



**Notice of Meeting**

**and**

**Proxy Statement and Information Circular**

**in respect of the**

**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**to be held on May 21, 2014**

**April 21, 2014**

## CEQUENCE ENERGY LTD.

### NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS to be held on May 21, 2014

TO THE SHAREHOLDERS OF CEQUENCE ENERGY LTD.

NOTICE IS HEREBY GIVEN that an annual and special meeting (the "**Meeting**") of the holders ("**Shareholders**") of common shares ("**Common Shares**") of Cequence Energy Ltd. (the "**Company**") will be held at 525 – 8<sup>th</sup> Avenue S.W., 4<sup>th</sup> Floor Conference Centre, Calgary, Alberta, at 3:00 p.m. (Calgary time) on May 21, 2014 for the following purposes:

1. to receive the audited financial statements of the Company for the year ended December 31, 2013 and the report of the auditors thereon;
2. to appoint the auditors of the Company for the ensuing year;
3. to elect the directors of the Company for the ensuing year;
4. to consider, and if thought appropriate, pass an ordinary resolution in the form set forth in the proxy statement and information circular of the Company dated April 21, 2014 accompanying this notice to confirm the amended and restated by-laws of the Company approved by the Board of Directors on November 12, 2013; and
5. to transact such other business as may properly be brought before the Meeting or any adjournment or adjournments thereof.

Shareholders should refer to the proxy statement and information circular of the Company dated April 21, 2014 for more detailed information with respect to the matters to be considered at the Meeting.

**If you are a registered Shareholder** and are unable to attend the Meeting in person, please date and execute the accompanying form of proxy and return it in the envelope provided to Valiant Trust Company, the registrar and transfer agent of the Company, at 310, 606 – 4<sup>th</sup> Street S.W., Calgary, AB T2P 1T1, or by facsimile, at (403) 233-2857, by no later than 5:00 p.m. (Calgary time) on May 16, 2014 or two days (not including Saturdays, Sundays and statutory holidays observed in Calgary, Alberta) preceding the date of any adjournment. Late proxies may be accepted or rejected by the Chairman of the Meeting at his or her discretion and the Chairman of the Meeting is under no obligation to accept or reject any particular late proxy. The Chairman of the Meeting may waive or extend the proxy cut-off without notice. **If you are unable to attend the Meeting, we encourage you to complete the enclosed form of proxy as soon as possible.**

**If you are not a registered Shareholder** and receive these materials through your broker or through another intermediary, please complete and return the form of proxy in accordance with the instructions provided to you by your broker or by the other intermediary.

The board of directors of the Company has fixed April 17, 2014 as the record date for the Meeting. Shareholders of record at the close of business on April 17, 2014 are entitled to notice of the Meeting and to vote thereat or at any adjournment(s) thereof on the basis of one vote for each Common Share held, except to the extent that: (i) a registered Shareholder has transferred the ownership of any Common Shares subsequent to April 17, 2014; and (ii) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he or she owns the Common Shares and demands, not later than 10 days before the Meeting, that his or her name be included on the list of persons entitled to vote at the Meeting, in which case, the transferee shall be entitled to vote such Common Shares at the Meeting.

#### BY ORDER OF THE BOARD OF DIRECTORS

(Signed) "*Paul Wanklyn*"

Paul Wanklyn  
President and Chief Executive Officer

April 21, 2014

**PROXY STATEMENT AND INFORMATION CIRCULAR**  
**FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**  
**TO BE HELD ON MAY 21, 2014**

**PURPOSE OF SOLICITATION**

**This proxy statement and information circular ("Information Circular") is furnished in connection with the solicitation of proxies by the management of Cequence Energy Ltd. ("Cequence" or the "Company") for use at the annual and special meeting (the "Meeting") of the holders ("Shareholders") of common shares ("Common Shares") of Cequence.**

The Meeting will be held at 525 – 8th Avenue S.W., 4<sup>th</sup> Floor Conference Centre, Calgary, Alberta, at 3:00 p.m. (Calgary time) on May 21, 2014 and at any adjournments thereof for the purposes set forth in the Notice of Annual and Special Meeting of Shareholders (the "**Notice of Meeting**") accompanying this Information Circular. Information contained herein is given as of April 17, 2014 unless otherwise specifically stated.

Solicitation of proxies will be primarily by mail but may also be made by telephone, facsimile, electronically or in person by directors, officers and employees of Cequence who will not be additionally compensated. Brokers, nominees or other persons holding Common Shares in their names for others will be reimbursed for their reasonable charges and expenses in forwarding proxies and proxy material to the beneficial owners of such Common Shares. The costs of soliciting proxies will be borne by Cequence.

**APPOINTMENT AND REVOCATION OF PROXIES**

Enclosed herewith is a form of proxy for use at the Meeting. The persons named in the form of proxy are directors and/or officers of Cequence. **A Shareholder submitting a proxy has the right to appoint a nominee (who need not be a Shareholder) to represent such Shareholder at the Meeting other than the persons designated in the enclosed form of proxy by inserting the name of the chosen nominee in the space provided for that purpose on the form of proxy and by striking out the printed names.**

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is signed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, it must be executed by a duly authorized officer or attorney thereof. The proxy, to be acted upon must be deposited with Valiant Trust Company, the registrar and transfer agent of the Company, at 310, 606 – 4<sup>th</sup> Street S.W., Calgary, AB T2P 1T1, or by facsimile, at (403) 233-2857, by no later than 5:00 p.m. (Calgary time) on May 16, 2014 or two days (not including Saturdays, Sundays and statutory holidays observed in Calgary, Alberta) preceding the date of any adjournment.

A Shareholder who has given a proxy may revoke it prior to its use, in any manner permitted by law, including by instrument in writing executed by the Shareholder or by his or her attorney authorized in writing or, if the Shareholder is a corporation, executed by a duly authorized officer or attorney thereof and deposited at the registered office of the Company at any time up to and including the last day (not including Saturdays, Sundays and statutory holidays observed in Calgary, Alberta) preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of the Meeting on the day of the Meeting or any adjournment thereof.

**ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES**

**The Information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold Common Shares in their own name.** Shareholders who do not hold their Common Shares in their own name (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only proxies deposited by Shareholders whose names appear on the records of Cequence as the registered Shareholders can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the

records of Cequence. Such Common Shares will more likely be registered under the names of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of "CDS & Co." (the registration name for CDS Depository and Clearing Services Inc., which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting Common Shares for the broker's clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.**

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered Shareholders; however, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Services Inc. ("**Broadridge**"). Broadridge typically mails a scanable voting instruction form in lieu of the form of proxy. The Beneficial Shareholder is requested to complete and return the voting instruction form to them by mail or facsimile. Alternatively, the Beneficial Shareholder can call a toll-free telephone number or visit [www.proxyvote.com](http://www.proxyvote.com) to vote the Common Shares held by the Beneficial Shareholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting as the voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Common Shares voted.

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

#### **VOTING OF PROXIES**

All Common Shares represented at the Meeting by properly executed proxies will be voted on any matter that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the accompanying form of proxy, the Common Shares represented by the proxy will be voted in accordance with such instructions. **In the absence of any such instruction, the persons whose names appear on the printed form of proxy will vote in favour of all the matters set out thereon. The enclosed form of proxy confers discretionary authority upon the persons named therein. If any other business or amendments or variations to matters identified in the Notice of Meeting properly comes before the Meeting then discretionary authority is conferred upon the person appointed in the proxy to vote in the manner they see fit, in accordance with their best judgment.**

At the time of the printing of this Information Circular, the management of Cequence knew of no such amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting.

#### **VOTING BY INTERNET**

Shareholders (other than Beneficial Shareholders) may use the internet site at [www.valianttrust.com](http://www.valianttrust.com) to transmit their voting instructions. Shareholders should have the form of proxy in hand when they access

the website and will be prompted to enter their Control Number, which is located on the form of proxy. If Shareholders vote by internet, their vote must be received not later than 5:00 p.m. (Calgary time) on May 16, 2014 or 48 hours (excluding Saturdays, Sundays and statutory holidays) prior to the time of any adjournment of the Meeting. **The website may be used to appoint a proxy holder to attend and vote on a Shareholder's behalf at the Meeting and to convey a Shareholder's voting instructions. Please note that if a Shareholder appoints a proxy holder and submits their voting instructions and subsequently wishes to change their appointment, a Shareholder may resubmit their proxy and/or voting direction, prior to the deadline noted above. When resubmitting a proxy, the most recently submitted proxy will be recognized as the only valid one, and all previous proxies submitted will be disregarded and considered as revoked, provided that the last proxy is submitted by the deadline noted above.**

#### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The board of directors of Cequence (the "**Board**") has fixed April 17, 2014 as the record date. Shareholders at the close of business on April 17, 2014 are entitled to receive notice of the Meeting and to vote thereat or at any adjournments thereof on the basis of one vote for each Common Share held, except to the extent that: (i) a registered Shareholder has transferred the ownership of any Common Shares subsequent to April 17, 2014; and (ii) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he or she owns the Common Shares and demands, not later than 10 days before the Meeting, that his or her name be included on the list of persons entitled to vote at the Meeting, in which case, the transferee shall be entitled to vote such Common Shares at the Meeting. The transfer books will not be closed.

As of the date hereof, 210,917,883 Common Shares were issued and outstanding as fully paid and non-assessable shares in the capital of the Company.

As of the date hereof, to the knowledge of the directors and executive officers of Cequence, there are no persons or companies who beneficially own, directly or indirectly, or control or direct Common Shares carrying 10% or more of the voting rights attached to all of the Common Shares, except as set forth below:

<u>Name</u>	<u>Number of Common Shares Held or Controlled</u>	<u>Percentage of Common Shares Held or Controlled</u>
JOG Limited Partnership No. IV <sup>(1)</sup>	28,845,874	13.7%

Notes:

(1) Includes Common Shares held by JOG Limited Partnership No. III and JOG Limited Partnership No. V.

As of March 31, 2014, the directors and executive officers of Cequence, as a group, beneficially owned, directly or indirectly, 15,133,517 Common Shares representing approximately 7.2% of the currently issued and outstanding Common Shares.

#### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED ON**

Management of Cequence is not aware of any material interest of any director or executive officer or any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting.

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

No director, proposed director, executive officer, nor any of their respective associates or affiliates, is or has been indebted to the Company or its subsidiaries since the beginning of the Company's most recently completed financial year.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information with respect to the total number of Common Shares authorized for issuance upon the exercise of outstanding options ("**Options**") and vesting of outstanding restricted shares units ("**RSUs**") as of December 31, 2013. As of December 31, 2013, there were 210,917,883 Common Shares issued and outstanding.

Plan Category	Number of Common Shares to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of Common Shares remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
<b>Equity compensation plans approved by Shareholders<sup>(1)</sup></b>			
- Option Plan - RSU Plan	18,617,375 561,000 <sup>(2)</sup>	\$2.15 N/A	2,474,413 <sup>(3)</sup> 3,657,358 <sup>(2)(4)</sup>
<b>Equity compensation plans not approved by Shareholders</b>	-	-	-
Total	19,178,375	\$2.15	6,131,771 <sup>(5)</sup>

Notes:

- (1) The Company's Option Plan and RSU Plan are currently the only equity compensation plans approved by Shareholders.
- (2) It is the current intention of the Company to settle RSUs in cash payments to the holder thereof on the applicable vesting date of the RSUs. The RSU Plan provides that the Company may, in its sole discretion, settle the RSUs: (i) through the issuance of Common Shares, (ii) by way of a cash payment or (iii) a combination of the issuance of Common Shares and a cash payment.
- (3) The number of Common Shares reserved for issuance pursuant to the exercise of options granted under the Option Plan is equal to 10% of the number of Common Shares then outstanding, less the number of Common Shares issuable pursuant to all other equity compensation plans.
- (4) The number of Common Shares reserved for issuance pursuant to RSUs granted under the RSU Plan is equal to 10% of the number of Common Shares then outstanding, less the number of Common Shares issuable pursuant to all other equity compensation plans. It is the current policy of the Board that the aggregate number of RSU awards outstanding from time to time cannot exceed 2% of the Common Shares outstanding.
- (5) Represents the aggregate of the maximum number of Common Shares issuable pursuant to each equity based compensation arrangement of the Company after accounting for currently outstanding awards.

## EXECUTIVE OFFICER AND DIRECTOR COMPENSATION

### Compensation Discussion and Analysis

#### *Introduction*

The Company's compensation program is administered by the Compensation Committee. As part of its mandate, the Compensation Committee reviews and recommends to the Board the remuneration of the NEOs. The Compensation Committee is also responsible for reviewing the Company's compensation policies and guidelines generally. For a description of the Compensation Committee and its current members, see the Company's Statement of Corporate Governance Practices set out in Appendix "A" to this Information Circular.

The purpose of this Compensation Discussion and Analysis ("**CD&A**") is to provide information about the Company's philosophy, objectives and processes regarding compensation for the Chief Executive Officer ("**CEO**"), the Chief Financial Officer ("**CFO**") and each of the three most highly compensated executive officers of the Company, other than the CEO and CFO, whose total compensation was, individually, more than \$150,000 for the year ended December 31, 2013 (each an "**NEO**" and collectively, the "**NEOs**"). The CD&A explains how decisions regarding executive compensation are made and the reasoning behind these decisions.

## NEOs and Executive Team

For the year ended December 31, 2013 the Company's executive team was comprised of 8 members (the "**Executive Team**") and included the following persons who are classified as NEOs for the purposes of this Compensation Discussion and Analysis.

- Paul Wanklyn - President, CEO and Director;
- David Gillis - Vice President, Finance and CFO;
- Chris Soby - Vice President, Land;
- Dave Robinson - Vice President, Geology; and
- Stephen Stretch - Vice President, Geophysics.

In addition, the Executive Team includes: Howard Crone, Executive Vice President and Chief Operating Officer; James Jackson, Vice President, Engineering; and Mike Stewart, Vice President, Operations. In 2013, at Mr. Crone's request, he was transitioned to a reduced work schedule.

### **Compensation Philosophy and Objectives of the Compensation Program**

The Compensation Committee seeks to encourage growth in reserves, production, cash flow and earnings while focusing on achieving attractive returns on capital in order to enhance shareholder value. To achieve these objectives, the Company believes it is critical to create and maintain a compensation program that attracts and retains committed, highly qualified personnel by providing appropriate rewards and incentives.

The Company's compensation program is designed to reward the performance that contributes to the achievement of the Company's business strategy on both a short-term and long-term basis. In addition, the Company strives to reward qualities that it believes help achieve its strategy such as teamwork; individual performance in light of general economic and industry conditions; integrity and resourcefulness; the ability to manage the Company's existing assets; the ability to identify and pursue new business opportunities; and responsibility and accountability.

### **Compensation Elements**

The Company compensates its NEOs through base salary, cash bonuses and participation in the Company's long-term equity incentive plans (the Option Plan and the RSU Plan), at levels which the Compensation Committee believes are reasonable in light of the performance of the Company under the leadership of the Executive Team. Total compensation is designed to incorporate both short and long-term objectives with an emphasis toward long-term performance. Long-term incentives in the form of Option and RSU grants have played a significant role in the compensation of the NEOs, although the compensation mix will vary from year to year. The following table provides a broad overview of the elements of the Company's compensation program during 2013.

<b>Compensation Element</b>	<b>Award Type per Form 51-102F6</b>	<b>Objective</b>	<b>Key Features</b>
Base Salaries	Salary	Provides a fixed level of regularly paid cash compensation for performing day-to-day responsibilities.	Recognizes each NEO's unique value and historical contribution to the success of the Company in light of salary norms in the industry and the general marketplace.
Cash Bonuses	Non-Equity Annual Incentive	Motivates NEOs to achieve key corporate objectives by rewarding the achievement of these objectives.	Discretionary cash payments recommended to the Board by the Compensation Committee based upon the achievement of corporate objectives as discussed in the section entitled " <i>Short-term Incentives</i> " below.

Compensation Element	Award Type per Form 51-102F6	Objective	Key Features
Option Grants	Option-Based Awards	Long-term equity-based incentive compensation that rewards long-term performance by allowing NEOs to participate in the long-term market appreciation of the Common Shares.	Annual and special awards, as recommended to the Board by the Compensation Committee, granted at market price, vesting ratably over three years and having a term of five years.
RSU Grants	Share-Based Awards	Long-term equity-based incentive compensation that rewards long-term performance by allowing NEOs to participate in the long-term market appreciation of the Common Shares.	Annual and special awards, as recommended to the Board by the Compensation Committee, vesting one third on each anniversary date of the grant of such RSU and may be settled for cash, Common Shares or a combination thereof.

Additionally, the NEOs are eligible to participate in the same benefits as offered to all full-time employees including in the Employee Share Ownership Plan ("ESOP") which encourages employees to invest in Common Shares through personal contributions and to allow Cequence to assist in such investment through additional contributions. The Company believes these benefits can be used in conjunction with base salary to attract, motivate and retain individuals in a competitive environment.

Cequence does not have a policy governing NEO or director purchases of financial instruments to hedge the market value of equity securities granted as compensation or held by the NEO or director.

### **Assessment of Compensation**

The Compensation Committee recognizes that the success of the Company relies on one of its most important assets, its people and especially its Executive Team and strives to foster compensation packages that promote the attraction, retention, development and motivation of quality personnel. Compensation of the NEOs has been generally compared against compensation paid to companies in the Company's peer group (namely NuVista Energy Ltd., Twin Butte Energy Ltd., Santonia Energy Inc., Delphi Energy Corp., Zargon Oil & Gas Ltd., Perpetual Energy Inc., Long Run Exploration Ltd., Painted Pony Petroleum Ltd., Angle Energy Inc., Crocotta Energy Ltd., Surge Energy Inc. and RMP Energy Inc.). The Compensation Committee also generally utilizes compensation information that is available from publicly available information contained within the annual proxy circulars and recommendations made by the CEO in respect of the NEOs (other than himself). In reviewing comparative data, the Compensation Committee does not engage in benchmarking for the purposes of establishing compensation levels relative to any predetermined point. In the Compensation Committee's view, external data provides an insight into external competitiveness, but is not an appropriate single basis for establishing compensation levels. This is primarily due to the differences in the size and operations of comparable corporations and the lack of sufficient appropriate matches to provide statistical relevance. The Compensation Committee can and does exercise both positive and negative discretion in relation to the compensation awards and its allocation between cash and non-cash awards.

### **Base Salaries**

Base salaries are intended to compensate each NEO for their core competencies, skills, experience and contribution to the Company. Base salaries for the NEOs are reviewed annually and take into account the market value of the role and the executive's demonstration of capability. In reviewing base salaries, the Compensation Committee considers several factors, including: the relationship among base salaries paid within the Company and individual experience and contribution, general market conditions and current rate of inflation and competition for qualified personnel. In addition, the Compensation Committee will periodically review commercially available salary survey data and publicly disclosed information of the Company's peers. The Compensation Committee believes that base salaries should be competitive but total compensation should be weighted toward variable, long-term performance based components.

The 2013 base salaries of the Current NEOs included in the "Summary Compensation Table" were established primarily on this basis.



### **Short-term Incentives**

All regular full time employees of Cequence, including the NEOs, are eligible for a cash bonus. Cash bonuses are generally paid at the discretion of the Board on the recommendation of the Compensation Committee, based upon the achievement of individual and corporate performance criteria, though in the case of an NEO, short-term incentive pay is determined exclusively on the basis of corporate performance criteria.

For purposes of calculating the cash bonuses, corporate performance for 2013 was assessed using a combination of financial and operational objectives outlined below:

- finding, development and acquisition costs ("**FD&A**") as calculated using proved plus probable reserves;
- recycle ratio, calculated as operating netback per barrel of oil equivalent divided by the current year proved plus probable reserves FD&A per barrel of oil equivalent;
- production growth to be calculated as year over year growth in average production per Common Share, adjusted for changes in debt;
- growth in proved plus probable reserves, on a per debt adjusted Common Share basis and on an absolute basis;
- growth in cash flow based on change in cash flow from operations per diluted weighted average Common Shares outstanding;
- growth in net asset value per diluted Common Shares outstanding;
- controllable cash costs based on the year over year reduction in aggregate controllable cash costs per barrel of oil equivalent (operating expense, interest expense, general and administrative expense and transportation expense); and
- intangible developments, both positive and negative.

In addition to the performance criteria, the Compensation Committee also considered market and economic trends, extraordinary internal and market-driven events, unanticipated developments and other extenuating circumstances. In sum, the Compensation Committee analyzes the total mix of available information on a qualitative and quantitative basis, in making bonus determinations.

The cash bonuses for the NEOs listed in the "*Summary Compensation Table*" below were determined on the basis described above. Based on the Company's results for 2013, as measured against the performance criteria and other qualitative factors, the 2013 Executive Team bonus pool was set at \$920,000 representing 50% of the salaries of the Executive Team.

For the year ended December 31, 2014, corporate performance will be determined by reference to the above measures, and the bonus pool will be determined at year end. For such year, bonuses for NEOs are expected to range from 0% to 50% of Cequence's total base salaries. In the event of exceptional performance whereby targets are exceeded on most key performance measures, the Board, on the recommendation of the Compensation Committee, may increase the size of the bonus pool.

### **Long-term Incentives (Option and RSU Grants)**

The allocation of Options and RSUs and the terms of those Options and RSUs are an integral component of the compensation package of the NEOs. The Compensation Committee believes that Option and RSU grants to the NEOs together with meaningful Common Share ownership by such NEOs serves to motivate achievement of the Company's long-term strategic objectives while aligning the interests of management with the Shareholders, the result of which will benefit all Shareholders. Options and RSUs

are awarded to employees of the Company (including the NEOs) by the Board based, in part, upon the recommendation of the Compensation Committee, which bases its recommendations, in part, upon recommendations of the CEO relative to the level of responsibility and contribution of the individuals (other than the CEO) toward the Company's goals and objectives. The Compensation Committee exercises its discretion to adjust the number of Options and RSUs awarded based upon its assessment of individual and corporate performance and the anticipated future hiring requirements of the Company.

In determining whether to make any new grants of Options and the size of such grants, the Compensation Committee considers the overall number of Options that are outstanding relative to the number of outstanding Common Shares of the Company and the overall number of Options held by each individual optionee relative to the number of Options that are available under the Option Plan. In addition, determining whether to make any new grants of RSUs and the size of such grants, the Compensation Committee considers the overall number of RSUs that are outstanding relative to the number of outstanding Common Shares of the Company and the overall number of RSUs held by each individual grantee relative to the number of RSUs that are available under the RSU Plan. The granting of these specific Options and RSUs is reviewed by the Compensation Committee for final recommendation to the Board for approval.

The Company also utilizes the grant of Options and RSUs in recruiting new employees. The Company has not historically paid cash signing bonuses.

### ***Employee Share Ownership Plan***

The Company's ESOP allows all employees of the Company, including the NEOs, to participate in the plan. The purpose of the ESOP is to make available to the employees a means of acquiring Common Shares through regular payroll deductions and the Company's matching contribution, so that participating employees can have the opportunity to benefit from the growth in the value of the Company through ongoing Common Share ownership. Employees may contribute up to 10% of their gross annual salary to the ESOP, with the Company matching on a 1.5:1 basis. The contributions are used to acquire Common Shares through open market purchases on the Toronto Stock Exchange ("**TSX**"). The Corporate contributions to the ESOP for the NEOs is included in "*All Other Compensation*" in the Summary Compensation Table.

### ***All Other Compensation***

All other compensation includes the value of Company paid benefits to NEOs including the value of Company matching ESOP contributions, life insurance, health spending accounts, accidental death and dismemberment coverage, short-term disability coverage and fitness allowances.

### **Termination and Change of Control Benefits**

Each of the NEOs is a party to an executive employment agreement with Cequence pursuant to which Cequence will make a payment to the NEO equal to: (i) the number of months base salary of the NEO specified in such NEO's employment agreement, plus (ii) the bonus paid to the NEO calculated on the basis of the greater of: (A) the bonus approved for payment by the Board to the NEO for the previous fiscal year, and (B) the average bonuses approved for payment by the Board to the NEO for the previous two fiscal years, plus (iii) an amount equal to 20% of the NEO's annual salary, representing compensation for the loss of benefits and perquisites, and in each case less applicable withholdings and deductions (collectively, (i), (ii) and (iii) are referred to herein as the "**Termination Payment**") in the event of termination without "cause" or in the event of a resignation by the NEO within three months of a "change of control", provided the NEO resigns with "good reason". Under the terms of their executive employment agreements, Mr. Wanklyn is entitled to 24 months base salary; and Messrs. Gillis, Soby, Robinson and Stretch are each entitled to 18 months base salary pursuant to the above formula.

A "change of control" is triggered upon occurrence of any of the following: (i) any person, any associate or affiliate of such person or any persons acting jointly or collectively as a group, becomes the beneficial owner, directly or indirectly, of securities of the Company carrying more than one-third of the votes

entitled to vote generally on the election of directors of the Company; (ii) upon the implementation of an amalgamation, merger, arrangement, business combination or other similar transaction involving the Company as a result of which (a) persons who were members of the Board immediately prior to such transaction represent less than a majority of the members of the board of directors of the amalgamated, merged, arranged, reorganized, combined or successor Company within three months following the consummation thereof, or (b) persons who were Executive Officers (as such term is defined in the executive employment agreements) immediately prior to such transaction represent less than a majority of the Executive Officers of the amalgamated, merged, arranged, reorganized, combined or successor Company following the consummation thereof; (iii) the completion of any transaction (including the sale, lease or other transfer of assets of the Company) or the first of a series of transactions which would have the same or similar effect or result as any transaction or series of transactions referred to in (i) and (ii) above; (iv) the liquidation, dissolution or winding-up of the Company; or (v) upon the election of a slate of directors at a meeting of the Shareholders where one-third of the directors so elected are not persons who formed the slate of directors proposed by the management of the Company.

As a condition to receiving a Termination Payment, an NEO is obligated to deliver a release of the Company for all damages, suits, debts, sums of money, indemnity, expenses, interest, costs and claims of any and every kind and nature whatsoever relating to such NEO's employment or the NEO's employment agreement, including other benefits connected with such NEO's employment. In addition, as part of the release, such NEO will be required to agree to keep confidential all confidential information of the Company.

Based on annualized base salaries, bonuses and benefits for the year ended December 31, 2013, the table below sets out an estimated Termination Payment that each NEO would have been entitled to if the event resulting in termination of employment occurred on December 31, 2013.

Name	Termination without "Just Cause" (\$)	Termination upon "Change of Control" (\$)	Termination for "Just Cause" (\$) <sup>(1)</sup>
Paul Wanklyn President and CEO	830,000	830,000	-
David Gillis Vice President, Finance and CFO	540,000	540,000	-
Chris Soby Vice President, Land	540,000	540,000	-
David Robinson Vice President, Geology	540,000	540,000	-
Stephen Stretch Vice President, Geophysics	540,000	540,000	-

Note:

(1) In the event of a termination for "just cause", the Company shall have no further obligation to the NEO, other than the payment of annual base salary accrued and unpaid through the date of termination, outstanding expense reimbursements and any statutory vacation pay.

### Option Plan

The Option Plan is intended to provide an incentive, in the form of a proprietary interest in Cequence to officers, directors, consultants and employees of the Company or its subsidiaries (collectively, the "**Participants**") who are in a position to contribute materially to the successful operation of the business of the Company, to increase their interest in the Cequence's welfare and to provide a means through which Cequence can attract and retain service providers of outstanding abilities.

Under the Option Plan:

- Options may be granted in such numbers and with such vesting provisions as the Board or a committee of the Board if authorized by the Board from time to time may determine (the Board or

any committee thereof which may be delegated responsibilities from time to time is referred to as the "**Committee**");

- the exercise price of Options shall not be less than the "Market Price" of the Common Shares at the date of granting such Option. For purposes of the Option Plan, "Market Price" means the volume weighted average trading price of the Common Shares on the TSX, calculated by dividing the total volume of the Common Shares traded by the total value of the Common Shares traded, for the last five trading days prior to the date on which the Option is granted;
- the term and expiry date of the Options granted shall be determined by the Committee at the time of granting of the Options (the "**Fixed Term**"), subject to a Blackout Extension Term (as defined below), but in no event shall an Option be exercisable in whole or in part more than 10 years from the date of grant;
- the maximum Fixed Term is 10 years;
- in the event that the Fixed Term falls within a period of time imposed by Cequence as a period in which certain designated persons may not trade in securities of Cequence (a "**Blackout Period**"), the expiry date of the Options shall be extended by 10 days (not including Saturdays, Sundays and statutory holidays observed in Calgary, Alberta) from the date any Blackout Period ends (the "**Blackout Extension Term**"), in order to allow the Participant to exercise such Option;
- the Options are not transferable or assignable by a Participant, except for a limited right of assignment to allow the exercise of Options by a Participant's legal representative in the event of death or permanent disability;
- no financial assistance is provided by Cequence to facilitate the purchase of Common Shares under the Option Plan to the Participants to whom such Options have been made;
- the number of Common Shares with respect to which Options may be granted from time to time pursuant to the Option Plan shall not exceed a rolling maximum of 10% of Cequence's outstanding Common Shares;
- the number of Common Shares, when combined with any other share compensation arrangements, issuable (or reserved for issuance) to "insiders" of Cequence and their associates and affiliates may not exceed 10% of the issued and outstanding Common Shares (on a non-diluted basis);
- the issuance of Common Shares to any one "insider" of Cequence and such insider's associates and affiliates, when combined with any other share compensation arrangements, within a one year period may not exceed 10% of the issued and outstanding Common Shares (on a non-diluted basis);
- the Committee may, in its sole discretion at any time or in the Option agreement in respect of any Options granted, accelerate or provide for the acceleration of, vesting of Options previously granted;
- the number of Common Shares issuable from treasury in any 12-month period under the Option Plan to any one consultant cannot exceed 2% of the total number of Common Shares outstanding;
- the number of Common Shares issuable from treasury in any 12-month period under the Option Plan to employees whose primary function is conducting investor relations activities cannot exceed in the aggregate 2% of the total number of Common Shares outstanding;

- in the event of the resignation or retirement of a Participant, or the termination of the employment of a Participant, without cause, the Participant may exercise any unexercised Option, but only within the period of 90 days immediately succeeding such cessation or such shorter period as may be set forth in the agreement evidencing the particular Option or such longer period as determined by the Committee in its sole discretion, but in no event beyond the original expiration date of such Option;
- in the event of the death or permanent disability of a Participant, prior to the expiry time of an Option, any unvested Options vest on the day immediately preceding the date of death or permanent disability, and the Participant's legal representative (in the event of death) or the Participant (in the event of permanent disability) may exercise any unexercised Option at any time within a period of one year immediately succeeding the date of death or permanent disability or such shorter period as may be set forth in the agreement evidencing the particular Option or such longer period as determined by the Committee in its sole discretion, but in no event beyond the original expiration date of such Option;
- in the event of the termination of the employment of a Participant, with cause, prior to the expiry time of an Option, such Option shall cease and terminate immediately upon the date of notice of such termination and thereafter shall be of no further force or effect whatsoever as to the Common Shares in respect of which such Option has not previously been exercised;
- in the event of a general offer to purchase or otherwise to acquire all of the issued Common Shares is made by a third party or the Company proposes to sell all or substantially all of its assets or undertakes to merge, amalgamate or be absorbed by or into any other company (except for a subsidiary of the Company), the Company shall use its best commercial efforts to give Participants 21 days written notice of the effective date of such an offer or sale and holders of Options, whether or not such Options have vested, may exercise such Options until the earlier of the expiry of the Options and the thirtieth day following the closing date of such offer or sale;
- a Participant may elect to exercise an Option without the payment of cash consideration by surrendering such Option in exchange for the issuance of Common Shares equal to the product obtained by multiplying the number of Common Shares represented by such Option by the quotient obtained by dividing the numerator, being the difference between the Market Price on the date of the election and the exercise price of such Option, into the denominator, being the Market Price of the date of the election;
- with the agreement of Cequence, a Participant may elect to sell vested, unexercised Options to Cequence for a cash payment based on the difference between the "Market Price" on the date of the election and the exercise price multiplied by the number of Common Shares subject to such Options in respect of which such election is made;
- the Committee has the ability to amend the Option Plan or any Option without Shareholder approval to conform to any change in applicable laws, regulations or in other respects that are in the best interests of Cequence, with the following exceptions that require approval of Shareholders:
  - any increase in the number of Common Shares reserved for issuance under the Option Plan;
  - any change to the categories of individuals eligible to be selected for Option grants, where such change may broaden or increase the participation of insiders under the Option Plan;
  - the provision of financial assistance to a Participant in connection with the exercise of Options;

- the addition of a deferred or restricted share unit or other provision which results in a Participant being issued Common Shares while no cash consideration is received by Cequence;
  - any reduction in the expiry price of an Option;
  - any extension of the expiry date of an Option; and
  - an amendment that would permit Options to be transferable or assignable other than for normal estate settlement purposes; and
- any amendments will be subject to the prior consent of any applicable regulatory bodies, including the TSX. Any amendment to the Option Plan shall take effect only with respect to Options granted after the effective date of such amendment, provided that it may apply to any outstanding Options with the mutual consent of Cequence and the Participants to whom such Options have been made.

As of the date hereof, there were 18,637,375 Options outstanding under the Option Plan, representing approximately 8.8% of the issued and outstanding Common Shares. Accordingly, there are approximately 2,454,413 unallocated Options available for issuance under the Option Plan.

### **RSU Plan**

The RSU Plan is intended to: (i) strengthen the ability of Cequence and its affiliates to attract and retain qualified employees, officers, directors and consultants of Cequence ("**Services Providers**"); (ii) align the interests of Service Providers with the interests of the Shareholders; and (iii) focus management of Cequence on operating and financial performance and total long-term Shareholder return by providing an increased incentive to contribute to Cequence's growth and profitability.

Under the RSU Plan:

- RSU awards may be granted to such Service Providers in such numbers as the Board or a committee of the Board if authorized by the Committee may from time to time determine;
- an award under the RSU Plan vests as to one third on each anniversary date following the date such RSU is granted;
- an RSU award entitles the grantee thereof to receive, on each applicable vesting date, either: (i) at the election of the Committee (A) the number of Common Shares deliverable on such vesting date pursuant to the terms of the RSU grant or (B) such lesser number of Common Shares as the Committee may determine in partial satisfaction of the number of Common Shares deliverable on such vesting date pursuant to the terms of the RSU grant; and (ii) unless the Committee determines to issue, in full settlement therefor, Common Shares on such vesting date in respect of an RSU award, a cash payment equal to the fair market value (determined on the basis of a five day volume weighted average) of a Common Share on such vesting date multiplied by the number of RSUs that vest in the grantee on such vesting date;
- the Committee may consider the following factors in making RSU awards: (i) compensation data for comparable benchmark positions among the Company's competitors; (ii) the duties and seniority of the Service Providers; (iii) the performance of the Service Providers in the prior year relevant to the performance measures of Cequence for the relevant performance period; (iv) individual and/or departmental contributions and potential contributions to the success of Cequence; and (v) such other factors as are deemed relevant in connection with accomplishing the purposes of the RSU Plan;
- the number of Common Shares which may be reserved for issuance: (i) under the RSU Plan and all other security based compensation arrangements of the Company; and (ii) to any one "insider"

of Cequence and such insider's associates and affiliates under the RSU Plan and all other security based compensation arrangements of Cequence cannot exceed 10% of the Common Shares issued and outstanding from time to time;

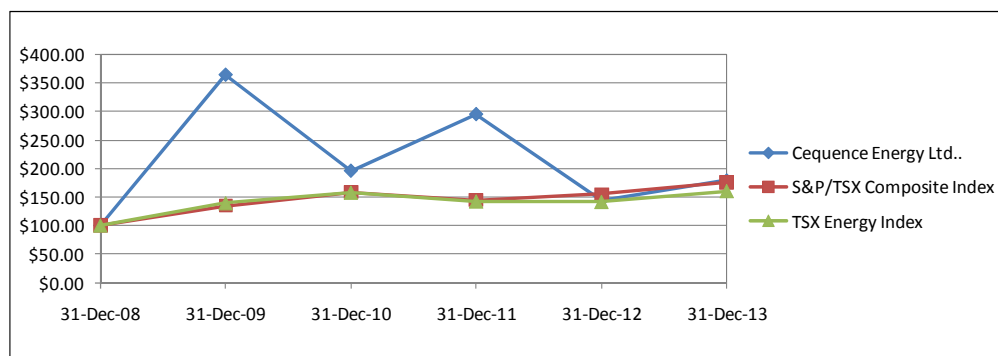
- the number of Common Shares which may be issued to insiders of Cequence and such insiders' associates and affiliates within any one year period under the RSU Plan and all other security based compensation arrangements of Cequence cannot exceed 10% of the total number of Common Shares issued and outstanding from time to time;
- the number of Common Shares issuable from treasury in any 12 month period under the RSU Plan: (i) to any one consultant shall not exceed 2% of the total number of Common Shares issued and outstanding from time to time; and (ii) to employees whose primary function is conducting investor relations activities shall not exceed in the aggregate 2% of the total number of Common Shares issued and outstanding from time to time;
- if an RSU would vest within a Blackout Period imposed by the Company, or which vest within five business days after a Blackout Period (other than a Blackout Period imposed due to a cease trade order), the vesting date of the RSUs shall be ten business days from the date any Blackout Period ends;
- in the event of the retirement of a Service Provider, any RSUs previously granted to such grantee which did not vest on or prior to the Service Provider's date of retirement shall vest on the 90th day following the effective date of such retirement (or such longer period as determined by the Committee in its sole discretion) or the original expiry date of such RSUs, whichever occurs first, and thereafter be of no further force or effect whatsoever;
- in the event of the death of a Service Provider, all RSUs shall vest upon the date of death of such Service Provider;
- upon the grantee ceasing to be a Service Provider due to termination not for cause or due to disability, all unvested RSUs held by such grantee shall be terminated on the 90th day following the effective date of such termination (or such longer period as determined by the Committee in its sole discretion) or the original expiry date of such RSUs, whichever occurs first and thereafter be of no further force or effect whatsoever;
- if a Service Provider ceases to be a Service Provider as a result of being terminated other than a termination for cause or due to a disability, any RSUs previously granted to such grantee which did not vest on or prior to the Service Provider's date of retirement shall on the 90th day following the effective date of such retirement (or such longer period as determined by the Committee in its sole discretion) or the original expiry date of such RSUs, whichever occurs first, and thereafter be of no further force or effect whatsoever;
- in the event of the termination of a Service Provider due to involuntary termination for cause, effective as of the date notice is given to the grantee of such termination, all unvested RSUs held by such grantee shall be terminated and forfeited;
- if a Service Provider ceases to be a Service Provider for any other reason, effective as of the last day of any notice period in respect of such voluntary resignation, all unvested RSUs held by such Service Provider shall be terminated, provided that the Committee may determine in its sole discretion prior to the date such RSUs would otherwise terminate, to extend the date upon which such securities terminate;
- RSUs are not transferable or assignable by a Service Provider;

- if, before the vesting of an RSU in accordance with the terms thereof, a change of control (as defined in the RSU Plan) occurs prior to any of the vesting dates respecting an RSU, all of a grantee's RSUs that have not yet vested as of such time shall vest immediately prior to the effective time of the change of control, or such other time as determined advisable by the Committee, provided that such other time is not later than the date that the vesting would have otherwise occurred;
- the Committee has the ability to amend the RSU Plan or any RSU award without Shareholder approval to conform to any change in applicable laws, regulations or in other respects that are in the best interests of Cequence, with the following exceptions that require the approval of Shareholders:
  - any increase in the maximum number of Common Shares reserved for issuance under the RSU Plan;
  - any change to the categories of individuals eligible to be selected for grants of RSU awards, where such change may broaden or increase the participation of "insiders" of Cequence and such insiders' associates and affiliates under the RSU Plan;
  - any amendment that would permit RSU awards to be transferable or assignable, other than for normal estate settlement purposes; and
  - any amendment to section 9 of the RSU Plan (regarding amendments and termination to the RSU Plan).

As of the date hereof, there were 581,000 RSUs granted under the RSU Plan, representing approximately 0.3% of the issued and outstanding Common Shares. It is the current policy of the Board that the aggregate number of RSU awards outstanding from time to time cannot exceed 2% of the issued and outstanding Common Shares. Accordingly, there are approximately 3,637,000 unallocated RSUs available for issuance under the RSU Plan.

### Performance Graph

The following graph compares the yearly change in the cumulative total Shareholder return of a \$100 investment from December 31, 2008 to December 31, 2013 in the Common Shares with the cumulative total return of the S&P/TSX Composite Total Return Index ("**TSX Composite Index**") and the TSX Energy Total Return Index ("**TSX Energy Index**") assuming the reinvestment of dividends, where applicable, for the comparable period.





<b>Date</b>	<b>Cequence</b>	<b>TSX Composite Index</b>	<b>TSX Energy Index</b>
December 31, 2008	\$100.00	\$100.00	\$100.00
December 31, 2009	\$364.00	\$135.06	\$139.46
December 31, 2010	\$196.00	\$158.83	\$158.06
December 30, 2011	\$295.00	\$145.00	\$142.40
December 31, 2012	\$144.00	\$155.42	\$141.57
December 31, 2013	\$179.00	\$175.61	\$160.84

The trend shown in the above graph does not necessarily correspond to the Company's compensation of the NEOs for the period disclosed above. The Company considers a number of factors in connection with its determination of appropriate levels of compensation including, but not limited to, the demand for and supply of skilled professionals with experience in the oil and gas industry, individual performance, the Company's performance (which is not necessarily tied exclusively to the trading price of the Common Shares on the TSX and other factors discussed under "*Compensation Discussion and Analysis*" above). One of the current NEOs was employed by the Company beginning in July 2009 with the remaining four NEOs employed since September 2010.

The trading price of the Common Shares on the TSX is subject to fluctuation based on a number of factors, many of which are outside the control of the Company. These include, but are not limited to, fluctuations and volatility in commodity prices for crude oil and natural gas, global economic conditions, changes in government, environmental policies, legislation and royalty regimes, and other factors, some of which are disclosed and discussed under the heading "*Risk Factors*" in the annual information form (the "**AIF**") dated March 26, 2014.

## Summary Compensation Table

The following table provides information concerning compensation of the NEOs for the years ended December 31, 2013, 2012 and 2011.

Name	Year	Salary (\$)	Share-Based Awards (\$) <sup>(1)</sup>	Option- Based Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation		All Other Compensation (\$) <sup>(4)</sup>	Total Compensation (\$)
					Annual Incentive Plans (\$) <sup>(3)</sup>	Long- Term Incentive Plans (\$)		
Paul Wanklyn President and Chief Executive Officer	2013	296,400	34,400	117,000	115,000	-	55,552	618,352
	2012	285,000	-	285,000	65,000	-	52,604	687,604
	2011	285,000	-	975,000	50,000	-	49,498	1,359,498
David Gillis Vice President, Finance and Chief Financial Officer	2013	228,800	34,400	117,000	115,000	-	43,684	538,884
	2012	220,000	-	204,000	65,000	-	41,400	530,400
	2011	220,000	-	585,000	50,000	-	32,338	887,338
Chris Soby Vice President, Land	2013	228,800	34,400	117,000	115,000	-	45,220	540,420
	2012	220,000	-	204,000	65,000	-	42,709	531,709
	2011	220,000	-	585,000	50,000	-	39,592	894,592
Dave Robinson Vice President, Geology	2013	228,800	34,400	117,000	115,000	-	42,970	538,170
	2012	220,000	-	204,000	65,000	-	41,438	530,438
	2011	220,000	-	585,000	50,000	-	38,476	893,476
Stephen Stretch Vice President, Geophysics	2013	228,800	34,400	117,000	115,000	-	44,970	540,170
	2012	220,000	-	204,000	65,000	-	40,438	529,438
	2011	220,000	-	585,000	50,000	-	39,104	488,104

### Notes:

- (1) The Company utilizes a Black-Scholes option pricing model to value RSUs. The RSU fair value reflects an expected life of 3 years, expected volatility of 60%, a risk free interest rate of 1.14% and no expected dividends. This methodology was chosen to be consistent with the accounting fair value used by the Company in its financial statements and because Black-Scholes is a commonly used methodology for valuing RSUs which provides an objective and reasonable estimate of fair value.
- (2) The Company utilizes a Black-Scholes option pricing model to value Options. The Option fair value reflects an expected life of 5 years, expected volatility of 60%, a risk free interest rate of 1.14% and no expected dividends. This methodology was chosen to be consistent with the accounting fair value used by the Company in its financial statements and because Black-Scholes is a commonly used methodology for valuing Options which provides an objective and reasonable estimate of fair value.
- (3) The amount represents the NEO's bonus under the Company's bonus plan; such amounts are paid in March for performance during the previous financial year.
- (4) Includes Company paid contributions to the ESOP, parking, life insurance and a fitness expense reimbursement paid to such person.

## Outstanding Share-Based and Option-Based Awards

The following table sets forth information with respect to the Options granted under the Option Plan and RSUs granted under the RSU Plan to the NEOs which were outstanding as of December 31, 2013, which includes Options and RSUs granted prior to January 1, 2014.

Name	Option-Based Awards				Share-Based Awards		
	Number of Common Shares Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) <sup>(1)</sup>	Number of RSUs that have not vested (#)	Market or payout value of RSUs that have not vested (\$)	Market or payout value of vested RSUs not paid out or distributed (\$)
Paul Wanklyn President and CEO	750,000	1.99	Sept. 16, 2015	246,850	20,000	35,800	-
	250,000	3.81	April 2, 2016				
	250,000	3.72	Sept. 14, 2016				
	125,000	1.34	April 19, 2017				
	330,000	1.24	August 31, 2017				
	130,000	1.72	October 15, 2018				
David Gillis Vice President, Finance and CFO	600,000	1.99	Sept. 16, 2015	178,850	20,000	35,800	-
	150,000	3.81	April 2, 2016				
	150,000	3.72	Sept. 14, 2016				
	90,000	1.34	April 19, 2017				
	235,000	1.24	August 31, 2017				
	130,000	1.72	October 15, 2018				
Chris Soby Vice President, Land	600,000	1.99	Sept. 16, 2015	178,850	20,000	35,800	-
	150,000	3.81	April 2, 2016				
	150,000	3.72	Sept. 14, 2016				
	90,000	1.34	April 19, 2017				
	235,000	1.24	August 31, 2017				
	130,000	1.72	October 15, 2018				
Dave Robinson Vice President, Geology	600,000	1.99	Sept. 16, 2015	178,850	20,000	35,800	-
	150,000	3.81	April 2, 2016				
	150,000	3.72	Sept. 14, 2016				
	90,000	1.34	April 19, 2017				
	235,000	1.24	August 31, 2017				
	130,000	1.72	October 15, 2018				
Stephen Stretch Vice President, Geophysics	600,000	1.99	Sept. 16, 2015	178,850	20,000	35,800	-
	150,000	3.81	April 2, 2016				
	150,000	3.72	Sept. 14, 2016				
	90,000	1.34	April 19, 2017				
	235,000	1.24	August 31, 2017				
	130,000	1.72	October 15, 2018				

Note:

(1) Value is calculated based on the difference between the exercise price of the Options and the closing price of the Common Shares on the TSX on December 31, 2013 of \$1.79.

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

The following table sets forth information with respect to the value of Options granted pursuant to the Option Plan, RSUs granted pursuant to the RSU Plan and cash bonuses awarded pursuant to the bonus plan to the NEOs that vested during the year ended December 31, 2013.

Name	Option-Based Awards Value Vested During Year (\$) <sup>(1)</sup>	Share-Based Awards Value Vested During Year (\$)	Non-Equity Incentive Plan Compensation Value Earned During Year (\$) <sup>(2)</sup>
Paul Wanklyn President and CEO	43,300	-	115,000
David Gillis Vice President, Finance and CFO	30,933	-	115,000
Chris Soby Vice President, Land	30,933	-	115,000
Dave Robinson Vice President, Geology	30,933	-	115,000
Stephen Stretch Vice President, Geophysics	30,933	-	115,000

Notes:

(1) Value calculated based on the difference between the exercise price of the Options and the closing price of the Common Shares on the TSX on the vesting date.

(2) The amount represents the NEO's bonus payment that was paid in March 2014 for performance during 2013.

### Director Compensation

The following table provides information concerning compensation of the directors for the year ended December 31, 2013.

Name	Fees Earned (\$)	Share-Based Awards (\$) <sup>(5)</sup>	Option-Based Awards (\$) <sup>(6)</sup>	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Donald Archibald	25,000	25,800	18,000	-	-	68,800
Peter Bannister	22,500	25,800	18,000	-	-	66,300
Robert C. Cook <sup>(1)</sup>	20,000	25,800	18,000	-	-	63,800
Brian A. Felesky	22,500	25,800	18,000	-	-	66,300
Daryl Gilbert <sup>(2)</sup>	21,875	25,800	18,000	-	-	65,875
Francesco G. Mele <sup>(3)</sup>	20,000	25,800	18,000	-	-	63,800
Paul Colborne <sup>(4)</sup>	5,625	-	-	-	-	5,625
James K. Gray	5,000	-	-	-	-	5,000

Notes:

(1) Options and RSUs are held for the benefit of ARC Financial Corp.

(2) Options and RSUs are held for the benefit of JOG Capital Inc.

(3) Options and RSUs are held for the benefit of KERN Partners Ltd.

(4) Reflects amounts earned by Mr. Colborne prior to his resignation from the Board on May 13, 2013.

(5) The Company utilizes a Black-Scholes option pricing model to value RSUs. The RSU fair value reflects an expected life of 3 years, expected volatility of 60%, a risk free interest rate of 1.14% and no expected dividends. This methodology was chosen to be consistent with the accounting fair value used by the Company in its financial statements and because Black-Scholes is a commonly used methodology for valuing RSUs which provides an objective and reasonable estimate of fair value.

(6) The Company utilizes a Black-Scholes option pricing model to value Options. The Option fair value reflects an expected life of 5 years, expected volatility of 60%, a risk free interest rate of 1.14% and no expected dividends. This methodology was chosen to be consistent with the accounting fair value used by the Company in its financial statements and because Black-Scholes is a commonly used methodology for valuing Options which provides an objective and reasonable estimate of fair value.

### Director Compensation - Share-Based and Option-Based Awards

The following table sets forth information with respect to the Options granted under the Option Plan and RSUs granted under the RSU Plan to the directors which were outstanding as of December 31, 2013,

which includes Options and RSUs granted prior to January 1, 2014. Mr. Colborne did not receive share-based or option-based awards in 2013.

Name	Option-Based Awards				Share-Based Awards		
	Number of Common Shares Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) <sup>(1)</sup>	Number of RSUs that have not vested (#)	Market or payout value of RSUs that have not vested (\$)	Market or payout value of vested RSUs not paid out or distributed (\$)
Donald Archibald	100,000	1.99	September 16, 2015	44,525	15,000	26,850	-
	20,000	3.81	April 2, 2016				
	22,500	1.34	April 19, 2017				
	60,000	1.24	August 31, 2017				
	20,000	1.72	October 15, 2018				
Peter Bannister	100,000	1.99	September 16, 2015	44,525	15,000	26,850	-
	20,000	3.81	April 2, 2016				
	22,500	1.34	April 19, 2017				
	60,000	1.24	August 31, 2017				
	20,000	1.72	October 15, 2018				
Robert C. Cook	100,000	1.99	September 16, 2015	44,525 <sup>(2)</sup>	15,000	26,850 <sup>(2)</sup>	-
	20,000	3.81	April 2, 2016				
	22,500	1.34	April 19, 2017				
	60,000	1.24	August 31, 2017				
	20,000	1.72	October 15, 2018				
Brian A. Felesky	100,000	1.99	September 16, 2015	44,525	15,000	26,850	-
	20,000	3.81	April 2, 2016				
	22,500	1.34	April 19, 2017				
	60,000	1.24	August 31, 2017				
	20,000	1.72	October 15, 2018				
Daryl Gilbert	100,000	1.73	October 9, 2017	7,400 <sup>(3)</sup>	15,000	26,850 <sup>(3)</sup>	-
	20,000	1.72	October 15, 2018				
James K. Gray	100,000	1.99	September 16, 2015	44,525 <sup>(4)</sup>	-	-	-
	20,000	3.81	April 2, 2016				
	22,500	1.34	April 19, 2017				
	60,000	1.24	August 31, 2017				
	20,000	1.72	October 15, 2018				
Francesco G. Mele	100,000	1.99	September 16, 2015	44,525 <sup>(5)</sup>	15,000	26,850 <sup>(5)</sup>	-
	20,000	3.81	April 2, 2016				
	22,500	1.34	April 19, 2017				
	60,000	1.24	August 31, 2017				
	20,000	1.72	October 15, 2018				

Notes:

- (1) Value is calculated based on the difference between the exercise price of the Options and the closing price of the Common Shares on the TSX on December 31, 2013 of \$1.79.
- (2) Options and RSUs are held for the benefit of ARC Financial Corp.
- (3) Options and RSUs are held for the benefit of JOG Capital Inc.
- (4) Mr. Gray is no longer a director of the Company as he did not seek re-election at the Company's annual and special meeting of Shareholders held on May 28, 2013; however, in recognition of Mr. Gray's contributions to the Company and Temple Energy Inc., a predecessor of the Company, the Board conferred the honorary status of Director Emeritus to Mr. Gray, and the acceleration of the Mr. Gray's Options as a result of him ceasing to be a director was not implemented. Mr. Gray's Options have the same expiry and vesting schedule as at the time of the grant of such Options.
- (5) Options and RSUs are held for the benefit of KERN Partners Ltd.

## CORPORATE GOVERNANCE

The Company's Statement of Corporate Governance Practices is set out in Appendix "A" to this Information Circular.

## ANNUAL MEETING MATTERS

### Financial Statements

The audited financial statements of the Company for the year ended December 31, 2013 and the report of the auditors thereon will be received at the Meeting. The audited financial statements of the Company and the report of the auditors were provided to each Shareholder entitled to receive a copy of the Notice of Meeting and this Information Circular.

### Appointment of Auditors

At the Meeting, Shareholders will be asked to pass a resolution appointing Deloitte LLP, Chartered Accountants, as auditors of the Company, to hold office until the next annual meeting of Shareholders and to authorize the Board to fix the remuneration to be paid thereto. Deloitte LLP (formerly Deloitte & Touche LLP) have been auditors of Cequence since December 1, 2009.

### Election of Directors

It is proposed that 8 directors be elected at the Meeting. The enclosed form of proxy or voting instruction form permits Shareholders to vote "for" or to "withhold" their vote in respect of each director nominee. Except where authority to vote on the election of directors is withheld, the persons designated by the Company in the enclosed form of proxy intend to vote for the election of the 8 nominees whose names are set forth below. If, due to circumstances not at present foreseen, any of the persons named below should not be available for election, it is intended that the persons named in the accompanying form of proxy will vote for such other person or persons as the Board may recommend.

Subject to the Company's majority voting policy, if a director nominee has more votes withheld than are voted in favour of him or her, the nominee's position as a Board member will then be subject to review by the Board or, at the Board's discretion, the Nominating and Corporate Governance Committee (the "**Governance Committee**"). The Board or Governance Committee, as applicable, may determine, after review and consideration of the circumstances and factors that they reasonably believe underlie and relate to such vote results, that such nominee does not have sufficient support of the Shareholders, even though the nominee will have been duly elected as a matter of corporate law. After the Board or Governance Committee's review and consideration of such circumstances and factors and if requested by the Board or Governance Committee, as applicable, the nominee will be expected to forthwith submit his or her resignation to the Board, effective on acceptance by the Board.

The following table sets forth, for all persons proposed to be nominated for election as directors, all positions and offices with the Company now held by them, their principal occupations or employment during the preceding five years, the periods during which they have served as directors of the Company, the number of Common Shares and Options beneficially owned, directly or indirectly, by each of them, or over which they exercise control or direction and the value of such Common Shares, as of March 31, 2014, their attendance record for meetings held in 2013 while they were directors of the Company and current public board memberships, if any. Each elected director will hold office until the close of the next annual meeting of Shareholders, or until his successor is duly elected or appointed. Membership on Board committees is also noted in the table below. For the purposes of "Total Amount at Risk" disclosed in the below tables, the value has been calculated in accordance with the closing trading price of the Common Shares on the TSX as at December 31, 2013 of \$1.79.

<p><b>Donald Archibald</b> <b>Chairman</b></p> <p>Calgary, Alberta Canada Director Since: July 2009 Independent</p>	<p><b>Donald Archibald (Chairman)</b> has been an independent businessman since 2008. Previously, from June 2004 to March 2008, Mr. Archibald was the Chairman and Chief Executive Officer of Cyries Energy Inc., a public oil and gas company. Prior thereto, from January 2002 to June 2004, Mr. Archibald was the President and Chief Executive Officer of Cequel Energy Inc., a public oil and gas company, and prior thereto, from April 1996 to March 2001, Mr. Archibald was the President and Chief Executive Officer of Cypress Energy Inc., a public oil and gas company.</p>					
	<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>	
	Board		5 of 6	83%	11 of 13	85%
	Audit Committee		3 of 3	100%		
	Compensation Committee		2 of 3	67%		
	Governance Committee		1 of 1	100%		
	<b>Current Public Board Membership</b>					
	Chinook Energy Inc., Spartan Energy Corp. and Waldron Energy Corporation					
	<b>Common Shares Controlled or Directed</b>					
	Year		Common Shares		Total Amount at Risk	
	2013		4,242,628		\$7,594,304	
	<b>Options Held</b>					
Grant Date	Expiry Date	Number Granted	Exercise Price	Total Unexercised		
Sept. 16, 2010	Sept. 16, 2015	100,000	\$1.99	100,000		
April 4, 2011	April 4, 2016	20,000	\$3.81	20,000		
April 19, 2012	April 19, 2017	22,500	\$1.34	22,500		
August 31, 2012	August 31, 2017	60,000	\$1.24	60,000		
Oct. 15, 2013	Oct. 15, 2018	20,000	\$1.72	20,000		
<b>RSUs Held</b>						
Grant Date	Number Granted	Total Vested		Total Unvested		
Oct. 15, 2013	15,000	-		15,000		

<p><b>Peter Bannister</b></p> <p>Calgary, Alberta, Canada Director Since: July 2009 Independent</p>	<p><b>Peter Bannister</b> has been the President of Destiny Energy Inc., a private oil and gas company, since February 2007. Prior thereto, from January 2006 to February 2007, Mr. Bannister was the Vice-President, Exploration of Mission Oil &amp; Gas Inc., a public oil and gas company. Prior thereto, from April 2004 to January 2005, Mr. Bannister was the Vice President, Exploration of StarPoint Energy Ltd., a public oil and gas company. Prior thereto, from January 2001 to April 2004, Mr. Bannister was the President of Impact Energy Inc., a public oil and gas company.</p>					
	<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>	
	Board		6 of 6	100%	9 of 9	100%
	Governance Committee		1 of 1	100%		
	Reserves and Environment, Health & Safety Committee		2 of 2	100%		
	<b>Current Public Board Membership</b>					
	Crescent Point Energy Corp. and Surge Energy Inc.					
	<b>Common Shares Controlled or Directed</b>					
	Year		Common Shares		Total Amount at Risk	
	2013		418,554		\$749,212	
	<b>Options Held</b>					
	Grant Date	Expiry Date	Number Granted	Exercise Price	Total Unexercised	
Sept. 16, 2010	Sept. 16, 2015	100,000	\$1.99	100,000		
April 4, 2011	April 4, 2016	20,000	\$3.81	20,000		
April 19, 2012	April 19, 2017	22,500	\$1.34	22,500		
August 31, 2012	August 31, 2017	60,000	\$1.24	60,000		
Oct. 15, 2013	Oct. 15, 2018	20,000	\$1.72	20,000		

<b>RSUs Held</b>			
Grant Date	Number Granted	Total Vested	Total Unvested
Oct. 15, 2013	15,000	-	15,000

<b>Robert C. Cook</b>  Calgary, Alberta, Canada Director Since: 2010 Independent	<b>Robert C. Cook</b> has been the Senior Vice-President, Exploration and Production Group of ARC Financial Corp., a private investment firm, since March 2000.					
	<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>	
	Board		6 of 6	100%	11 of 11	100%
	Audit Committee		3 of 3	100%		
	Reserves and Environment, Health & Safety Committee		2 of 2	100%		
	<b>Current Public Board Membership</b>					
	Chinook Energy Inc.					
	<b>Common Shares Controlled or Directed<sup>(1)</sup></b>					
	Year		Common Shares		Total Amount at Risk	
	2013		-		\$-	
<b>Options Held<sup>(2)</sup></b>						
Grant Date	Expiry Date	Number Granted	Exercise Price	Total Unexercised		
Sept. 16, 2010	Sept. 16, 2015	100,000	\$1.99	100,000		
April 4, 2011	April 4, 2016	20,000	\$3.81	20,000		
April 19, 2012	April 19, 2017	22,500	\$1.34	22,500		
August 31, 2012	August 31, 2017	60,000	\$1.24	60,000		
Oct. 15, 2013	Oct. 15, 2018	20,000	\$1.72	20,000		
<b>RSUs Held<sup>(2)</sup></b>						
Grant Date		Number Granted		Total Unvested		
Oct. 15, 2013		15,000		15,000		

Notes:

(1) ARC Financial Corp. is an affiliate of ARC Equity Management (Fund 3) Ltd. and ARC Energy Venture Fund 4, which collectively, hold 17,960,127 Common Shares.

(2) Options and RSUs are held for the benefit of ARC Financial Corp.

<b>Howard Crone</b>  Calgary, Alberta, Canada Director Since: July 2009 Non-Independent	<b>Howard Crone</b> has been the Executive Vice President and COO since September 2010. Prior thereto, from July 2009 to September 2010, Mr. Crone was the President and CEO of the Company. Prior thereto, from May 2009 to July 2009, Mr. Crone was the President of a privately held oil and gas company. Prior thereto, from July 2004 to May 2009, Mr. Crone was an independent businessman.					
	<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>	
	Board		6 of 6	100%	6 of 6	100%
	<b>Current Public Board Membership</b>					
	None.					
	<b>Common Shares Controlled or Directed</b>					
	Year		Common Shares		Total Amount at Risk	
	2013		5,710,071		\$10,221,027	
	<b>Options Held</b>					
	Grant Date	Expiry Date	Number Granted	Exercise Price	Total Unexercised	
Sept. 16, 2010	Sept. 16, 2015	675,000	\$1.99	675,000		
April 4, 2011	April 4, 2016	185,000	\$3.81	185,000		



Sept. 14, 2011	Sept. 14, 2016	150,000	\$3.72	150,000
April 19, 2012	April 19, 2017	90,000	\$1.34	90,000
August 31, 2012	August 31, 2017	235,000	\$1.24	235,000
Oct. 15, 2013	Oct. 15, 2018	130,000	\$1.72	130,000
<b>RSUs Held</b>				
Grant Date	Number Granted	Total Vested	Total Unvested	
Oct. 15, 2013	20,000	-	20,000	

<b>Brian Felesky Q.C. O.C.</b>  Calgary, Alberta, Canada Director Since: September 2010 Independent	<b>Brian Felesky</b> has been the Vice Chairman, Investment Banking of Credit Suisse Securities (Canada), Inc., an investment banking firm, since February 2011. Prior thereto, from July 2006 to February 2011, Mr. Felesky was Counsel to the law firm of Felesky Flynn LLP. Prior thereto, from April 1978 to July 2006, Mr. Felesky was a Partner of Felesky Flynn LLP.				
	<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>
	Board	6 of 6	100%	12 of 12	100%
	Audit Committee	3 of 3	100%		
	Compensation Committee	3 of 3	100%		
	<b>Current Public Board Membership</b>				
	RS Technologies Inc.				
	<b>Common Shares Controlled or Directed</b>				
	Year	Common Shares	Total Amount at Risk		
	2013	264,575	\$473,589		
<b>Options Held</b>					
Grant Date	Expiry Date	Number Granted	Exercise Price	Total Unexercised	
Sept. 16, 2010	Sept. 16, 2015	100,000	\$1.99	100,000	
April 4, 2011	April 4, 2016	20,000	\$3.81	20,000	
April 19, 2012	April 19, 2017	22,500	\$1.34	22,500	
August 31, 2012	August 31, 2017	60,000	\$1.24	60,000	
Oct. 15, 2013	Oct. 18, 2018	20,000	\$1.72	20,000	
<b>RSUs Held</b>					
Grant Date	Number Granted	Total Vested	Total Unvested		
Oct. 15, 2013	15,000	-	15,000		

<b>Daryl Gilbert</b>  Calgary, Alberta, Canada Director Since: September 2012 Independent	<b>Daryl Gilbert</b> has been a Managing Director of JOG Capital Inc., a private equity energy investment management firm, since May, 2008 and prior thereto was an independent businessman since January 2005. Prior thereto, from 1994 to 2005, Mr. Gilbert was the President and Chief Executive Officer of Gilbert Lausten Jung Associates Ltd. (now GLJ Petroleum Consultants Ltd.), an independent petroleum evaluation consulting firm.				
	<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>
	Board	6 of 6	100%	10 of 10	100%
	Compensation Committee <sup>(1)</sup>	2 of 2	100%		
	Reserves and Environment, Health & Safety Committee	2 of 2	100%		
	<b>Current Public Board Membership</b>				
	AltaGas Ltd., MGM Energy Corp., Penn West Petroleum Ltd., Falcon Oil & Gas Ltd., Crocotta Energy Inc., PRD Energy Inc., Longview Oil Corp., Zedi Inc., Suroco Energy Inc.				
	<b>Common Shares Controlled or Directed</b>				
	Year	Common Shares <sup>(2)</sup>	Total Amount at Risk		
	2013	-	\$-		
<b>Options Held<sup>(2)</sup></b>					

Grant Date	Expiry Date	Number Granted	Exercise Price	Total Unexercised
Sept. 28, 2012	Sept. 28, 2017	100,000	\$1.24	100,000
Oct. 15, 2013	Oct. 15, 2018	20,000	\$1.72	20,000
<b>RSUs Held<sup>(3)</sup></b>				
Grant Date	Number Granted	Total Vested	Total Unvested	
Oct. 15, 2013	15,000	-	15,000	

Notes:

- (1) Mr. Gilbert was appointed chair of the Compensation Committee in June 2013.
- (2) JOG Capital Inc. is an affiliate of JOG Limited Partnership No. III, JOG Limited Partnership No. IV and JOG Limited Partnership No. V which collectively, hold 28,845,874 Common Shares.
- (3) Options and RSUs are held for the benefit of JOG Capital Inc.

<b>Francesco G. Mele</b>  Calgary, Alberta Director Since: June 2010 Independent	<b>Francesco Mele</b> has been a Partner of KERN Partners Ltd., a private equity fund company, since May 2008. Prior thereto, from September 2005 to February 2008, Mr Mele was a Managing Director, Investment Banking of CIBC World Markets Inc., an investment banking company.				
	<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>
	Board	6 of 6	100%	9 of 9	100%
	Governance Committee	1 of 1	100%		
	Reserves and Environment, Health & Safety Committee	2 of 2	100%		
	<b>Current Public Board Membership</b>				
	None				
	<b>Common Shares Controlled or Directed<sup>(1)</sup></b>				
	Year	Common Shares	Total Amount at Risk		
	2013	-	-		
<b>Options Held<sup>(2)</sup></b>					
Grant Date	Expiry Date	Number Granted	Exercise Price	Total Unexercised	
Sept. 16, 2010	Sept. 16, 2015	100,000	\$1.99	100,000	
April 4, 2011	April 4, 2016	20,000	\$3.81	20,000	
April 19, 2012	April 19, 2017	22,500	\$1.34	22,500	
August 31, 2012	August 31, 2017	60,000	\$1.24	60,000	
Oct. 15, 2013	Oct. 15, 2018	20,000	\$1.72	20,000	
<b>RSUs Held<sup>(2)</sup></b>					
Grant Date	Number Granted	Total Vested	Total Unvested		
Oct. 15, 2013	15,000	-	15,000		

Notes:

- (1) KERN Partners Ltd. is an affiliate of KERN Energy Partners Management Ltd. and KERN Energy Partners Management II Ltd., which collectively, hold 12,756,456 Common Shares.
- (2) Options and RSUs are held for the benefit of KERN Partners Ltd.

<b>Paul Wanklyn</b>  Calgary, Alberta Director Since: September 2010 Non-Independent	<b>Paul Wanklyn</b> has been the President and CEO since September 2010. Prior thereto, from June 2004 to September 2010, Mr. Wanklyn was the President and Chief Executive Officer of Temple Energy Inc., a private oil and gas company.				
	<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>
	Board	6 of 6	100%	6 of 6	100%
	<b>Current Public Board Membership</b>				
None					

<b>Common Shares Controlled or Directed</b>				
Year		Common Shares	Total Amount at Risk	
2013		1,166,816	\$2,088,601	
<b>Options Held</b>				
Grant Date	Expiry Date	Number Granted	Exercise Price	Total Unexercised
Sept. 16, 2010	Sept. 16, 2015	750,000	\$1.99	750,000
April 4, 2011	April 4, 2016	250,000	\$3.81	250,000
Sept. 14, 2011	Sept. 14, 2016	250,000	\$3.72	250,000
April 19, 2012	April 19, 2017	125,000	\$1.34	125,000
August 31, 2012	August 31, 2017	330,000	\$1.24	330,000
Oct. 15, 2013	Oct. 15, 2018	130,000	\$1.72	130,000
<b>RSUs Held</b>				
Grant Date	Number Granted	Total Vested	Total Unvested	
Oct. 15, 2013	20,000	-	20,000	

### **Director Emeritus**

Mr. James Gray did not seek re-election to the Board at the annual and special meeting of Shareholders of the Company held on May 28, 2013. In recognition of Mr. Gray's contributions to the Company and Temple Energy Inc., a predecessor to the Company, the Board conferred the honorary status of Director Emeritus to Mr. Gray. As Director Emeritus, Mr. Gray is invited to attend the annual meeting of Shareholders of the Company and Board meetings and functions and he is reimbursed for reasonable out-of-pocket expenses in connection with the attendance of such events.

## **SPECIAL BUSINESS**

### **Confirmation of the Adoption of Amended & Restated By-Laws for the Company**

#### **General**

In 2013, the Board reviewed the Company's by-laws, which were adopted by the Board and Shareholders several years ago, and determined that the by-laws should be updated to, among other things, reflect the current provisions of the *Business Corporations Act* (Alberta) (the "**ABCA**") and certain corporate governance best practices. Accordingly, at a meeting of the Board held on November 12, 2013, the Board adopted amended and restated by-laws of the Company (the "**Amended & Restated By-Laws**"). The Amended & Restated By-Laws are attached to this Information Circular as Appendix "C". Pursuant to the requirements of the ABCA, the adoption of the Amended & Restated By-Laws must be submitted to Shareholders for confirmation.

#### **Description of Key Differences Between the Previous By-Laws and the Amended & Restated By-Laws**

The following summarizes the key differences between the previous by-laws and the Amended & Restated By-Laws and is qualified in its entirety by the text of the provisions of the Amended & Restated By-Laws, which are attached to this Information Circular as Appendix "C".

- The Amended & Restated By-Laws require the Board to set the number of directors to be elected at a shareholder's meeting prior to such meeting.
- The Amended & Restated By-Laws remove the chairman's casting vote at Board meetings.
- The Amended & Restated By-Laws amend certain provisions relating to Shareholders' meetings to: (i) increase quorum requirements for Shareholders' meetings from 10% to 25%; (ii) provide the chair of a Shareholders' meeting with certain other powers to help ensure an orderly Shareholders' meeting; and (iii) allow voting by electronic means.

- The Amended & Restated By-Laws also include an advance notice requirement (the "**Advance Notice Requirement**") for Shareholders who wish to nominate their own directors at an annual or special Shareholders' meeting. The Advance Notice Requirement was added to the Company's by-laws to facilitate an orderly and efficient director nomination process by ensuring that all Shareholders receive adequate notice of director nominations and sufficient information in respect of all nominees so that the proposed nominees' qualifications and suitability as directors can be evaluated and an informed vote cast for the election of directors. The Advance Notice Requirement fixes deadlines for submitting director nominations to the Company prior to any annual or special meeting of Shareholders where directors are to be elected, and sets forth the information that a Shareholder must include in their nomination in order for it to be valid. In the case of an annual Shareholders' meeting, the deadlines for notice of a Shareholders' director nominations are not less than 30 days and not more than 65 days prior to the meeting; provided, however, if the first public notice of an annual Shareholders' meeting is given less than 50 days prior to the meeting date, Shareholders must provide notice of their nominations by close of business on the 10th day following the announcement of the meeting. In the case of a special meeting (which is not also an annual meeting) called for the purpose of electing directors, Shareholders must provide notice of their nominations by close of business on the 15th day following first public announcement of the special Shareholders' meeting. The deadlines in the Advance Notice Requirement are supported by Institutional Shareholder Services Inc.

### ***Shareholder Approval***

At the Meeting, Shareholders will be asked to consider the following ordinary resolution confirming the adoption of the Amended & Restated By-Laws:

"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The adoption by the board of directors of the Company of By-Law No. 1 of the Company, in substantially the form set out in Appendix "C" to the information circular of the Company dated April 21, 2014, as amended and restated by-laws of the Company is hereby ratified, confirmed and approved.
2. Any one officer or director of the Company be and is hereby authorized and directed, for and on behalf of the Company to execute and deliver or file such documents and instruments, and to do all such other acts and things as are required or as such officer or director, in such officer's or director's sole discretion, may deem necessary to give full effect to or carry out the provisions of the foregoing resolution."

This resolution must be passed by a majority of the votes cast by the Shareholders present in person or by proxy at the Meeting. The directors named in the enclosed proxy will vote FOR this resolution unless you indicate to vote against it.

## **REGULATORY MATTERS**

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

Except as disclosed herein, to the knowledge of management of Cequence, no director of Cequence is, or has been, within the past 10 years before the date hereof, a director or executive officer of any issuer that, while that person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation for a period of more than 30 consecutive days; or (ii) was subject to an event that resulted, after the person ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation for a period of more than 30 consecutive days.

To the knowledge of management of Cequence, no director of Cequence is, or has been, within the past 10 years before the date hereof, a director or executive officer of any issuer that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Gilbert was a director of Globel Direct, Inc. ("**Globel**") from May 1998 until September 2008. On June 12, 2007, the Court of Queen's Bench of Alberta granted an initial order to Globel for creditor protection under the CCAA. Such protection expired on December 7, 2007, the monitor was discharged on December 12, 2007 and a receiver manager was appointed.

### **Personal Bankruptcies**

To the knowledge of management of Cequence, no director of Cequence has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

### **Penalties or Sanctions**

To the knowledge of management of Cequence, no director of Cequence has: (i) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, other than penalties for late filing of insider reports; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable Shareholder in deciding whether to vote for a proposed director.

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

Except as disclosed in this Information Circular, neither the Company nor any director or officer of the Company, nor any proposed nominee for election as a director of the Company, nor any other insider of the Company, nor any associate or affiliate of any one of them has or has had, at any time since the beginning of the year ended December 31, 2013, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Company.

## **OTHER BUSINESS**

Management of Cequence is not aware of any other business to come before the Meeting other than as set forth in the Notice of Meeting. If any other business properly comes before the Meeting, it is the intention of the persons named in the form of proxy to vote the Common Shares represented thereby in accordance with their best judgment on such matter.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is contained in the Company's consolidated financial statements and management's discussion and analysis for the year ended December 31, 2013. In addition, a Shareholder may obtain copies of the Company's consolidated financial statements and management's discussion and analysis, by contacting the Company at 3100, 525 - 8 Avenue S.W., Calgary, Alberta, T2P 1G1.

## APPENDIX "A"

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

*Capitalized terms used in this Appendix "A" but not otherwise defined herein shall have the meanings ascribed thereto in the Information Circular to which this Appendix "A" is appended.*

The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interest of its Shareholders but that it also promotes effective decision making at the Board level. The Board is of the view that its approach to corporate governance is appropriate and continues to work to align with the recommendations currently in effect and contained in National Policy 58-201, *Corporate Governance Guidelines* ("**NP 58-201**") which are addressed below. In addition, the Board monitors and considers for implementation by Cequence the corporate governance standards which are proposed by various Canadian regulatory authorities or which are published by various non-regulatory organizations in Canada.

#### **Mandate of the Board**

The Board has responsibility for the stewardship of the Company. The Board has adopted a formal written mandate which is set out as Appendix "B" to this Information Circular. In carrying out this mandate, the Board meets regularly and a broad range of matters are discussed and reviewed for approval. These matters include overall corporate plans and strategies, budgets, internal controls and management information systems, risk management as well as interim and annual financial and operating results. The Board is also responsible for the approval of all major transactions, including equity issuances, acquisitions and dispositions, as well as the Company's debt and borrowing policies. The Board strives to ensure that actions taken by management correspond closely with the objectives of the Board and Shareholders.

#### **Composition of the Board**

##### ***Independence***

The Board currently consists of eight directors who provide the Company with a wide diversity of business experience. Additional information for each of the directors can be found under the heading "*Meeting Matters - Election of Directors*". Six of the board members (representing 75% of the Board), being Messrs. Archibald, Bannister, Cook, Felesky, Gilbert and Mele are independent directors as such term is defined by National Instrument 58-101, *Disclosure of Corporate Governance Practices* ("**NI 58-101**"). Each of the independent directors has no direct or indirect material relationship with the Company, including any business or other relationship, which could reasonably be expected to interfere with the director's ability to act with a view to the best interest of the Company or which could reasonably be expected to interfere with the exercise of the director's independent judgement.

Messrs. Wanklyn and Crone are not considered by the Board to be independent directors within the meaning of NI 58-101 in that they also serve as executive officers of the Company.

##### ***Other Directorships***

A number of the directors currently serve on the board of directors of the reporting issuers (or equivalent) See "*Meeting Matters - Election of Directors*" in the Information Circular.

##### ***Board Meetings***

The attendance record for each director for all Board and committee meetings held while such persons were directors and members of specific committees is set forth under the heading "*Meeting Matters - Election of Directors*".

Following all meetings, the Board and its committees conduct *in camera* sessions, at which no management directors or members of management are present. The *in camera* sessions are intended not only to encourage the Board and its committees to fully and independently fulfill their mandates, but also

to facilitate the performance of the fiduciary duties and responsibilities of the Board and its committees on behalf of Shareholders.

## **Position Descriptions**

### ***Chairman of the Board***

The Board has developed a written position description for the Chairman. The Chairman's scope, duties and responsibilities include, but are not limited to, the following:

- be satisfied that the Board is alert to its obligations to the Company and to Shareholders;
- determine the dates and locations of the meetings of the Board and the Shareholders;
- require the Board to meet at least four times annually and as many additional times as necessary for the Board to carry out its duties and responsibilities effectively;
- approve agendas for Board meetings after being satisfied such agenda enables the Board to successfully carry out its duties;
- ensure that all business that is required to be brought before a meeting of Shareholders is brought before a meeting of Shareholders;
- maintain a liaison and communication with all members of the Board and the committee chairs to co-ordinate input from all members of the Board, and optimize the effectiveness of the Board and its committees;
- endeavour to attend all meetings of the Board and the Shareholders;
- be satisfied that the Board receives adequate and regular updates from the management on all issues important to the welfare and future of the Company;
- be satisfied that information requested by members of the Board or its committees of the Board is provided and meets their needs;
- review conflict of interest issues with respect to members of the Board as they arise;
- provide leadership to enable the Board to act as a team in carrying out its duties and responsibilities;
- chair *in camera* meetings of the Board, without management present, at every Board meeting; and
- provide advice, counsel and mentorship to the fellow members of the Board.

### ***Committee Chairs***

The Board has not developed separate written position descriptions for the chair of each Board committee. Instead, the Board has adopted written mandates for each of the Audit Committee, Reserves Committee, Governance Committee, Compensation Committee and Environment, Health & Safety Committee. Each of the written mandates provides that the chair will preside as chairman at each committee meeting and will lead the committee discussion on meeting agenda items.

### ***Chief Executive Officer***

The Board has developed a written position description for the CEO. The CEO's scope, duties and responsibilities include, but are not limited to, the following:

- maintaining a high level of integrity and assisting in creating a culture of integrity throughout the Company;

- working with the Board to determine the strategic direction of the Company;
- leading and assisting the Board in developing short-term and long-term plans and objectives to achieve the strategies of the Company;
- from time to time, determining with the Board, the budgets of the Company and the Board's expectations of the CEO;
- undertaking the day-to-day management and operation of the Company and providing leadership designed to achieve the objectives of the Company;
- steward the Company's expenditures within approved budgets;
- developing senior management succession and development plans and reporting to the Governance Committee at least annually on such plans including recommending candidates for appointment as officers and senior management of the Company to the Board;
- ensuring appropriate policies and procedures of the Company are developed, maintained and disclosed;
- providing appropriate certifications regarding the Company and its activities, as may be required from time to time;
- ensuring that procedures are in place for appropriate communication to all stakeholders regarding the Company's activities and objectives; and
- complying with all stock exchange, regulatory and statutory requirements.

### **Orientation and Continuing Education**

The Governance Committee is mandated to oversee an orientation and education program for new directors and to provide ongoing educational opportunities for all directors. The objectives of such programs are to ensure that new directors fully understand: (i) the role of the Board and its committees; (ii) the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the Company expects from its directors); and (iii) the nature and operation of the Company's affairs.

Continuing education opportunities are directed at enabling individual directors to maintain or enhance their skills and abilities as directors, as well as ensuring that their knowledge and understanding of the Company's affairs remains current.

All new directors will be provided with a baseline of knowledge about the Company and its subsidiaries as deemed appropriate.

### **Ethical Business Conduct**

The Company has adopted a Code of Business Conduct and Ethics (the "**Code**"), which applies to all directors, officers, employees, contractors and partners of the Company. A complete copy of the Code is available on SEDAR at [www.sedar.com](http://www.sedar.com). The Company expects that its directors, officers, employees, contractors and partners will adhere to the highest ethical standards in all of the Company's business activities. The Company's directors, officers, employees and consultants are expected to deal fairly with securityholders, customers, suppliers and competitors.

The Board and management of Cequence monitor compliance with the Code. All directors, officers, employees, contractors and partners are encouraged to report violations of the Code in accordance with the procedures set forth in the Company's Whistleblower Policy (the "**Whistleblower Policy**"), which provides for the prompt reporting of any violations to an employee's supervisor, or alternatively, to any senior officer or director or to the Chairman. The Whistleblower Policy also promotes, among other things,



the disclosure and reporting of any questionable accounting or auditing matters, fraudulent or misleading financial information.

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

Each director must disclose all actual or potential conflicts of interest and refrain from voting on matters in which such director has a conflict of interest. In addition, the director must excuse himself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest. Pursuant to the Company's Corporate Disclosure Policy (the "**Disclosure Policy**"), the directors and officers of the Company are required to publicly disclose their aggregate ownership interest in any entity which the Company enters into a transaction with.

The Board has reviewed and approved the Disclosure Policy, in order to promote consistent disclosure practices aimed at informative, timely and broadly disseminated disclosure of material information to the market, in accordance with applicable securities legislation.

### **Nomination of Directors**

The process for identifying and recommending the nomination of new Board candidates has been set forth in the written mandate of the Governance Committee. The Governance Committee will work with the Board to determine the competencies and skills the Board considers necessary for the Board, as a whole, to possess, as well as the skills the Board considers each existing director possesses. The Governance Committee will then identify potential Board members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity, which assessment will include a consideration of diversity, age, skills, competencies and experience in the context of the needs of the Board.

The Governance Committee makes recommendations to the Board with respect to nominees for election at the next annual meeting of Shareholders or to be appointed to fill vacancies between annual meetings of the Shareholders and will approach nominees to ascertain their willingness to serve as a member of the Board.

### **Board Committees and their Mandates**

The Board has four standing committees, being the Audit Committee, the Compensation Committee, the Governance Committee and the Reserves and Environment, Health & Safety Committee. The following is a description of the committees and their current membership.

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

**Chair:** Brian Felesky

**Members:** Donald Archibald and Robert C. Cook

The Audit Committee is constituted with three independent directors. The Board has determined that all of the members of the Audit Committee are "financially literate" as defined in National Instrument 52-110, *Audit Committees*. An individual is considered financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and 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 issuer's financial statements. The primary functions of the Audit Committee include:

- consider and make a recommendation to the Board as to the nomination or re-appointment of the external auditor for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services, ensuring that such auditor is a participant in good standing pursuant to applicable laws;

- consider and make a recommendation to the Board as to the compensation of the external auditor which is to be paid by the Company;
- oversee the work of the external auditor in performing their audit, review or attest services and oversee the resolution of any disagreements between management of the Company and the external auditor;
- review and discuss with the external auditor all significant relationships that the external auditor and its affiliates have with the Company and its affiliates in order to determine the external auditor's independence;
- as may be required by applicable securities laws, rules and guidelines, either:
  - pre-approve all non-audit services to be provided by the external auditor to the Company (and its subsidiaries, if any); or
  - adopt specific policies and procedures for the engagement of the external auditor for the purposes of the provision of non-audit services;
- review and approve the hiring policies of the Company regarding partners and employees and former partners and employees of the present and former external auditor of the Company;
- review with management and the external auditor, and recommend to the Board for approval, the annual and interim financial statements of the Company and related annual and interim financial reporting, including management's discussion and analysis and earnings press releases;
- upon completion of each audit, review with the external auditor the results of such audit;
- review with management and recommend to the Board for approval, any financial statements of the Company (excluding pro forma financial statements, unless such review is requested by the Board) which have not previously been approved by the Board and which are to be included in a prospectus or other public disclosure document of the Company;
- consider and be satisfied that adequate policies and procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, and periodically assess the adequacy of such procedures;
- review accounting, tax, legal and financial aspects of the operations of the Company as the Audit Committee considers appropriate;
- review with management and the external auditor, the adequacy and effectiveness of the internal control and management information systems and procedures of the Company (with particular attention given to accounting, financial statements and financial reporting matters) and determine whether the Company is in compliance with applicable legal and regulatory requirements and with the Company's policies;
- read the external auditor's recommendations regarding any matters, including internal control and management information systems and procedures, and management's responses thereto;
- establish procedures for the receipt, retention and treatment of complaints, submissions and concerns regarding accounting, internal controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and
- if requested by the Board, review the appropriateness and effectiveness of the Company's policies and business practices which impact on the financial integrity of the Company, including those relating to accounting and management reporting. The Audit Committee may, if requested by the Board, also review the financial risks arising from the Company's exposure to such things as commodity prices, interest rates, foreign currency exchange rates and credit, the activities of the Company's marketing group, the Company's insurance program and tax or government audits and report the results of such reviews to the Board for the purpose of assisting the Board in identifying the principal business risks associated with the business of the Company.

The Audit Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to determine the compensation of such advisors.

The Chair of the Audit Committee holds *in camera* meetings, without management present, at every regularly scheduled meeting of the Audit Committee. The Audit Committee meets at least four times annually.

Further information relating to the Audit Committee can be found under the heading "*Audit Committee*" in the AIF.

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

**Chair:** Peter Bannister

**Member:** Francesco Mele, Robert C. Cook and Daryl Gilbert

The Reserves and Environment, Health & Safety Committee is constituted with four independent directors. The primary functions of the Reserves and Environment, Health & Safety Committee include:

#### Reserves Functions

- review at least annually, the Company's procedures relating to disclosure of information with respect to the oil and gas activities of the Company, including its procedures for complying with the disclosure requirements and restrictions of National Instrument 51-101 ("**NI 51-101**");
- review annually the qualifications and independence of the qualified reserves evaluator(s) to be appointed or re-appointed by the Board and in the case of any proposed change in the reserves evaluator(s), determine the reasons for the proposed change and whether there have been any disputes between the appointed reserves evaluator(s) and management of the Company;
- review at least annually the Company's procedures for providing information to the reserves evaluator(s) for the purposes of its report on reserves data of the Company under NI 51-101;
- before recommending that the Board approve the filing of the statement of reserves data and other oil and gas information of the Company, the report of management and directors on oil and gas disclosure and the report of the reserves evaluator(s) on reserves data with the applicable regulatory authorities, to meet with management and each of the reserves evaluator(s) to:
  - determine whether any restrictions affect the ability of the reserves evaluator(s) to report on the reserves data of the Company without reservation; and
  - review the statement of reserves data and other oil and gas information and the report of the reserves evaluator(s) on reserves data;
- review the content and filing of: (i) the statement of reserves data and other oil and gas information; (ii) the report of reserves evaluator(s) on reserves data; and (iii) the report of management and directors on oil and gas disclosure as contemplated by NI 51-101 and to make a recommendation to the Board as to whether to approve the content and filing of such documents;
- review any public disclosure or regulatory filings with respect to any reserves or resources evaluations and oil and gas activities, including any material change reports containing such information, and the compliance thereof with applicable regulatory requirements, and, if appropriate, make recommendations to the Board as to their approval for the release or filing thereof;
- co-ordinate meetings with the Audit Committee, the Company's senior reserve personnel, the reserves evaluator(s) and the external auditor as may be determined advisable by the Reserves and Environment, Health & Safety Committee to address matters of mutual interest or concern in respect of the Company's evaluation of oil and natural gas reserves and resources;

- perform any other activities consistent with this mandate and, generally, governing laws as the Reserves and Environment, Health & Safety Committee or the Board deems necessary or appropriate;

#### Environmental, Health & Safety Functions

- report to the Board on matters coming before the Reserves and Environment, Health & Safety Committee relating to environmental, health and safety policies and activities of the Company for consideration;
- review and monitor the environmental policies and activities of the Company on behalf of the Board to ensure that the Company is in compliance with environmental laws and legislation and that the Company conforms with industry standards;
- review and monitor the health and safety policies and activities of the Company on behalf of the Board to ensure compliance with applicable laws, legislation and policies as they relate to the health and safety of the Company's employees in the workplace;
- review environmental, health and safety compliance issues and incidents of non-compliance to determine, on behalf of the Board, that the Company is taking all necessary action in respect of those matters and that the Company has been duly diligent in carrying out its responsibilities and activities in that regard;
- review significant external or internal audit or consultants' reports relating to environmental, health or safety matters;
- review significant legislative and regulatory changes including policy proposals and modifications that could materially impact the Company;
- review and report to the Board on the sufficiency of resources available for carrying out the actions and activities recommended; and
- report on a timely basis and at least annually to the Board on environmental, health and safety issues and on the state of compliance with applicable laws and legislation and adherence to the policies of the Company.

The Reserves and Environment, Health & Safety Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to determine the compensation of such advisors.

The Chair of the Reserves and Environment, Health & Safety Committee holds *in camera* meetings, without management present, at every regularly scheduled meeting of the and Environmental, Health & Safety Committee. The Reserves and Environment, Health & Safety Committee meets at least once annually.

#### **Compensation Committee**

**Chair:** Daryl Gilbert

**Members:** Donald Archibald and Brian Felesky

The Compensation Committee is constituted with three independent directors. The primary functions of the Compensation Committee include:

- review and recommend for approval by the Board, the Company's key human resources policies;
- review and recommend for approval by the Board, the executive compensation philosophy and remuneration policy for the Company;
- evaluate annually the performance of the President and CEO and recommend to the Board his annual compensation package and performance objectives;

- review annually and recommend to the Board the annual compensation package and performance objectives of the other executive officers;
- annually determine and recommend to the Board any bonuses to be paid and if requested by the Board, determine and recommend any special bonuses to be paid;
- review and recommend to the Board any significant changes to the overall compensation program;
- review the adequacy and form of the compensation of directors periodically to determine if the compensation realistically reflects the responsibilities and risks involved in being an effective director, and report and make recommendations to the Board accordingly;
- report annually to the Shareholders on executive compensation;
- review the grants of securities under the Option Plan, RSU Plan or any other incentive compensation plan or equity-based plan, at the request of the Board; and
- perform any other activities consistent with this mandate, the Company's by-laws and governing laws as the Compensation Committee or the Board deems necessary or appropriate.

The Compensation Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to determine the compensation of such advisors.

The Compensation Committee holds *in camera* meetings, without management present, at every regularly scheduled meeting of the Compensation Committee. The Compensation Committee meets at least one time annually.

Members of the Compensation Committee have experience with compensation matters, having served on the boards of other reporting issuers and, in the case of Mr. Archibald, having been responsible for the administration of compensation programs of issuers for which he served as Chief Executive Officer. In addition, Mr. Gilbert has served on the compensation committees of other reporting issuers.

### **Nominating and Corporate Governance Committee**

**Chair:** Donald Archibald

**Members:** Francesco Mele and Peter Bannister

The Governance Committee is constituted with three independent directors. The primary functions of the Governance Committee include:

#### Corporate Governance Functions

- consider the corporate governance practices of the Company, monitor developments in corporate governance issues and make recommendations to the Board that the Committee considers advisable to satisfy itself that the Company follows appropriate and proper corporate governance practices;
- assess the functioning and effectiveness of the Board and its individual members on an annual basis and report to the Board its findings;
- assess, from time to time, the need for, and the performance and suitability of, the committees of the Board and their individual members, and make recommendations with respect thereto (including matters such as the appointment, removal or replacement of committee members and committee chairs) to the Board;
- develop and review on an annual basis the mandates for the Board, the committees of the Board and the position descriptions for the Chairman and CEO and make recommendations to the Board with respect thereto;
- review and recommend to the Board the Code for directors, officers and employees of the Company and its procedures;

- monitor compliance with the Code and regularly report to the Board, including the status of complaints received from investigations conducted, as well as on employee training;
- assess the effectiveness of the working relationship and communications between the Board and management of the Company and satisfy itself that any issues relating to governance which are identified by the Board are raised with management;
- review, at the request of the Board, all significant proposed related party transactions and situations involving a potential conflict of interest;
- review Board structures and procedures to be satisfied that the Board functions independently of management;
- assess the availability, relevance and timeliness of information required by the Board;
- review and recommend for approval of the Board, the annual corporate governance disclosure of the Company in its Annual Information Form, Information Circular and/or Annual Report;

#### Nomination Functions

- work with the Board to determine the competencies and skills the Board considers necessary for the Board, as a whole, to possess;
- work with the Board to determine the competencies and skills the Board considers each existing director to possess;
- identify potential Board members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity, such assessment will include a consideration of diversity, age, skills, competencies and experience in the context of the needs of the Board;
- make recommendations to the Board with respect to nominees for election at the next annual meeting of Shareholders or to be appointed to fill vacancies between annual meetings of the Shareholders;
- approach nominees to ascertain their willingness to serve as a member of the Board;
- consider, when suggesting new nominees, whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board, including a review of other boards of which the nominee is a member;
- make recommendations to the Board as to the allocation of directors to each Board committee, including recommendations for filling any vacancies on such committees;
- ensure there is a succession plan for the position of Chairman and the Company's Chief Executive Officer and for the appointment, training and monitoring of senior management; and
- review and make recommendations regarding the comprehensive orientation of new directors and providing continuing education opportunities for all directors so they may maintain or enhance their skills and abilities as directors as well as to ensure their knowledge and understanding of the Company's business remains current.

The Governance Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to determine the compensation of such advisors.

The Governance Committee will hold *in camera* meetings, without management present, at every regularly scheduled meeting of the Governance Committee. The Governance Committee meets at least one time annually.

#### **Disclosure Committee**

In addition to the four standing committees of the Board, the Company has constituted a Disclosure Committee comprised of Messrs. Wanklyn, Crone and Gillis, all of whom are executive officers of the

Company. The Disclosure Committee's primary responsibilities are to oversee the Company's disclosure practices and to ensure the Company meets all regulatory disclosure requirements.

### ***Risk Management Committee***

In addition to the four standing committees of the Board, the Company has constituted a Risk Management Committee comprised of Messrs. Wanklyn, Crone, Gillis and Jackson, all of whom are executive officers of the Company. The Risk Management Committee's primary responsibilities are to ensure compliance with the Company's Risk Management and Hedging Policy, as well as to formulate the Company's risk management strategy under the overall direction of the Board, which includes:

- determination of what proportion of the Company's production should be hedged at any given time and for what period(s) in accordance with Board approved limits;
- determination of which commodity pricing or FX exposures should be hedged;
- determination of which pricing indices are appropriate to hedge against;
- determination of type of structures/instruments to be used; and
- determination of pricing levels to be targeted.

### **Assessments**

The Board is responsible for ensuring that there is a process in place for annually evaluating the effectiveness and contribution of the Board, the committees of the Board and the individual directors based on their applicable terms of reference or position description.

The objective of the assessments is to ensure the continued effectiveness of the Board in the execution of its responsibilities and to contribute to a process of continuing improvement. In addition to any other matters the Board deems relevant, the assessments will consider in the case of the Board or a committee, the applicable terms of reference, the applicable position descriptions, as well as the competencies and skills each individual director is expected to bring to the Board.

## APPENDIX "B"

### BOARD OF DIRECTORS TERMS OF REFERENCE

The Board of Directors (the "**Board**") of Cequence Energy Ltd. (the "**Corporation**") shall have the oversight responsibility, authority and specific duties as described below.

#### **Composition**

##### Directors and Chairman

The Board shall appoint a chairman (the "**Chairman**") from amongst the directors which comprise the Board. The majority of the directors and the Chairman must to the extent possible be independent, as defined under applicable securities laws, rules or guidelines, any applicable stock exchange requirements or guidelines and any other applicable regulatory rules.

To ensure efficient, independent functioning of the Board, the Chairman shall be the effective leader of the Board. As such, the Chairman is responsible for ensuring that the Board's agenda enables the Board to successfully carry out its duties.

##### Committees

In addition to any other committees (including special committees) which the Board may in its discretion constitute from time to time, the Board shall have the following standing committees:

- Audit Committee;
- Reserves and Environment, Health and Safety Committee;
- Compensation Committee; and
- Governance Committee.

Certain of the responsibilities of the Board may be delegated to these or other committees of the Board. The composition and responsibilities of these standing committees and any other standing committees of the Board will be as set forth in their terms of reference, as amended from time to time, and approved by the Board.

Committee members shall be appointed by the Board. The Governance Committee shall provide the Board with its recommendation for filling any vacancies on any committees. The chair of each committee may be designated by the Board or, failing that, by the members of the particular committee. At each meeting of the Board, the chair of each committee (or such committee member as the chair may designate) shall report the results of meetings and any associated recommendations.

#### **Board Membership Nomination and Evaluation**

The Board has delegated the responsibility of recommending new director nominees to the Governance Committee. The Governance Committee shall, among other things, be responsible for recommending director candidates to the full Board. As well, the Governance Committee will ensure an orientation program is provided to new directors.

In addition, the Board has delegated the responsibility of annually evaluating the effectiveness and contribution of the Board, the committees of the Board and the individual directors to the Governance Committee.

#### **Communication**

To ensure that the Corporation has in place policies and programs that enable the Corporation to communicate effectively and in a timely manner with its shareholders, other stakeholders, analysts and the public generally the Board has adopted a corporate disclosure policy.

#### **Meetings and Record Keeping**

The Board shall meet regularly and at least quarterly at such times and at such locations as the Chairman or a majority of the directors shall determine. Further:



1. Notice of meetings shall be given to each director not less than 48 hours before the time of the meeting (unless such notice period is waived). Meetings of the Board may be held without formal notice if all of the directors are present and do not object to notice not having been given, or if those absent waive notice in any manner before or after the meeting. The notice of the meeting may be delivered personally, given by mail, facsimile or other electronic means of communication.
2. Each member of the Board is expected to attend Board meetings and meetings of committees on which he or she is a member and to be familiar with deliberations and decisions as soon as possible after any missed meetings. Members of the Board are expected to prepare for meetings by reviewing the meeting materials distributed to members of the Board prior to such meetings.
3. The independent directors of the Board shall regularly hold *in camera* sessions of the Board, with only independent directors present and at such times as the independent directors or Chairman determine advisable.
4. A quorum for meetings shall be a majority of the members of the Board, present in person or by telephone or by other telecommunication device that permits all persons participating in the meeting to hear each other.
5. If the Chairman is not present at any meeting, one of the other directors who is present at the meeting shall be chosen by the Board to preside at the meeting.
6. The Chairman shall, in consultation with management, establish agendas for the meetings that enable the Board to successfully carry out its duties and instruct management to circulate appropriate agenda materials to the Board with sufficient time for study prior to the meeting.
7. Every question at a Board meeting shall be decided by a majority of the votes cast.
8. Management shall receive notice of meetings and may attend meetings of the Board at the invitation of the Chairman.
9. The Corporate Secretary of the Corporation, or any other person selected by the Board, shall act as secretary for the purpose of recording the minutes of each meeting.
10. The minutes of the meeting of the Board shall be placed in the Corporation's minute book.

### **Duties and Responsibilities**

In accordance with applicable laws, the Board is required to always act honestly and in good faith with a view to the best interests of the Corporation.

The Board is responsible for the stewardship of the Corporation and overseeing the management of the business of the Corporation. The responsibilities of the Board include:

1. to the extent feasible, satisfying itself as to the integrity of the executive officers and that the executive officers create a culture of integrity throughout the Corporation;
2. satisfy itself that the executive officers are complying with the Corporation's policies and Code of Business Conduct;
3. adopting a strategic planning process and approving, at least on an annual basis, a strategic plan/budget for the Corporation which takes into account, among other things, the opportunities and risks of the business;
4. identifying the principal risks of the Corporation's business, and ensuring appropriate systems are implemented to manage these risks;
5. reviewing on an annual basis the Corporation's compliance with the Disclosure Policy and ensuring that the Disclosure Committee is effectively implementing the disclosure policy;
6. ensuring that the Corporation has appropriate processes in place to effectively communicate with its employees, government authorities, other stakeholders and the public;

7. ensuring the necessary internal controls and management systems are in place that effectively monitor the Corporation's operations and ensure compliance with applicable laws, regulations and policies, including reviewing on an annual basis the controls and procedures established for the certification of financial and other disclosure made by the Corporation;
8. satisfying itself that the Corporation is taking appropriate actions with regards to health and safety matters;
9. developing clear position descriptions for the Chairman and the President and Chief Executive Officer;
10. reviewing and approving, as appropriate, the recommendations of any committees of the Board;
11. developing or approving the corporate goals and objectives that the President and Chief Executive Officer is responsible for meeting; and
12. establishing, with the assistance of the Governance Committee, if required, an appropriate system of corporate governance principles and guidelines applicable to the Corporation.

#### **Stakeholder Communication**

Any stakeholder may contact the Board by e-mail or in writing at Donald Archibald, Attention: Chairman of Board of Directors, 3100, 525 - 8 Avenue S.W., Calgary, Alberta, T2P 1G1, Telephone: (403) 660-8906, Email: d.archibald@cequence-energy.com. Matters relating to the Corporation's accounting, internal accounting control or audit matters will be referred to the Audit Committee. Other matters will be referred to the Chairman.

#### **Review of Terms of Reference**

The Board or, at the request of the Board, the Governance Committee, shall review and assess these Terms of Reference and any governance principles and guidelines established by the Board at least annually.

**APPENDIX "C"**  
**AMENDED & RESTATED BY-LAWS**

## BY-LAW NO. 1

A by-law relating generally to the transaction of the business and affairs of **Cequence Energy Ltd.**

### CONTENTS

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

IT IS HEREBY ENACTED as By-law No. 1 of **Cequence Energy Ltd.** (hereinafter called the "Corporation") as follows:

### SECTION 1 INTERPRETATION

#### **1.01** Definitions

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

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

"Applicable Securities Laws" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada;

"appoint" includes "elect" and vice versa;

"articles" means the articles of the Corporation, as defined in the Act, and includes any amendments thereto;

"board" means the board of directors of the Corporation;

"by-laws" means this by-law and all other by-laws of the Corporation from time to time in force and effect;

"meeting of shareholders" means any meeting of shareholders, including any meeting of one or more classes or series of shareholders;

"Nominating Shareholder" has the meaning set out in Section 8.14(a)(iii) of these by-laws;

"public announcement" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com);

"recorded address" means, in the case of a shareholder, the address of such shareholder as recorded in the securities register; in the case of joint shareholders, the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are more than one; and, in the case of a director, officer, auditor or member of a committee of the board, the latest address of such person as recorded in the records of the Corporation; and

"signing officer" means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by Section 2.03 or by a resolution passed pursuant thereto.

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

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

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

#### **1.03 Headings and Sections**

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

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

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

**SECTION 2**  
**BUSINESS OF THE CORPORATION**

**2.01 Corporate Seal**

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

**2.02 Financial Year**

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

**2.03 Execution of Instruments**

Deeds, transfers, assignments, contracts, mortgages, charges, obligations, certificates and other instruments of any nature whatsoever (collectively "instruments") shall be signed on behalf of the Corporation by any one of the president, chairman of the board, managing director, any vice-president, any director, treasurer or any assistant treasurer or any other office created by by-law or by the board. In addition, the board is authorized from time to time by resolution to appoint any person or persons on behalf of the Corporation either to sign instruments in writing generally or to sign specific instruments. Any signing officer may affix the corporate seal to any instrument requiring the same.

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

(a) Subject to the Act, any instrument or document required or permitted to be executed by one or more persons on behalf of the Corporation may be signed by electronic means or by facsimile; and

(b) Any instrument or document required or permitted to be executed by one or more persons may be executed in separate counterparts, each of which when duly executed by one or more of such persons shall be an original and all such counterparts together shall constitute one and the same such instrument or document.

**2.05 Banking Arrangements**

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

**2.06 Voting Rights in Other Bodies Corporate**

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

## **SECTION 3** **DIRECTORS**

### **3.01 Number of Directors**

The board shall consist of the number of directors provided in the articles, or, if a minimum number and a maximum number of directors is so provided, the number of directors of the Corporation shall be determined from time to time by resolution of the board.

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

Meetings of the board shall be called and held at such time and at such place as the board, the chair of the board, the president or any two directors may determine, and the secretary or any other officer shall give notice of meetings when directed or authorized by such persons. Notice of each meeting of the board shall be given in the manner provided in Section 9 to each director not less than twenty four hours before the time when the meeting is to be held unless waived in accordance with the Act. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting, except where required by the Act. Notwithstanding the foregoing, the board may from time to time fix a day or days in any month or months for regular meetings of the board at a place and hour to be named, in which case no other notice shall be required for any such regular meeting except where the Act requires specification of the purpose or the business to be transacted thereat. Provided that a quorum of directors is present, each newly elected board may, without notice, hold its first meeting following the meeting of shareholders at which such board was elected.

### **3.03 Place of Meetings**

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

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

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

### **3.05 Quorum**

Subject to the requirements under the Act requiring resident Canadians to be present at any meeting of the board, the quorum for the transaction of business at any meeting of the board shall consist of a majority of directors or such greater number of directors as the board may from time to time determine.

### **3.06 Chair**

The chair of any meeting of the board shall be the director present at the meeting who is the first mentioned of the following officers as have been appointed: chair of the board, managing director or president. If no such officer is present, the directors present shall choose one of their number to be chair. If the secretary of the Corporation is absent, the chair of the meeting shall appoint some person, who need not be a director, to act as secretary of the meeting.

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

At all meetings of the board every question shall be decided by a majority of the votes cast on the question. A director participating in a meeting by electronic means, telephone or other communication facilities may vote by means of such facility. In case of an equality of votes the chair of the meeting shall

not be entitled to a second or casting vote. The powers of the board may also be exercised by resolution in writing signed by all the directors who would be entitled to vote on that resolution at a meeting of the board.

### **3.08 Adjourned Meeting**

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

### **3.09 Remuneration and Expenses**

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

### **3.10 Officers**

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

### **3.11 Agents and Attorneys**

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

## **SECTION 4 COMMITTEES**

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

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

### **4.02 Transaction of Business**

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

### **4.03 Procedure**

Unless otherwise determined by the board, a quorum for meetings of any committee shall be a majority of its members, each committee shall have the power to appoint its chair and the rules for calling, holding, conducting and adjourning meetings of the committee which, unless otherwise determined, shall be the same as those governing the board. Each member of a committee shall serve during the pleasure of the board of directors and, in any event, only so long as such person shall be a director. The directors



may fill vacancies in a committee by appointment from among their members. Provided that a quorum is maintained, the committee may continue to exercise its powers notwithstanding any vacancy among its members.

## **SECTION 5**

### **PROTECTION OF DIRECTORS AND OFFICERS**

#### **5.01 Limitation of Liability**

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

#### **5.02 Indemnity**

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

#### **5.03 Advance Of Costs**

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

#### **5.04 Court Approval**

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

#### **5.05 Indemnities Not Exclusive**

The rights of any person to indemnification granted by the Act or this by-law are not exclusive of any other rights to which any person seeking indemnification may be entitled under any agreement, vote of shareholders or directors, at law or otherwise, and shall continue as to a person who has ceased to be a

director, officer, employee or agent and will enure to the benefit of the heirs and legal representatives of that person.

#### **5.06 Insurance**

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

### **SECTION 6** **SHARES**

#### **6.01 Non-Recognition of Trusts**

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

#### **6.02 Joint Shareholders**

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

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

### **SECTION 7** **DIVIDENDS**

#### **7.01 Dividend Cheques**

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

#### **7.02 Non-receipt of Cheques**

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

### **7.03 Unclaimed Dividends**

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

## **SECTION 8 MEETINGS OF SHAREHOLDERS**

### **8.01 Place of Meetings**

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

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

Any person entitled to attend a meeting of shareholders may participate in the meeting, in accordance with the Act, by electronic means, telephone or other communication facility that permits all participants to hear each other or otherwise communicate with each other during the meeting, if the Corporation makes available such a communication facility. A person participating in a meeting by such means shall be deemed to be present at the meeting.

### **8.03 Electronic Meetings**

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

### **8.04 Chair, Secretary and Scrutineers**

The chair of any meeting of shareholders, who need not be a shareholder of the Corporation, shall be the first mentioned of the following officers as has been appointed and is present at the meeting: chair of the board, president or a vice-president (in order of seniority). If no such officer is present and willing to act as chair within fifteen minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chair. The chair shall conduct the proceedings at the meeting in all respects and his or her decision in any matter or thing, including, but without in any way limiting the generality of the foregoing, any question regarding the validity or invalidity of any instruments of proxy and any question as to the admission or rejection of a vote, shall be conclusive and binding upon the shareholders and the chair shall have the right to waive or extend any proxy deposit deadlines in his or her sole discretion. The secretary of any meeting of shareholders shall be the secretary of the Corporation, provided that, if the Corporation does not have a secretary or if the secretary of the Corporation is absent, the chair shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. The board may from time to time appoint in advance of any meeting of shareholders one or more persons to act as scrutineers at such meeting and, in the absence of such appointment, the chair may appoint one or more persons to act as scrutineers at any meeting of shareholders. Scrutineers so appointed may, but need not be, shareholders, directors, officers or employees of the Corporation.

### **8.05 Persons Entitled to be Present**

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

#### **8.06 Quorum**

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

#### **8.07 Representatives**

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

#### **8.08 Action by Shareholders**

The shareholders shall act by ordinary resolution unless otherwise required by the Act, articles, by-laws or any unanimous shareholder agreement. In case of an equality of votes either upon a show of hands or upon a poll, the chair of the meeting shall not be entitled to a second or casting vote.

#### **8.09 Show of Hands**

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

#### **8.10 Ballots**

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

#### **8.11 Demand for Poll Not to Prevent Continuance of Meeting**

The demand for a poll at a meeting of shareholders does not, unless the chair of the meeting so rules, prevent the continuation of a meeting for the transaction of any business other than the question on which a poll has been demanded.

#### **8.12 Electronic Voting**

Notwithstanding Section 8.09, any vote referred to in Section 8.08 may be held, in accordance with the Act, partially or entirely by electronic means, telephone or other communication facility, if the Corporation has made available such a facility.

Any person participating in a meeting of shareholders under Section 8.02 or 8.03 and entitled to vote at the meeting may vote, in accordance with the Act by electronic means, telephone or other communication facility that the Corporation has made available such purpose.

### **8.13 Resolution in Lieu of Meeting**

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

### **8.14 Nomination of Directors**

#### **(a) Nominations**

Subject only to the Act and the articles, only persons who are nominated in accordance with the procedures set out in this Section 8.14 shall be eligible for election as directors of the Corporation. Nominations of persons for election to the board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors:

- (i) by or at the direction of the Board, including pursuant to a notice of meeting;
- (ii) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act, or a requisition of the shareholders made in accordance with the provisions of the Act; or
- (iii) by any person (a "Nominating Shareholder"): (A) who, at the close of business on the date of the giving of the notice provided for below in this By-law and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth below in this by-law.

#### **(b) Notice of Nomination**

In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the secretary of the Corporation at the principal executive offices of the Corporation.

#### **(c) Timing of Notice**

To be timely, a Nominating Shareholder's notice to the secretary of the Corporation must be made:

- (i) in the case of an annual meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the "Notice Date") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and
- (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day

following the day on which the first public announcement of the date of the special meeting of shareholders was made. In no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice as described above.

(d) Form of Notice

To be in proper written form, a Nominating Shareholder's notice to the secretary of the Corporation must set forth:

- (i) as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (A) the name, age, business address and residential address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of shares in the capital of the Corporation which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (D) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws; and
- (ii) as to the Nominating Shareholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Corporation and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws.

The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

(e) Validity of Nomination

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Section 8.14; provided, however, that nothing in this Section 8.14 shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act. The chair of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

(f) Method of Giving Notice of Nomination

Notwithstanding any other provision of these by-laws, notice given to the secretary of the Corporation pursuant to this Section 8.14 may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the secretary of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the aforesaid address) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the secretary at the address of the principal executive offices of the Corporation; provided that if such delivery or electronic communication is

made on a day which is a not a business day or later than 5:00 p.m. (Calgary time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.

(g) Waiver

Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this Section 8.14.

## **SECTION 9** **NOTICES**

### **9.01 Method of Giving Notices**

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

### **9.02 Notice to Joint Holders**

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

### **9.03 Computation of Time**

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

### **9.04 Omissions and Errors**

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

### **9.05 Persons Entitled by Death or Operation of Law**

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

**SECTION 10**  
**EFFECTIVE DATE**

**10.01 Effective Date**

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

**MADE** by the board the 12<sup>th</sup> day of November, 2013.

(signed) "Paul Wanklyn"  
President and CEO

**CONFIRMED** by the Shareholders in accordance with the Act the \_\_\_\_\_ day of \_\_\_\_\_, 2014.

\_\_\_\_\_  
President and CEO