options to acquire Common Shares pursuant to the Stock Option Plan. At the Meeting, shareholders will be asked to consider, and if thought appropriate, approve an ordinary resolution approving the Plan. See "*Matters to be considered at the Meeting – Approval of Stock Option Plan*".

### **MANAGEMENT CONTRACTS**

There are no management functions of the Corporation or any of its subsidiaries which are, to any substantial degree, performed other than by the directors or executive officers (or private companies controlled by them, either directly or indirectly) of the Corporation or its subsidiaries.

### **ADDITIONAL INFORMATION**

Additional financial information is provided in the Corporation's audited consolidated financial statements and management's discussion and analysis for the financial year ended December 31, 2016.

Any request for these documents can be made by contacting the Chief Executive Officer of SDX Energy Inc. at 38 Welbeck Street, London, W1G 8DP, United Kingdom and/or fax +44 (0)203 219 5655. Additional information relating to the Corporation can also be obtained on SEDAR under the Corporation's profile at [www.sedar.com](http://www.sedar.com).

## APPENDIX A

### SDX ENERGY INC.

#### AUDIT COMMITTEE TERMS OF REFERENCE (Including Audit Chair Position Description)

##### I. PURPOSE

The primary function of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of SDX Energy Inc. (the “**Corporation**”) is to assist the Board in fulfilling its oversight responsibilities with respect to:

- A. the integrity of financial information that will be provided to the shareholders, regulatory bodies and others;
- B. compliance with accounting and finance based legal and regulatory requirements;
- C. the systems of internal controls that management and the Board have established;
- D. the independent auditor’s qualifications and independence and the performance of audit processes;
- E. financial policies and strategies including capital structure; and
- F. financial risk management practices.

Primary responsibility for the financial reporting, information systems, financial risk management and internal controls of the Corporation is vested in management and is overseen by the Board.

##### II. COMPOSITION AND OPERATIONS

- A. The Committee shall be composed of not fewer than three (3) members of the Board as determined by the Board each of whom will at all times be independent and financially literate as those terms are defined in National Instrument 52-110 - *Audit Committees*, as may be amended from time to time, and possess:
  - 1. an understanding of the accounting principles used by the Corporation to prepare its financial statements;
  - 2. the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
  - 3. experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements, or experience actively supervising one or more individuals engaged in such activities; and
  - 4. an understanding of internal controls and procedures for financial reporting.

Committee members and the Chair of the Committee will be appointed by the Board following the annual meeting of the Corporation or from time to time, as necessary and shall serve at the discretion of the Board until the immediately following annual meeting, unless their office is earlier vacated.

- B. The Corporation’s auditor shall be advised of the names of the Committee members and will receive notice of and be invited to attend meetings of the Committee, and to be heard at those meetings on matters relating to the auditor’s duties.

- C. The Committee shall meet with the external auditors as it deems appropriate to consider any matter that the Committee or auditors determine should be brought to the attention of the Board or shareholders.
- D. The Committee shall meet at least once (by person or by teleconference) in each fiscal quarter to review and recommend approval by the Board of the Corporation's quarterly financial statements and managements' discussion and analysis ("MD&A") for the immediately preceding fiscal quarter and to review and recommend approval by the full Board of the annual financial statements and MD&A for the immediately preceding fiscal year and as often thereafter as required to discharge the duties of the Committee.
- E. The Chair of the Committee will, in consultation with the members, determine the schedule, time and place of meetings, and after consultation with management and the external auditor, establish the agenda for meetings.
- F. A quorum for a meeting of the Committee shall be a majority of members of the Committee present in person or by conference call.
- G. Notice of the time and place of every meeting shall be given in writing, by email or facsimile to each member of the Committee at least 48 hours prior to the time fixed for such meeting, provided that a member may in any manner waive a notice of meeting. Notice of the time and place of every meeting shall be given in writing, by email or facsimile to all members of the Board not appointed members of the Committee at least 48 hours prior to the time fixed for such meeting. All members of the Board not appointed members of the Committee shall be entitled to attend and participate as non-voting members of the Committee at all meetings of the Committee.
- H. The Committee Chair in consultation with the members of the Committee determines guests who may attend a meeting, in whole or in part.
- I. Members of the Committee shall be entitled to reasonable compensation for the services performed by them in discharging their duties and to be reimbursed for all out of pocket expenses incurred by them in performance of these services. All members of the Board not appointed members of the Committee will not be entitled to any compensation or reimbursement for expenses for attending a meeting of the Committee.
- J. Every question at the Committee meeting shall be decided by a majority of votes cast; in the event of a tie vote on any matters, such matters shall be presented to the Board for its consideration and determination.

### **III. DUTIES AND RESPONSIBILITIES**

Subject to the powers and duties of the Board, the Committee will perform the following duties:

#### **A. Financial Statements Disclosure and Other Financial Information**

The Committee will review and recommend for approval to the Board financial information that will be made publicly available. This includes:

1. the Corporation's annual financial statements and MD&A and report to the Board before the financial statements are approved by the Board;
2. the Corporation's quarterly financial statements, MD&A and news release; and
3. the annual information form (if any), any prospectus or private placement offering document and any other material financial information required by applicable regulatory authorities.
4. the Corporation's Ceiling Test calculation and the carrying value of its assets on the Corporation's balance sheet.

Review and discuss:

5. the appropriateness of accounting policies and financial reporting practices used by the Corporation;
6. any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Corporation; and
7. any new or pending developments in accounting and reporting standards that may affect the Corporation.

Be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure previously referred to and periodically assess the adequacy of those procedures.

**B. Risk Management, Internal Control and Information Systems**

The Committee will review and obtain reasonable assurance that the risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:

1. review the Corporation's risk management controls and policies;
2. consider whether the information systems appear to be reliable and the systems of internal controls are properly designed and effectively implemented through discussions with and reports from management and the external auditor;
3. review management steps to implement and maintain appropriate internal control procedures including a review of policies; and
4. review the performance and independence of the Corporation's internal auditor and internal audit function and whether the internal auditor has had full access to the Corporation's books, records and personnel.

**C. External Audit and Review**

The Committee will oversee the work of the external auditor and will review the planning and results of external audit activities. This includes:

1. review and recommend to the Board, for shareholder approval, engagement of the external auditor;
2. review and recommend to the Board the external auditor's compensation;
3. review the annual external audit plan, including but not limited to the following:
  - (a) engagement letter
  - (b) objectives and scope of the external audit work;
  - (c) procedures for quarterly review of financial statements;
  - (d) materiality limit;
  - (e) areas of audit risk;
  - (f) staffing;
  - (g) timetable; and
  - (h) proposed fees.
4. meet with the external auditor to discuss the Corporation's annual financial statements and MD&A (and the quarterly financial statements and MD&A if deemed necessary)

- and the auditor's report including the appropriateness of accounting policies and underlying estimates and resolve any disagreements between management and the external auditors regarding financial reporting;
5. meet with the external auditor on a regular basis and at least annually in the absence of management;
  6. review and advise the Board with respect to the planning, conduct and reporting of the annual audit, including:
    - (a) any difficulties encountered, or restriction imposed by management, during the annual audit;
    - (b) any significant accounting or financial reporting issue;
    - (c) if completed, the auditor's evaluation of the Corporation's system of internal controls, procedures and documentation or parts thereof;
    - (d) the post audit or management letter containing any findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weaknesses;
    - (e) any other matters the external auditor brings to the Committee's attention; and
    - (f) assess the qualifications, performance and independence of the external auditor and consider the annual appointment of external auditor for recommendation to the Board;
  7. review the auditor's report, if any, on all material corporate subsidiaries;
  8. review and receive assurances on the independence of the external auditor;
  9. review and pre-approve all non-audit services to be provided by the external auditor's firm or its affiliates (including estimated fees), and consider the effect on the independence of the external audit;
  10. take reasonable steps to ensure that, prior to public disclosure of the Corporation's annual financial statements and MD&A, the external auditor is a participating audit firm and is in compliance with any restriction or sanction imposed by the Canadian Public Accountability Board under National Instrument 52-108 - *Auditor Oversight*.

**D. Financial Management and Leadership**

1. Review the Corporation's financial strategy considering current and future business needs, capital markets and credit availability.
2. Review the Corporation's capital structure including debt and equity components, current and expected financial leverage and interest rate and foreign currency exposures and make recommendations to the Board.
3. Review the financing of the Corporation's annual operating plan and make recommendations to the Board.
4. Review the Corporation's cash flow forecasts on a regular basis, consider the expected solvency requirements and make recommendations to the Board.
5. Regularly review current and expected future compliance with covenants under all financing arrangements.
6. Review any proposed issues of equity instruments including equity and hybrid securities and make recommendations to the Board.

7. Review any proposed material issues of debt including public and private debt, credit facilities with banks and others and other credit arrangements such as capital and operating leases and make recommendations to the Board.
8. Receive and review reports on significant issues of or changes to debt and to equity securities, credit facilities with banks and others and other credit arrangements such as capital and operating leases.

**E. Other**

The Committee will also:

1. review insurance coverage of significant business risks and uncertainties;
2. review policies and procedures for the review and approval of officers' and directors' expenses and approve these expenses.
3. periodically review the terms of reference for the Committee and make recommendations to the Board as required;
4. establish procedures for and handle:
  - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters and under the Whistleblower Policy; and
  - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing or other matters under the Whistleblower Policy.
5. review and approve the Corporation's hiring policies regarding employees and former employees of the present and former external auditors of the Corporation; and
6. make enquires about potential claims, assessments and other contingent liabilities.

**IV. ACCOUNTABILITY**

- A. The Committee Chair has the responsibility to make periodic reports to the Board, as requested, on financial matters relative to the Corporation.
- B. The Committee shall report its discussions to the Board by maintaining minutes of its meetings and providing an oral report at the next Board meeting.

**V. COMMITTEE TIMETABLE**

A proposed timetable of the Committee meetings shall be prepared at the beginning of each fiscal year.

**VI. RELIANCE ON EXPERTS**

In contributing to the Committees' discharging of its duties under this mandate, each member shall be entitled to rely in good faith on:

- A. financial statements of the Corporation represented to the member by an officer of the Corporation, or in a written report of the external auditor, to present fairly the financial position of the Corporation and the results of its operations in accordance with generally accepted accounting principles; and
- B. any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

The Board is of the view that monitoring of the Corporation's financial reporting and disclosure policies and procedures cannot be reasonably met unless the following activities (the "**Fundamental Activities**") are, in all material respects, conducted effectively:

- A. the Corporation's accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of the Corporation's financial transactions;
- B. the internal financial controls are regularly assessed for effectiveness and efficiency;
- C. the Corporation's quarterly and annual financial statements and MD&A are properly prepared by management in accordance with generally accepted accounting principles; and
- D. the annual financial statements are reported on by an external auditor appointed by the shareholders of the Corporation.

## **VII. ADVISORS/RESOURCES**

The Committee will have the sole authority to retain, oversee, compensate and terminate independent advisors who assist the Committee in its activities and will receive adequate funding from the Corporation for independent advisors and ordinary administrative expenses that are needed or appropriate for the Committee to carry out its duties.

## **VIII. LIMITATION OF COMMITTEE'S DUTIES**

In contributing to the Committee's discharging of its duties under these terms of reference, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in these terms of reference is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the Committee's duties is monitoring and reviewing to endeavour to gain reasonable assurance (but not to ensure) that the Fundamental Activities are being conducted effectively and that the objectives of the Corporation's financial reporting are being met and to enable the Committee to report thereon to Board.

## **IX. DUTIES OF THE COMMITTEE CHAIR**

In addition to fulfilling his or her duties as an individual director, the duties of the committee chair are to:

- A. serve as the Committee's role model for responsible, ethical and effective decision making;
- B. lead the Committee in discharging all duties set out in the Committee Terms of Reference and as are delegated to the authority of the Committee by the Board;
- C. take reasonable steps to ensure that the Committee members execute their duties pursuant to the Terms of Reference;
- D. manage the affairs of the Committee to ensure that the Committee is organized properly and functions effectively;
- E. arrange for a Committee secretary to assist with agendas, minutes and logistical matters;
- F. ensure that notice of all meetings of the Committee are provided to the external auditor;
- G. preside at, and together with the members of the Committee, management, external auditors and advisors, as appropriate, call, schedule and prepare the agenda for each meeting of the Committee;
- H. ensure that the Committee meets in closed sessions with the external auditors;
- I. co-ordinate with the CFO, Corporate Secretary, management and the external auditors such that:
  - 1. documents are delivered to members in sufficient time in advance of Committee meetings for a thorough review;



2. matters are properly presented for the member's consideration at meetings;
  3. the members have an appropriate opportunity to discuss issues at each meeting;
  4. the members have an appropriate opportunity to question management, employees and the external auditors regarding financial results, internal controls, the collection of financial information and all other matters of importance to the Committee; and
  5. the members work constructively towards their recommendations to the Board;
- J. communicate with each Committee member to ensure that:
1. each member has the opportunity to be heard and participate in decision making; and
  2. each member is accountable to the Committee;
- K. arrange for the preparation, accuracy and distribution of all minutes of the Committee to:
1. members of the Committee;
  2. each member of the Board;
  3. the external auditor; and
  4. the CEO and CFO;
- L. ensure that the Committee, following each meeting:
1. reports to the Board regarding its activities, findings and recommendations; and
  2. makes Committee information available to any director upon request; and
- M. assist in maintaining effective working relationships between Committee members, the Board, the CEO and CFO, external auditors, internal auditors, advisors, executive officers and management and may call for separate meetings with any of these parties as the Chair deems appropriate.

**Adopted and Approved by the Board: April 8, 2013.**

## APPENDIX B

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

#### General

The board of directors (the “**Board**”) of SDX Energy Inc. (the “**Corporation**”) recognizes that good corporate governance is of fundamental importance to the success of the Corporation. The Corporation’s governance practices are the responsibility of the Board.

This Statement of Corporate Governance Practices sets out the Board’s assessment of the Corporation’s governance practices in accordance with National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) and National Policy 58-201 – *Corporate Governance Guidelines* (“**NP 58-201**”). The Corporation’s governance practices are generally consistent with the practices and guidelines set out in NI 58-101 and NP 58-201.

#### Board of Directors

The Corporation’s board of directors consists of six members namely Michael Doyle, Paul Welch, David Mitchell, David Richards, Mark Reid and Michael Raynes. The Board of Directors has reviewed the status of each director to determine whether such director is “independent” as defined in NI 58-101. As a result of such review, and after consideration of all business, family and other relationships among the directors and the Corporation, the Board of Directors has determined that Messrs. Doyle, Mitchell, Richards and Raynes are each independent within the meaning of NI 58-101. Messrs. Welch and Reid are not independent under NI 58-101 as each continues to be an officer of the Corporation.

#### Directorships

Directorships held by directors of the Corporation in other reporting issuers are set forth below:

<b>Director</b>	<b>Directorships held</b>
Michael Doyle	Richmond Road Capital Corp.
David Richards	Wilmington Capital Management Inc. Mood Media Inc. Standard Exploration

#### Orientation and Continuing Education

The Board of Directors is responsible for the orientation and education of new members of the board of directors and all new directors are provided with copies of the Corporation’s board and committee mandates and policies, the Corporation’s by-laws, documents from recent Board meetings and other reference materials relating to the duties and obligations of directors, the business and operations of the Corporation. New directors are also provided with opportunities for meeting and discussions with senior management and other directors. Prior to joining the board, each new director will meet with the Chief Executive Officer of the Corporation. Such officer is responsible for outlining the business and prospects of the Corporation, both positive and negative, with a view to ensuring that the new director is properly informed to commence his duties as a director. Each new director is also given the opportunity to meet with the auditors and counsel to the Corporation. As part of the annual Board of Directors’ assessment process, the Board of Directors determines whether any additional education and training is required for its members.

## **Ethical Business Conduct**

The directors encourage and promote a culture of ethical business conduct through communication and supervision as part of their overall stewardship responsibility. In addition, the Corporation has adopted a Code of Conduct which addresses the Corporation's continuing commitment to integrity and ethical behaviour. The Code of Conduct establishes procedures that allow directors, officers and employees of the Corporation to confidentially submit their concerns to the Chief Executive Officer or the Chairman of the Board regarding questionable ethical, moral, accounting or auditing matters, without fear of retaliation. To the Corporation's knowledge there have been no departures from this Code of Conduct that would necessitate the filing of a material change report. A copy of the Code of Conduct is available to review at the head office of the Corporation during business hours.

## **Nomination of Directors**

The Board of Directors as a whole is responsible for identifying suitable candidates to be recommended for election to the Board by the shareholders of the Corporation, with the goal of ensuring that the board consists of an appropriate number of directors who collectively possess the competencies identified as being appropriate to the effectiveness of the board as a whole.

## **Compensation**

The Compensation Committee is responsible for reviewing the Corporation's overall compensation strategy, and is responsible for reviewing and recommending for approval the salaries and compensation of the Corporation's executive officers.

The Compensation Committee also reviews the compensation of the outside directors on an annual basis, taking into account such matters as time commitment, responsibility and compensation provided by comparable organizations.

For additional information regarding how the Compensation Committee determines compensation for the executive officers and directors of the Corporation, please see "*Executive Compensation – Discussion and Analysis*" in this Management Information Circular.

## **Board Committees**

The Corporation's Board of Directors has three committees, the Audit Committee, the Compensation Committee and the Reserves Committee.

### ***Audit Committee***

The Audit Committee is comprised of David Richards (Chair), Michael Doyle and Michael Raynes. Details in respect of the Audit Committee, as prescribed by National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") are provided under the heading "*Audit Committee*" in this Management Information Circular.

### ***Compensation Committee***

The Compensation Committee is comprised of David Richards (Chair) and David Mitchell. The Compensation Committee is comprised of non-management members of the board of directors and is required to convene at least annually. For additional information in respect of the Compensation Committee, please see "*Executive Compensation – Discussion and Analysis – Compensation Governance*" in this Management Information Circular.

***Reserves Committee***

The board of directors has adopted a mandate for the Reserves Committee, which is currently comprised of David Mitchell (Chair) and Michael Doyle. The Reserves Committee is responsible for meeting with the independent engineering firm commissioned to conduct the reserves evaluation on the Corporation's oil and gas assets and to discuss the results of such evaluation with such independent evaluators and management. The Reserves Committee's responsibilities include reviewing managements' recommendations for the appointment or proposed changes of independent evaluators, reviewing the Corporation's procedures for providing information to the independent evaluators, meeting with management and the independent evaluator to review the reserves data and report, including any restrictions imposed by management or significant issues on which there was a disagreement with management and reviewing reserve additions and revisions which occur from one report to the next, recommending to the board of directors whether to approve the content of the independent evaluators' report, reviewing the Corporation's procedures for reporting on other information associated with oil and gas producing activities and generally reviewing all public disclosure of estimates of the Corporation's reserves. The Reserves Committee meets at least once annually or otherwise as circumstances warrant.

**Assessments**

The Compensation Committee is responsible for developing an annual assessment of the overall performance of the Board and its committees. The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. To date, the Compensation Committee and the Board have not put into place a formal process for assessing the effectiveness of the board as a whole, its committees or individual directors, but will consider implementing one in the future should circumstances warrant. Based on the Corporation's size, its stage of development and the number of individuals on the board of directors, the Compensation Committee and the Board consider a formal assessment process to be inappropriate at this time. The Compensation Committee and the Board plan to continue evaluating the Board's effectiveness on an ad hoc basis.

## APPENDIX C

### SDX ENERGY INC. STOCK OPTION PLAN

#### ARTICLE ONE PURPOSE AND INTERPRETATION

**Section 1.01 Purpose.** The purpose of the Plan is to advance the interests of the Corporation by encouraging equity participation in the Corporation through the acquisition of Common Shares of the Corporation by directors, officers, employees and consultants of the Corporation.

**Section 1.02 Definitions.** In the Plan, the following capitalized words and terms shall have the following meanings:

- (a) “**Act**” means the Canada Business Corporations Act or its successor, as amended from time to time.
- (b) “**Affiliate**” shall have the meaning ascribed thereto in the Securities Act.
- (c) “**Associate**” shall have the meaning ascribed thereto in the Securities Act.
- (d) “**Board of Directors**” means the board of directors of the Corporation as constituted from time to time and any committee of the board of directors.
- (e) “**Change in Control**” shall be deemed to have occurred if:
  - (i) any person, other than the Corporation or an employee benefit plan of the Corporation, acquires directly or indirectly the beneficial ownership (as such term is defined in the Act) of any voting security of the Corporation and immediately after such acquisition such person is, directly or indirectly, the beneficial owner of voting securities representing 50% or more of the total voting power of all of the then outstanding voting securities of the Corporation;
  - (ii) the individuals (A) who, as of March 26, 2008, constitute the Board of Directors (the “**Original Directors**”) or (B) who thereafter are elected to the Board of Directors and whose election, or nomination for election, to the Board of Directors was approved by a vote of at least two-thirds (2/3) of the Original Directors then still in office (such directors becoming “**Additional Original Directors**” immediately following their election) or (C) who are elected to the Board of Directors and whose election, or nomination for election, to the Board of Directors was approved by a vote of at least two-thirds (2/3) of the Original Directors and Additional Original Directors then still in office (such directors also becoming “**Additional Original Directors**” immediately following their election) (such individuals being the “**Continuing Directors**”), cease for any reason to constitute a majority of the members of the Board of Directors;
  - (iii) the shareholders of the Corporation shall approve a merger, consolidation, recapitalization, or reorganization of the Corporation, a reverse stock split of outstanding voting securities, or consummation of any such transaction if shareholder approval is not sought or obtained, other than any such transaction which would result in at least 75% of the total voting rights represented by the voting securities of the surviving entity outstanding immediately after such transaction being beneficially owned by at least 75% of the holders of outstanding voting securities of the Corporation immediately prior to the transaction, with the voting rights of each such continuing holder relative to other such continuing holders not being substantially altered in the transaction; or
  - (iv) the shareholders of the Corporation shall approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or a substantial portion of the Corporation's assets (i.e. 50% or more of the total assets of the Corporation).

- (f) **“Common Shares”** means the common shares of the Corporation as constituted on the date hereof.
- (g) **“Consultant”** means, in relation to the Corporation, an individual or company, other than an Employee or a Director of the Corporation, that:
  - (i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Corporation or to an Affiliate of the Corporation, other than services provided in relation to a Distribution;
  - (ii) provides the services under a written contract between the Corporation or the Affiliate and the individual or the company, as the case may be;
  - (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate of the Corporation; and
  - (iv) has a relationship with the Corporation or an Affiliate of the Corporation that enables the individual to be knowledgeable about the business and affairs of the Corporation.
- (h) **“Corporation”** means SDX Energy Inc. a corporation incorporated under the Act, and its successors from time to time.
- (i) **“Designated Affiliate”** means the Affiliates of the Corporation designated by the Board of Directors for purposes of the Plan from time to time.
- (j) **“Exchange”** means the TSX Venture Exchange and London Stock Exchange (AIM), or such other stock exchange or quotation system as the Common Shares may from time to time be listed or quoted for trading.
- (k) **“Employee”** means:
  - (i) an individual who is considered an employee of the Corporation or its subsidiary under the *Income Tax Act* (Canada) (i.e. for whom income tax, employment insurance and CPP deductions must be made at source), or such similar tax legislation as is applicable in the jurisdictions where the employees of the Corporation or its subsidiaries reside;
  - (ii) an individual who works full- time for the Corporation or its subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source; or
  - (iii) an individual who works for the Corporation or its subsidiary on a continuing and regular basis for a minimum amount of time per week (the number of hours should be disclosed in the submission) providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source.
- (l) **“Holding Company”** shall have the meaning specified in Section 2.02 hereof.
- (m) **“Insider”** shall have the meaning ascribed thereto in the Securities Act, other than a person who is an Insider solely by virtue of being a director or senior officer of a subsidiary of the Corporation and any Associate of an Insider.
- (n) **“Issuer Bid”** shall have the meaning ascribed thereto in the *Securities Act*.

- (o) **“Investor Relations Activities”** means any activities, by or on behalf of the Corporation or Shareholder of the Corporation, that promote or reasonably could be expected to promote the purchase or sale of securities of the Corporation, but does not include:
- (i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Corporation:
    - A. to promote the sale of products or services of the Corporation, or
    - B. to raise public awareness of the Corporation, that cannot reasonably be considered to promote the purchase or sale of securities of the Corporation;
  - (ii) activities or communications necessary to comply with the requirements of:
    - A. applicable Securities Laws,
    - B. Exchange Requirements or the by- laws, rules or other regulatory instruments of any other self-regulatory body or exchange having jurisdiction over the Corporation;
  - (iii) communications by a publisher of or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if:
    - A. the communication is only through the newspaper, magazine or publication, and
    - B. the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or
  - (iv) activities or communications that may be otherwise specified by the Exchange.
- (p) **“Option Agreements”** shall have the meaning specified in Section 2.15 hereof.
- (q) **“Option Period”** means the period of time an option may be exercised as specified in Section 2.08 (a) hereof.
- (r) **“Participant”** means a participant under the Plan.
- (s) **“Plan”** means the share incentive plan provided for herein.
- (t) **“RRSP”** shall have the meaning specified in Section 2.02 hereof.
- (u) **“Securities Act”** means the *Securities Act* (Ontario) or its successor, as amended from time to time.
- (v) **“Shareholders”** means the holders of Common Shares in the capital of the Corporation.
- (w) **“Share Compensation Arrangement”** means a stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of securities of the Corporation to one or more service providers, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise.
- (x) **“Take-Over Bid”** shall have the meaning ascribed thereto in the *Securities Act*.

## ARTICLE TWO SHARE OPTION PLAN

**Section 2.01    The Plan.** The Plan is hereby established for certain employees, senior officers, directors and Consultants of the Corporation and Designated Affiliates.

**Section 2.02    Participants.** Participants in the Plan shall be bona fide directors, senior officers, employees and Consultants of the Corporation or any of its Designated Affiliates (including officers thereof, whether or not directors) who, by the nature of their positions or jobs are, in the opinion of the Board of Directors, upon the recommendation of the President of the Corporation, in a position to contribute to the success of the Corporation. At the request of any Participant, options granted to such Participant may be issued to and registered in the name of a personal holding company controlled by such Participant the shares of which are held directly by the Participant (“**Holding Company**”) or to a registered retirement savings plan established for the sole benefit of such Participant (“**RRSP**”) and, in such event, the provisions of this Plan shall apply to such options mutatis mutandis as though they were issued to and registered in the name of the Participant.

**Section 2.03    Amount of Options.** The determination regarding the aggregate number of Common Shares subject to options in favour of any Participant will take into consideration the Participant's present and potential contribution to the success of the Corporation and shall be determined from time to time by the Board of Directors. The aggregate number of Common Shares reserved for issuance upon the exercise of options pursuant to this Plan and any other Share Compensation Arrangements, subject to adjustment or increase of such number pursuant to Section 2.10 hereof, shall be such number of Common Shares as is equal to 10% of the number of issued and outstanding Common Shares from time to time. The maximum number of Common Shares reserved for issuance to any one Participant upon the exercise of options shall not exceed 5% of the total number of Common Shares outstanding immediately prior to such issuance. In addition, the Corporation may not grant options to acquire more than 5% of the issued Common Shares of the Corporation to any one individual in any 12 month period unless the Corporation has obtained disinterested Shareholder approval in a manner permitted by the Exchange.

**Section 2.04    Limits with Respect to Insiders and Consultants.**

- (a) The number of Common Shares issuable to Insiders pursuant to options granted under the Plan, together with Common Shares issuable to Insiders under any other Share Compensation Arrangement of the Corporation, shall not:
  - (i) exceed 10% of the number of Common Shares outstanding immediately prior to the grant of any such option; or
  - (ii) result in the issuance to Insiders, within a one-year period, of an excess of 10% of the number of Common Shares outstanding immediately prior to the grant of any such option.
- (b) The number of Common Shares issuable to any Insider and such Insider's Associates pursuant to options granted under the Plan, together with Common Shares issuable to such Insider or such Insider's Associates under any other Share Compensation Arrangement of the Corporation shall not, within a one year period, exceed 5% of the number of Common Shares outstanding immediately prior to the grant of any such option.
- (c) The number of Common Shares issuable to any one Consultant shall not, within a one year period, exceed 2% of the number of Common Shares outstanding immediately prior to the grant of any such option.
- (d) The number of Common Shares issuable to any person retained to provide Investor Relations Activities shall not, within a one year period, exceed 2% of the number of Common Shares outstanding immediately prior to the grant of any such option.



- (e) Any Common Shares issuable pursuant to an option granted to a Participant prior to the Participant becoming an Insider shall be excluded for the purposes of the limits set out in Subsections 2.04(a) and 2.04(b) hereof.

**Section 2.05 Price.** The exercise price per Common Share shall be determined by the Board of Directors at the time the option is granted, but such price shall not be less than the closing price of the Common Shares on the Exchange on the last trading day preceding the date on which the grant of the option is approved by the Board of Directors. In the event that the Common Shares are not listed and posted for trading on any stock exchange or other quotation system, the exercise price shall be the fair market value of the Common Shares as determined by the Board of Directors in its sole discretion.

**Section 2.06 Vesting.** Unless otherwise modified by the Board of Directors, in its discretion, pursuant to the terms of any Option Agreement, the issuance of options under the Plan will be subject to the vesting periods as follows:

- (a) no option may be exercised within one year following the date of grant;
- (b) after the date that is one year following the date of grant of an option, the Participant may exercise their rights as to 1/3 of the Common Shares under option or any lesser part thereof;
- (c) after each the first and second anniversaries of the date determined in accordance with Section 2.06(b) above, the Participant may exercise his rights as to an additional 1/3 of the Common Shares under option or any lesser part thereof.

**Section 2.07 Lapsed Options.** In the event that options granted under the Plan terminate or expire without being exercised in whole or in part in accordance with the terms of the Plan, the Common Shares reserved for issuance but not purchased under such lapsed options shall be available for subsequent options to be granted under the Plan.

**Section 2.08 Consideration, Option Period and Payment.**

- (a) The period during which options may be exercised shall be determined by the Board of Directors, in its discretion, to a maximum of five years from the date the option is granted (the “**Option Period**”), except as the same may be reduced with respect to any option as provided in Sections 2.09 and 2.10 hereof respecting termination of employment or death of the Participant or amended from time to time by the Board of Directors, in its discretion, subject to the approval of any stock exchange or regulatory requirements.
- (b) Subject to any other provision of this Plan, and in particular the vesting provisions set forth in Section 2.06 hereof, an option may be exercised from time to time during the Option Period, subject to vesting limitations by delivery to the Corporation at its registered office of a written notice of exercise in the form attached hereto as appendix “A” addressed to the Chief Financial Officer of the Corporation specifying the number of Common Shares with respect to which the option is being exercised and accompanied by payment in full of the exercise price therefor. Certificates for such Common Shares shall be issued and delivered to the Participant as soon as practicable following receipt of such notice and payment.
- (c) Except as set forth in Sections 2.09 and 2.10 hereof, no option may be exercised unless the Participant is, at the time of such exercise, a director, senior officer, employee or Consultant of the Corporation or any of its Designated Affiliates and shall have been continuously a director, senior officer, employee or Consultant since the grant of his or her option. Absence on leave with the approval of the Corporation or a Designated Affiliate shall not be considered an interruption of employment for purposes of the Plan.
- (d) The exercise of any option will be contingent upon receipt by the Corporation of cash payment of the full exercise price of the Common Shares, which are the subject of the exercised option. No Participant

or his or her legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any Common Shares with respect to which he or she was granted an option under the Plan, unless and until certificates for such Common Shares are issued to him or her under the terms of the Plan.

- (e) Notwithstanding any other provision of this Plan or in any option granted to a Participant, the Corporation shall not be obligated to issue or deliver Common Shares to a Participant upon the exercise of any option or take other actions under the Plan until the Corporation shall have determined that applicable federal and state laws, rules, and regulations have been complied with and such approvals of any stock exchange, regulatory or governmental agency have been obtained and contractual obligations to which the grant of the option exercisable for such Common Shares may be subject have been satisfied. In particular, the Corporation, in its discretion, may postpone the issuance or delivery of Common Shares under any option until:
  - (i) completion of such stock exchange listing or registration or other qualification of such Common Shares or obtaining approval of such regulatory authorities as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof; and
  - (ii) the receipt from the Participant of such information, representations, warranties, agreements and undertakings, including as to future dealings in such Common Shares, as the Corporation or its counsel determines to be necessary or advisable in order to ensure compliance with all applicable securities laws.
- (f) Subject to any resolution of the Board of Directors, if there is a Change in Control, Issuer Bid or Take-Over Bid, all options outstanding under the Plan shall vest immediately prior to such Change of Control to become immediately exercisable in order to permit Common Shares issuable under such options to be tendered to the Issuer Bid or Take-Over Bid or otherwise participate in any of such events.
- (g) An option may be exercised at any time after the date the option has been granted, subject to any vesting provisions attaching thereto, up to 5:00 p.m. local time on the last day of the Option Period and shall not be exercisable thereafter.

**Section 2.09 Termination of Employment and Cessation of Investor Relations Activities.** Subject to the next following sentence, if a Participant shall cease to be:

- (a) a director, senior officer or Consultant of the Corporation or any of its Designated Affiliates (and is not or does not continue to be an employee thereof for any reason other than death); or
- (b) an employee of the Corporation or any of its Designated Affiliates (and is not or does not continue to be a director or senior officer thereof) for any reason (other than death) or shall receive notice from the Corporation or any of its Designated Affiliates of the termination of his or her employment;

(collectively, “**Termination**”) he or she or it may, but only within 90 days next succeeding such Termination, exercise his or her or its options to the extent that he or she or it was entitled to exercise such options at the date of such Termination; provided that in no event shall such right extend beyond the Option Period. If a Participant is terminated for cause, his or her options shall expire immediately. This section is subject to any agreement with any Participant with respect to the rights of such Participant upon Termination or Change in Control of the Corporation.

In the case of a person retained to provide Investor Relations Activities, he or she or it may, but only within 30 days next succeeding such person ceasing to be retained to provide Investor Relations Activities (a “**Cessation**”), exercise his or her or its options to the extent that he or she or it was entitled to exercise such options at the date of such Cessation; provided that in no event shall such right extend beyond the Option Period. If a Participant is terminated for cause, his or her options shall expire immediately. This section is subject to any agreement with any Participant with respect to the rights of such Participant upon Termination or Change in Control of the Corporation.

**Section 2.10 Death of Participant.** In the event of the death of a Participant who is a director, senior officer or Consultant of the Corporation or any of its Designated Affiliates or who is an employee having been continuously in the employ of the Corporation or any of its Designated Affiliates, the options theretofore granted to him or her shall be exercisable within the one year next succeeding such death, and then only:

- (a) by the person or persons to whom the Participant's rights under the options shall pass by the Participant's will or the laws of descent and distribution; and
- (b) to the extent that he or she was entitled to exercise the options at the date of his or her death, provided that in no event shall such right extend beyond the Option Period.

**Section 2.11 Extension of Expiry Time During Blackout Periods.** Notwithstanding the provisions contained herein for the expiry of options, and subject to the rules of the Exchange, in the event that the expiry date of an option occurs during a blackout period that is self-imposed by the Corporation pursuant to its policies (“**Blackout Period**”), the expiry date of such option shall be automatically extended for a period of 10 business days following the end of the Blackout Period.

**Section 2.12 Adjustment in Shares Subject to the Plan.** in the event that:

- (a) there is any change in the Common Shares of the Corporation through subdivisions or consolidations of the share capital of the Corporation, or otherwise;
- (b) the Corporation declares a dividend on Common Shares payable in Common Shares or securities convertible into or exchangeable for Common Shares; or
- (c) the Corporation issues Common Shares, or securities convertible into or exchangeable for Common Shares, in respect of, in lieu of, or in exchange for, existing Common Shares,

the number of Common Shares available for option, the Common Shares subject to any option, and the option price thereof, shall be adjusted appropriately by the Board of Directors in its sole discretion and such adjustment shall be effective and binding for all purposes of the Plan.

**Section 2.13 Consolidation, Merger, etc.** If there is a consolidation, merger or statutory amalgamation or arrangement of the Corporation with or into another corporation, a separation of the business of the Corporation into two or more entities or a transfer of all or substantially all of the assets of the Corporation to another entity, upon the exercise of an option under the Plan, the holder thereof shall be entitled to receive the securities, property or cash which the holder would have received upon such consolidation, merger, amalgamation, arrangement, separation or transfer if the holder had exercised the option immediately prior to such event, unless the Board of Directors of the Corporation otherwise determine the basis upon which such option shall be exercisable in accordance with regulatory policy.

**Section 2.14 Record Keeping.** The Corporation shall maintain a register in which shall be recorded:

- (a) the name and address of each Participant in the Plan; and
- (b) the number of options granted to a Participant and the aggregate number of options outstanding, the exercise price and the expiry date thereof.

**Section 2.15 Option Agreements.** All options granted pursuant to the Plan shall be evidenced by written agreements between the Company and each Participant to whom options are granted hereunder containing such

terms and conditions, not inconsistent with the provisions of the Plan, as may be established by the Board of Directors, including the following:

- (a) subject to and in accordance with the provisions of Sections 2.03 and 2.04 hereof, the number of options covered by any grant of options and the number of Common Shares which such options shall entitle the Participant the right to purchase;
- (b) subject to and in accordance with the provisions of Section 2.05, the price of the Common Shares covered by any option, stated and payable in Canadian dollars; and
- (c) subject to and in accordance with the provisions of Section 2.08, the Option Period.

**Section 2.16 Tax Withholding.** The Corporation shall have the right to require that any Participant make such provision, or furnish the Corporation such authorization, necessary or desirable so that the Corporation may satisfy its obligation, if any, under applicable laws, to withhold or otherwise pay for income or other taxes of such Participant attributable to the grant or exercise of options granted under the Plan or the sale of Common Shares issued with respect to options. This authority shall include authority to withhold or receive Common Shares or other property and to make cash payments in respect thereof in satisfaction of a Participant's tax obligations.

### **ARTICLE THREE GENERAL**

**Section 3.01 Assignability and Transferability.** The benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be assignable or transferable by the Participant except (i) from the Participant to his or her Holding Company or RRSP or from a Holding Company or RRSP to the Participant and, in either such event, the provisions of this Plan shall apply mutatis mutandis as though they were originally issued to and registered in the name of the Participant, or (ii) as otherwise specifically provided herein. During the lifetime of a Participant, all benefits, rights and options shall only be exercised by the Participant or by his or her guardian or legal representative.

**Section 3.02 Employment.** Nothing contained in the Plan shall confer upon any Participant any right with respect to employment or continuance of employment with the Corporation or any Affiliate, or interfere in any way with the right of the Corporation or any Affiliate to terminate the Participant's employment at any time. Participation in the Plan by a Participant shall be voluntary.

**Section 3.03 Delegation to Compensation Committee.** All of the powers exercisable by the Board of Directors under the Plan may, to the extent permitted by applicable law and authorized by resolution of the Board of Directors of the Corporation, be exercised by a Compensation Committee of not less than two (2) directors. The members of any such Compensation Committee shall not be employees of the Corporation. In addition, if determined appropriate by the Board of Directors of the Corporation, the Board of Directors may delegate any or all of the powers of the Board of Directors of the Corporation under the Plan to an independent consultant.

**Section 3.04 Administration of the Plan.** The Board of Directors of the Corporation shall administer the Plan. The Board of Directors shall be authorized to interpret and construe the Plan and may, from time to time, establish, amend or rescind rules and regulations required for carrying out the purposes, provisions and administration of the Plan and determine the Participants to be granted options, the number of Common Shares covered thereby, the exercise price therefor and the time or times when they may be exercised. Any such interpretation or construction of the Plan shall be final and conclusive. The Corporation shall pay all administrative costs of the Plan. The senior officers of the Corporation are hereby authorized and directed to do all things and execute and deliver all instruments, undertakings and applications and writings as they, in their absolute discretion, consider necessary for the implementation of the Plan and of the rules and regulations established for administering the Plan.

**Section 3.05 Amendment, Modification or Termination of the Plan.** Subject to Section 3.03, the Board of Directors reserves the right to amend, modify or terminate the Plan at any time if and when it is advisable in the absolute discretion of the Board of Directors. However, any amendment of the Plan which would materially:

- (a) increase the benefits under the Plan;
- (b) increase the number of Common Shares which may be issued under the Plan; or
- (c) modify the requirements as to the eligibility for participation in the Plan;

shall be effective only upon the approval of the shareholders of the Corporation. Any amendment to any provision of the Plan shall be subject to any necessary approvals by the Exchange or other regulatory body having jurisdiction over the securities of the Corporation.

Disinterested shareholder approval shall be obtained for any reduction in the exercise price per Common Share if the Participant is an Insider of the Corporation at the time of the proposed amendment.

**Section 3.06 No Representation or Warranty.** The Corporation makes no representation or warranty as to the future market value of any Common Shares issued in accordance with the provisions of the Plan.

**Section 3.07 Governing Law.** This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario.

**Section 3.08 Approval and Effective Date.** This Plan shall be effective as of the date it is approved by the Board of Directors and any regulatory body having jurisdiction over the securities of the Corporation.

**Section 3.09 Compliance with Applicable Law.** If any provision of the Plan or any Option Agreement contravenes any law or any order policy, by-law or regulation of any regulatory body or Exchange having authority over the Company or the Plan, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

**Section 3.10 Rights of Participant.** A Participant shall have no rights whatsoever as a shareholder of the Corporation in respect of any of the unexercised options (including, without limitation, voting gifts or any right to receive dividends, warrants or rights under any rights offering).

**Section 3.11 Conflict.** In the event of any conflict between the provisions of this Plan and an Option Agreement, the provisions of this Plan shall govern.

**Section 3.12 Time of Essence.** Time is of the essence of this Plan and each Option Agreement. No extension of time will be determined to be or to operate as a waiver thereof.

**Section 3.13 Entire Agreement.** This Plan and each Option Agreement set out the entire agreement between the Company and the Participant to which any particular Option Agreement relates relative to the subject matter hereof and supersedes all prior agreements, undertakings and understandings, whether oral or written.

**Adopted by the Board of Directors on July 29, 2016.**