

**STERLING RESOURCES LTD.**

**NOTICE OF ANNUAL GENERAL AND  
SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 30, 2018**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**April 30, 2018**

**STERLING RESOURCES LTD.**

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING  
OF THE HOLDERS OF COMMON SHARES  
TO BE HELD ON MAY 30, 2018**

**NOTICE IS HEREBY GIVEN** that an annual general and special meeting (the “**Meeting**”) of the holders (the “**Shareholders**”) of common shares (“**Common Shares**”) in the capital of Sterling Resources Ltd. (the “**Corporation**”) will be held in the Clarkson & Tétrauld Boardroom at the offices of McCarthy Tétrauld LLP, Suite 4000, 421 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 4K9, on May 30, 2018 at 10:00 a.m. (Calgary time), for the following purposes:

1. to receive the financial statements for the year ended December 31, 2017, together with the report of the auditors thereon;
2. to fix the number of directors to be elected at six;
3. to elect directors for the ensuing year;
4. to appoint the auditors of the Corporation to hold office until the next annual meeting of the Shareholders and to authorize the directors to fix their remuneration;
5. to approve a new stock option plan of the Corporation, as described in the management information circular dated April 30, 2018 (the “**Information Circular**”);
6. to approve a new performance and restricted share unit plan of the Corporation, as described in the Information Circular;
7. to consider and, if thought appropriate, pass, with or without variation, a special resolution to approve the change of name of the Corporation to “PetroTal Corp.”, as described in the Information Circular;
8. to consider and, if thought appropriate, pass a special resolution authorizing the directors to consolidate the Common Shares on the basis of a ratio of between four (4) and eight (8) pre-consolidation Common Shares for each one post-consolidation Common Share, as described in the Information Circular; and
9. to transact such other business as may properly be brought before the Meeting or any adjournment(s) thereof.

Only Shareholders of record at the close of business on April 27, 2018 (the “**Record Date**”) are entitled to notice of and to attend the Meeting or any adjournment or adjournments thereof and to vote thereat, unless, after the Record Date, a holder of record transfers his or her Common Shares and the transferee, upon producing properly endorsed share certificates or otherwise establishing that he or she owns such Common Shares, requests, not later than 10 days before the Meeting, that the transferee’s name be included in the list of shareholders entitled to vote such Common Shares, in which case such transferee shall be entitled to vote such Common Shares, as the case may be, at the Meeting.

Shareholders may vote in person at the Meeting or any adjournment or adjournments thereof, or they may appoint another person (who need not be a Shareholder) as their proxy to attend and vote in their place.

**Shareholders unable to be present at the Meeting are requested to date and sign the enclosed form of proxy and return it to the Corporation’s agent, Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, in the enclosed envelope provided for that purpose. Alternatively, Shareholders may complete their proxy online at [www.investorvote.com](http://www.investorvote.com) by following the instructions provided on the form of proxy. In order to be valid, proxies must be received by 4:00 p.m. on or prior to the second last business day preceding the day of the Meeting or any adjournment thereof or deposited with the Chairman of the Meeting on the day of the Meeting prior to the commencement of the Meeting.**

The Information Circular relating to the business to be conducted at the Meeting accompanies this Notice.

Houston, Texas  
April 30, 2018

**BY ORDER OF THE BOARD OF DIRECTORS**

(signed) “*Manuel Pablo Zúñiga-Pflücker*”

Manuel Pablo Zúñiga-Pflücker  
Director, President and Chief Executive Officer

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**STERLING RESOURCES LTD.  
Suite 500, 11451 Katy Freeway  
Houston, Texas 77079**

## **MANAGEMENT INFORMATION CIRCULAR**

### **FOR THE ANNUAL GENERAL AND SPECIAL MEETING OF THE HOLDERS OF COMMON SHARES OF STERLING RESOURCES LTD. TO BE HELD ON MAY 30, 2018**

**Dated: April 30, 2018**

#### **PURPOSE OF SOLICITATION**

This management information circular (the "Information Circular") is furnished in connection with the solicitation of proxies by or on behalf of the management of Sterling Resources Ltd. (the "Corporation") for use at the annual general and special meeting of the holders (the "Shareholders") of the common shares (the "Common Shares") in the capital of the Corporation to be held in the Clarkson & Tétrault Boardroom at the offices of McCarthy Tétrault LLP, Suite 4000, 421 - 7<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 4K9, on May 30, 2018 at 10:00 a.m. (Calgary time), and any adjournment or adjournments thereof (the "Meeting") for the purposes set forth in the Notice of Annual General and Special Meeting (the "Notice of Meeting") accompanying this Information Circular.

#### **RECORD DATE**

The Shareholders of record on April 27, 2018 (the "Record Date") are entitled to notice of, and to attend and vote at, the Meeting except to the extent that:

1. such person transfers his or her Common Shares after the Record Date; and
2. the transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes his or her ownership to the Common Shares and makes a demand to the registrar and transfer agent of the Corporation, not later than 10 days before the Meeting, that his or her name be included on the shareholders' list for the Meeting.

Any registered Shareholder of the Corporation at the close of business on the Record Date who either personally attends the Meeting or who completes and delivers a proxy will be entitled to vote or have his or her Common Shares voted at the Meeting. However, a person appointed under a form of proxy will be entitled to vote the Common Shares represented by that form only if it is effectively delivered in the manner set out under the heading "*Completion of Proxies*".

#### **PROXY INFORMATION**

##### ***Solicitation of Proxies***

**The solicitation of proxies is made on behalf of the management of the Corporation.** The costs incurred in the preparation of the enclosed form of proxy (the "Form of Proxy"), Notice of Meeting and this Information Circular and costs incurred in the solicitation of proxies will be borne by the Corporation. Solicitation of proxies will be primarily by mail, but may also be in person, by telephone or by electronic means. The Corporation is not relying on the notice-and-access provisions of National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer* to send proxy-related materials to registered Shareholders or beneficial owners of Common Shares in connection with the Meeting.

### ***Completion of Proxies***

The Form of Proxy affords Shareholders or intermediaries an opportunity to specify that the Common Shares registered in their name shall be voted for or against or withheld from voting in respect of certain matters as specified in the accompanying Notice of Meeting.

The persons named in the enclosed Form of Proxy are the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer, respectively, of the Corporation.

**A REGISTERED SHAREHOLDER OR AN INTERMEDIARY HOLDING COMMON SHARES ON BEHALF OF AN UNREGISTERED SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON, WHO NEED NOT BE A SHAREHOLDER, TO ATTEND AND ACT ON THEIR BEHALF AT THE MEETING, IN THE PLACE OF THE PERSONS DESIGNATED IN THE FORM OF PROXY FURNISHED BY THE CORPORATION. TO EXERCISE THIS RIGHT, THE SHAREHOLDER OR INTERMEDIARY SHOULD STRIKE OUT THE NAMES OF THE PERSONS NAMED IN THE FORM OF PROXY AND INSERT THE NAME OF THEIR NOMINEE IN THE BLANK SPACE PROVIDED, OR SUBMIT ANOTHER APPROPRIATE PROXY.**

A proxy must be dated and signed by the registered Shareholder or by his or her attorney authorized in writing or by the intermediary. In the case of a Shareholder that is a corporation, the proxy must be executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation with proof of authority accompanying the proxy.

In order to be effective, the proxy, together with the power of attorney or other authority, if any, under which it was signed or a notarial certified copy thereof, must be mailed or completed online at [www.investorvote.com](http://www.investorvote.com) so as to be deposited at the office of the Corporation's agent, Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, not later than 4:00 p.m. (Calgary time) on the second last business day preceding the day of the Meeting or any adjournment thereof or deposited with the Chairman of the Meeting on the day of the Meeting prior to the commencement of the Meeting. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution. If a proxy is not dated, it will be deemed to bear the date on which it was mailed by management of the Corporation.

### ***Appointment and Revocation of Proxies***

A Shareholder or intermediary who has submitted a proxy may revoke it by instrument in writing executed by the Shareholder or intermediary or his or her attorney authorized in writing, or, if the Shareholder is a corporation, under its corporate seal and executed by a director, officer or attorney thereof duly authorized, and deposited either: (a) with the Corporation at its offices or at the office of the Corporation's agent, Computershare Trust Company of Canada, at any time prior to 4:00 p.m. (Calgary time) on the second last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used; or (b) with the Chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting, and upon such deposit the previous proxy is revoked.

### ***Exercise of Discretion by Proxies***

A Shareholder or intermediary may indicate the manner in which the persons named in the enclosed Form of Proxy are to vote with respect to any matter by checking the appropriate space. On any poll, those persons will vote or withhold from voting the Common Shares in respect of which they are appointed in accordance with the directions, if any, given in the Form of Proxy. If the Shareholder or intermediary wishes to confer a discretionary authority with respect to any matter, the space should be left blank. **IN SUCH INSTANCE, THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY INTEND TO VOTE THE COMMON SHARES REPRESENTED BY THE PROXY IN FAVOUR OF THE MOTION.**

The enclosed Form of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing of this Information Circular, management of the Corporation knows of no such amendment, variation or other matter. However, if any

other matters which are not now known to management should properly come before the Meeting, the proxies in favour of management nominees will be voted on such matters in accordance with the best judgment of the management nominees.

### ***Advice to Beneficial Holders of Securities***

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

In accordance with applicable securities law requirements, the Corporation will have distributed copies of the Notice of Meeting, Form of Proxy and this Information Circular (the “**Meeting Materials**”) to the intermediaries for distribution to Beneficial Shareholders. Intermediaries are required to forward the Meeting Materials to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Beneficial Shareholders.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of securityholders meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of that broker) is typically similar to the Form of Proxy provided to registered Shareholders by the Corporation. However, the purpose of the broker’s form of proxy is limited to instructing the registered Shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically asks Beneficial Shareholders to return voting instruction forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a Broadridge voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting. The Broadridge voting instruction form must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted.**

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

Management does not intend to pay for intermediaries to forward proxy solicitation materials to Beneficial Shareholders who have objected to their intermediary/broker disclosing ownership information about them pursuant to applicable securities laws (“**Objecting Beneficial Shareholders**”). Consequently, an Objecting Beneficial Shareholder will not receive the proxy solicitation materials unless the Objecting Beneficial Shareholder’s intermediary/broker assumes the cost of delivery. The Corporation is not using

“notice and access” to send its proxy related materials to Shareholders, and paper copies of such materials will be sent to all Shareholders. The Corporation will not send proxy related materials directly to non-objecting Beneficial Shareholders as such materials will be delivered to non-objecting Beneficial Shareholders through their intermediaries.

**If you have any questions respecting the voting of Common Shares held through an intermediary, please contact that intermediary for assistance.**

### INFORMATION CONCERNING THE CORPORATION

The Corporation was incorporated pursuant to the provisions of the *Companies Act* (Alberta) on August 31, 1979 as “Peoples Oil Limited”. The Corporation was continued pursuant to articles of continuance under Section 261 of the *Business Corporations Act* (Alberta) (the “**ABCA**”) on July 8, 1982. The Corporation changed its name to “Sterling Resources Ltd.” on February 10, 1997.

On December 18, 2017, the Corporation completed a reverse take-over by way of a statutory plan of arrangement (the “**Arrangement**”) with PetroTal Ltd (“**PetroTal**”) under the ABCA, pursuant to which, among other things, the Corporation: (a) acquired all of the issued and outstanding shares of PetroTal; (b) amalgamated with PetroTal and continued as one corporation under the name “Sterling Resources Ltd.”; and (c) the board of directors of the Corporation (the “**Board**”) was reconstituted to include the director nominees described in this Information Circular.

The Corporation is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland. The Common Shares are listed on the TSX Venture Exchange (the “**TSXV**”) under the trading symbol “SLG”.

### VOTING OF COMMON SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value. As at the date hereof, there are 537,740,991 fully paid and non-assessable Common Shares issued and outstanding. The holders of the Common Shares are entitled to receive notice of all meetings of Shareholders and to attend and vote the Common Shares at all such meetings. Each Common Share carries with it the right to one vote.

The bylaws of the Corporation provide that if two persons holding not less than 10% of the issued Common Shares entitled to vote are present in person or are represented by proxy, a quorum for the purposes of conducting a shareholders meeting is constituted.

Any registered Shareholder at the close of business on April 27, 2018, being the Record Date, who either personally attends the Meeting or who completes and delivers a proxy will be entitled to vote or have his or her Common Shares voted at the Meeting. However, a person appointed under a form of proxy will be entitled to vote the Common Shares represented by that form only if it is effectively delivered in the manner set out under the heading “*Completion of Proxies*”.

To the best of the knowledge of the directors and executive officers of the Corporation, as at the date hereof, the following persons or companies beneficially owned, directly or indirectly, or exercised control or direction over, voting securities of the Corporation carrying more than 10% of the voting rights attached to the shares of the Corporation:

<b>Name</b>	<b>Number of Common Shares Held</b>	<b>Percentage of Total Issued and Outstanding Common Shares</b>
Gran Tierra Resources Limited <i>Calgary, Alberta</i>	246,100,000	45.8%
Meridian Capital International Fund <i>Hong Kong</i>	60,666,411	11.3%



## MATTERS TO BE CONSIDERED AT THE MEETING

The Shareholders of the Corporation will be asked to consider and, if deemed appropriate:

- (a) by ordinary resolution, to fix the Board at six members;
- (b) by ordinary resolution, to elect the directors of the Corporation;
- (c) by ordinary resolution, to appoint auditors for the ensuing year and to authorize the directors of the Corporation to fix their remuneration;
- (d) by ordinary resolution, to approve a new stock option plan of the Corporation (the “**Stock Option Plan**”) for the ensuing year;
- (e) by ordinary resolution, to approve a new performance and restricted share unit plan of the Corporation (the “**PRSU Plan**”) for the ensuing year;
- (f) by special resolution, to approve the change of the name of the Corporation to “PetroTal Corp.”;
- (g) by special resolution, to approve a consolidation of the Common Shares on the basis of between four (4) and eight (8) pre-consolidation Common Shares for each one post-consolidation Common Share; and
- (h) to transact such other business as may properly come before the Meeting or any adjournments thereof.

Additional detail regarding each of the matters to be acted on at the Meeting is contained below.

### FIXING NUMBER OF DIRECTORS

At the Meeting, it is proposed that the number of directors to be elected at the Meeting to hold office until the next annual meeting or until their successors are elected or appointed, subject to the articles of the Corporation, be set at six. **Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of setting the number of directors to be elected at the Meeting at six.**

### ELECTION OF DIRECTORS

Action is to be taken at the Meeting with respect to the election of directors. The Shareholders will be asked to pass an ordinary resolution at the Meeting to elect, as directors, the nominees whose names are set forth in the table below. Voting for the election of nominees will be conducted on an individual, and not on a slate, basis. Each nominee elected will hold office until the next annual meeting of the Shareholders or until his successor is duly elected or appointed, unless his office is vacated earlier in accordance with the Corporation’s articles.

Any Shareholder who wishes to nominate an additional director can do so by submitting to the Corporate Secretary of the Corporation the information required by the advance notice provisions in the Corporation’s bylaws, including the nominees’ names, backgrounds, qualifications and experience. The advance notice provisions require that a Shareholder give the Corporation advance notice of any proposal to nominate directors for election to the Board. If a nomination is to be presented at an annual meeting of Shareholders, the notice must be given between 30 and 65 days in advance of the meeting; provided that if the annual meeting is to be held less than 50 days after the Corporation announces the meeting date, the notice must, in those circumstances, be given within 10 days of the meeting announcement. If a nomination is to be presented at a special meeting of Shareholders (that is not also an annual meeting) where one of the items of business is the election of directors, then the notice must be given within 15 days of the meeting announcement. No person nominated by a Shareholder will be eligible for election as a director of the Corporation unless nominated in accordance with the advance

notice provisions. The Board may, in its sole discretion, waive any requirement of the advance notice provisions. A copy of the advance notice provisions is included in to the amended management information circular of the Corporation dated May 9, 2013 (a copy of which is available under the Corporation's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com)).

The Corporation is required by applicable corporate legislation to have an Audit Committee comprised of members of the Board that are considered "financially literate" and a majority of which are considered "independent", as such terms are defined in National Instrument 52-110 – *Audit Committees* ("NI 52-110"). The Corporation has also established: (a) a Corporate Governance and Compensation Committee; (b) a Reserves Committee; and (c) a Health, Safety, Environment and Social Committee, each comprised of members of the Board. Please see the discussion under the heading "*Corporate Governance Practices*". The present members of each committee of the Board are identified in the table below.

The following information relating to the nominees as directors is based partly on the records of the Corporation and partly on information received by the Corporation from the respective nominees, and sets forth the name and municipality of residence of the persons proposed to be nominated for election as directors, all other positions and offices within the Corporation now held by them, their principal occupations or employments, the periods during which they have served as directors of the Corporation and the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them as at the date hereof.

<b>Name, Municipality of Residence</b>	<b>Positions Presently Held</b>	<b>Director Since<sup>(1)</sup></b>	<b>Principal Occupation for Previous Five Years</b>	<b>Number and Percentage of Common Shares Beneficially Owned or Controlled</b>
Manuel Pablo Zúñiga-Pflucker <i>Texas, USA</i>	Director, President and Chief Executive Officer	December 18, 2017	President, Chief Executive Officer and Director of the Corporation since December 18, 2017. Prior thereto, President and Chairman of the Managers of PetroTal LLC since January 2016. Mr. Zúñiga-Pflucker founded and led BPZ Resources, Inc. (" <b>BPZ</b> ") from 2001 to 2015.	2,816,848 (0.52%)
Douglas C. Urch <sup>(4) (5)</sup> <i>Alberta, Canada</i>	Director	December 18, 2017	Executive Vice President, Finance and Chief Financial Officer of Bankers Petroleum Ltd. (" <b>Bankers</b> ") from February 2008 to present.	3,130,017 (0.59%)
Gary S. Guidry <sup>(3) (4)</sup> <i>Alberta, Canada</i>	Director	December 18, 2017	President and Chief Executive Officer of Gran Tierra Energy Inc. (" <b>GTE</b> ") since May 2015. Prior thereto, he was President and Chief Executive Officer of Caracal Energy (" <b>Caracal</b> ") from 2011 to 2014.	Nil <sup>(6)</sup> (0%)
Ryan Ellson <sup>(2) (5)</sup> <i>Alberta, Canada</i>	Director	December 18, 2017	Chief Financial Officer of GTE since May 2015. Prior thereto, he was Chief Financial Officer of Onza Energy Inc. Prior thereto, he was Head of Finance for Glencore E&P (Canada) and, before that, he served as Vice President, Finance at Caracal.	Nil <sup>(6)</sup> (0%)
Gavin Wilson <sup>(3) (4)</sup> <i>Zurich, Switzerland</i>	Director	June 11, 2013	Advisor to Meridian Group of Companies, an investment company. Mr. Wilson was the Founder and Manager of RAB Energy and RAB Octane listed Investment Funds from 2004 until 2011.	Nil <sup>(7)</sup> (0%)

<b>Name, Municipality of Residence</b>	<b>Positions Presently Held</b>	<b>Director Since<sup>(1)</sup></b>	<b>Principal Occupation for Previous Five Years</b>	<b>Number and Percentage of Common Shares Beneficially Owned or Controlled</b>
Mark McComiskey <sup>(2) (5)</sup> Connecticut, USA	Director	July 5, 2016	Founding Partner, Vanwall Capital, LLC. Prior to November 2015, Mr. McComiskey was a Managing Partner of Prostar Capital Ltd., a specialized global investment manager in energy infrastructure investments from October 2013.	Nil (0%)

**Notes:**

- (1) All directors of the Corporation are elected to hold office until the next annual meeting of shareholders or until his successor is duly elected or appointed, unless his office is vacated earlier in accordance with the Corporation's articles.
- (2) Member of the Corporate Governance and Compensation Committee.
- (3) Member of the Reserves Committee.
- (4) Member of the Health, Safety, Environment and Social Committee.
- (5) Member of the Audit Committee.
- (6) Messrs. Guidry and Ellson are executives of GTE. The Corporation is 45.8% owned, directly or indirectly, or controlled by GTE.
- (7) Mr. Wilson is an advisor to Meridian Group of Companies. The Corporation is 11.3% owned, directly or indirectly, or controlled by Meridian Group of Companies.

**Biographies**

**Manuel Pablo Zúñiga-Pflucker** is a petroleum engineer with 30 years of industry experience. Mr. Zúñiga was a founder and the President and Chief Executive Officer of BPZ when oil was discovered in the Corvina field of the Z-1 Block, brought online in less than two years using the first floating production storage and offloading (FPSO) unit ever used in Peru and developed with a buoyant drilling and production platform. He started his career as a junior engineer with Occidental Petroleum where he worked in Block 1-AB, located in the northern jungle of Peru. He was born and raised in Talara, Peru and has led exploration and development projects for oil and gas in Peru, as well as other countries in Latin America. Mr. Zuniga holds a Bachelor of Science degree in Mechanical Engineering from the University of Maryland and a Masters of Science degree in Petroleum Engineering from Texas A&M University.

**Douglas C. Urch** has over 35 years of oil and gas industry experience. Mr. Urch is the Executive Vice President, Finance and Chief Financial Officer of Bankers and previously was Vice President, Finance and Chief Financial Officer of Rally Energy Corp. Mr. Urch is a Chartered Professional Accountant (CPA), a member of the Financial Executives Institute, and a designated member of the Institute of Corporate Directors (ICD). Mr. Urch graduated from the University of Calgary with a Bachelor of Commerce degree.

**Gary S. Guidry** is a professional engineer with more than 35 years of experience developing and maximizing assets in the international oil and gas industry. Mr. Guidry has direct experience managing large, international projects, including assets in Latin America, Africa, the Middle East and Asia. Mr. Guidry is currently the President and Chief Executive Officer of GTE and, most recently, Mr. Guidry was the President and Chief Executive Officer of Caracal, a London Stock Exchange listed company with operations in Chad, Africa. Mr. Guidry received a Bachelor of Science degree in Petroleum Engineering from Texas A&M University in 1980 and is an Alberta-registered professional engineer and a member of APEGA.

**Ryan Ellson** has more than 17 years of experience in a broad range of international corporate finance and accounting roles. Mr. Ellson is currently the Chief Financial Officer of GTE and, most recently, Mr. Ellson was Chief Financial Officer of Onza Energy Inc. Before that he was Head of Finance for Glencore E&P (Canada) and prior thereto Vice President, Finance at Caracal. Mr. Ellson is a Chartered Accountant (CA) and holds a Bachelor of Commerce degree and a Master of Professional Accounting degree from the University of Saskatchewan.

**Gavin Wilson** is an Investment Manager for Meridian Group of Companies, a private investment company. Mr. Wilson was the Founder and Manager of RAB Energy and RAB Octane, listed investment funds, from 2004 until 2011. From 1992 to 2003, he worked with Canaccord Capital London, an investment banking company, as Head of Oil and Gas, responsible for sales and Corporate Brokering/Finance. He holds a Bachelor of Arts degree in French History and Civilization.

**Mark McComiskey** is a Founding Partner of Vanwall Capital, LLC. Prior to November 2015, Mr. McComiskey was a Managing Partner of Prostar Capital Ltd., a specialized global investment manager in energy infrastructure investments. From June 2004 to April 2012 he was at First Reserve Corporation, the world's largest energy focused global private equity and infrastructure investment firm, where he served as Co-Head of Private Equity from December 2010. Mr. McComiskey holds a Juris Doctor degree from Harvard University and an AB degree in economics from Harvard College.

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

Except as provided herein, none of the above proposed directors are, or within 10 years prior to the date of this Information Circular have been, a director, chief executive officer or chief financial officer of any company that, while such person was acting in that capacity, was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

None of the above proposed directors are, or within 10 years prior to the date of this Information Circular have been, a director, chief executive officer or chief financial officer of any company that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation that was in effect 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 director, chief executive officer or chief financial officer.

Except as provided herein, none of the above proposed directors are, or within 10 years prior to the date of this Information Circular have been, a director or executive officer of any company that, while 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.

#### *Manuel Pablo Zúñiga-Pflucker*

Mr. Zúñiga was an officer of BPZ, a corporation engaged in exploration, development and production of oil and gas in Peru. BPZ filed a voluntary petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code on March 9, 2015.

#### *Douglas C. Urch*

Mr. Urch was a director of Underground Energy Corporation ("**Underground Canada**") when, as a result of Underground Canada's failure to file its year-end and interim financial statements and related management's discussion and analysis, the British Columbia Securities Commission issued a cease trade order on all of the securities of Underground Canada on July 4, 2013 and the TSXV suspended trading of Underground Canada's shares. The cease trade order and trading suspension remain in effect.

Mr. Urch was a director of Underground Energy, Inc. ("**Underground USA**"), a wholly-owned US subsidiary of Underground Canada, when Underground USA voluntarily filed for Chapter 11 creditor protection in US Federal Court on March 4, 2013. The case was filed in the United States Bankruptcy Court for the Central District of California - Northern Division, Santa Barbara. On January 5, 2015, Underground USA successfully emerged from the protection of Chapter 11 of the U.S. Bankruptcy Code and restructured without having to declare bankruptcy, and Mr. Urch resigned as a director.

Gavin Wilson

Mr. Wilson was a director of Buccaneer Energy Ltd. (“**Buccaneer**”), a corporation engaged in exploration, development and production of oil and gas in the United States. Buccaneer filed a voluntary petition for reorganization relief under Chapter 11 of the *United States Bankruptcy Code* on May 31, 2014.

### **Personal Bankruptcies**

None of the above proposed directors have, within 10 years prior to the date of this Information Circular, become bankrupt, made a proposal under any bankruptcy or insolvency legislation, been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets.

### **Penalties or Sanctions**

None of the above proposed directors have been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, or have entered into a settlement agreement with a securities regulatory authority, or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

**In the absence of contrary instructions, the persons named in the accompanying Form of Proxy intend to vote the Common Shares represented thereby in favour of the election to the Board of those persons designated above as nominees for election as directors. The Board does not contemplate that any of such nominees will be unable to serve as a director. However, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies in favour of management designees will be voted for another nominee in their discretion, unless the Shareholder has specified in his proxy that his Common Shares are to be withheld from voting on the election of directors.**

### **APPOINTMENT OF AUDITORS**

On January 22, 2018, in connection with the Arrangement, Deloitte LLP of London, England (“**Deloitte UK**”) resigned as auditors of the Corporation. There was no reportable disagreement between the Corporation and Deloitte UK and no qualified opinion or denial of opinion by Deloitte UK within the meaning of National Instrument 51-102 – *Continuous Disclosure Obligations*. On January 22, 2018, the Board approved the appointment of Deloitte LLP, Calgary, Alberta (“**Deloitte Canada**”) as successor auditors to fill the vacancy created by Deloitte UK.

The Shareholders will be asked to pass an ordinary resolution at the Meeting to appoint Deloitte Canada as auditors of the Corporation, to hold office until the next annual meeting of the Shareholders, at such remuneration to be determined by the Board.

**In the absence of contrary instructions, the persons named in the accompanying Form of Proxy intend to vote the Common Shares represented thereby in favour of the appointment of Deloitte Canada as auditors of the Corporation.**

### **APPROVAL OF STOCK OPTION PLAN**

At the Meeting, Shareholders will be asked to approve an ordinary resolution to approve and adopt the Stock Option Plan, a copy of which is attached hereto as Schedule A, for the ensuing year. A summary of the terms of the Stock Option Plan is included under the heading “*Executive Compensation – Stock Option Plan*” in this Information Circular.

The TSXV requires all listed companies with 10% rolling security-based compensation plans to obtain annual shareholder approval of such plans. The Board believes that the passing of the following resolution is in the best interests of the Corporation and recommends that Shareholders vote in favour of the resolution.

At the Meeting, the Shareholders will be asked to approve the following ordinary resolution:

“BE IT RESOLVED THAT:

1. the stock option plan (the “**Stock Option Plan**”), substantially in the form attached as Schedule A to the management information circular of the Corporation dated April 30, 2018, 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 be and the same is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed, whether under corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.”

**In the absence of contrary instructions, the persons named in the accompanying Form of Proxy intend to vote the Common Shares represented thereby in favour of the approval of the Stock Option Plan.**

#### **APPROVAL OF PERFORMANCE AND RESTRICTED SHARE UNIT PLAN**

At the Meeting, Shareholders will be asked to approve an ordinary resolution to approve and adopt the PRSU Plan, a copy of which is attached hereto as Schedule B, for the ensuing year. A summary of the terms of the PRSU Plan is included under the heading “*Executive Compensation – PRSU Plan*” in this Information Circular.

The TSXV requires all listed companies with 10% rolling security-based compensation plans to obtain annual shareholder approval of such plans. The Board believes that the passing of the following resolution is in the best interests of the Corporation and recommends that Shareholders vote in favour of the resolution.

At the Meeting, the Shareholders will be asked to approve the following ordinary resolution:

“BE IT RESOLVED THAT:

1. the performance and restricted share unit plan (the “**PRSU Plan**”), substantially in the form attached as Schedule B to the management information circular of the Corporation dated April 30, 2018, be and is hereby approved and adopted as the stock option plan of the Corporation;
2. the form of PRSU 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 be and the same is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed, whether under corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the

opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.”

**In the absence of contrary instructions, the persons named in the accompanying Form of Proxy intend to vote the Common Shares represented thereby in favour of the approval of the PRSU Plan Plan.**

### **CHANGE OF NAME**

At the Meeting, Shareholders will be asked to consider and, if thought appropriate, pass a special resolution authorizing the change of the name of the Corporation to “PetroTal Corp.” (the “**Name Change**”).

Prior to the Arrangement, PetroTal LLC actively pursued opportunities in Latin America, specifically Peru, since inception in 2016. The Corporation’s management team is known by local officials and counterparties in Peru as PetroTal and the management team believes the name has value in the country.

The Name Change will not affect the validity of currently outstanding share certificates of the Corporation or the trading of the Common Shares. Shareholders will not be required to surrender or exchange any of the Corporation’s share certificates that they currently hold.

Pursuant to section 173(1)(a) of the ABCA, the Name Change must be approved by a special resolution of Shareholders. Accordingly, to be adopted, the special resolution must be approved by at least two-thirds of the votes cast at the Meeting by Shareholders in person or represented by proxy. At the Meeting, Shareholders will be asked to consider, and if thought appropriate, pass the following special resolution:

“BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the Corporation is authorized to file articles of amendment pursuant to section 173(1)(a) of the *Business Corporations Act* (Alberta) (the “**ABCA**”) to change its name to “PetroTal Corp.”;
2. any director or officer of the Corporation is authorized and directed for and in the name of and on behalf of the Corporation to execute and deliver or cause to be delivered articles of amendment to the Registrar under the ABCA and to execute and deliver or cause to be delivered all documents and to take any action which, in the opinion of that person, is necessary or desirable to give effect to this special resolution;
3. notwithstanding that this special resolution has been duly passed by the holders of the Common Shares, the directors of the Corporation may in their sole discretion revoke this special resolution in whole or in part at any time prior to its being given effect without further notice to, or approval of, the holders of the Common Shares; and
4. any one director or officer of the Corporation be and the same is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed, whether under corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.”

**In the absence of contrary instructions, the persons named in the accompanying Form of Proxy intend to vote the Common Shares represented thereby in favour of the Name Change.**

## **SHARE CONSOLIDATION**

At the Meeting, Shareholders will be asked to approve a special resolution authorizing the consolidation of the Common Shares into a lesser number of issued Common Shares. The special resolution will authorize the Board to: (a) select a consolidation ratio of between four (4) and eight (8) pre-Consolidation Common Shares for each one post-Consolidation Common Share; and (b) file articles of amendment giving effect to the Consolidation at the selected ratio (the “**Consolidation**”).

As of the date of this Information Circular, the Corporation has 537,740,991 Common Shares issued and outstanding. The Corporation has experienced a significant increase in its share count as a result of the completion of: (a) the Arrangement; and (b) the acquisition of all the issued and outstanding common shares of Gran Tierra Energy International (Peru) Holdings B.V., an indirect wholly-owned subsidiary of Gran Tierra Energy Inc. on December 18, 2017 and wishes to reduce the outstanding share amount to a level more in keeping with its industry peers.

If approved and implemented, the Consolidation will occur simultaneously for all of the Corporation’s issued and outstanding Common Shares and the consolidation ratio will be same for all such Common Shares. The Consolidation will affect all holders of Common Shares uniformly and will not affect any Shareholder’s percentage ownership interest in the Corporation, except to the extent that the Consolidation would otherwise result in a Shareholder owning a fractional Common Share. No fractional post-Consolidation Common Shares will be issued and no cash will be paid in lieu of fractional post-Consolidation Common Shares. Any fractional Common Shares resulting from the Consolidation will be rounded to the nearest whole Common Share with fractions equal to 0.5 being rounded up to the nearest whole Common Share.

The Corporation currently has an unlimited number of Common Shares available for issuance and the Consolidation will not have any effect on the number of Common Shares that remain available for future issuance. The exercise or conversion price and the number of Common Shares issuable under any convertible securities of the Corporation, including 23,540,000 performance warrants to purchase Common Shares and 2,086,000 warrants to purchase Common Shares currently allocated and outstanding, will be proportionately adjusted upon the completion of the Consolidation.

The Consolidation is subject to: (a) receipt of all required regulatory approvals; and (b) the approval of the Consolidation by the Shareholders at the Meeting. If these approvals are received, the Consolidation will occur at a time determined by the Board and announced by a press release of the Corporation. Notwithstanding approvals being received, the Board may determine not to proceed with the Consolidation, at its discretion.

Pursuant to section 173(1)(f) of the ABCA, the Consolidation must be approved by a special resolution of Shareholders. Accordingly, to be adopted, the special resolution must be approved by at least two-thirds of the votes cast at the Meeting by Shareholders in person or represented by proxy. At the Meeting, Shareholders will be asked to consider, and if thought appropriate, pass the following special resolution:

“BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the Corporation is authorized to file articles of amendment pursuant to section 173(1)(f) of the *Business Corporations Act* (Alberta) (the “**ABCA**”) to change the number of issued and outstanding common shares (“**Common Shares**”) in the capital of the Corporation by consolidating the issued and outstanding Common Shares on the basis of a ratio to be selected by the board of directors of the Corporation (the “**Board**”) between four (4) and eight (8) pre-consolidation Common Shares for each one post-consolidation Common Share (the “**Consolidation**”) or for such other lesser whole or fractional number of existing Common Shares that the directors, in their sole discretion, determine to



be appropriate, and in the event that the Consolidation would otherwise result in a holder of Common Shares holding a fraction of a Common Share, any fractional interest in Common Shares that is less than 0.5 of a Common Share resulting from the Consolidation will be rounded down to the nearest whole Common Share and any fractional interest in Common Shares that is 0.5 or greater of a Common Share will be rounded up to the nearest whole Common Share, such amendment to become effective at a date in the future to be determined by the Board when the Board considers it to be in the best interests of the Corporation to implement such a Consolidation, but in any event not later than the business day immediately prior to the Corporation's next annual general meeting, subject to approval of the TSX Venture Exchange;

2. any director or officer of the Corporation is authorized and directed for and in the name of and on behalf of the Corporation to execute and deliver or cause to be delivered articles of amendment to the Registrar under the ABCA and to execute and deliver or cause to be delivered all documents and to take any action which, in the opinion of that person, is necessary or desirable to give effect to this special resolution;
3. notwithstanding that this special resolution has been duly passed by the holders of the Common Shares, the directors of the Corporation may in their sole discretion revoke this special resolution in whole or in part at any time prior to its being given effect without further notice to, or approval of, the holders of the Common Shares; and
4. any one director or officer of the Corporation be and the same is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed, whether under corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing."

**In the absence of contrary instructions, the persons named in the accompanying Form of Proxy intend to vote the Common Shares represented thereby in favour of the Consolidation.**

#### **OTHER MATTERS COMING BEFORE THE MEETING**

The Board knows of no other matters to come before the Meeting other than as referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, the Common Shares represented by proxy solicited hereby will be voted on such matters in accordance with the best judgement of the person voting such proxy.

#### **EXECUTIVE COMPENSATION**

##### **General**

All currency amounts expressed herein, unless otherwise indicated, are expressed in United States dollars.

The following information relates to the Corporation's financial year ended December 31, 2017.

For the purpose of this statement of executive compensation, a "CEO" or "CFO" means each individual who served as Chief Executive Officer or Chief Financial Officer, respectively, of the Corporation or acted in a similar capacity during the most recently completed financial year. A "Named Executive Officer" or

“NEO” means: (a) each CEO, (b) each CFO, (c) the Corporation’s most highly compensated officer, other than the CEO and CFO, who was serving as an officer at the end of the most recently completed financial year and whose total compensation was more than CAD\$150,000, and (d) any additional individuals who would be a Named Executive Officer under subsection (c) but for the fact that the individual was not an executive officer of the Corporation, and was not acting in a similar capacity, at the end of the financial year.

Based on the foregoing definitions, the Corporation’s Named Executive Officers in respect of the year ended December 31, 2017 were: Manuel Pablo Zúñiga-Pflucker, President and Chief Executive Officer; Gregory E. Smith, Executive Vice President and Chief Financial Officer; John M. Rapach, former Chief Executive Officer and Chief Operating Officer; Christine Shinnie, former Chief Financial Officer; and David Davies, former Vice President, Business Development.

### **Compensation Philosophy, Objectives and Governance**

The executive compensation program adopted by the Corporation and applied to its executive officers is designed to attract and retain qualified and experienced executives who will contribute to the success of the Corporation. The executive compensation program attempts to ensure that the compensation of the senior executive officers provides a competitive base compensation package and a strong link between corporate performance and compensation. Executive officers are motivated through the program to enhance long-term shareholder value. As at December 31, 2017, the Corporation had not established a compensation committee and did not retain, during the most recently completed financial year, a consultant or advisor to assist the Board in determining compensation for the Corporation’s directors or executive officers. On January 22, 2018, the Board established the Corporate Governance and Compensation Committee and adopted the following practices recommended by the Corporate Governance and Compensation Committee that are designed to avoid inappropriate or excessive risks:

- **Ownership Guidelines.** The Corporation has implemented share ownership guidelines (the “**Ownership Guidelines**”) for executive officers and non-executive directors of the Corporation to further align their interests with the long-term interests of Shareholders. The Ownership Guidelines require that, within three years of joining the Corporation, each executive officer or non-executive director has a minimum holding of Common Shares or Common Share equivalents, including PSUs, RSUs and DSUs, that have an aggregate value of at least: (a) three times the annual base salary for the CEO; (b) two times the annual base salary for each other officer of the Corporation; and (c) three times the amount of the annual Board retainer for each non-executive director.
- **Anti-Hedging Policy.** The Corporation has adopted a written anti-hedging policy (the “**Anti-Hedging Policy**”) that prohibits a NEO or director, among others, from purchasing financial instruments, including prepaid variable forward contracts, instruments for the short sale or purchase or sale of call or put options, equity swaps, collars, or units of exchangeable funds, that are designed to or that may reasonably be expected to have the effect of hedging or offsetting a decrease in the market value of any securities of the Corporation.

The Anti-Hedging Policy has been implemented to ensure that directors, executive officers and employees of the Corporation are prohibited from hedging or monetizing transactions in order to lock in the value of their securities of the Corporation. Examples would include the entry into prepaid variable forward contracts, instruments for the short sale or purchase or sale of call or put options, equity swaps, collars, or units of exchangeable funds that have the effect of offsetting a decrease in the market value of securities held in the Corporation.

In addition, pursuant to the Anti-Hedging Policy governing insider trading, short-term speculative trading of the Common Shares by officers, directors and employees is strongly discouraged as it conflicts with the best interests of the Corporation and its Shareholders. Consequently, insiders including the Corporation’s NEOs, directors and their related persons, are not only discouraged from frequently trading the Common Shares, but are also specifically prohibited from short selling

any Common Shares and from trading in any derivative instruments involving the Corporation's securities.

- **Clawback Policy.** The Corporation has implemented a written clawback policy (the "**Clawback Policy**") for situations where a director, executive officer or other employee receives additional incentive compensation as a result of his or her own misconduct (the "**Overpayment Amounts**"). In such situations, the director, executive officer or other employee shall be obligated to reimburse the Corporation for such Overpayment Amounts and the Board shall be given the discretion to determine the steps required to effect such recovery.

## **Compensation Process**

The Board relies on the knowledge and experience of its members to set appropriate levels of compensation for NEOs. When determining NEO compensation, the Board uses all data available to it to ensure that such compensation is set at a level that is both commensurate with the size of the Corporation, responsibilities of the particular NEO and retention of the NEOs, who are considered by the Board to be essential to the success of the Corporation. In reviewing comparative data during the most recently completed financial year, the Board did not engage in benchmarking for the purpose of establishing compensation levels relative to any predetermined level and did not compare its compensation to a specific peer group of companies. The Board reviews the various elements of the NEOs' compensation in the context of the total compensation package (including salary, incentive bonuses and awards of stock options) and recommends the NEOs' compensation packages.

## **Elements of Compensation**

The executive compensation program consists of three components: (a) base compensation in the form of salary; (b) incentive bonuses in the form of cash payments; and (c) subject to Shareholder approval, long-term compensation in the form of stock options, performance share units ("**PSUs**") and restricted share units ("**RSUs**"). For the Named Executive Officers, the stock option, PSU and RSU component is an essential part of their compensation. Neither the Board nor a committee thereof considered the implications of the risks associated with the Corporation's compensation policies and practices. In addition, no NEO or director of the Corporation is permitted to purchase 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 a Named Executive Officer or director of the Corporation.

### ***Base Compensation and Incentive Bonuses***

Base compensation for executive officers of the Corporation is set annually, having regard to the individual's job responsibilities, contribution, experience and proven or expected performance, as well as to market conditions. In setting base compensation levels, consideration is to be given to such factors as level of responsibility, experience and expertise in addition to the policies of the TSXV. Subjective factors such as leadership, commitment and attitude are also to be considered.

Incentive bonuses, in the form of cash payments, are designed to add a variable component of compensation based on corporate and individual performance for executive officers.

### ***Stock Options, PSUs and RSUs***

To provide a long-term component to the executive compensation program, executive officers of the Corporation are eligible to receive stock options, PSUs and RSUs. The maximization of shareholder value is encouraged by granting stock options, PSUs and RSUs since such grants provide an incentive to eligible persons to further the development, growth and profitability of the Corporation. Consideration will be given to granting stock options, PSUs and RSUs amongst the various organizational levels of management, including directors, officers and certain consultants. The CEO makes recommendations to the Board for the CFO and other key employees. These recommendations are to take into account factors, such as awards made in previous years, the number of stock options, PSUs and RSUs

outstanding per individual and the level of responsibility. The Board, as a whole, determines the stock options, PSUs and RSUs to be issued to the CEO. See “*Stock Option Plan*” and “*PRSU Plan*”, below, for more details.

### **Pension Plan Benefits**

Following the completion of the Arrangement on December 18, 2017, the Corporation does not have a pension plan or provide any benefits following or in connection with retirement.

### **Summary Compensation Table**

The following table and notes thereto provide a summary of the compensation paid to the Named Executive Officers of the Corporation for the two most recently completed financial years:

Name and Principal Positions <sup>(1)</sup>	Year	Salary (\$)	Share-based Awards (\$)	Option-based Awards (\$) <sup>(6)</sup>	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans <sup>(7)</sup>	Long-Term Incentive Plans			
Manuel Pablo Zúñiga-Pflucker <sup>(2) (8)</sup> <i>President, Chief Executive Officer and a Director</i>	2017	300,000	Nil	Nil	Nil	Nil	Nil	Nil	300,000
	2016	-	--	-	-	-	-	-	-
Gregory E. Smith <sup>(6)</sup> <i>Executive Vice President and Chief Financial Officer</i>	2017	250,000	Nil	Nil	Nil	Nil	Nil	Nil	250,000
	2016	-	--	-	-	-	-	-	-
John M. Rapach <sup>(3) (4)</sup> <i>Former Chief Executive Officer and Chief Operating Officer</i>	2017	110,280	Nil	Nil	157,681	Nil	7,884	261,289	537,134
	2016	261,613	Nil	Nil	Nil	Nil	22,500	298,125	582,238
Christine Shinnie <sup>(5)</sup> <i>Former Chief Financial Officer</i>	2017	61,202	Nil	Nil	37,844	Nil	6,097	298,148	403,291
	2016	124,528	Nil	Nil	Nil	Nil	11,957	Nil	136,485
David Davies <sup>(4) (5)</sup> <i>Former Vice President, Business Development</i>	2017	101,141	Nil	Nil	94,609	Nil	9,708	252,947	458,405
	2016	244,728	Nil	Nil	Nil	Nil	24,472	Nil	269,200

#### **Notes:**

- (1) In connection with the completion of the Arrangement on December 18, 2017, Messrs. Rapach and Davies and Ms. Shinnie were replaced by Messrs. Zúñiga-Pflucker and Smith as NEOs of the Corporation.
- (2) Mr. Zúñiga-Pflucker did not receive any additional compensation for his role as a director of the Corporation.

- (3) Mr Rapach received \$298,125 severance in 2016 relating to a reduction in contracted days worked from 5 per week to 3 per week, effective July 5, 2016. His position changed from COO to CEO and COO effective July 5, 2016. He also received severance of \$261,289 in May 2017 from the termination of his employment with Sterling Resources (UK) Ltd., which was sold to Oranje-Nassau Energie B.V.
- (4) The salary, annual incentive plan compensation for Messrs. Rapach and Davies were paid in Pounds Sterling. The Pounds Sterling amounts have been converted to US dollars at a rate of 1.2376 and 1.3858, which were the average foreign exchange rates for 2017 and 2016, respectively. The pension values for such individuals were also converted from Pounds Sterling to US dollars based on the same foreign exchange rates.
- (5) Ms. Shinnie and Mr. Davies received severance of \$298,148 and \$252,947, respectively, in May 2017 from the termination of their employment with Sterling Resources (UK) Ltd., which was sold to Oranje-Nassau Energie B.V.
- (6) No stock options were granted during the years ended December 31, 2017 and 2016. All stock options granted prior thereto were exercised or cancelled prior to Arrangement.
- (7) The annual incentive compensation relates to bonus payments based on the achievement of certain individual performance goals. The amount of any bonus is discretionary and may be affected substantially by the monetary position of the Corporation at the time bonuses are reviewed. Bonuses are typically determined and paid in the subsequent financial year to which the bonuses relate.
- (8) On October 24, 2017, performance warrants (the "**Performance Warrants**") to purchase common shares of PetroTal ("**PetroTal Shares**") were issued to certain officers of PetroTal. Pursuant to the Arrangement, the Performance Warrants were adjusted as to the number of Common Shares to be issued upon the exercise thereof and the exercise price of such warrants, to effect the terms of the Arrangement, such that the warrants: (a) have an exercise price of \$0.1869 per Common Share; (b) have a five year term; and (c) will vest upon the Corporation's achievement of certain oil and gas production targets. As of the date hereof, Mr. Zúñiga-Pflucker holds 9,362,500 Performance Warrants and Mr. Smith holds 7,356,250 Performance Warrants.

### Outstanding Share-based Awards and Option-based Awards

There were no share-based awards or option-based awards granted to NEOs for the year ended December 31, 2017 and no share-based awards or option-based awards outstanding as at December 31, 2017.

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

The Corporation did not have any option-based awards or share-based awards outstanding at any point during the year ended December 31, 2017.

### Pension Plan Benefits Table

The following table sets out the defined contribution pension plan that provides payments in connection with retirement for the NEO's.

Name	Accumulated value at start of year January 1, 2017 (\$) <sup>(1)</sup>	Compensatory (\$) <sup>(1)</sup>	Accumulated value at December 31, 2017 (\$) <sup>(1)</sup>
John M. Rapach <i>Former Chief Executive Officer and Chief Operating Officer</i>	177,608	7,884	185,492
Christine Shinnie <i>Former Chief Financial Officer</i>	62,756	6,097	68,853
David Davies <i>Former Vice President, Business Development</i>	98,167	9,708	107,875

**Note:**

- (1) The values in the table above represent the Corporation's contributions made to the pension plan schemes (and not the plan values). The pension values have been converted from Pounds Sterling to US dollars at a rate of 1.2376 for 2017 and 1.3858 for 2016.

## **Summary of Directors' Compensation**

The directors of the Corporation are entitled to receive compensation for services in their capacity as directors. Members of the Board of Directors are entitled to be reimbursed for all reasonable expenses incurred to attend meetings. In addition, the Stock Option Plan and the PRSU Plan allow for the grant of options and Share Units, respectively, to directors.

On April 30, 2018, the Board approved the adoption of a plan (the “**DSU Plan**”) to grant deferred share units (“**DSUs**”) to non-employee directors. No Common Shares will be issued under the DSU Plan; all DSUs granted are settled in cash. DSUs vest on the date they are granted but directors are only entitled to receive the value of the DSUs once they cease to be a director of the Corporation. As further described below, the DSU Plan provides for a cash payment equal to the closing price of the Common Shares on the trading day prior to payment multiplied by the number of notional Common Shares underlying the DSUs held by a director after such director ceases to be a director of the Corporation. In addition to providing for the grant of DSUs to non-employee directors, non-employee directors also have the option to elect to receive DSUs in lieu of receiving their annual cash retainers.

### **Deferred Share Unit Plan**

The purpose of the DSU Plan is to: (a) promote a proprietary interest in the Corporation and a greater alignment between non-employee directors of the Corporation and Shareholders; (b) provide a compensation system for directors that is reflective of the responsibilities, commitments and risks accompanying the role of a director; and (c) assist the Corporation in attracting experienced individuals to serve as directors.

The DSU Plan is administered by the Board, which has the authority to grant DSU awards under the DSU Plan to non-employee directors. The DSU Plan may be amended, suspended or terminated at any time by the Board. The DSUs granted thereunder are not transferable or assignable except in the case of death.

No Common Shares will be issued under the DSU Plan; all DSUs granted are settled in cash. DSUs vest on the date they are granted but directors are only entitled to receive the value of the DSUs once they cease to be a director of the Corporation. Under the DSU Plan, directors may elect to receive up to 100% of their annual retainer in the form of DSUs.

The cash payment to be received will be equal to the number of DSUs held by the director on the date the director ceased to be a director after giving effect to adjustments for dividends, multiplied by the closing price of the Common Shares on the TSXV on the trading day immediately prior to the date the payment is to be made, less all applicable withholding taxes.

Under no circumstances shall DSUs be considered Common Shares or other securities of the Corporation, nor shall they entitle any participant to exercise voting rights or any other rights attaching to the ownership of Common Shares or other securities of the Corporation, including, without limitation, voting rights, dividend entitlement rights or rights on liquidation, nor shall any participant be considered the owner of Common Shares by virtue of an award of DSUs. Notwithstanding the foregoing, and without conferring any rights as Shareholders to the holders thereof, DSUs held by directors are included in calculating achievement of share ownership guidelines.

For further information on compensation paid to the non-employee directors of the Corporation, see “*Director Compensation Table*” below. For a description of the compensation paid to Manuel Pablo Zúñiga-Pflucker, a director and the President and Chief Executive Officer of the Corporation, see “*Summary Compensation Table*” above.

## Director Compensation Table

The following table sets forth for each of the Corporation's directors, other than directors who were also Named Executive Officers, all amounts of compensation for the Corporation's most recently completed fiscal year ended December 31, 2017:

Name <sup>(1)</sup>	Fees Earned (\$) <sup>(1)</sup>	Share-based awards (\$) <sup>(3)</sup>	Option-based awards (\$) <sup>(4)</sup>	Non-equity incentive plan compensation (\$) <sup>(3)</sup>	Pension value (\$)	All other compensation (\$)	Total (\$)
James B. Taylor	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Douglas C. Urch	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gary S. Guidry	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Ryan Ellson	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gavin Wilson	49,667	Nil	Nil	Nil	Nil	Nil	49,667
Mark McComiskey	54,869	Nil	Nil	Nil	Nil	Nil	54,869
Eleanor J. Barker	51,033	Nil	Nil	Nil	Nil	Nil	51,033
Jacob Ulrich	97,870	Nil	Nil	Nil	Nil	Nil	97,870

### Notes:

- (1) In connection with the completion of the Arrangement on December 18, 2017, Ms. Barker and Mr. Ulrich resigned as directors of the Corporation, Messrs. Zúñiga-Pflucker, Taylor, Urch, Guidry and Ellson were appointed as directors of the Corporation and Messrs. Wilson and McComiskey remained directors of the Corporation.
- (2) The fees earned by the directors were paid in Canadian dollars. The Canadian dollar amounts were converted to US dollars at a rate of 0.77, which was the average foreign exchange rate for the year ended 2017.
- (3) The Corporation currently has no share-based or non-equity incentive plans.
- (4) No stock options were granted in during the years ended December 31, 2017 and 2016. All stock options granted prior thereto were exercised or cancelled prior to Arrangement.

### ***Outstanding Share-based Awards and Option-based Awards by Director***

No awards are outstanding for the director and former directors of the Corporation as of December 31, 2017.

### ***Stock Option Plan***

Pursuant to the policies of the TSXV, the Corporation is permitted to have "rolling" equity-based compensation arrangements. On April 30, 2018, the Board approved the Stock Option Plan, attached hereto as Schedule A, pursuant to which options to purchase Common Shares may be granted to directors, officers, employees and consultants of the Corporation. At the Meeting, Shareholders will be asked to vote on a resolution to approve the Stock Option Plan for the ensuing year. There are currently no stock options outstanding under the Stock Option Plan.

### ***Description of the Stock Option Plan***

The purposes of the Stock Option Plan are: (a) to provide directors, officers, employees and consultants of the Corporation an incentive to achieve the longer-term objectives of the Corporation; (b) to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and (c) to attract and retain in the employ of the Corporation or any of its subsidiaries, persons of experience and ability by providing them with the opportunity to acquire an increased proprietary interest in the Corporation.

### ***Eligibility***

The Stock Option Plan provides for the granting of stock options to purchase Common Shares to directors, officers, employees and consultants of the Corporation or any of its subsidiaries.

### *Administration*

The Stock Option Plan is administered by the Board and the Board may, subject to applicable law, delegate its powers to administer the Stock Option Plan to a committee of the Board. Options may be granted at the discretion of the Board, in such number that may be determined at the time of grant, subject to the limits set out in the Stock Option Plan. Previous grants will be taken into account when considering new grants.

### *Exercise Price*

The exercise price of stock options granted under the Stock Option Plan will be fixed by the Board at the time of grant, provided that the exercise price shall be not less than the discounted market price of the Common Shares in accordance with the policies of the TSXV.

### *Maximum Percentage of Common Shares Reserved*

The aggregate number of Common Shares that may be issued pursuant to the exercise of options awarded under the Stock Option Plan and all other security-based compensation arrangements of the Corporation, including the PRSU Plan, is 10% of the Common Shares outstanding from time to time (on a non-diluted basis), subject to the following limitations:

- (a) the aggregate number of Common Shares reserved for issuance to any one person under the Stock Option Plan, within a 12 month period, must not exceed 5% of the issued and outstanding Common Shares (on a non-diluted basis);
- (b) the aggregate number of Common Shares reserved for issuance to any single consultant under the Stock Option Plan within a 12 month period, shall not exceed 2% of the issued and outstanding Common Shares; and
- (c) the aggregate number of Common Shares reserved for issuance to any one participant employed to provide investor relations activities (as defined in the Stock Option Plan) within a 12 month period, must not exceed 2% of the issued and outstanding Common Shares.

### *Transferability*

The stock options are not assignable or transferable by a participant, except for a limited right of assignment in the event of the death of the participant.

### *Term and Vesting*

The term of the options granted shall be determined by the Board in its discretion, to a maximum of five years from the date of the grant of the option. The vesting period or periods within this period during which an option or a portion thereof may be exercised shall be determined by the Board. Further, the Board may, in its sole discretion at any time or in the agreement in respect of any stock options granted, accelerate, or provide for the acceleration of, vesting of stock options previously granted.

### *Early Expiration*

Unless otherwise provided in an agreement evidencing the grant of stock options, options shall terminate at the earlier of: (a) 30 days after the participant ceasing (other than by reason of death) to be at least one of an officer, director, employee or consultant of the Corporation or a subsidiary of the Corporation, as the case may be; and (b) the expiry date of the stock option. If before the expiry of an option in accordance with the terms thereof a participant ceases to be an employee, officer, director or consultant by reason of the death of the participant, any unvested portion of such stock option shall vest within one year following the earlier of the death of the participant and the expiry date of the stock option. In addition, such option



may, subject to the terms thereof and any other terms of the Stock Option Plan, be exercised by the legal personal representative(s) of the participant's estate.

#### *Takeover or Change of Control*

In the event of any disposition of all or substantially all of the assets of the Corporation, or the dissolution, merger, amalgamation or consolidation of the Corporation with or into any other corporation or of such corporation into the Corporation, or any change in control of the Corporation occurring, the Corporation will have the power to make such arrangements as it shall deem appropriate for the exercise of outstanding options or continuance of outstanding options, including, without limitation, to amend any option agreement to permit the exercise of any or all of the remaining options prior to the completion of any such transaction.

#### *Voluntary Black-Out Periods*

The Corporation has adopted a policy on trading in the securities of the Corporation which results in the imposition of self-imposed black-out periods from time to time, preventing officers, directors, employees and consultants from exercising options. For example, these black-out periods would be imposed prior to the release of financial statements and when the Corporation is considering various possible transactions or is completing material operations that could, if consummated or successfully completed, have a significant effect on the trading price or value of the Corporation's securities. This policy will be adopted as part of Corporation's approach to responsible governance. However, the imposition of voluntary black-out periods can penalize the Corporation, and its insiders and employees where their stock options have not been exercised prior to the voluntary black-out period and such stock options would expire during such period.

Pursuant to the Stock Option Plan, the expiration of the term of any stock options that would fall during any black-out period or within 10 days following the termination of any black-out period will be extended for a period of 10 business days following the expiry of such black-out period, such that all participants will always have a maximum of 10 business days following a voluntary black-out period to exercise stock options. This provision applies to all participants.

#### ***PRSU Plan***

Pursuant to the policies of the TSXV, the Corporation is permitted to have "rolling" equity-based compensation arrangements. On April 30, 2018, the Board approved the PRSU Plan, attached hereto as Schedule B, pursuant to which PSUs and RSUs (together, "**Share Units**") may be granted to directors, officers, employees and consultants of the Corporation. At the Meeting, Shareholders will be asked to vote on a resolution to approve the PRSU Plan for the ensuing year. There are currently no Share Units outstanding under the PRSU Plan.

#### ***Description of the PRSU Plan***

The purposes of the PRSU Plan are to provide directors, officers, employees and consultants of the Corporation with the opportunity to acquire Share Units to allow them to participate in the long term success of the Corporation and to promote a greater alignment of their interests with the interests of the Shareholders. Subject to Shareholder approval, each Share Unit will entitle the holder thereof upon settlement to receive one Common Share in accordance with the PRSU Plan.

#### *Eligibility*

The PRSU Plan provides for the granting of Share Units to directors, officers, employees and consultants of the Corporation or any of its subsidiaries. The Board reserves the right to restrict eligibility or otherwise limit the number of persons eligible for participation in the PRSU Plan at any time. Eligibility to participate does not confer upon any individual a right to receive an award of PSUs or RSUs pursuant to the PRSU Plan.

### *Administration*

The PRSU Plan is administered by the Board and the Board may, subject to applicable law, delegate its powers to administer the PRSU Plan to a committee of the Board. Share Units may be granted at the discretion of the Board, in such number that may be determined at the time of grant, subject to the limits set out in the PRSU Plan. Previous grants will be taken into account when considering new grants.

### *Maximum Percentage of Common Shares Reserved*

The aggregate number of Common Shares that may be issued pursuant to the exercise of Share Units awarded under the PRSU Plan and all other security-based compensation arrangements of the Corporation, including the Stock Option Plan, is 10% of the Common Shares outstanding from time to time (on a non-diluted basis), subject to the following limitations:

- (a) the aggregate number of Common Shares reserved for issuance to any one person under the PRSU Plan, within a 12 month period, must not exceed 5% of the issued and outstanding Common Shares (on a non-diluted basis);
- (b) the aggregate number of Common Shares reserved for issuance to any single consultant under the PRSU Plan within a 12 month period, shall not exceed 2% of the issued and outstanding Common Shares; and
- (c) the aggregate number of Common Shares reserved for issuance to any one participant employed to provide investor relations activities (as defined in the PRSU Plan) within a 12 month period, must not exceed 2% of the issued and outstanding Common Shares.

### *Transferability*

RSUs or PSUs, as applicable, are assignable by holders of such Share Units to certain assignors, including: a trustee, a custodian or an administrator acting on behalf of, or for the benefit of the holder or the holder's spouse, a holding entity of the holder, or the holder's spouse. Share Units are otherwise non-transferable.

### *Term and Settlement*

PSU and RSU grants vest in such manner as determined by the Board. Prior to the distribution date in respect of any PSU, the Board shall assess the performance of the Corporation for the applicable period. The weighting of the individual's performance measures shall be determined by the Board in its sole discretion having regard to the principal purposes of the PRSU Plan and, upon the assessment of all performance measures, the Board shall determine the adjustment factor for the applicable period in its sole discretion. The applicable adjustment factor may be between a minimum of zero and such maximum as determined by the Board (provided such maximum shall not exceed 2.0). The number of PSUs which vest on a vesting date is the number of PSUs scheduled to vest on such date multiplied by the adjustment factor.

The Board, in its sole discretion, has the option of settling the Common Shares issuable in respect of Share Units by either or both of the following methods: (a) settlement in Common Shares acquired by the Corporation on the TSXV; or (b) the issuance of Common Shares from the treasury of the Corporation.

### *Early Expiration*

In the event that a participant of the PRSU Plan ceases to be a director, officer, employee or consultant of the Corporation or a subsidiary of the Corporation for any reason, including without limitation, resignation or dismissal, but excluding death or permanent disability, the participant may, prior to the expiry date of the RSUs or PSUs, as applicable, and within 90 days from the date of ceasing to be a director, officer, employee or consultant, exercise any Share Units which are vested within such period, after which time

any outstanding Share Units shall terminate. All grants of Share Units to US Taxpayers shall be deemed to adjust the 90 day term to 74 days. In the event of death or permanent disability of a participant, the participant's legal representative or the participant, as applicable, may, within one year from the participant's death and prior to the expiry date, exercise the Share Units which are vested within such period, after which time any remaining Share Units shall terminate.

A holder of vested Share Units may determine the date of settlement of such Share Units, provided that such date is not later than the earlier of: (a) the thirtieth day after the holder ceases to be eligible to participate in the PRSU Plan; and (b) December 15<sup>th</sup> of the year such Share Units become vested.

*Takeover or Change of Control*

In the event of a change of control (as such term is defined in the PRSU Plan), all unvested Share Units shall become automatically vested. Common Shares issuable in respect of Share Units shall be, and shall be deemed to be, issued to participants effective immediately prior to the completion of the transaction which would result in the change of control unless issued prior thereto in accordance with the PRSU Plan.

*Voluntary Black-Out Periods*

The Corporation has adopted a policy on trading in the securities of the Corporation which results in the imposition of self-imposed black-out periods from time to time, preventing officers, directors, employees and consultants from exercising Share Units. For example, these black-out periods would be imposed prior to the release of financial statements and when the Corporation is considering various possible transactions or is completing material operations that could, if consummated or successfully completed, have a significant effect on the trading price or value of the Corporation's securities. This policy will be adopted as part of Corporation's approach to responsible governance. However, the imposition of voluntary black-out periods can penalize the Corporation, and its insiders and employees where their Share Units have not been exercised prior to the voluntary black-out period and such Share Units would expire during such period. The expiration of the term of any Share Units that would fall during any black-out period or within 10 days following the termination of any black-out period will be extended for a period of 10 business days following the expiry of such black-out period, such that all participants will always have a maximum of 10 business days following a voluntary black-out period to exercise Share Units. This provision applies to all participants.

**Former Employment, Consulting and Management Agreements**

On May 16, 2017, the Corporation completed the sale of all of the issued and outstanding shares of the Corporation's operating subsidiary Sterling Resources (UK) Ltd., which amounted to the sale of all or substantially all of the Corporation's assets (the "Sale Transaction").

Prior to the completion of the Sale Transaction, the Corporation had employment agreements with each of the following NEOs: John M. Rapach, former Chief Executive Officer and Chief Operating Officer; Christine Shinnie, former Chief Financial Officer; and David Davies, former Vice President, Business Development. The employment agreements provided the following amounts would be payable in the event of termination without cause or a change of Control:

Name	Compensation Upon Termination Without Cause or Change of Control <sup>(1)</sup>
John M. Rapach <i>Former Chief Executive Officer and Chief Operating Officer</i>	<ul style="list-style-type: none"> <li>a) All accrued salary to date of termination of employment;</li> <li>b) All accrued vacation pay to date of termination of employment;</li> <li>c) Amount equal to 12 months base salary;</li> <li>d) 7.5% of amount paid in (c) above as compensation for loss of all employment benefits; and</li> <li>e) All unvested stock options vest immediately and become exercisable upon termination.</li> </ul>

Name	Compensation Upon Termination Without Cause or Change of Control <sup>(1)</sup>
Christine Shinnie <i>Former Chief Financial Officer</i>	<ul style="list-style-type: none"> <li>a) All accrued salary to date of termination of employment;</li> <li>b) All accrued vacation pay to date of termination of employment;</li> <li>c) Amount equal to 18 months base salary;</li> <li>d) Amount equal to average bonus received in last three calendar years;</li> <li>e) 7.5% of amount paid in (c) above as compensation for loss of all employment benefits; and</li> <li>f) All unvested stock options vest immediately and become exercisable upon termination.</li> </ul>
David Davies <i>Former Vice President, Business Development</i>	<ul style="list-style-type: none"> <li>a) All accrued salary to date of termination of employment;</li> <li>b) All accrued vacation pay to date of termination of employment;</li> <li>c) Amount equal to 9 months base salary;</li> <li>d) Amount equal to average bonus received in last three calendar years; and</li> <li>e) 7.5% of amount paid in (c) above as compensation for loss of all employment benefits.</li> </ul>

**Note:**

- (1) For the purposes of the employment agreements, “change of control” means: (a) the acquisition by a person, group of persons acting jointly or in concert, or persons associated or affiliated within the meaning of the ABCA with any such person, group of persons or any of such persons acting jointly or in concert, of beneficial ownership of 50% or more of the Common Shares then outstanding; (b) the sale of all or substantially all of the assets of the Corporation to any purchaser in circumstances where the purchaser intends to carry on all or part of the business carried on by the Corporation, excluding a sale to an entity in which the Corporation owns 25% or more of the Common Shares; or (c) the approval by the Shareholders of a complete liquidation or dissolution of the Corporation.

The Sale Transaction constituted a change of control for the purposes of the employment agreements and Messrs. Rapach and Davies and Ms. Shinnie received severance payments in the aggregate amount of \$812,384.

Effective as of May 17, 2017, Mr. Rapach and Ms. Shinnie entered into new employment agreements with the Corporation whereby Mr. Rapach and Ms. Shinnie were retained as Chief Executive Officer and Chief Financial Officer, respectively, on a part-time basis. The Corporation was entitled to terminate such employment with notice, or pay in lieu of notice, with or without cause. Mr. Rapach and Ms. Shinnie were entitled to resign with two weeks prior written notice. No incremental payments were triggered by a change of control, severance, termination or constructive dismissal. The employment agreements were terminated in connection with the Arrangement.

Effective as of May 17, 2017, Davies Oil & Gas Management Advisory Limited (the “**Contractor**”), a private company owned and controlled by Mr. Davies, executed a consulting agreement with the Corporation whereby the Contractor agreed to provide the services of Mr. Davies to act as Vice President, Business Development. The consulting agreement provided for a term of six months, subject to earlier termination by either party. Upon termination, the Corporation agreed to pay for services performed during the notice period and the Contractor agreed to: (a) repay any monies paid by the Corporation for inadequate services; and (b) pay for replacement services performed by a third party. This consulting agreement was terminated in connection with the Arrangement.

**Employment, Consulting and Management Agreements**

On December 18, 2017, PetroTal USA Corp., a wholly owned subsidiary of the Corporation, entered into executive employment agreements with the following NEOs: Messrs. Zúñiga-Pflucker and Smith (collectively, the “**Employment Agreements**”) in connection with their roles as President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, respectively.

The Employment Agreements provide a termination payment to Messrs. Zúñiga-Pflucker and Smith upon a termination of the Employment Agreement by the executive, for good reason (as such term is defined in the Employment Agreements), by the Corporation without cause, or upon a change of control of the Corporation. The termination payment shall be equal to, in relation to each Employment Agreement, (a) two times the annual base salary; (b) plus an amount equal to 20% of two times the base salary for the

loss of benefits; (c) plus two times the average annual bonus paid pursuant to the Employment Agreement, if any, less applicable withholdings.

The estimated payments which would be payable by the Corporation to Messrs. Zúñiga-Pflucker and Smith, assuming a termination of employment without cause occurred on the last business day of the year ended December 31, 2017, would be, in the aggregate, \$1,416,000.

### **EQUITY COMPENSATION PLAN INFORMATION**

The Corporation was not authorized to issue equity securities under any compensation plan as at December 31, 2017.

On May 30, 2014, the Shareholders initially approved a “rolling” stock option plan of the Corporation. The stock option plan was reapproved by Shareholders on May 28, 2015 and June 5, 2016. The Corporation did not seek approval of the stock option plan at the annual meeting held on May 8, 2017 and, as a result, the Corporation was not authorized to issue stock options under the stock option plan as at December 31, 2017.

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

No director or executive officer of the Corporation, nor any of their associates or affiliates, nor any employee of the Corporation is or has been indebted to the Corporation since the beginning of the most recently completed fiscal year of the Corporation, nor is, or at any time since the beginning of the most recently completed fiscal year of the Corporation 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 any of its subsidiaries.

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

There are no material interests, direct or indirect, of directors, executive officers of the Corporation or any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares or any known associate or affiliate of such persons, in any transaction since the commencement of the Corporation’s most recently completed financial year.

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

Other than as disclosed in this Information Circular, management of the Corporation is not aware of any material interest of any director or nominee for director or executive officer or anyone who has held office as such since the beginning of the Corporation’s last financial year or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting.

### **CORPORATE GOVERNANCE PRACTICES**

In accordance with National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and National Policy 58-201 – *Corporate Governance Guidelines* (“**NP 58-201**”), issuers are to disclose the corporate governance practices that they have adopted. NP 58-201 provides guidance on corporate governance practices. The Corporation is also subject to NI 52-110, which has been adopted in each of the Canadian provinces and territories and which prescribes certain requirements in relation to audit committees.

The Board is responsible for the governance of the Corporation. The Board and the Corporation’s management consider good corporate governance to be central to the effective and efficient operation of the Corporation. Below is a discussion of the Corporation’s approach to corporate governance.

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

The Board has established a Corporate Governance and Compensation Committee. The members of the Corporate Governance Committee are Messrs. McComiskey and Ellson. Mr. McComiskey is the

Chairman of the Corporate Governance and Compensation Committee. The Corporate Governance and Compensation Committee is comprised entirely of non-management members of the Board.

The Board has adopted a written charter that sets forth the responsibilities, powers and operations of the Corporate Governance and Compensation Committee, which include: (a) reviewing and determining the compensation policies of the Corporation with respect to directors, officers, employees and consultants of the Corporation; (b) proposing new nominees to the Board and for assessing directors on an ongoing basis; and (c) responding to and implementing the guidelines set forth from time to time, by any applicable regulatory authorities.

The Corporate Governance and Compensation Committee has the power to retain outside advisors as it considers necessary for the proper functioning of the committee, at the Corporation's expense. The Corporate Governance and Compensation Committee meets at least once annually and otherwise as requested by the Board or considered desirable by the Chair of the Corporate Governance and Compensation Committee.

### ***Independence of Members of Board***

The Board currently consists of six directors, five of whom are independent based upon the tests for independence set forth in NI 52-110. Messrs. Urch, Guidry, Ellson, Wilson and McComiskey are independent. Mr. Zúñiga-Pflucker is not independent by virtue of serving as President and Chief Executive Officer of the Corporation.

### ***Board Oversight***

The Board exercises its independent supervision over the Corporation's management through a combination of formal meetings of the Board as well as informal discussions amongst the Board members. The independent directors can also hold scheduled meetings at which non-independent directors and members of management are not in attendance. Where matters arise at Board meetings which require decision making and evaluation that is independent of management and interested directors, the meeting breaks into an *in camera* session among the independent and disinterested directors.

### ***Directorships in Other Reporting Issuers***

The following table sets out the directors of the Corporation that are presently a director of other reporting issuers.

<b><u>Name</u></b>	<b><u>Name of Reporting Issuer</u></b>	<b><u>Exchange</u></b>
Gary S. Guidry	Gran Tierra Energy Inc.	NYSE/ TSX
	Africa Oil Corp.	TSX/ Nasdaq Stockholm
	ShaMaran Petroleum Corp. <sup>(1)</sup> (until May 2018)	TSXV
Douglas C. Urch	Blue Moon Zinc Corp.	TSXV

**Note:**

(1) Mr. Guidry has informed ShaMaran Petroleum Corp. that he will not be standing for re-election at the 2018 annual meeting of ShaMaran Petroleum Corp.

### ***Board Mandate***

The Board has adopted a written mandate, attached hereto as Schedule C, that summarizes, among other things, the Board's duties and responsibilities. The Board is responsible for the overall stewardship of the Corporation and dealing with issues which are pivotal to determining the Corporation's strategy and direction. The Board has directly, and through the appointment of certain committees, put in place an effective system for monitoring the implementation of corporate strategies. The Board is not involved in

the day to day operations of the Corporation, as these operations are conducted by the Corporation's management. The Board meets regularly to consider and approve the strategic objectives of the Corporation and management plans designed to accomplish those objectives. Where appropriate, key management personnel and professional advisors are invited to attend Board meetings to speak to these issues. The Board also meets as necessary to consider specific developments and opportunities as they arise, including asset acquisitions and dispositions and financing proposals. The Board approves, among other things, all issuances of securities of the Corporation, the appointment of officers, the entering into of lines of credit or other significant borrowing activities and all significant transactions. The Board considers, but has no formal policies, concerning management development and succession and risk management.

Essential to strategic planning is assessing and understanding business risks and related control systems. The Board helps set limits with respect to business risks, to the extent they can be managed, and approves strategies for minimizing risks. Implementations of these strategies are then monitored by the Board. The Board, through the Audit Committee, requires management of the Corporation to put into place systems to address financial risks and to periodically report to the Board on these systems and risks.

Management has implemented procedures to provide reasonable assurance of effective communication with the Corporation's shareholders and the public. The Corporation's management is responsible for the issuance of press releases and communications with the financial community. The Board reviews and approves all principal continuous disclosure documents, the release of interim and annual financial statements, annual information forms, prospectuses and information circulars.

The Corporate Governance and Compensation Committee is responsible for monitoring the governance systems of the Corporation with a view to ongoing improvements, reviewing the composition of the Board and developing criteria for new Board appointments. The Corporate Governance and Compensation Committee also acts as a nominating committee for new directors, oversees and approves the Corporation's compensation plans and evaluates the overall Board effectiveness.

### ***Position Descriptions***

The Board has developed a written position description for the Chairman of the Board and the Chief Executive Officer of the Corporation, but has not developed a written position description for the Chairman of the Audit Committee.

The Chair of each committee of the Board schedules meetings of the committee and organizes and presents agendas for such meetings.

The Board, in conjunction with management, sets the Corporation's annual objectives which become the objectives against which the Chief Executive Officer's performance is measured. The Board has plenary power; any responsibility which is not delegated to management or a Board committee remains with the Board.

### ***Orientation and Continuing Education***

While the Corporation does not have a formal orientation and training program, new members of the Board are provided with:

- (a) a copy of the policies and mandates of the Board and its committees and copies of the Corporation's corporate governance policies, which provides information respecting the functioning of the Board;
- (b) access to recent, publicly filed documents of the Corporation;
- (c) access to management; and
- (d) access to legal counsel in the event of any questions relating to the Corporation's compliance and other obligations.

Members of the Board are encouraged to communicate with management, legal counsel and, where applicable, auditors and technical consultants of the Corporation; to keep themselves current with industry trends and developments and changes in legislation with management's assistance; and to attend related industry seminars and visit the Corporation's operations. Board members have full access to the Corporation's records.

### ***Ethical Business Conduct***

In establishing its corporate governance practices, the Board has been guided by applicable Canadian securities legislation and the guidelines of the TSXV for effective corporate governance, including NP 58-201. The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interests of its Shareholders, but that it also promotes effective decision making at the Board level.

Additionally, in order to encourage and promote a culture of ethical business conduct, the Board has adopted a Code of Business Conduct and Ethics (the "**Code**") wherein directors, officers and employees of the Corporation and others are provided with a mechanism by which they can raise complaints regarding financial and regulatory reporting, internal accounting controls, auditing or health, safety and environmental matters or any other matters and raise concerns about any violations of the Code in a confidential and, if deemed necessary, anonymous process. The Code is available on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

The Board has instructed its management and employees to abide by the Code and to bring any breaches of the Code to the attention of the Chief Financial Officer. Compliance with the Code is monitored primarily through the reporting process within the Corporation's organizational structure.

It is a requirement of applicable corporate law that directors who have an interest in a transaction or agreement with the Corporation promptly disclose that interest at any meeting of the Board at which the transaction or agreement will be discussed and abstain from discussions and voting in respect to same if the interest is material. The Code imposes a similar disclosure requirement on all non-director representatives of the Corporation and requires such persons to report such conflict to the executive officer to whom that person reports in the course of his employment responsibilities, or, in the case of a senior executive officer, to the Audit Committee and fully inform such person or the committee, as applicable, of the facts and circumstances related to the conflict or potential conflict. The representative is prohibited from taking any further action in respect of the matter or transaction giving rise to such conflict or potential conflict unless and until he is authorized to do so by his reporting officer or the Audit Committee.

### ***Nomination of Directors***

The Corporate Governance and Compensation Committee has responsibility for identifying potential Board candidates. The Corporate Governance Committee assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the oil and gas industry are consulted for possible candidates. The Board has adopted a written charter setting forth the responsibilities, powers and operations of the Corporate Governance and Compensation Committee, which include considering and recommending candidates to fill new positions on the Board, reviewing candidates recommended by shareholders, conducting inquiries into the backgrounds and qualifications of candidates, recommending the director nominees for approval by the Board and the Shareholders, considering conflicts of interests, recommending members and chairs of the committees, reviewing the performance of directors and the Board, establishing director retirement policies and establishing and implementing an orientation and education program for new members of the Board .

### ***Audit Committee***

Please see the discussion below under the heading "*Audit Committee*".



### ***Reserves Committee***

The members of the Reserves Committee are Messrs. Guidry and Wilson. Mr. Guidry is the Chairman of the Reserves Committee. The Reserves Committee's responsibilities include, but are not limited to meeting with the independent engineering firm commissioned to do the reserves evaluation on the Corporation's assets and discussing the conclusions of such report.

The Reserves Committee has the power to retain outside advisors as it considers necessary for the proper functioning of the committee, at the Corporation's expense. The Reserves Committee meets at least once annually and otherwise as requested by the Board or considered desirable by the Chair of the Reserves Committee.

### ***Health, Safety, Environment and Social Committee***

The members of the Health, Safety, Environment and Social Committee are Messrs. Urch, Wilson and Guidry. Mr. Urch is the Chairman of the Health, Safety, Environment and Social Committee. The Health, Safety, Environment and Social Committee's responsibilities include, but are not limited to: (a) reviewing health and safety policies and procedures, monitoring compliance with such policies, maintaining management systems to implement such policies, and reporting on its findings to the Board; (b) reviewing environmental activities in terms of environmental policies of the Corporation and reporting on its findings to the Board; and c) reviewing social aspects of the Corporation's operations in terms of social responsibility policies of the Corporation and reporting on its findings to the Board.

The Health, Safety, Environment and Social Committee has the power to retain outside advisors as it considers necessary for the proper functioning of the committee, at the Corporation's expense. The Health, Safety, Environment and Social Committee meets at least once annually and otherwise as requested by the Board or considered desirable by the Chair of the Health, Safety, Environment and Social Committee.

### ***Assessments***

The Board is responsible to assess, on an ongoing basis, its overall performance and that of its committees. The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. The review will identify any areas where the directors of the Corporation or management believe that the Board could make a better collective contribution to overseeing the affairs of the Corporation. The Board is also responsible for regularly assessing the effectiveness and contribution of each director, having regard to the competencies and skills each director is expected to bring to the Board. The Board relies on informal evaluations of the effectiveness through both formal and informal communications with Board members and through participation with other Board members on committees and matters relating to the Board.

## **AUDIT COMMITTEE**

The Audit Committee is a committee of the Board to which the Board delegates its responsibility for oversight of the financial reporting process. The Audit Committee is also responsible for managing, on behalf of the Shareholders, the relationship between the Corporation and the external auditor.

Pursuant to NI 52-110, the Corporation is required to disclose certain information with respect to its Audit Committee, as summarized below.

### ***Audit Committee Charter***

The Corporation's Audit Committee charter (the "**Audit Committee Charter**") was adopted by the Board of Directors, and is attached hereto as Schedule D. The mandate of the Audit Committee is to oversee and provide assistance in financial reporting, financial policies and internal controls as well as to work with the external auditors to ensure the accuracy of the Corporation's financial disclosures. The Audit Committee must pre-approve all non-audit services to be provided by an external auditor.

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

As of the date hereof, the Audit Committee is comprised of:

<u>Name of Director</u>	<u>Independent (Yes/No)<sup>(1)</sup></u>	<u>Financially Literate (Yes/No)</u>
Ryan Ellson (Chairman)	Yes	Yes
Mark McComiskey	Yes	Yes
Douglas Urch	Yes	Yes

**Note:**

- (1) As defined in NI 52-110.

### **Relevant Education and Experience**

Collectively, the Audit Committee has the education and experience to fulfill the responsibilities outlined in the Audit Committee Charter.

Mr. Ellson has more than 17 years of experience in a broad range of international corporate finance and accounting roles. Mr. Ellson is currently the Chief Financial Officer of GTE and, most recently, Mr. Ellson was Head of Finance for Glencore E&P (Canada) and prior thereto Vice President, Finance at Caracal. Mr. Ellson is a Chartered Accountant (CA) and holds a Bachelor of Commerce degree and a Master of Professional Accounting degree from the University of Saskatchewan.

Mr. McComiskey is a Founding Partner of Vanwall Capital, LLC. Prior to November 2015, Mr. McComiskey was a Managing Partner of Prostar Capital Ltd., a specialized global investment manager in energy infrastructure investments. From June 2004 to April 2012 he was at First Reserve Corporation, the world's largest energy focused global private equity and infrastructure investment firm, where he served as Co-Head of Private Equity from December 2010. Mr. McComiskey holds a Juris Doctor degree from Harvard University and an AB degree in economics from Harvard College.

Mr. Urch has over 35 years of oil and gas industry experience. Mr. Urch is the Executive Vice President, Finance and Chief Financial Officer of Bankers and previously was Vice President, Finance and Chief Financial Officer of Rally Energy Corp. Mr. Urch is a Chartered Professional Accountant (CPA), a member of the Financial Executives Institute, and a designated member of the Institute of Corporate Directors (ICD). Mr. Urch graduated from the University of Calgary with a Bachelor of Commerce degree.

Each member of the Audit Committee has:

- (a) an understanding of the accounting principles used by the Corporation to prepare its financial statements;
- (b) the ability to assess the general application of those principles in connection with the accounting for estimates, accruals and provisions;
- (c) 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 individuals engaged in such activities; and
- (d) an understanding of internal controls and procedures for financial reporting.

### ***Audit Committee Oversight***

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

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

The Audit Committee is authorized by the Board to review the performance of the Corporation's external auditors, and approve in advance the provision of services other than audit services and to consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Corporation. The Audit Committee is authorized to approve any non-audit services or additional work, which the Chairman of the Audit Committee deems as necessary.

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

The fees for auditor services billed by the Corporation's external auditors for the last two fiscal years are as follows:

<b>Financial Year Ending December 31</b>	<b>Audit Fees (US\$)</b>	<b>Audit-related Fees<sup>(1)</sup> (US\$)</b>	<b>Tax Fees (US\$)</b>	<b>All Other Fees (US\$)</b>
2017	164,788	-	3,350	-
2016	255,314 <sup>(2)</sup>	-	-	-

#### **Notes:**

- (1) Audit-related Fees include amounts billed for non-audit services, such as non-audit reviews of interim financial statements.
- (2) This amount was paid in Pounds Sterling and has been converted to US dollars at a rate of 1.3858, which was the average foreign exchange rate for 2016.

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

The Corporation is relying on the exemption in section 6.1 of NI 52-110.

### **ADDITIONAL INFORMATION**

Financial information of the Corporation is provided in the Corporation's comparative annual financial statements and management's discussion and analysis for its most recently completed financial year. A copy of these documents may be obtained by mailing a request to the Corporation at its offices at Suite 500, 11451 Katy Freeway, Houston, Texas 77079.

Copies of these documents, as well as additional information relating to the Corporation contained in documents filed by the Corporation with the Canadian securities regulatory authorities, may also be accessed through the SEDAR website at [www.sedar.com](http://www.sedar.com).

**SCHEDULE A**  
**STOCK OPTION PLAN**

**1. Purpose**

The purpose of the Plan is to provide an incentive to the directors, officers, employees and consultants of the Corporation or any of its subsidiaries to achieve the longer-term objectives of the Corporation; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and to attract and retain in the employ of the Corporation or any of its subsidiaries, persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation.

**2. Definitions And Interpretation**

When used in this Plan, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the respective meanings ascribed to them as follows:

- (a) **“Black Out Period”** means any period during which a policy of the Corporation prevents an Insider from trading in the Common Shares;
- (b) **“Board”** means the board of directors of the Corporation;
- (c) **“Common Shares”** means common shares in the capital of the Corporation and any shares or securities of the Corporation into which such common shares are changed, converted, subdivided, consolidated or reclassified;
- (d) **“Corporation”** means Sterling Resources Ltd. and any successor corporation and any reference herein to action by the Corporation means action by or under the authority of its Board or a duly empowered committee appointed by the Board;
- (e) **“Exchange”** means the TSX Venture Exchange Inc. or any other stock exchange on which the Common Shares are listed;
- (f) **“Exchange Policies”** means, collectively, Policy 4.4 of the Exchange entitled “Incentive Stock Options”, Policy 1.1 of the Exchange entitled “Interpretation” and any other policies set forth in the Corporate Finance Manual of the Exchange applicable to incentive stock options;
- (g) **“Option”** means an option granted by the Corporation to an Optionee entitling such Optionee to acquire a designated number of Common Shares from treasury at a price determined by the Board;
- (h) **“Option Period”** means the period determined by the Board during which an Optionee may exercise an Option not to exceed the maximum period permitted by the Exchange, which maximum period is five years from the date the Option is granted;
- (i) **“Optionee”** means a person who is a director, officer, employee or consultant of the Corporation or a subsidiary of the Corporation; a corporation wholly-owned by such persons; or any other individual or body corporate who may be granted an option pursuant to the requirements of the Exchange, who is granted an Option pursuant to this Plan; and
- (j) **“Plan”** shall mean the Corporation’s incentive stock option plan as embodied herein and as from time to time amended.

Capitalized terms in the Plan that are not otherwise defined herein shall have the meaning set out in the Exchange Policies, including without limitation “Consultant”, “Discounted Market Price”, “Employee”, “Insider”, “Investor Relations Activities”, “Management Company Employee”, “Tier 1 Issuer” and “Tier 2 Issuer”.

Wherever the singular or masculine is used in this Plan, the same shall be construed as meaning the plural or feminine or body corporate and vice versa, where the context or the parties so require.

### **3. Administration**

The Plan shall be administered by the Board. The Board shall have full and final discretion to interpret the provisions of the Plan and to prescribe, amend, rescind and waive rules and regulations to govern the administration and operation of the Plan. All decisions and interpretations made by the Board shall be binding and conclusive upon the Corporation and on all persons eligible to participate in the Plan, subject to the approval of the Exchange (including shareholder approval if required by the Exchange). Notwithstanding the foregoing or any other provision contained herein, the Board shall have the right to delegate the administration and operation of the Plan to a committee of directors appointed from time to time by the Board, in which case all references herein to the Board shall be deemed to refer to such committee.

### **4. Eligibility**

The Board may at any time and from time to time designate those Optionees who are to be granted an Option pursuant to the Plan and grant an Option to such Optionee. Subject to Exchange Policies and the limitations contained herein, the Board is authorized to provide for the grant and exercise of Options on such terms (which may vary as between Options) as it shall determine. No Option shall be granted to any person except upon the approval of the Board. A person who has been granted an Option may, if he is otherwise eligible and if permitted by Exchange Policies, be granted an additional Option or Options if the Board shall so determine. Pursuant to Exchange Policies, the Corporation shall represent that the Optionee is a bona fide Employee, Consultant or Management Company Employee in respect of Options granted to such Optionee.

### **5. Participation**

Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect an Optionee’s relationship or employment with the Corporation.

Notwithstanding any express or implied term of this Plan or any Option to the contrary, the granting of an Option pursuant to the Plan shall in no way be construed as conferring on any Optionee any right with respect to continuance as a director, officer, employee or consultant of the Corporation or any subsidiary of the Corporation.

Options shall not be affected by any change of employment of the Optionee or by the Optionee ceasing to be a director, officer or employee of or a consultant to the Corporation or any of its subsidiaries, where the Optionee at the same time becomes or continues to be a director, officer or employee of or a consultant to the Corporation or any of its subsidiaries.

No Optionee shall have any of the rights of a shareholder of the Corporation in respect of Common Shares issuable on exercise of an Option until such Common Shares shall have been paid for in full and issued by the Corporation on exercise of the Option, pursuant to this Plan.

### **6. Common Shares Subject to Options**

The number of authorized but unissued Common Shares that may be issued upon the exercise of Options granted under the Plan at any time plus the number of Common Shares reserved for issuance

under outstanding incentive stock options otherwise granted by the Corporation shall not exceed 10% of the issued and outstanding Common Shares on a non-diluted basis, and such number shall increase or decrease as the number of issued and outstanding Common Shares changes.

Subject to Exchange Policies, the aggregate number of Common Shares reserved for issuance to any one Optionee under Options granted in any 12 month period shall not exceed 5% of the issued and outstanding Common Shares determined at the date of grant, or 2% of the issued and outstanding Common Shares determined at the date of grant in the case of an Optionee who is a Consultant. In addition, no more than an aggregate of 2% of the issued and outstanding Common Shares determined at the date of grant may be granted to Employees conducting Investor Relations Activities.

Appropriate adjustments shall be made as set forth in Section 14 hereof in both the number of Common Shares covered by individual grants and the total number of Common Shares authorized to be issued hereunder, to give effect to any relevant changes in the capitalization of the Corporation.

If any Option granted hereunder shall expire or terminate for any reason without having been exercised in full, the unexercised Common Shares subject thereto shall again be available for the purpose of the Plan.

No fractional shares may be purchased or issued hereunder.

If the Expiry Date occurs during or within 10 days after the last day of a Black Out Period, the Expiry Date for the Option will be the last day of such 10 day period.

Each Option granted by the Corporation prior to the date of the approval of the Plan by the shareholders of the Corporation, including Options granted under previously approved stock option plans of the Corporation, be and are continued under and shall be subject to the terms of the Plan after the Plan has been approved by the shareholders of the Corporation.

## **7. Option Agreement**

A written agreement will be entered into between the Corporation and each Optionee to whom an Option is granted hereunder, which agreement will set out the number of Common Shares subject to option, the exercise price and any other terms and conditions approved by the Board, all in accordance with the provisions of this Plan (herein referred to as the “**Option Agreement**”). The Option Agreement will be in such form as the Board may from time to time approve, and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting options in the income tax or other laws in force in any country or jurisdiction of which the Optionee may from time to time be a resident or citizen or the rules of the Exchange or any other regulatory body having jurisdiction over the Corporation.

## **8. Option Period and Exercise Price**

Each Option and all rights thereunder shall be expressed to expire on the date set out in the applicable Option Agreement, which date shall be no later than the expiry of the Option Period (the “**Expiry Date**”), subject to earlier termination as provided in Sections 10, 11 and 16 hereof.

Subject to Exchange Policies and any limitations imposed by any other regulatory authority having jurisdiction over the Corporation, the exercise price of an Option granted under the Plan shall be as determined by the Board when such Option is granted and shall be an amount at least equal to the Discounted Market Price of the Common Shares. In the event that the Corporation proposes to reduce the exercise price of Options granted to an Optionee who is an Insider of the Corporation at the time of the proposed amendment, such amendment shall not be effective until disinterested shareholder approval has been obtained in respect of the reduction of the exercise price, if required by the rules and policies of the Exchange then in effect.

## **9. Exercise of Options**

An Optionee shall be entitled to exercise an Option granted to him at any time prior to the Expiry Date, subject to Sections 10, 11 and 16 hereof and to vesting limitations which may be imposed by the Board at the time such Option is granted as set out in the Option Agreement. Subject to Exchange Policies, the Board may, in its sole discretion, determine the time during which an Option shall vest and the method of vesting, or that no vesting restriction shall exist.

The exercise of any Option will be conditional upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of Common Shares in respect of which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Common Shares with respect to which the Option is being exercised.

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

If an Optionee ceases to be a director, officer, employee or consultant of the Corporation or its subsidiaries for any reason other than death, any Options granted to such Optionee will terminate on the 30th day following the effective date such Optionee ceases to be a director, officer, employee or consultant of the Corporation or its subsidiaries or the expiry time of such Option, whichever occurs first, and shall be of no further force or effect whatsoever as to the Common Shares in respect of which an Option has not previously been exercised; however, such Options may be exercised by an Optionee who has ceased to be a director, officer, employee or consultant only if the Optionee was entitled to exercise the Options at the date of such cessation pursuant to the terms of the Optionee's Option Agreement.

## **11. Death of Optionee**

In the event of the death of an Optionee, the Option previously granted to him shall be exercisable within one year following the date of the death of the Optionee or prior to the Expiry Date, whichever is earlier, and then only:

- (a) by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or the laws of descent and distribution, or by the Optionee's legal personal representative; and
- (b) to the extent that the Optionee was entitled to exercise the Option at the date of the Optionee's death pursuant to the terms of the Optionee's Option Agreement.

## **12. Optionee's Rights Not Transferable**

No right or interest of any Optionee in or under the Plan is assignable or transferable, in whole or in part, either directly or by operation of law or otherwise in any manner except pursuant to Section 11 hereof, subject to the requirements of the Exchange, or as otherwise allowed by the Exchange.

Subject to the foregoing, the terms of the Plan shall bind the Corporation and its successors and assigns, and each Optionee and his heirs, executors, administrators and personal representatives.

## **13. Takeover or Change of Control**

The Corporation shall have the power, in the event of:

- (a) any disposition of all or substantially all of the assets of the Corporation, or the dissolution, merger, amalgamation or consolidation of the Corporation with or into any other corporation or of such corporation into the Corporation, or
- (b) any change in control of the Corporation,

to make such arrangements as it shall deem appropriate for the exercise of outstanding Options or continuance of outstanding Options, including without limitation, to amend any Option Agreement to permit the exercise of any or all of the remaining Options prior to the completion of any such transaction. If the Corporation shall exercise such power, the Option shall be deemed to have been amended to permit the exercise thereof in whole or in part by the Optionee at any time or from time to time as determined by the Corporation prior to the completion of such transaction.

#### **14. Adjustments**

In the event of:

- (a) any subdivision, redivision or change of the Common Shares at any time during the term of the Option into a greater number of Common Shares, the Corporation shall deliver, at the time of any exercise thereafter of the Option, such number of Common Shares as would have resulted from such subdivision, redivision or change if the exercise of the Option had been made prior to the date of such subdivision, redivision or change;
- (b) any consolidation or change of the Common Shares at any time during the term of the Option into a lesser number of Common Shares, the number of Common Shares deliverable by the Corporation on any exercise thereafter of the Option shall be reduced to such number of Common Shares as would have resulted from such consolidation or change if the exercise of the Option had been made prior to the date of such consolidation or change; or
- (c) any reclassification of the Common Shares at any time outstanding or change of the Common Shares into other shares, or in case of the consolidation, amalgamation or merger of the Corporation with or into any other corporation (other than a consolidation, amalgamation or merger which does not result in a reclassification of the outstanding Common Shares or a change of the Common Shares into other shares), or in case of any transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation, at any time during the term of the Option, the Optionee shall be entitled to receive, and shall accept, in lieu of the number of Common Shares to which he was theretofore entitled upon exercise of the Option, the kind and amount of shares and other securities or property which such holder would have been entitled to receive as a result of such reclassification, change, consolidation, amalgamation, merger or transfer if, on the effective date thereon he had been the holder of the number of Common Shares to which he was entitled upon exercise of the Option.

Adjustment shall be made successively whenever any event referred to in this section shall occur. Appropriate adjustments to: (i) the number of Shares subject to the Plan and, as regards to Options granted or to be granted, in the number of Shares optioned; and (ii) the Exercise Price, shall be made by the Board to give effect to adjustments in the number of Shares resulting from any of the above mentioned subdivisions, consolidations or reclassifications of the Shares, the payment of distributions or dividends by the Corporation (other than dividends in the ordinary course) or other relevant changes in the authorized or issued capital of the Corporation, which changes occur subsequent to the approval of the Plan by the Board.

#### **15. Costs**

The Corporation shall pay all costs of administering the Plan.

#### **16. Termination and Amendment**

- (a) The Board may amend or terminate this Plan or any outstanding Option granted hereunder at any time without the approval of the shareholders of the Corporation or any Optionee whose Option is amended or terminated, in order to conform this Plan or such Option, as the case may be, to applicable law or regulation or the requirements of the Exchange or any other regulatory authority



having jurisdiction over the Corporation, whether or not such amendment or termination would affect any accrued rights, subject to the approval of the Exchange or such other regulatory authority.

- (b) The Board may amend or terminate this Plan or any outstanding Option granted hereunder for any reason other than the reasons set forth in Section 16(a) hereof, subject to the approval of the Exchange or any other regulatory authority having jurisdiction over the Corporation, and the approval of the shareholders of the Corporation if required by the Exchange or such other regulatory authority. Subject to Exchange Policies, disinterested shareholder approval will be obtained for any reduction in the exercise price of an Option if the Optionee is an Insider of the Corporation at the time of the proposed amendment. No such amendment or termination will, without the consent of an Optionee, alter or impair any rights which have accrued to him prior to the effective date thereof.
- (c) The Plan, and any amendments thereto, shall be subject to acceptance and approval by the Exchange. Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless and until such approval and acceptance are given.

**17. Applicable Law**

This Plan shall be governed by, administered and construed in accordance with the laws of Canada applicable therein.

**18. Prior Plans**

On the effective date (as defined in Section 19 hereof), subject to Exchange approval and, if required, shareholder approval:

- (a) the Plan shall entirely replace and supersede prior stock option plans, if any, enacted by the Corporation; and
- (b) all outstanding options shall be deemed to be granted pursuant to the Plan.

**19. Effective Date**

This Plan shall become effective as of and from, and the effective date of the Plan shall be, the date of shareholder approval for the Plan, if such approval is required by the Exchange, subject to final Exchange approval for the Plan, or the date of final Exchange approval for the Plan if the Exchange does not require shareholder approval for the Plan.

## SCHEDULE B

### PERFORMANCE AND RESTRICTED SHARE UNIT PLAN (SHARE SETTLED)

#### ARTICLE 1 PURPOSE

##### 1.1 Purpose

The purpose of this Performance and Restricted Share Unit Plan is to provide directors, officers, employees and consultants of Sterling Resources Ltd. or any of its subsidiaries with the opportunity to acquire Share Units (as defined below) to allow them to participate in the long-term success of the Corporation and to promote a greater alignment of their interests with the interests of the Corporation's shareholders.

#### ARTICLE 2 INTERPRETATION

##### 2.1 Definitions

For purposes of the Plan:

- (a) **"Adjustment Factor"** means the adjustment factor set out in the Award Notice for an award of Performance Share Units;
- (b) **"Applicable Withholding Amount"** is defined in Section 4.7(b);
- (c) **"Award Date"** means a date on which Share Units are awarded to a Participant in accordance with Section 4.1;
- (d) **"Award Market Value"** means either (i) the closing trading price of the Shares on the TSXV for the trading day prior to the Award Date; or (ii) in the discretion of the Board, such price as may be determined by any mechanism for establishing the market value of the Shares approved by the Board and satisfactory to the TSXV;
- (e) **"Award Notice"** means a notice substantially in the form of Schedule A, in the case of Restricted Share Units, and substantially in the form of Schedule B, in the case of Performance Share Units, and containing such other terms and conditions relating to an award of Share Units as the Board may prescribe;
- (f) **"Board"** means the board of directors of the Corporation or its delegate pursuant to Section 3.1(b);
- (g) **"Change of Control"** means and shall be deemed to have occurred upon the happening of any of the following events:
  - (i) the acceptance by the holders of Shares, representing in aggregate, more than 50% of all issued Shares of any offer, whether by way of a takeover bid or otherwise, for all or any of the outstanding Shares; or
  - (ii) the acquisition, by whatever means, by a person (or two or more persons who, in such acquisition, have acted jointly or in concert or intend to exercise jointly or in concert any voting rights attaching to the Shares acquired) directly or indirectly, of beneficial ownership of such number of Shares or rights to Shares, if any, represent assuming the full exercise of such rights to voting securities) more than

50% of the combined voting rights of the Corporation's then outstanding Shares;  
or

- (iii) the entering into of any agreement by the Corporation to merge, consolidate, amalgamate, initiate an arrangement or be absorbed by or into another corporation; provided that no change of control shall be deemed to have occurred if (A) the transaction contemplated by such agreement referred to herein is not completed; or (B) upon completion of any such transaction individuals who were members of the Board immediately prior to the effective date of such transaction constitute a majority of the board of directors of the resulting corporation following such effective date; or
- (iv) the passing of a resolution by the Board or shareholders of the Corporation to substantially liquidate the assets or wind up the Corporation's business or significantly rearrange its affairs in one or more transactions or series of transactions or the commencement of proceedings for such a liquidation winding up or re-arrangement (except where such re-arrangement is part of a bona fide reorganization of the Corporation in circumstances where the business of the Corporation is continued and where the shareholdings remain substantially the same following the re-arrangement); or
- (v) individuals who were members of the Board immediately prior to a meeting of shareholders of the Corporation involving a contest for or an item of business relating to the election of directors, not constituting a majority of the Board following such election; or
- (vi) the completion of any transaction or the first of a series of transactions which would have the same or similar effect as any transaction or series of transactions referred to in subsections (i), (ii), (iii), (iv) and (v) and referred to above; or
- (vii) a determination by the Board, acting in good faith, that a change of control has occurred for the purpose of this clause.

For purposes of this Plan, the Board may, by resolution, clarify the date as of which a Change of Control shall be deemed to have occurred.

- (h) "**Committee**" means the Corporate Governance and Compensation Committee of the Board or such other Committee of the Board as may be appointed by the Board to administer the Plan;
- (i) "**Corporation**" means Sterling Resources Ltd. and its successors and assigns;
- (j) "**Disabled**" and "**Disability**" mean the permanent and total incapacity of a Participant as determined by the Board for purposes of this Plan;
- (k) "**Distribution Date**" means the date determined in accordance with Sections 4.6 or 4.10, as applicable;
- (l) "**Dividend Equivalent**" means a bookkeeping entry whereby each Share Unit is credited with the equivalent amount of the dividend paid on a Share in accordance with Section 4.5;
- (m) "**Dividend Market Value**" means the volume weighted average trading price of the Shares on the TSXV for the 5 trading days immediately following the dividend record date for the payment of any dividend made on the Shares;

- (n) **"Eligible Person"** means a Person entitled to receive Share Units in accordance with Section 3.3;
- (o) **"Exchange Policies"** means, collectively, Policy 4.4 of the TSXV entitled "Incentive Stock Options", Policy 1.1 of the TSXV entitled "Interpretation" and any other policies set forth in the Corporate Finance Manual of the TSXV applicable to security-based compensation arrangements;
- (p) "Exercise Notice" mean a notice substantially in the form of Schedule C;
- (q) **"Final Date"** is defined in Section 4.6(a)(ii);
- (r) **"Insider"** has the meaning ascribed thereto in applicable securities legislation;
- (s) **"Participant"** means an Eligible Person who has been awarded Share Units under the Plan or to whom Share Units have been transferred in accordance with the Plan;
- (t) **"Payment Shares"** is defined in Section 4.7(a);
- (u) **"Performance Measures"** means, for any period, the performance measures to be taken into consideration in granting PSUs and determining the Adjustment Factor in respect of any PSU;
- (v) **"Performance Share Unit"** or **"PSU"** means a unit equivalent in value to a Share, credited by means of a bookkeeping entry on the books of the Corporation in accordance with Article 4, based on the achievement of the performance criteria set out in the applicable Award Notice;
- (w) **"Permitted Assign"** means, with respect to any Participant:
  - (i) a trustee, custodian or administrator acting on behalf of, or for the benefit of, the Participant,
  - (ii) a holding entity of the Participant,
  - (iii) a spouse of the Participant,
  - (iv) a trustee, custodian or administrator acting on behalf of, or for the benefit of, the spouse of the Participant, or
  - (v) a holding entity of the spouse of the Participant;
- (x) **"Person"** means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, fund, organization or other group of organized persons, government, government regulatory authority, governmental department, agency, commission, board, tribunal, dispute settlement panel or body, bureau, court, and where the context requires any of the foregoing when they are acting as trustee, executor, administrator or other legal representative;
- (y) **"Plan"** means this Performance and Restricted Share Unit Plan as amended, restated, supplemented or otherwise modified from time to time;

- (z) **“Restricted Share Unit”** or **“RSU”** means a unit equivalent in value to a Share, credited by means of a bookkeeping entry on the books of the Corporation in accordance with Article 4;
- (aa) **“Settlement Market Value”** means the most recent closing price of the Shares on the TSXV on the last trading day prior to the Distribution Date;
- (bb) **“Share”** means a common share of the Corporation or, in the event of an adjustment contemplated by Section 4.11, such number or type of securities as the Board may determine;
- (cc) **“Share Unit”** means a Performance Share Unit or a Restricted Share Unit, as applicable;
- (dd) **“TSXV”** means the TSX Venture Exchange; and
- (ee) **“U.S. Taxpayer”** means a Participant who is a U.S. citizen, U.S. permanent resident or U.S. tax resident for the purposes of the U.S. Internal Revenue Code (the **“Code”**) or a Participant for whom the award of Share Units under this Plan would otherwise be subject to U.S. taxation under the United States Internal Revenue Code. A Participant shall be considered a U.S. taxpayer solely to the extent such Participant’s Share Units are subject to U.S. taxation.

Capitalized terms in the Plan that are not otherwise defined herein shall have the meaning set out in the Exchange Policies, including, without limitation, “Consultant” and “Investor Relations Activities”.

## **2.2 Certain Rules of Interpretation**

- (a) Whenever the Board or, where applicable, the Committee or any sub-delegate of the Committee is to exercise discretion in the administration of the terms and conditions of this Plan, the term “discretion” means the sole and absolute discretion of the Board or the Committee or the sub-delegate of the Committee, as the case may be.
- (b) As used herein, the terms “Article” and “Section” mean and refer to the specified Article or Section of this Plan.
- (c) Words importing the singular include the plural and vice versa and words importing any gender include any other gender.
- (d) Unless otherwise specified, all references to money amounts are to Canadian currency.

## **ARTICLE 3 ADMINISTRATION**

### **3.1 Administration of the Plan**

- (a) This Plan shall be administered by the Board. The Board shall have full and final discretion to interpret the provisions of the Plan and to prescribe, amend, rescind and waive rules and regulations to govern the administration and operation of the Plan. All decisions and interpretations made by the Board shall be binding and conclusive upon the Corporation and on all Eligible Persons, Participants, Permitted Assigns and all other Persons.
- (b) To the extent permitted by applicable law, the Board may, from time to time, delegate to the Committee, on such terms as it considers appropriate, all or any of the powers, duties and functions relating to the granting of Share Units and the administration of the Plan,

including the power to sub-delegate, to the extent permitted by applicable law, to any specified officer of the Corporation all or any of the powers delegated to the Committee. Any decision made or action taken by the Committee or the specified officer arising out of or in connection with the administration or interpretation of this Plan in this context is final, binding and conclusive on the Corporation, the Participants and all other Persons.

### **3.2 Determination of Value if Shares Not Publicly Traded**

If the Shares are not publicly traded on the TSXV or any other stock exchange at the relevant time such that the Award Market Value, the Dividend Market Value and/or the Settlement Market Value cannot be determined in accordance herein, such value shall be determined by the Board acting in good faith.

### **3.3 Eligibility**

Share Units shall be granted only to persons (“**Eligible Person**”) who are directors, officers, employees, or consultants of the Corporation or a subsidiary of the Corporation as the Board determines should receive Share Units in accordance with the applicable laws and the policies and rules of the TSXV.

The Board reserves the right to restrict eligibility or otherwise limit the number of Persons eligible for participation in the Plan at any time. Eligibility to participate does not confer upon any individual a right to receive an award of Share Units pursuant to the Plan.

### **3.4 Total Shares Subject to Share Units**

Unless otherwise approved by the TSXV (or such other exchanges on which the Shares may be listed from time to time) and the shareholders of the Corporation:

- (a) the securities that may be issued to Participants pursuant to this Plan shall consist of those authorized but unissued Shares which the Board and/or Committee has, in its discretion, reserved and approved for issuance under the Plan from time to time;
- (b) subject to Section 4.11, the aggregate number of Shares that may be issued pursuant to the Plan shall not exceed 10% of the issued and outstanding Shares at the time of grant;
- (c) the Board shall not grant Share Units under the Plan if the number of Shares issuable pursuant to outstanding Share Units, when combined with the number of Shares issuable pursuant to outstanding stock options granted under the Corporation’s stock option plan and outstanding convertible securities under any other security-based compensation arrangements of the Corporation, would exceed 10% of the issued and outstanding Shares at the time of the grant;
- (d) the number of Shares issued to any one Insider and such Insider’s associates, within any one year period, under all security based compensation arrangements including, without limitation, this Plan, shall not exceed 5% of the issued and outstanding Shares at the time of the grant, provided that if the acquisition of Shares by the Corporation for cancellation should result in such tests no longer being met, this shall not constitute non-compliance with this Section 3.4 for any awards outstanding prior to such purchase of Shares for cancellation. For the purposes hereof, “security based compensation arrangements” means any compensation mechanism involving the issuance or the potential issuance of securities of the Corporation from treasury;
- (e) the number of securities issued to a Participant who is a Consultant, within any one year period, under all security based compensation arrangements including, without limitation, this Plan, shall not exceed 2% of the issued and outstanding Shares at the time of the grant;

- (f) the number of securities issued to any Participants who are employees engaged in Investor Relation Activities, within any one year period, under all security based compensation arrangements including, without limitation, this Plan, shall not exceed in aggregate 2% of the issued and outstanding Shares at the time of the grant, unless the Corporation receives the permission of the stock exchange or exchanges on which the Shares are listed to exceed such thresholds; and
- (g) to the extent Share Units are not exercised or to the extent any Share Units are terminated for any reason or are cancelled, the Shares subject to such Share Units shall be added back to the number of Shares reserved for issuance under the Plan and such Shares will again become available for Share Unit grants under the Plan.

For purposes of the calculations in this Section 3.4 only, it shall be assumed that all issued and outstanding Share Units will be settled by the issuance of Shares from treasury, notwithstanding the Corporation's right pursuant to Section 4.12 to settle Share Units by purchasing Shares on the open market.

### **3.5 Participant's Agreement to be Bound**

- (a) Participation in the Plan is entirely voluntary and is at the discretion of the Eligible Person, and shall not be interpreted as conferring upon such Participant any rights or privileges other than those rights and privileges expressly provided in the Plan. Should any Eligible Person elect to participate in the Plan by electing to receive Share Units through delivery of an acknowledgement in the manner specified in Section 3.5(b) or otherwise, such acknowledgement shall be construed as acceptance by the Eligible Person, of the terms and conditions of the Plan, and all rules and procedures adopted hereunder, as amended, assigned or assumed from time to time in accordance with the terms hereof.
- (b) In order to participate in the Plan, an Eligible Person shall acknowledge each Award Notice and such other matters as deemed necessary by the Committee, in its sole discretion, including those matters specified in Schedule A or Schedule B
- (c) , as applicable, by delivering their countersigned acknowledgement on the Award Notice within 15 days of the delivery of an Award Notice. If such acknowledgement is not so delivered within the time specified in this Section 3.5(b), the Corporation shall not credit any Share Units to the Participant's account, unless waived by the Committee, in its sole discretion.

## **ARTICLE 4 AWARD OF SHARE UNITS**

### **4.1 Award of Share Units**

Subject to the provisions of the Plan and such other terms and conditions as the Committee or the Board may prescribe, the Committee may, from time to time grant Share Units to any Eligible Person. Upon receipt of an acknowledgement in the manner specified in Section 3.5, Share Units shall be credited to an account maintained for each Participant on the books of the Corporation, effective as of the Award Date for that grant. The number of Share Units (including fractional Share Units) to be credited as of the Award Date shall be determined by the Committee in its sole discretion.

## 4.2 Vesting Period

Each Share Unit will vest on such terms as shall be specified by the Board or Committee at the time of granting an award of Share Units as reflected in the Award Notice, except as otherwise provided in this Plan.

## 4.3 Performance Vesting

- (a) Prior to the Distribution Date in respect of any PSU, the Board or Committee shall assess the performance of the Corporation for the applicable period. The weighting of the individual measures comprising the Performance Measures shall be determined by the Board or Committee, as applicable, in its sole discretion having regard to the principal purposes of the Plan and, upon the assessment of all Performance Measures, the Board or Committee shall determine the Adjustment Factor for the applicable period in its sole discretion. The applicable Adjustment Factor may be between a minimum of zero and such maximum as determined by the Board or Committee (provided such maximum shall not exceed 2.0).
- (b) The number of PSUs which vest on a vesting date specified in an Award Notice is the number of PSUs scheduled to vest on such date multiplied by the Adjustment Factor.

## 4.4 Award Notice

All awards of Share Units under Section 4.1 will be evidenced by an Award Notice. Such Award Notice will be subject to the applicable provisions of this Plan and will contain such provisions as are required by this Plan and any other provisions that the Board or Committee may direct. Any one officer of the Corporation is authorized and empowered to execute and deliver, for and on behalf of the Corporation, an Award Notice to a Participant once the Board or Committee has approved the grant of Share Units to that particular Eligible Person.

## 4.5 Credits for Dividends

In the event that the Corporation pays a normal cash dividend in accordance with its dividend policy on the Shares, a Participant's account shall be credited with Dividend Equivalents in the form of additional Share Units as of each dividend payment date in respect of which normal cash dividends are paid on Shares. Such Dividend Equivalents shall be computed by dividing: (a) the amount obtained by multiplying the amount of the dividend declared and paid per Share by the number of Share Units recorded in the Participant's account on the record date for the payment of such dividend, by (b) the Dividend Market Value, with fractions computed to three decimal places. Any additional Share Units resulting from such Dividend Equivalents shall have the same vesting schedule, Distribution Date and other terms as the Share Units to which they relate. The foregoing does not obligate the Corporation to pay dividends on Shares and nothing in this Plan shall be interpreted as creating such an obligation.

## 4.6 Distribution Date Election

- (a) Subject to Sections 4.6(b), 4.9, 4.10 and 4.10, a Participant who is not a U.S. Taxpayer shall have the right to elect to exercise any vested Share Units recorded in the Participant's account by delivering to the Corporation an Exercise Notice specifying a date for distribution of Shares in settlement of such Share Units ("**Distribution Date**"), such date to be set out by the Participant in the Exercise Notice; provided that such date shall not be later than the earlier of:
  - (i) the thirtieth day after the Participant ceases to be eligible to participate under the Plan; or



- (ii) December 15<sup>th</sup> of the year in which such Share Units became vested,  
  
(the “**Final Date**”).
- (b) In the event a Participant fails to deliver a timely Exercise Notice pursuant to Section 4.6(a) or specifies a Distribution Date in an Exercise Notice which is later than the Final Date, the Distribution Date shall be deemed to be the Final Date.
- (c) A Participant who is not a U.S. Taxpayer shall be entitled to elect in the Exercise Notice delivered to the Corporation in accordance with Section 4.6(a) hereof, for all of such Participant’s Share Units to be settled in exchange for a payment by the Corporation of a cash amount per Share Unit equal to the Settlement Market Value of the Payment Shares on the Distribution Date, net of applicable withholding tax, provided that such Distribution Date shall not be later than the Final Date. The Corporation has the sole discretion to consent or refuse the election of the Participant to receive cash pursuant to this Section 4.6(c). If the Corporation refuses the election, the Share Units shall be satisfied in accordance with the manner described in Section 4.7.
- (d) Notwithstanding anything to the contrary in this Section, with respect to any Share Units awarded to a Participant who is a U.S. Taxpayer, the Distribution Date shall be the applicable vesting date set out in the applicable Award Notice. No Exercise Notice or election of alternative Distribution Date shall be permitted for U.S. Taxpayers.

#### **4.7 Distribution of Shares**

- (a) Subject to any election received and accepted by the Corporation pursuant to Section 4.6(c), as soon as practicable after each Distribution Date or on the Final Date (if the Distribution Date is the Final Date), the Corporation shall issue to the Participant or, if Section 4.10 applies, to the Participant’s estate, a number of Shares equal to the number of Share Units in the Participant’s account that became payable on the Distribution Date (the “**Payment Shares**”). As of the Distribution Date, the Share Units in respect of which such Shares are issued shall be cancelled and no further payments shall be made to the Participant under the Plan in relation to such Share Units.
- (b) As a condition to the issue of Shares in payment of any Share Units, the Corporation may require that the Participant (i) pay to the Corporation such amount as the Corporation is obligated to remit to the relevant taxing authority in respect of the issuance of the Shares in payment of the Share Units (the “**Applicable Withholding Amount**”); (ii) withhold the Applicable Withholding Amount from any remuneration or other amount otherwise payable by the Corporation to the Participant; (iii) require a sale of a number of Shares issued upon payment of the Share Units and the remittance to the Corporation of the net proceeds from such sale sufficient to satisfy the Applicable Withholding Amount; or (iv) enter into any other arrangements suitable to the Corporation to enable the Corporation to satisfy the Applicable Withholding Amount, including any combination of the foregoing. Following receipt of the Exercise Notice from the Participant, the Corporation shall advise the Participant in writing of any Applicable Withholding Amount required in connection with the issue of Shares in settlement of the Share Units.

#### **4.8 Resignation or Termination**

Notwithstanding Sections 4.6 and 4.7, and subject to any written resolution passed by the Board or Committee, if any Participant shall cease to hold the position or positions of director, officer, employee or consultant of the Corporation or any subsidiaries (as the case may be) for any reason other than death or Disability, then all Share Units granted to the Participant under the Plan that have not yet vested within 90 days after the date such Participant ceases to hold the position or positions of director, officer,

employee or consultant of the Corporation or any subsidiaries as the case may be, shall terminate without payment and shall be of no further force or effect. All grants of Share Units to US Taxpayers shall be deemed to adjust the 90 day term specified herein to 74 days.

#### **4.9 Disability**

Subject to any express resolution passed by the Board or Committee, if any Participant shall cease to hold the position or positions of director, officer, employee or consultant of the Corporation or any subsidiaries (as the case may be) by reason of Disability, any vested Share Units held by such Participant under the Plan at the date such Participant ceases to hold the position or positions of director, officer, employee or consultant of the Corporation or any subsidiaries as the case may be, shall be automatically settled and the Distribution Date shall be the 90th day after such date and all unvested Share Units shall terminate without payment and shall be of no further force or effect.

#### **4.10 Death of Participant Prior to Distribution**

Notwithstanding Sections 4.6 and 4.7 of the Plan, but subject to any express resolution passed by the Board or Committee, upon the death of a Participant, any vested Share Units held by such Participant or any Share Units which shall vest within one year after the death of the Participant under the Plan shall be automatically settled and the Distribution Date shall be within one year after the death of the Participant and all other unvested Share Units shall terminate without payment and shall be of no further force or effect.

#### **4.11 Adjustments to Share Units**

In the event of any subdivision, consolidation, stock dividend, capital reorganization, reclassification, exchange, or other change with respect to the Shares, or a consolidation, amalgamation, merger, spin-off, sale, lease or exchange of all or substantially all of the property of the Corporation or other distribution of the Corporation's assets to shareholders (other than the payment of dividends in respect of the Shares as contemplated by Section 4.5), the account of each Participant and the Share Units outstanding under the Plan shall be adjusted in such manner, if any, as the Board may in its discretion, subject to approval by the TSXV, deem appropriate to preserve, proportionally, the interests of Participants under the Plan.

#### **4.12 Settlement of Share Units**

On the Distribution Date, the Board or Committee, as applicable, in its sole discretion, shall have the option of settling the Shares issuable in respect of Share Units by either or both of the following methods: (a) settlement in Shares acquired by the Corporation on the TSXV; or (b) the issuance of Shares from the treasury of the Corporation.

#### **4.13 Change of Control**

- (a) Unless otherwise determined by the Board in its sole discretion, upon a Change of Control, all unvested Share Units shall become automatically vested.
- (b) Shares issuable in respect of Share Units shall be, and shall be deemed to be, issued to Participants effective immediately prior to the completion of the transaction which would result in the Change of Control unless issued prior thereto in accordance with this Plan.

#### **4.14 Discretion to Permit Vesting**

Notwithstanding the provisions of Sections 4.2, 4.8, 4.9, 4.10 and 4.10, the Board may, in its sole discretion, at any time prior to or following the events contemplated in such Sections, permit the vesting of

any or all Share Units held by a Participant and the issuance of the Payment Shares in respect of such Share Units in the manner and on the terms authorized by the Board, provided that the Board will not, in any case, authorize the vesting of a Share Unit or the issuance of a Payment Share pursuant to this Section beyond the Final Date applicable to the particular Share Unit.

#### **4.15 Black-Out Periods**

Subject to the rules and regulations of any exchange on which the Shares are listed for trading, notwithstanding any other provisions of this Plan, if the Distribution Date of any Share Unit occurs during or within 10 business days following the end of a Black-Out Period (as defined below), the Distribution Date of such Share Unit shall be extended for a period of 10 business days following the end of the Black-Out Period (or such longer period as permitted by the TSXV or other exchange on which the Shares are listed and approved by the Board). "Black-Out Period" means the period of time when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of a Share Unit.

### **ARTICLE 5 GENERAL**

#### **5.1 Amendment, Suspension, or Termination of Plan**

- (a) Subject to Sections 5.1(b) and 5.1(c) below and to the rules and policies of any stock exchange on which the Shares are listed and applicable law, the Board may, without notice or shareholder approval, at any time or from time to time, amend, suspend or terminate the Plan or awards granted hereunder for any purpose which, in the good faith opinion of the Board, may be expedient or desirable, including making such amendments to the Plan to comply with rules and policies of any stock exchange on which the Shares are listed.
- (b) Notwithstanding Section 5.1(a) but subject to 5.1(f), the Board shall not alter or impair any rights or increase any obligations with respect to a Share Unit previously granted under the Plan without the consent of the Participant.
- (c) Notwithstanding Section 5.1(a), none of the following amendments shall be made to this Plan or awards granted hereunder without approval of the TSXV (to the extent the Corporation has any securities listed on such exchange) and the approval of shareholders:
  - (i) amendments to the Plan which would increase the number of securities issuable under the Plan otherwise than in accordance with the terms of this Plan;
  - (ii) amendments to the Plan which would increase the number of securities issuable to Insiders otherwise than in accordance with the terms of this Plan;
  - (iii) amendments that would extend the Distribution Date of any Share Units held by Insiders beyond the original Final Date of the Share Units;
  - (iv) amendments that would reduce the Award Market Value of any Share Units held by Insiders otherwise than in accordance with the terms of this Plan;
  - (v) the addition of any form of financial assistance to a Participant;
  - (vi) amendments to the restriction under Section 5.5 to permit a Participant to transfer any Share Units to a new beneficial holder other than for estate settlement purposes; and

(vii) amendments to this Section 5.1.

Such amendments shall require the approval of the holders of the Corporation's Shares by ordinary resolution.

- (d) If the Board terminates or suspends the Plan, no new Share Units will be credited to the account of a Participant. Previously credited Share Units whether or not vested, may, at the Board's election, be accelerated (if unvested) and/or Shares issuable in respect of such Share Unit may be distributed to Participants or may remain outstanding. In the event that a Share Unit remains outstanding following a suspension or termination of the Plan, such Share Unit shall not be entitled to Dividend Equivalents unless at the time of termination or suspension the Board determines that the entitlement to Dividend Equivalents after termination or during suspension, as applicable, should be continued.
- (e) The Board shall not require the consent of any affected Participant in connection with a termination of the Plan in which the vesting of all Share Units held by the Participant are accelerated and the Payment Shares are issued to the Participant in respect of all such Share Units.
- (f) The Plan will terminate on the date upon which no further Share Units remain outstanding.

## **5.2 Compliance with Laws/U.S. Tax Matters**

The administration of the Plan shall be subject to and made in conformity with all applicable laws and any regulations of a duly constituted regulatory authority. If at any time the Board determines that the listing, registration or qualification of the Shares subject to the Share Unit upon any securities exchange or under any provincial, state, federal or other applicable law, or the consent or approval of any governmental body, securities exchange, or the holders of the Shares generally, is necessary or desirable, as a condition of, or in connection with, the granting of such Share Units or the issue of Shares thereunder, no such Share Unit may be awarded or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board.

The Share Units awarded to Participants who are U.S. Taxpayers are intended to be exempt from Section 409A of the United States Internal Revenue Code and the provisions of this Plan shall be interpreted consistent with that intent.

## **5.3 Reorganization of the Corporation**

The existence of any Share Units shall not affect in any way the right or power of the Corporation or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Corporation's capital structure or its business, or to create or issue any bonds, debentures, shares or other securities of the Corporation or to amend or modify the rights and conditions attaching thereto or to effect the dissolution or liquidation of the Corporation, or any amalgamation, combination, merger or consolidation involving the Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

## **5.4 Assignment**

Rights and obligations under the Plan may be assigned by the Corporation to a successor in the business of the Corporation, any Corporation resulting from any amalgamation, reorganization, combination, merger or arrangement of the Corporation, or any Corporation acquiring all or substantially all of the assets or business of the Corporation.

## **5.5 Units Non-Transferable**

Share Units are non-transferable except to a Permitted Assign. Certificates representing Share Units will not be issued by the Corporation.

## **5.6 Participation to be Determined by Board; No Additional Rights**

The participation of any Participant in the Plan shall be determined by resolution of the Board. Nothing in this Plan shall be construed to provide the Participant with any rights whatsoever to participate or to continue participation in this Plan, or to compensation or damages in lieu of participation. The Corporation does not assume responsibility for the personal income tax liability or other tax consequences for the Participants and they are advised to consult with their own tax advisors.

## **5.7 No Shareholder Rights**

Under no circumstances shall Share Units be considered Shares or other securities of the Corporation, nor shall they entitle any Participant to exercise voting rights or any other rights attaching to the ownership of Shares or other securities of the Corporation, nor shall any Participant be considered the owner of Shares by virtue of the award of Share Units. A Participant will acquire rights to Shares in respect of Share Units only upon the allotment and issuance to the Participant of certificates representing such Shares.

## **5.8 Fractions**

No fractional Share will be issued pursuant to an award granted hereunder. The number of Shares issuable upon payment of any award granted under this Plan will be rounded down to the nearest whole number of Shares. No payment or other adjustment will be made with respect to the fractional Share so disregarded.

## **5.9 Unfunded and Unsecured Plan**

Unless otherwise determined by the Board, the Plan shall be unfunded and the Corporation will not secure its obligations under the Plan. To the extent any Participant or his or her estate holds any rights by virtue of a grant of Share Units under the Plan, such rights (unless otherwise determined by the Board) shall be no greater than the rights of an unsecured creditor of the Corporation.

## **5.10 Market Fluctuations**

No amount will be paid to, or in respect of, a Participant under the Plan to compensate for a downward fluctuation in the price of Shares, nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose. The Corporation makes no representations or warranties to Participants with respect to the Plan or the Shares whatsoever. In seeking the benefits of participation in the Plan, a Participant agrees to accept all risks associated with a decline in the market price of Shares.

## **5.11 Participant Information**

Each Participant shall provide the Corporation with all information (including personal information) required by the Corporation in order to administer to the Plan. Each Participant acknowledges that information required by the Corporation in order to administer the Plan may be disclosed to other third parties in connection with the administration of the Plan. Each Participant consents to such disclosure and authorizes the Corporation to make such disclosure on the Participant's behalf.

### **5.12 Indemnification**

Every director of the Corporation will at all times be indemnified and saved harmless by the Corporation from and against all costs, charges and expenses whatsoever including any income tax liability arising from any such indemnification, that such director may sustain or incur by reason of any action, suit or proceeding, taken or threatened against the director, otherwise than by the Corporation, for or in respect of any act done or omitted by the director in respect of administering this Plan, such costs, charges and expenses to include any amount paid to settle such action, suit or proceeding or in satisfaction of any judgment rendered therein.

### **5.13 Effective Date of the Plan**

The Plan shall be effective as of April 30, 2018.

### **5.14 Governing Law**

The Plan shall be governed by, and interpreted in accordance with, the laws of the Province of Alberta and the laws of Canada applicable therein, without regard to principles of conflict of laws.

**SCHEDULE A**

**FORM OF AWARD NOTICE FOR RESTRICTED SHARE UNITS**

The Corporation hereby grants the following award to the Participant named below in accordance with and subject to the terms, conditions and restrictions of this Award Notice (“**Notice**”), together with the provisions of the Performance and Restricted Share Unit Plan of the Corporation (the “**Plan**”):

Name and Address of Participant: \_\_\_\_\_

Participant **IS** [  ] / **IS NOT** [  ] (**select one**) a U.S. Taxpayer (as defined in the Plan).

Date of Grant: \_\_\_\_\_

Total Number of RSUs: \_\_\_\_\_

1. The terms and conditions of the Plan are hereby incorporated by reference as terms and conditions of this Notice and all capitalized terms used herein, unless expressly defined in a different manner, have the meanings ascribed thereto in the Plan.
2. The Participant acknowledges and agrees that he or she has received the Plan and has read and understands the terms of the Plan and agrees to be bound by the terms and conditions of the Plan and the Award Notice. If the agreement and acknowledgement by the Participant at the end of this Award Notice is not received by the Corporation within 15 days of the delivery of this Award Notice, the Corporation shall not credit any RSUs to the Participant’s account, unless waived by the Committee, in its sole discretion.
3. Subject to any acceleration in vesting as provided in the Plan, each RSU vests as follows:


4. No fractional Share will be issued upon exercise of a vested RSU pursuant to an award granted hereunder. The number of Shares issuable upon payment of any award granted under the Plan will be rounded down to the nearest whole number of Shares. No payment or other adjustment will be made with respect to the fractional Share so disregarded.
5. Each notice relating to an award of RSUs, including the acknowledgement in this Award Notice, must be in writing and signed by the Participant or the Participant’s legal representative. All notices to the Corporation must be delivered to the Chief Financial Officer of the Corporation. Any notice given by either the Participant or the Corporation is not binding on the recipient thereof until received.
6. When the issuance of Shares upon the vesting of RSUs may, in the opinion of the Corporation, conflict or be inconsistent with any applicable law or any regulations of any regulatory authority having jurisdiction, the Corporation reserves the right to refuse to issue such Shares for so long as such conflict or inconsistency remains outstanding.

7. As a condition to settling the RSUs in accordance with the Plan, the Corporation has the right to withhold all applicable taxes. The Corporation does not assume responsibility for the personal income or other tax consequences of the Participant and has advised the Participant to consult with its own tax advisor.
8. Participant's rights in respect of the RSUs are conditioned on the receipt to the full satisfaction of the Committee of any required consents or documentation that the Committee may determine to be necessary or advisable to administer the Plan.
9. The Corporation may affix to certificates for Shares issued pursuant to this Award Notice any legend that the Committee determines to be necessary or advisable (including to reflect any restrictions to which you may be subject under any applicable securities laws) and may advise the transfer agent to place a stop order against any legended Shares.
10. The Committee shall have full discretion with respect to any actions to be taken or determinations to be made in connection with RSUs under this Award Notice, and its determination shall be final, binding and conclusive.

**Sterling Resources Ltd.**

By: \_\_\_\_\_  
Name:  
Title:

Agreed to and Acknowledged by the Participant, this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Name: **[Insert name of Participant]**



**SCHEDULE B**

**FORM OF AWARD NOTICE FOR PERFORMANCE SHARE UNITS**

The Corporation hereby grants the following award to the Participant named below in accordance with and subject to the terms, conditions and restrictions of this Award Notice (“**Notice**”), together with the provisions of the Performance and Restricted Share Unit Plan of the Corporation (the “**Plan**”):

Name and Address of Participant: \_\_\_\_\_

Participant **IS** [  ] / **IS NOT** [  ] (**select one**) a U.S. Taxpayer (as defined in the Plan).

Date of Grant: \_\_\_\_\_

Total Number of PSUs: \_\_\_\_\_

1. The terms and conditions of the Plan are hereby incorporated by reference as terms and conditions of this Notice and all capitalized terms used herein, unless expressly defined in a different manner, have the meanings ascribed thereto in the Plan.
2. The Participant acknowledges and agrees that he or she has received the Plan and has read and understands the terms of the Plan and agrees to be bound by the terms and conditions of the Plan and the Award Notice. If the agreement and acknowledgement by the Participant at the end of this Award Notice is not received by the Corporation within 15 days of the delivery of this Award Notice, the Corporation shall not credit any PSUs to the Participant’s account, unless waived by the Committee, in its sole discretion.
3. Subject to any acceleration in vesting as provided in the Plan, each PSU vests as follows:


4. The Adjustment Factor for the PSUs is determined as follows:
5. **[INSERT TABLE WITH PERFORMANCE MEASURES AND THRESHOLD, TARGET AND MAXIMUM PERFORMANCE LEVELS]**
6. The Adjustment Factor for performance between the numbers set out above is interpolated on a straight line basis.
7. No fractional Share will be issued upon exercise of a vested PSU pursuant to an award granted hereunder. The number of Shares issuable upon payment of any award granted under the Plan will be rounded down to the nearest whole number of Shares. No payment or other adjustment will be made with respect to the fractional Share so disregarded.
8. Each notice relating to an award of PSUs, including the acknowledgement in this Award Notice, must be in writing and signed by the Participant or the Participant’s legal representative. All notices to the Corporation must be delivered to the Chief Financial Officer of the Corporation.

Any notice given by either the Participant or the Corporation is not binding on the recipient thereof until received.

9. When the issuance of Shares upon the vesting of PSUs may, in the opinion of the Corporation, conflict or be inconsistent with any applicable law or any regulations of any regulatory authority having jurisdiction, the Corporation reserves the right to refuse to issue such Shares for so long as such conflict or inconsistency remains outstanding.
10. As a condition to settling the PSUs in accordance with the Plan, the Corporation has the right to withhold all applicable taxes. The Corporation does not assume responsibility for the personal income or other tax consequences of the Participant and has advised the Participant to consult with its own tax advisor.
11. Participant's rights in respect of the PSUs are conditioned on the receipt to the full satisfaction of the Committee of any required consents or documentation that the Committee may determine to be necessary or advisable to administer the Plan.
12. The Corporation may affix to certificates for Shares issued pursuant to this Award Notice any legend that the Committee determines to be necessary or advisable (including to reflect any restrictions to which you may be subject under any applicable securities laws) and may advise the transfer agent to place a stop order against any legended Shares.
13. The Committee shall have full discretion with respect to any actions to be taken or determinations to be made in connection with PSUs under this Award Notice, and its determination shall be final, binding and conclusive.

**Sterling Resources Ltd.**

By: \_\_\_\_\_

Name:

Title:

Agreed to and Acknowledged by the Participant, this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Name: **[Insert name of Participant]**

**SCHEDULE C**  
**PERFORMANCE AND RESTRICTED SHARE UNIT PLAN**  
**EXERCISE NOTICE**

To: Sterling Resources Ltd. (the "**Corporation**")

Pursuant to the Corporation's Performance and Restricted Share Unit Plan (the "**Plan**"), the undersigned hereby elects to redeem:

- \_\_\_\_\_ of the undersigned's Performance Share Units; and
- \_\_\_\_\_ of the undersigned's Restricted Share Units

on this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_,

to be settled, net of applicable withholding tax, in (initial beside applicable category)

Shares \_\_\_\_\_

Cash \_\_\_\_\_

and the undersigned hereby notifies the Corporation that it is requesting the Distribution Date to be \_\_\_\_\_, 20\_\_\_\_.

All capitalized terms not defined in this Exercise Notice have the meaning set out in the Plan.

No cash or other compensation shall at any time be paid in respect of any Share Units which have been forfeited or terminated under the Plan or on account of damages relating to any Share Units which have been forfeited or terminated under the Plan.

The undersigned understands and agrees that the granting and redemption of these Share Units are subject to the terms and conditions of the Plan which are incorporated into and form a part of this Exercise Notice.

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Name: **[Insert name of Participant]**

## SCHEDULE C

### BOARD OF DIRECTORS MANDATE

#### 1. GENERAL

The Board of Directors (the "**Board**") of Sterling Resources Ltd. (the "**Corporation**") is responsible for the stewardship of the Corporation's affairs and the activities of management of the Corporation in the conduct of day to day business, all for the benefit of its shareholders.

The primary responsibilities of the Board are:

- (a) to maximize long term shareholder value;
- (b) to approve the strategic plan of the Corporation;
- (c) to ensure that processes, controls and systems are in place for the management of the business and affairs of the Corporation and to address applicable legal and regulatory compliance matters;
- (d) to maintain the composition of the Board in a way that provides an effective mix of skills and experience to provide for the overall stewardship of the Corporation;
- (e) to ensure that the Corporation meets its obligations on an ongoing basis and operates in a safe and reliable manner; and
- (f) to monitor the performance of the management of the Corporation to ensure that it meets its duties and responsibilities to the shareholders.

#### 2. COMPOSITION AND OPERATION

The number of directors shall be not less than the minimum and not more than the maximum number specified in the Corporation's articles and shall be set from time to time within such limits by resolutions of the shareholders or of the Board as may be permitted by law. Directors are elected to hold office for a term of one year. At least 25 percent of the directors must be Canadian residents. The Board will analyze the application of the "independent" standard as such term is referred to in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, to individual members of the Board on an annual basis and disclose that analysis. The Board will in each year appoint a chairperson of the Board (the "**Chair**").

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility of managing its own affairs including selecting its Chair, nominating candidates for election to the Board, constituting committees of the Board and determining compensation for the directors. Subject to the articles and by-laws of the Corporation and the *Business Corporations Act (Alberta)* (the "**ABCA**"), the Board may constitute, seek the advice of, and delegate certain powers, duties and responsibilities to, committees of the Board.

#### 3. MEETINGS

The Board shall have a minimum of four regularly scheduled meetings per year. Special meetings are called as necessary. Occasional Board trips are scheduled, if possible, in conjunction with regular Board meetings, to offer directors the opportunity to visit sites and facilities at different operational locations. A quorum for a meeting of the Board shall consist of a simple majority of the members of the Board.

The Board will schedule executive sessions where directors meet with or without management participation at each regularly-scheduled meeting of the Board.

#### **4. SPECIFIC DUTIES**

##### **(a) Oversight and Overall Responsibility**

In fulfilling its responsibility for the stewardship of the affairs of the Corporation, the Board shall be specifically responsible for:

- (i) providing leadership and direction to the Corporation and management with the view to maximizing shareholder value. Directors are expected to provide creative vision, initiative and experience in the course of fulfilling their leadership role;
- (ii) satisfying itself as to the integrity of the Chief Executive Officer (the "**CEO**") and other senior officers of the Corporation and ensuring that a culture of integrity is maintained throughout the Corporation;
- (iii) approving the significant policies and procedures by which the Corporation is operated and monitoring compliance with such policies and procedures, and, in particular, compliance by all directors, officers and employees with the provisions of the Code of Business Conduct and Ethics;
- (iv) reviewing and approving material transactions involving the Corporation, including the acquisitions and dispositions of material assets by the Corporation and material capital expenditures by the Corporation;
- (v) approving budgets, monitoring operating performance and ensuring that the Board has the necessary information, including key business and competitive indicators, to enable it to discharge this duty and take any remedial action necessary;
- (vi) establishing methods by which interested parties may communicate directly with the Chair or with the independent directors as a group and cause such methods to be disclosed;
- (vii) developing written position descriptions for the Chair and for the chair of each Board committee; and
- (viii) making regular assessments of the Board and its individual members, as well as the effectiveness and contributions of each Board committee.

##### **(b) Legal Requirements**

- (i) The Board has the oversight responsibility for meeting the Corporation's legal requirements and for properly preparing, approving and maintaining the Corporation's documents and records.
- (ii) The Board has the statutory responsibility to:
  - A. manage the business and affairs of the Corporation;
  - B. act honestly and in good faith with a view to the best interests of the Corporation;
  - C. exercise the care, diligence and skill that responsible, prudent people would exercise in comparable circumstances; and

- D. act in accordance with its obligations contained in the ABCA and the regulations thereto, the articles and by-laws of the Corporation, and other relevant legislation and regulations.
- (iii) The Board has the statutory responsibility for considering the following matters as a full Board which in law may not be delegated to management or to a committee of the Board:
- A. any submission to the shareholders of a question or matter requiring the approval of the shareholders;
  - B. the filling of a vacancy among the directors or in the office of auditor;
  - C. the appointment of additional directors;
  - D. the issuance of securities except in the manner and on the terms authorized by the Board;
  - E. the declaration of dividends;
  - F. the purchase, redemption or any other form of acquisition of shares issued by the Corporation, except in the manner and on the terms authorized by the Board;
  - G. the payment of a commission to any person in consideration of such person's purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any shares of the Corporation;
  - H. the approval of management proxy circulars;
  - I. the approval of any financial statements to be placed before the shareholders of the Corporation at an annual general meeting; and
  - J. the adoption, amendment or repeal of any by-laws of the Corporation.

**(c) Independence**

The Board shall have the responsibility to:

- (i) implement appropriate structures and procedures to permit the Board to function independently of management (including, without limitation, through the holding of meetings at which non-independent directors and management are not in attendance, if and when appropriate);
- (ii) implement a system which enables an individual director to engage an outside advisor at the expense of the Corporation in appropriate circumstances; and
- (iii) provide an orientation and education program for newly appointed members of the Board.

**(d) Strategy Determination**

The Board shall:

- (i) adopt and annually review a strategic planning process and approve the corporate strategic plan, which takes into account, among other things, the opportunities and risks of the Corporation's business; and
- (ii) annually review operating and financial performance results relative to established strategy, budgets and objectives.

**(e) Managing Risk**

The Board has the responsibility to identify and understand the principal risks of the Corporation's business, to achieve a proper balance between risks incurred and the potential return to shareholders, and to ensure that appropriate systems are in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

**(f) Appointment, Training and Monitoring of Senior Management**

The Board shall:

- (i) appoint the CEO and other senior officers of the Corporation, approve (upon recommendations from the Corporate Governance and Compensation Committee) their compensation, and monitor and assess the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value;
- (ii) ensure that a process is established that adequately provides for succession planning including the appointment, training and monitoring of senior management;
- (iii) establish limits of authority delegated to management; and
- (iv) develop a written position description for the CEO.

**(g) Reporting and Communication**

The Board has the responsibility to:

- (i) verify that the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;
- (ii) verify that the financial performance of the Corporation is reported to shareholders, other security holders and regulators on a timely and regular basis;
- (iii) verify that the financial results of the Corporation are reported fairly and in accordance with International Financial Reporting Standards from time to time;
- (iv) verify the timely reporting of any other developments that have a significant and material impact on the value of the Corporation;
- (v) report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year; and

- (vi) develop appropriate measures for receiving stakeholder feedback.

**(h) Monitoring and Acting**

The Board has the responsibility to:

- (i) review and approve the Corporation's financial statements and oversee the Corporation's compliance with applicable audit, accounting and reporting requirements;
- (ii) verify that the Corporation operates at all time within applicable laws and regulations to the highest ethical and moral standards;
- (iii) approve and monitor compliance with significant policies and procedures by which the Corporation operates;
- (iv) monitor the Corporation's progress towards its goals and objectives and to work with management to revise and alter its direction in response to changing circumstances;
- (v) take such action as it determines appropriate when the Corporation's performance falls short of its goals and objectives or when other special circumstances warrant; and
- (vi) verify that the Corporation has implemented appropriate internal control and management information systems.

**(i) Other Activities**

The Board may perform any other activities consistent with this mandate, the articles and by-laws of the Corporation and any other governing laws as the Board deems necessary or appropriate including, but not limited to:

- (i) preparing and distributing the schedule of Board meetings for each upcoming year;
- (ii) calling meetings of the Board at such time and such place and providing notice of such meetings to all members of the Board in accordance with the by-laws of the Corporation; and
- (iii) ensuring that all regularly-scheduled Board meetings and committee meetings are properly attended by directors. Directors may participate in such meetings by conference call if attendance in person is not possible.

**(j) Code of Business Conduct and Ethics**

The Board shall be responsible to adopt a "Code of Business Conduct and Ethics" for the Corporation which shall address:

- (i) conflicts of interest;
- (ii) the protection and proper use of the Corporation's assets and opportunities;
- (iii) the confidentiality of information;



- (iv) fair dealing with various stakeholders of the Corporation;
- (v) compliance with laws, rules and regulations; and
- (vi) the reporting of any illegal or unethical behaviour.

## **5. BOARD COMMITTEES**

The Board shall at all times maintain: (a) an Audit Committee; (b) a Reserves Committee; (c) a Corporate Governance and Compensation Committee; and (d) a Health, Safety, Environment and Social Committee, each of which must report to the Board. Each such committee must operate in accordance with the by-laws, applicable law, its committee charter and the applicable rules of any stock exchange on which the shares are traded. The Board may also establish such other committees as it deems appropriate and delegate to such committees such authority permitted by its by-laws and applicable law, and as the Board sees fit. The purpose of the Board committees is to assist the Board in discharging its responsibilities. Notwithstanding the delegation of responsibilities to a Board committee, the Board is ultimately responsible for matters assigned to the committees for determination. Except as may be explicitly provided in the charter of a particular committee or a resolution of the Board, the role of a Board committee is to review and make recommendations to the Board with respect to the approval of matters considered by the committee.

## **6. DIRECTOR ACCESS TO MANAGEMENT**

The Corporation shall provide each director with complete access to the management of the Corporation, subject to reasonable advance notice to the Corporation and reasonable efforts to avoid disruption to the Corporation's management, business and operations. Prior to any director of the Corporation initiating a discussion with any employee of the Corporation, including management, such director shall have the obligation to provide notice to the Chair and the Chief Executive Officer of the Corporation that the director intends on initiating such a discussion.

## **7. DIRECTOR COMPENSATION**

The Board, upon recommendation of the Corporate Governance and Compensation Committee, will determine and review the form and amount of compensation to directors.

## SCHEDULE D

### AUDIT COMMITTEE CHARTER

#### I. THE BOARD OF DIRECTORS' MANDATE FOR THE AUDIT COMMITTEE

The Board of Directors (the "**Board**") has responsibility for the stewardship of Sterling Resources Ltd. (the "**Corporation**"). To discharge that responsibility, the Board is obligated by the *Business Corporations Act* (Alberta) to supervise the management of the business and affairs of the Corporation. The Board's supervisory function involves Board oversight or monitoring of all significant aspects of the management of the Corporation's business and affairs.

Public financial reporting and disclosure by the Corporation are fundamental to the Corporation's business and affairs. The objective of the Board's monitoring of the Corporation's financial reporting and disclosure is to gain reasonable assurance of the following:

- (a) that the Corporation complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges, if applicable, relating to financial reporting and disclosure;
- (b) that the accounting principles, significant judgements and disclosures which underlie or are incorporated in the Corporation's financial statements are appropriate in the prevailing circumstances;
- (c) that the Corporation's quarterly and annual financial statements are accurate within a reasonable level of materiality and present fairly the Corporation's financial position and performance in accordance with generally accepted accounting principles; and
- (d) that appropriate information concerning the financial position and performance of the Corporation is disseminated to the public, to the extent required by applicable securities laws, in a timely manner in accordance with corporate and securities law and with stock exchange regulations, if applicable.

The Board is of the view that monitoring of the Corporation's financial reporting and disclosure policies and procedures cannot be reliably 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 and consistent with internal financial controls implemented by companies of similar size and peer group as the Corporation;
- (b) the internal financial controls are regularly assessed for effectiveness and efficiency consistent with assessments performed by companies of similar size and peer group as the Corporation;
- (c) the Corporation's quarterly and annual financial statements are properly prepared by management to comply with International Financial Reporting Standards ("**IFRS**"); and
- (d) the Corporation's quarterly and annual financial statements are reported on by an external auditor appointed by the shareholders of the Corporation.

To assist the Board in its monitoring of the Corporation's financial reporting and disclosure and to conform to applicable corporate and securities law, the Board has established the Audit Committee (the "**Committee**") of the Board.

The role of the Committee is to assist the Board in its oversight of the integrity of the financial and related information of the Corporation, including its consolidated financial statements, the internal controls and procedures for financial reporting and the processes for monitoring compliance with legal and regulatory requirements and to review the independence, qualifications and performance of the external auditor of the Corporation. Management is responsible for establishing and maintaining those controls, procedures and processes and the Committee is appointed by the Board to review and monitor them.

## **II. COMPOSITION OF COMMITTEE**

The Committee shall be appointed annually by the Board and consist of at least three members from among the directors of the Corporation, each of whom shall be an independent director (as determined under applicable laws). Officers of the Corporation, who are also directors, may not serve as members of the Committee.

The Board shall designate the Chair of the Committee.

In the event of a vacancy arising in the Committee or a loss of independence of any member, the Committee will fill the vacancy within six months or by the following annual shareholders' meeting if sooner.

## **III. RELIANCE ON EXPERTS**

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

- (a) financial statements of the Corporation represented to him by an officer of the Corporation or in a written report of the external auditors to present fairly the financial position of the Corporation 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.

## **IV. LIMITATIONS ON COMMITTEE'S DUTIES**

In contributing to the Committee's discharging of its duties under Terms of Reference, each member of the Corporation 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 endeavor 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 the Board.

## **V. AUDIT COMMITTEE TERMS OF REFERENCE**

The Committee's Terms of Reference outlines how the Committee will satisfy the requirements set forth by the Board in its mandate. Terms of Reference reflect the following:

- Operating Principles;
- Operating Procedures; and

- Specific Responsibilities and Duties.

While the Committee has the responsibilities set forth in its terms of reference, it is not the duty of the Committee to prepare the financial statements, plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with IFRS and applicable rules and regulations. Primary responsibility for the financial reporting, information systems, risk management, and disclosure controls and internal controls of the Corporation is vested in management.

## 1. Operating Principles

The Committee shall fulfill its responsibilities within the context of the following principles:

### (a) Committee Values

The Committee expects the management of the Corporation to operate in compliance with corporate policies; reflecting laws and regulations governing the Corporation; and to maintain strong financial reporting and control processes.

### (b) Communications

The Committee and members of the Committee expect to have direct, open and frank communications throughout the year with management, other Committee chairs, the external auditors, and other key Committee advisors or Corporation staff members as applicable.

### (c) Delegation

The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that may be lawfully delegated.

### (d) Financial Literacy

All Committee members should be sufficiently versed in financial matters to read and understand the Corporation's financial statements and also to understand the Corporation's accounting practices and policies and the major judgements involved in preparing the financial statements.

### (e) Annual Audit Committee Work Plan

The Committee, in consultation with management and the external auditors, shall develop an annual Committee work plan responsive to the Committee's responsibilities as set out in these Terms of Reference. In addition, the Committee, in consultation with management and the external auditors, shall participate in a process for review of important financial topics that have the potential to impact the Corporation's financial disclosure.

The work plan will be focused primarily on the annual and interim financial statements of the Corporation; however, the Committee may at its sole discretion, or the discretion of the Board, review such other matters as may be necessary to satisfy the Committee's Terms of Reference.

### (f) Meeting Agenda

Committee meeting agendas shall be the responsibility of the Chair of the Committee in consultation with Committee members, senior management and the external auditors.

### (g) Committee Expectations and Information Needs

The Committee shall communicate its expectations to management and the external auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the external auditors at a reasonable time in advance of meeting dates.

(h) Access to Committee

Representatives of the external auditor and management of the Corporation shall have access to the Committee each in the absence of the other.

(i) External Resources

To assist the Committee in discharging its responsibilities, the Committee may at its discretion, in addition to the external auditors, at the expense of the Corporation, retain one or more persons having special expertise, including independent counsel.

(j) In Camera Meetings

At the discretion of the Committee, the members of the Committee shall meet in private session with the external auditors. In addition, at the discretion of the Committee, the members of the Committee shall meet in private with the management of the Corporation, without the auditors being present at such meeting.

(k) Reporting to the Board

The Committee, through its Chair, shall report after each Committee meeting to the Board at the Board's next regular meeting.

(l) The External Auditors

The Committee expects that, in discharging their responsibilities to the shareholders, the external auditors shall report directly to and be accountable to the Board through the Committee. The external auditors shall report all material issues or potentially material issues, either specific to the Corporation or to the financial reporting environment in general, to the Committee.

## **2. Operating Procedures**

(a) The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Meetings shall be held at the call of the Chair, upon the request of two members of the Committee or at the request of the external auditors.

(b) A quorum shall be a majority of the members.

(c) Unless the Committee otherwise specifies, the Secretary (or his or her deputy) of the Corporation shall act as Secretary of all meetings of the Committee.

(d) In the absence of the Chair of the Committee, the members shall appoint an acting Chair.

(e) A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Corporation in a timely fashion.

(f) Notice of the time and place of every meeting shall be given in writing by any means of transmitted or recorded communication, including facsimile, email or other electronic means that produces a written copy, to each member of the Committee at least 24 hours prior to the time fixed for such meeting; provided, however, that a member of the

Committee may in any manner waive a notice of the meeting. Attendance of a member of the Committee at a meeting constitutes waiver of notice of the meeting, except where a member of the Committee attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called for.

- (g) Committee meeting agendas shall be the responsibility of the Chair of the Committee in consultation with the other members of the Committee, senior management and the external auditors.
- (h) Subject to any statute or the articles and by-laws of the Corporation, the Committee shall fix its own procedures at meetings, keep records of its proceeds and report to the Board when the Committee may deem appropriate (but not later than the next regularly scheduled meeting of the Board).

### **3. Specific Responsibilities and Duties**

To fulfill its responsibilities and duties, the Committee shall:

#### **(a) Financial Reporting**

- (i) Review, prior to public release, the Corporation's annual and quarterly financial statements with management and the external auditors with a view to gaining reasonable assurance that the statements (A) are accurate within reasonable levels of materiality, (B) complete, (C) represent fairly the Corporation's financial position and performance in accordance with IFRS. The Committee shall report thereon to the Board before such financial statements are approved by the Board;
- (ii) Receive from the external auditors reports of their review of the annual and quarterly financial statements and any management letters issued to the management of the Corporation;
- (iii) Receive from management a copy of the representation letter provided to the external auditors and receive from management any additional representations required by the Committee;
- (iv) Review, prior to public release, to the extent required pursuant to applicable securities laws, and, if appropriate, recommend approval to the Board, of news releases, to the extent required pursuant to applicable securities laws, and reports to shareholders issued by the Corporation with respect to the Corporation's annual and quarterly financial statements;
- (v) Review and, if appropriate, recommend approval to the Board of prospectuses, material change disclosures of a financial nature, management discussion and analysis, annual information forms and similar disclosure documents that may be issued by the Corporation; and
- (vi) Review and validate procedures for the receipt, retention and resolution of complaints received by the Corporation from any party regarding accounting, auditing or internal controls. For greater certainty, the Committee's responsibilities in this area will not include complaints about minor operational issues. (Examples of minor operational issues include late payment of invoices, minor disputes over accounts owing or receivable, revenue and expense allocations and other similar items characteristic of the normal daily operations of the accounting department of an oil and gas company.)

(b) **Accounting Policies**

- (i) Review with management and the external auditors the appropriateness of the Corporation's accounting policies, disclosures, reserves, key estimates and judgements, including changes or variations thereto.
- (ii) Obtain reasonable assurance that they are in compliance with IFRS from management and external auditors and report thereon to the Board.
- (iii) Review with management and the external auditors the apparent degree of conservatism of the Corporation's underlying accounting policies, key estimates and judgements and provisions along with quality of financial reporting.
- (iv) Participate, if requested, in the resolution of disagreements, between management and the external auditors.
- (v) Review with management the policies and procedures used for the categorization of flow-through expenditures and the qualification of such expenditures to satisfy the Corporation's existing obligations.

(c) **Risk and Uncertainty**

- (i) Acknowledging that it is the responsibility of the Board, in consultation with management, to identify the principal business risks facing the Corporation, determine the Corporation's tolerance for risk and approve risk management policies, the Committee shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:
  - A. reviewing with management the Corporation's tolerance for financial risks;
  - B. reviewing with management its assessment of the significant financial risks facing the Corporation;
  - C. reviewing with management the Corporation's policies and any proposed changes thereto for managing those significant financial risks; and
  - D. reviewing with management its plans, processes and programs to manage and control such risks.
- (i) Review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;
- (ii) Review foreign currency, interest rate and commodity price risk mitigation strategies, including the use of derivative financial instruments;
- (iii) Review the adequacy of insurance coverages maintained by the Corporation; and
- (iv) Review regularly with management, the external auditors and the Corporation's legal counsel, any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation and the manner in which these matters have been disclosed in the financial statements.

(d) **Financial Controls and Control Deviations**

- (i) Review the plans of the external auditors to gain reasonable assurance that the evaluation and testing of applicable internal financial controls is comprehensive, coordinated and cost-effective;
- (ii) Receive regular reports from management and the external auditors on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto;
- (iii) Institute a procedure that will permit any employee, including management employees, to bring to the attention of the Chair of the Committee, under conditions of confidentiality, concerns relating to financial controls and reporting which are material in scope and which cannot be addressed, in the employee's judgement, through existing reporting structures in the Corporation; and
- (iv) Receive and periodically assess reports from management on the policies and procedures used to assess and ensure the adequacy of controls over financial information disclosed to the public, which is extracted or derived from the Corporation's financial statements.

(e) **Compliance with Laws and Regulations**

- (i) Review regular reports from management and others (e.g. external auditors) with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements including:
  - A. tax and financial reporting laws and regulations;
  - B. legal withholding requirements; and
  - C. other laws and regulations which expose directors to liability.
- (ii) Review the filing status of the Corporation's tax returns, flow-through share renunciation filings and those of its subsidiaries.

(f) **Relationship with External Auditors**

- (i) Recommend to the Board the nomination of the external auditors;
- (ii) Approve the remuneration and the terms of engagement of the external auditors as set forth in the Engagement Letter. The Chair of the Committee has the authority to pre-approve non-audit services which may be required from time to time;
- (iii) Review the performance of the external auditors annually or more frequently as required;
- (iv) Receive annually from the external auditors an acknowledgement in writing that the shareholders, as represented by the Board and the Committee, are their primary client;
- (v) Receive a report annually from the external auditors with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by the Corporation;



- (vi) Review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, and the materiality levels which the external auditors propose to employ;
  - (vii) Meet with the external auditors in the absence of management to determine, inter alia, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee;
  - (viii) Establish effective communication processes with management and the Corporation's external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee; and
  - (ix) Establish a reporting relationship between the external auditors and the Committee such that the external auditors can bring directly to the Committee matters that, in the judgement of the external auditors, merit the Committee's attention. In particular, the external auditors will advise the Committee as to disagreements between management and the external auditors regarding financial reporting and how such disagreements were resolved.
- (g) **Other Responsibilities**
- (i) After consultation with the Chief Financial Officer and the external auditors, consider at least annually, of the quality and sufficiency of the Corporation's accounting and financial personnel and other resources;
  - (ii) Approve in advance non-audit services, including tax advisory and compliance services, provided by the external auditors. However, the Committee can establish a threshold amount for fees for non-audit services to be provided by the external auditors without advance approval of the Committee. The nature of such services and the associated cost will be provided to the Committee at the next following meeting;
  - (iii) Investigate any matters that, in the Committee's discretion, fall within the Committee's duties;
  - (iv) Perform such other functions as may from time to time be assigned to the Committee by the Board;
  - (v) Review and update the Terms of Reference on a regular basis for approval by the Board; and
  - (vi) The Committee will review disclosures regarding the organization and duties of the Committee to be included in any public document, including quarterly and annual reports to shareholders, information circulars and annual information forms.