



**CES ENERGY SOLUTIONS CORP.**

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING  
OF SHAREHOLDERS TO BE HELD ON JUNE 10, 2019**

**AND**

**INFORMATION CIRCULAR AND PROXY STATEMENT**

**APRIL 29, 2019**





## NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

To be held on June 10, 2019

**NOTICE IS HEREBY GIVEN THAT** the Annual General and Special Meeting (together with any and all adjournments and postponements thereof, the "**Meeting**") of the holders (the "**Shareholders**") of common shares (the "**Common Shares**") of CES Energy Solutions Corp. (the "**Corporation**" or "**CES**") will be held on June 10, 2019 at 9:00 a.m. (Calgary time) in the Grand Lecture Theatre of The Metropolitan Centre at 333 – 4<sup>th</sup> Avenue SW, Calgary, Alberta, for the following purposes:

1. to receive and consider the audited consolidated comparative financial statements of the Corporation for the year ended December 31, 2018, together with the auditors' report on those financial statements;
2. to fix the number of directors to be elected at the Meeting at seven (7) members;
3. to elect persons to serve as directors of the Corporation for the ensuing year;
4. to consider and, if thought fit, pass an ordinary resolution ratifying and approving the Corporation's amended and restated shareholder rights plan, as more fully described in the management information circular and proxy statement of the Corporation dated April 29, 2019 (the "**Information Circular**");
5. to appoint Deloitte LLP as the auditors of the Corporation for the ensuing year and to authorize the board of directors of the Corporation (the "**Board**") to fix the remuneration of the auditors; and
6. to transact such other business as may properly be brought before the Meeting.

The specific details of the matters proposed to be put before the Meeting are set forth in the Information Circular accompanying this Notice of Meeting. The audited consolidated comparative financial statements of the Corporation for the year ended December 31, 2018, including the auditors' report on those financial statements, have been mailed to Shareholders who have requested the same, in accordance with applicable securities laws. The financial statements are also available on the internet on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

A Shareholder may attend the Meeting in person or may be represented at the Meeting by proxy. Shareholders of the Corporation who are unable to attend the Meeting in person are requested to complete, date and sign the enclosed form of proxy or voting instruction form (each referred to as a "**Form of Proxy**") and return it in the enclosed envelope. Non-registered Shareholders (being Shareholders who hold their Common Shares through brokerage accounts or other intermediaries) who wish to appear in person and vote at the Meeting must appoint themselves as proxy by inserting their name in the blank space provided on the Form of Proxy and returning the Form of Proxy in the envelope provided. In order to be valid and acted upon at the Meeting, the Form of Proxy must be received (either directly or through a Shareholder's broker or other intermediary) by Computershare Investor Services Inc.

not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time for holding the Meeting. Further instructions with respect to attending the Meeting or voting by proxy are provided in the Form of Proxy and in the Information Circular accompanying this Notice of Meeting.

Shareholders of record as of the close of business on April 29, 2019 are entitled to receive notice of the Meeting and to vote Common Shares registered in their name at the Meeting. Any transferee or person acquiring Common Shares after such date may, on proof of ownership of such Common Shares, demand not later than 10 days before the Meeting that his or her name be included in the list of persons entitled to attend and vote at the Meeting, in which case the transferee is entitled to vote those Common Shares at the Meeting.

DATED at Calgary, Alberta on April 29, 2019.

**CES ENERGY SOLUTIONS CORP.**

*(signed) "Thomas J. Simons"*

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Thomas J. Simons  
President and Chief Executive Officer



**INFORMATION CIRCULAR AND PROXY STATEMENT**

**For the Annual General and Special Meeting of Shareholders  
to be held on June 10, 2019**

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## PROXIES

### Solicitation of Proxies

This Information Circular and Proxy Statement (the “**Information Circular**”) is furnished in connection with the solicitation of proxies by the management (“**Management**”) of CES Energy Solutions Corp., including, where context requires, its predecessors and subsidiaries (the “**Corporation**” or “**CES**”) for use at the Annual General and Special Meeting of the holders (the “**Shareholders**”) of common shares of the Corporation (the “**Common Shares**”) to be held on June 10, 2019 at 9:00 a.m. (Calgary time) in the Grand Lecture Theatre of The Metropolitan Centre at 333 – 4<sup>th</sup> Avenue SW, Calgary, Alberta (together with all adjournments and postponements thereof, the “**Meeting**”), for the purposes set forth in the accompanying Notice of Annual General and Special Meeting of Shareholders (the “**Notice of Meeting**”) accompanying this Information Circular. Information contained in this Information Circular is given as at April 29, 2019 unless otherwise stated.

### Notice and Access Procedures

National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”) and National Instrument 51-102 - *Continuous Disclosure Obligations* allow for the use of a “notice and access” regime for the delivery of proxy-related materials.

Under the notice-and-access regime, reporting issuers are permitted to post electronic versions of their proxy-related materials on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) as well as a website other than SEDAR, rather than mailing paper copies to Shareholders. Under notice-and-access, a notice package containing (i) a paper copy of a notice outlining the matters to be addressed at the Meeting and how a Shareholder may obtain a copy of the Information Circular electronically or request a paper copy at no charge, and (ii) a Form of Proxy (as defined below), in the case of Registered Shareholders (as defined below) or a voting instruction form, in the case of Beneficial Shareholders (as defined below) will be sent to Shareholders. Where prior consent has been obtained, a reporting issuer can send this notice package to Shareholders electronically. This notice package must be mailed to Shareholders from whom consent to electronic delivery has not been received.

The Corporation has elected to send its Information Circular to Registered and Beneficial Shareholders using the notice-and-access regime. Accordingly, the Corporation will send the abovementioned notice package directly to Registered Shareholders and indirectly to Beneficial Shareholders. Using notice-and-access is expected to reduce the volume of materials that must be physically mailed to shareholders and reduce our impact on the environment.

The Corporation will not pay for proximate intermediaries to forward the proxy related materials and the voting instruction form to objecting beneficial owners under NI 54-101 and accordingly, objecting beneficial owners will not receive such materials unless their intermediary assumes the cost of delivery.

### Notice to Beneficial Holders of Common Shares

**The information set forth in this section is of significant importance to many Shareholders of the Corporation, as a substantial number of the Shareholders do not hold Common Shares in their own name.** Shareholders who do not hold Common Shares in their own name (referred to herein as “**Beneficial Shareholders**”) should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares (referred to herein as “**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 the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder’s broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc.), which acts as nominee for many Canadian brokerage firms. Common Shares held by brokers or their nominees can



only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, the brokers/nominees are prohibited from voting Common Shares for their clients. The Corporation does not know for whose benefit the Common Shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of securityholders' 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 voting instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically mails a scannable "voting instruction form" in lieu of the form of proxy. Beneficial Shareholders are requested to complete and return the voting instruction form to Broadridge by mail, phone or online. Alternatively, Beneficial Shareholders can call a toll-free telephone number or access Broadridge's dedicated voting website (each as noted on the voting instruction form) to deliver their voting instructions and vote the Common Shares held by them. 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. 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.

Beneficial Shareholders who receive forms of proxies or voting materials from organizations other than Broadridge should complete and return such forms of proxies or voting materials in accordance with the instructions on such materials in order to properly vote their Common Shares at the Meeting.

A Beneficial Shareholder receiving a voting instruction form from Broadridge or a form of proxy from an organization other than Broadridge cannot use it to vote Common Shares directly at the Meeting. A Beneficial Shareholder who wishes to appear in person and vote at the Meeting must have themselves appointed as proxy by the Registered Shareholder by following the instructions in the voting instruction or form of proxy.

#### **Record Date**

Only Registered Shareholders of record at the close of business on April 29, 2019 (the "**Record Date**") are entitled to notice of, and to attend and vote at, the Meeting, unless a Registered Shareholder has transferred Common Shares subsequent to that date and the transferee Registered Shareholder establishes ownership to the Common Shares and demands, not later than 10 days before the Meeting, that the transferee's name be included on the list of shareholders entitled to vote.

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

Registered Shareholders may vote in person at the Meeting or they may appoint another person as their proxy to attend and vote in their place. A form of proxy ("**Form of Proxy**") has been mailed with the Notice of Meeting and this Information Circular to all Registered Shareholders. **The persons named in the Form of Proxy are officers of the Corporation. A Registered Shareholder submitting the Form of Proxy has the right to appoint a person (who does not have to be a Shareholder) to be their representative at the Meeting, other than the persons designated in the Form of Proxy furnished by the Corporation. Such appointment may be exercised by inserting the name of the appointed representative in the blank space provided for that purpose.**

Registered Shareholders that cannot attend the Meeting in person are requested to complete, sign, date and return the accompanying Form of Proxy in the envelope provided. In any case, the Form of Proxy must be dated and executed by the Registered Shareholder or his or her attorney duly authorized in

writing or, if the Registered Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. In order to be effective, the completed Form of Proxy must be deposited at the office of the Corporation's registrar and transfer agent, Computershare Investor Services Inc. ("**Computershare**"), Proxy Department, 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, not later than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting.

A Registered Shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the Registered Shareholder or his or her attorney authorized in writing or, if the Registered Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. In order to be effective, the revocation must be deposited either at the office of Computershare, as described above, at any time prior to 2:30 p.m. (Calgary time) on the last business day preceding the day of the Meeting at which the proxy is to be used, or with the chairman of the Meeting on the day of the Meeting, and upon either of such deposits the proxy is revoked.

### **Persons Making the Solicitation**

**This solicitation is made on behalf of Management of the Corporation.** The costs incurred in the preparation and mailing of the Form of Proxy, Notice of Meeting and this Information Circular and the solicitation of proxies will be borne by the Corporation. In addition to the use of mail, proxies may be solicited by personal interviews, or by other means of communication or by the directors, officers and employees of the Corporation, who will not be remunerated therefor.

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

The persons designated in the enclosed Form of Proxy will, if the instructions are clear, vote the Common Shares represented by that Form of Proxy, and where a choice with respect to any matter to be acted upon has been specified in the Form of Proxy, the Common Shares represented by that Form of Proxy will be voted or withheld from voting in accordance with the specification so made. **In the absence of such specification in a Form of Proxy received by the Corporation, the Common Shares will be voted in favour of any matters for which no specification has been made.**

**The persons designated in the enclosed Form of Proxy are conferred with discretionary authority with respect to amendments or variations of those matters identified in the Form of Proxy and the Notice of Meeting and with respect to any other matters which may properly be brought before the Meeting. In the event of any amendments or variations to matters identified in the Form of Proxy and the Notice of Meeting, or with respect to any other matters which may properly be brought before the Meeting, it is the intention of the persons designated in the enclosed Form of Proxy to vote in accordance with their best judgment on such matters. At the time of printing this Information Circular, Management is not aware of any such amendment, variation or other matter.**

### **Quorum**

At the Meeting, a quorum shall consist of shareholders present in person or represented by proxy and representing in the aggregate not less than 5% of the outstanding Common Shares.

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

The Corporation is authorized to issue an unlimited number of Common Shares and as at April 29, 2019, 266,391,601 Common Shares were issued and outstanding. At the Meeting, upon a show of hands, every Shareholder present in person or represented by proxy and entitled to vote shall have one vote. On a poll or ballot, every Shareholder present in person or by proxy has one vote for each Common Share held. All votes on special resolutions, if any, shall be by a ballot and no demand for a ballot shall be necessary.

Other than EdgePoint Investment Group, Inc. who, as at the date of this Information Circular, holds approximately 44,248,000 Common Shares, representing 16.64% of the issued and outstanding Common Shares, to the best of the knowledge of Management and the directors of the Corporation, no other Shareholder beneficially owns, controls or directs, directly or indirectly, Common Shares carrying more than 10% of the votes attached to all of the issued and outstanding Common Shares that may be voted at the Meeting.

## **APPROVAL REQUIREMENT**

All of the matters to be considered at the Meeting, other than the election of directors, are ordinary resolutions requiring approval by more than 50% of the votes cast in respect of the resolution by or on behalf of Shareholders present in person or represented by proxy at the Meeting.

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

### **1. Presentation of Financial Statements**

The consolidated comparative financial statements of the Corporation for the year ended December 31, 2018, including the auditors' report on those financial statements, made available on the internet on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

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

At the Meeting, Shareholders will be asked to fix the number of directors to be elected at the Meeting at seven (7) members. **The persons designated in the enclosed Form of Proxy, unless otherwise instructed, intend to vote IN FAVOUR of the recommendation to fix the number of directors at seven (7) persons.**

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

The board of directors of the Corporation (the "**Board of Directors**" or the "**Board**") currently consists of nine (9) directors whose terms will expire at the Meeting. At the Meeting, the Shareholders of record as at April 29, 2019 will be asked to elect seven (7) nominees to serve as directors of the Corporation until the next annual general meeting of the Shareholders or until their respective successors have been appointed or elected. **The persons designated in the enclosed Form of Proxy, unless otherwise instructed, intend to vote IN FAVOUR of the election of the nominees listed herein.**

Management does not contemplate that any of the nominees will be unable to serve as a director, but should that circumstance arise for any reason it is intended that the person named as nominee in the enclosed Form of Proxy shall exercise discretionary authority to vote the Common Shares represented by proxy for the election of any other nominee or nominees as directors.

The Board of Directors adopted a Majority Voting Policy (the "**Majority Voting Policy**") effective May 8, 2013, as amended on May 11, 2017, pursuant to which, in an uncontested election of directors, a director who receives more "withhold" votes than "for" votes at the annual meeting of Shareholders will tender his or her resignation to the Chair of the Board of Directors, to be effective upon acceptance by the Board of the Directors. The Corporate Governance and Nominating Committee of the Board of Directors (the "**Corporate Governance and Nominating Committee**") will expeditiously consider the director's offer to resign and make a recommendation to the Board of Directors whether to accept it or not. The Corporate Governance and Nominating Committee will be expected to recommend acceptance of the resignation except in situations in which exceptional circumstances warrant the applicable director continuing to serve on the Board of Directors. The Board of Directors will make its decision and announce it in a news release within 90 days following the annual meeting, including the reasons for its decision. A director who tenders a resignation pursuant to this policy will not participate in any meeting of the Board of Directors or the Corporate Governance and Nominating Committee at which the resignation is considered.

Shareholders should note that, as a result of the Majority Voting Policy, a “withhold” vote is effectively the same as a vote against a director nominee in an uncontested election.

The name, residence, date of appointment as a director of the Corporation or its predecessor, principal occupation and number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised and other information, with respect to each of the seven (7) nominees as directors of the Corporation, as at the date of this Information Circular, is set forth below:

**Mr. Kyle D. Kitagawa, CPA**

Calgary, Alberta, Canada

Age 58

Director since December 9, 2005

Chairman of the Board of Directors

Independent

Mr. Kitagawa is an independent businessman and has been a corporate director since March 2003. Mr. Kitagawa currently is Chairman of Zargon Oil & Gas Ltd. and managing director of North River Capital Corp. Prior thereto, Mr. Kitagawa was President and Chief Executive Officer of Enron Canada Corp. Mr. Kitagawa has previously sat on the board of directors for Coral Hill Energy Ltd., Advanced Mobile Power Systems, LLC, Esprit Exploration Ltd., Ferus Trust, Independent Energy Ltd., Invasion Energy Inc., Livingston Energy Ltd., Papier Masson Ltee., ProspEx Resources Ltd. and Wave Energy Ltd. Mr. Kitagawa is a member of the Chartered Professional Accountants of Alberta. He holds a Master of Business Administration degree from Queen's University, a Bachelor of Commerce from the University of Calgary and is a Chartered Professional Accountant.

<b><u>Securities Held</u></b>	<b><u>Number</u></b>	<b><u>Value<sup>(1)</sup></u></b>
Common Shares	1,588,749	\$4,369,060 <sup>(2)</sup>
RSUs	53,415	\$146,891
<b>Total Equity Value at Risk</b>		<b>\$4,515,951</b>

**Committee Membership and Meeting Attendance in 2018:**

Chairman of Board of Directors	5/5
Member of Audit Committee	4/4
Member of Corporate Governance and Nominating Committee	1/1
Member of Compensation Committee	6/6

**Mr. Spencer D. Armour, III**  
 Midland, Texas, United States  
 Age 65  
 Director since December 12, 2018  
 Non-Independent

Mr. Armour has over 30 years of executive and entrepreneurial experience in the energy services industry and is based in Midland, Texas. Mr. Armour is currently Chairman of the Board of Directors of ProPetro Holding Corp., where he has been a director since 2013, a board member of Viper Energy Partners, LP since 2017 and also serves as partner at Geneses Investments LLC. He served as President of PT Petroleum LLC from 2013 to 2018, and he was the Vice President of Corporate Development for Basic Energy Services, Inc. from 2007 to 2008, which acquired Sledge Drilling Corp., a company Mr. Armour cofounded and served as Chief Executive Officer for from 2005 to 2006. From 1998 through 2005, he served as Executive Vice President of Patterson-UTI Energy, Inc., which acquired Lone Star Mud, Inc., a company Mr. Armour founded and served as President for from 1986 to 1997. He also served on the Patterson-UTI Board of Directors from 1999 through 2001. Mr. Armour received a B.S. in Economics from the University of Houston in 1977 and was appointed to the University of Houston System Board of Regents for a six year term in 2011 by former Texas Governor, Rick Perry.

<b><u>Securities Held</u></b>	<b><u>Number</u></b>	<b><u>Value</u></b>
Common Shares	Nil	Nil
RSUs	42,264	\$116,226
<b>Total Equity Value at Risk</b>		<b>\$116,226</b>

**Committee Membership and Meeting Attendance in 2018:**

Board of Directors	0/0 <sup>(3)</sup>
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**Mr. Rodney L. Carpenter**  
 Calgary, Alberta, Canada  
 Age 65  
 Director since December 9, 2005  
 Independent

Mr. Carpenter is an independent businessman with over 37 years of experience in the oilfield service industry. Mr. Carpenter, prior to his retirement in December of 2008, was the Vice President, Business Development of the general partner of Canadian Energy Services L.P. Prior thereto, Mr. Carpenter was the President and Chief Executive Officer and one of the principals of Canadian Fluid Systems Ltd (“CFS”). Mr. Carpenter joined CFS in 1989 and has held several sales, operations and management positions within CFS, including Vice President, Operations between 1994 and 2001. In 2001, Mr. Carpenter was appointed President and Chief Executive Officer of CFS.

<b><u>Securities Held</u></b>	<b><u>Number</u></b>	<b><u>Value</u></b>
Common Shares	5,902,111	\$16,230,805
RSUs	35,610	\$97,928
<b>Total Equity Value at Risk</b>		<b>\$16,328,733</b>

**Committee Membership and Meeting Attendance in 2018:**

Board of Directors	5/5
Chair of Health, Safety & Environment Committee	4/4

**Ms. Stella Cosby**

Calgary, Alberta, Canada

Age 61

Director since September 14, 2017

Independent

Ms. Cosby has been the Vice President, People of Cervus Equipment Corporation since July 1, 2014. Prior to joining Cervus, Ms. Cosby was a Senior Director with Agrium Inc. from 2002 to 2014 where she held positions responsible for all aspects of Human Resources. Prior to joining Agrium Inc., Ms. Cosby was Vice President, Human Resources for Manulife Financial and Senior Director, Business Effectiveness for Canadian Pacific Railway. Ms. Cosby has a Bachelor of Arts degree in Sociology, a M.A. in Organizational Systems Renewal and is a certified executive coach. Ms. Cosby recently served as an independent director of Savanna Energy Services Corp. where she chaired the Human Resources and Compensation Committee, and served on the Governance & Nominating, and Health, Safety and Environment Committees until 2017. Ms. Cosby holds a Bachelor of Arts in Sociology from Western University, a Master of Arts in Organization Systems Renewal from Antioch University. Ms. Cosby is a graduate of the Institute of Corporate Directors (ICD) Education Program.

<b><u>Securities Held</u></b>	<b><u>Number</u></b>	<b><u>Value</u></b>
Common Shares	36,918	\$101,525
RSUs	48,048	\$132,132
<b>Total Equity Value at Risk</b>		<b>\$233,657</b>

**Committee Membership and Meeting Attendance in 2018:**

Board of Directors	5/5
Member of Compensation Committee	2/2 <sup>(4)</sup>
Member of Health, Safety & Environment Committee	4/4

**Mr. John M. Hooks**

Calgary, Alberta, Canada

Age 61

Director since December 9, 2005

Independent

Mr. Hooks has been the Chief Executive Officer, and formerly President, of PHX Energy Services Corp. and its predecessor, Phoenix Technology Services Inc., since 1995, and has been chairman of its board of directors since 2000. Mr. Hooks was on the board of directors of Savanna Energy Services Corp. from 2005 until 2017.

<b><u>Securities Held</u></b>	<b><u>Number</u></b>	<b><u>Value</u></b>
Common Shares	1,466,415	\$4,032,641
RSUs	35,610	\$97,928
<b>Total Equity Value at Risk</b>		<b>\$4,130,569</b>

**Committee Membership and Meeting Attendance in 2018:**

Board of Directors	5/5
Chair of Compensation Committee	6/6
Member of Corporate Governance and Nominating Committee	1/1

**Mr. Philip J. Scherman, FCPA, FCA, ICD.D**

Calgary, Alberta, Canada

Age 68

Director since May 14, 2015

Independent

Mr. Scherman is a Chartered Professional Accountant and currently serves on the board of Mullen Group Ltd. and The Calgary Foundation. Mr. Scherman was an engagement partner at KPMG from 1982 to 2012 for public and private energy and energy service entities. Mr. Scherman also served on the KPMG Canada Board of Directors for six years. Mr. Scherman is a member of the Canadian and Alberta Institutes of Chartered Professional Accountants and was awarded the Fellow of the Chartered Professional Accountants designation.

<b><u>Securities Held</u></b>	<b><u>Number</u></b>	<b><u>Value</u></b>
Common Shares	112,182	\$308,501
RSUs	35,610	\$97,928
<b>Total Equity Value at Risk</b>		<b>\$406,428</b>

**Committee Membership and Meeting Attendance in 2018:**

Board of Directors	5/5
Chair of Audit Committee	4/4

**Mr. Thomas J. Simons**

Calgary, Alberta, Canada

Age 51

Director since December 9, 2005

Non-Independent

Mr. Simons has been the President and Chief Executive Officer of the Corporation and its predecessor since March 2006. Prior thereto, Mr. Simons was the co-founder and one of the principals of Impact Fluid Systems Inc. Mr. Simons has over 25 years of experience in the North American oilfield service industry. Mr. Simons graduated from the Advanced Management Program at Harvard Business School.

<b><u>Securities Held</u></b>	<b><u>Number</u></b>	<b><u>Value</u></b>
Common Shares	2,470,812	\$6,794,733
RSUs	609,279	\$1,675,515
Incentive Rights	150,000	Nil <sup>(5)</sup>
<b>Total Equity Value at Risk</b>		<b>\$8,470,248</b>

**Committee Membership and Meeting Attendance in 2018:**

Board of Directors	5/5
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**Notes:**

- (1) All values in this table have been determined based on the closing price of the Common Shares on the Toronto Stock Exchange ("TSX") as at the date of this Information Circular being \$2.75 per Common Share.
- (2) Includes 974,400 Common Shares held by a family trust, which is neither controlled nor directed by Mr. Kitagawa, but for which Mr. Kitagawa acts as a trustee.
- (3) Mr. Armour was appointed to the Board of Directors on December 12, 2018. There were no Board meetings held between his appointment and December 31, 2018.
- (4) Ms. Cosby was appointed to the Compensation Committee on August 9, 2018. There were two Compensation Committee meetings held between her appointment and December 31, 2018.
- (5) Value of unexercised Incentive Rights as at the date of this Information Circular.

### *Cease Trade Orders or Bankruptcies*

Except as set forth below, no proposed director is as at the date hereof, or has been within the last ten (10) years of the date hereof, a director or executive officer of any company (including the Corporation) that, while he was acting in that capacity: (i) was the subject of a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or officer ceased to be a director or officer, in the company being the subject of a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (iii) 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. Scherman was a director of Parallel Energy Inc., the administrator of Parallel Energy Trust (collectively, "**Parallel**"), a Calgary based oil and gas producer. On November 9, 2015, Parallel filed an application for protection under the *Companies' Creditors Arrangement Act* and voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code. In the Chapter 11 proceedings, the U.S. Bankruptcy Court approved the sale of the assets of Parallel and the sale closed on January 28, 2016. Mr. Scherman resigned from the board of directors of Parallel on March 1, 2016, and subsequently, the Canadian entities of Parallel filed for bankruptcy under the *Bankruptcy and Insolvency Act* on March 3, 2016, which proceedings have subsequently been concluded. In November, 2015, the securities regulators in the Provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, and New Brunswick issued cease trade orders in relation to the securities of Parallel for the failure of Parallel to file financial statements and related management's discussion and analysis, which cease trade orders continue to be in effect. Parallel's trust units and debentures were delisted from the TSX on December 11, 2015.

No proposed director has, within the last ten (10) years of the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

In addition, no proposed director has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

#### **4. Approval of Amended and Restated Shareholder Rights Plan**

##### *General*

The Board of Directors adopted a shareholder rights plan, which was originally approved at the meeting of Shareholders held on June 20, 2013 (the "**Original Plan**"), which was amended and re-approved at the meeting of Shareholders held on June 16, 2016 (the "**Existing Plan**"). The Board of Directors has adopted an amended and restated shareholder rights plan in substantially the same form as the Existing Plan, except for administrative and non-substantive amendments, which must be reconfirmed and approved by an ordinary resolution of the Shareholders at the Meeting in order to be effective (the "**Shareholder Rights Plan**"). In addition, the effectiveness of the Shareholder Rights Plan is subject to the approval of the TSX.

If the Shareholder Rights Plan becomes effective, it will have an initial term that would expire at the annual meeting of Shareholders to be held in 2022 unless terminated earlier. The Shareholder Rights



Plan may be extended for an additional three years after 2022 by resolution of Shareholders at such meeting.

### *Objectives*

On May 9, 2016, amendments became effective to Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids* and National Policy 62-203 – *Take-Over Bids and Issuer Bids*, which included an extension of the minimum bid period from 35 days to 105 days except in certain circumstances (the “**Amendments**”). The Existing Plan incorporated the Amendments to align with the new timelines, while providing additional protections not available under the current take-over bid including the protection against “creeping bids” (being the acquisition of 20% or more of the Common Shares through purchases exempt from existing take-over bid rules including purchases of Common Shares from Shareholders through private agreements at a premium to the market price not available to all Shareholders; acquiring control through the slow accumulation of Common Shares through a stock exchange without paying a control premium; or through other transactions outside of Canada which are not subject to Canadian take-over bid rules); requiring the bid to be made to all Shareholders; and preventing a potential acquirer from entering into lock-up agreements with existing Shareholders prior to launching a take-over bid, except for permitted lock-up agreements as provided for under the Shareholder Rights Plan.

The general objectives of the Shareholder Rights Plan is to ensure, to the extent possible, that all Shareholders are treated equally and fairly in connection with any take-over bid or similar proposal to acquire Common Shares. Take-over bids may be structured in such a way as to be coercive or discriminatory in effect, or may be initiated at a time when it would be difficult for the Board of Directors to prepare an adequate response. Such offers may result in Shareholders receiving unequal or unfair treatment, or not realizing the full or maximum value of their investment in the Corporation. The Shareholder Rights Plan discourages the making of any such offers by creating the potential of significant dilution to any offeror who does so. This potential is created through the issuance to all Shareholders of contingent rights to acquire additional Common Shares at a significant discount to then prevailing market prices, which could, in certain circumstances, become exercisable by all Shareholders other than an offeror and its associates, affiliates and joint actors. An offeror can avoid the potential of significant dilution by making an offer that either: (i) qualifies as a “permitted bid” under the Shareholder Rights Plan, and therefore meets certain specified conditions (including a minimum deposit period of 105 days) which aim to ensure that all Shareholders are treated fairly and equally; or (ii) does not qualify as a “permitted bid” but is negotiated with the Corporation and has been exempted by the Board of Directors from the application of the Shareholder Rights Plan in light of the opportunity to bargain for agreed terms and conditions to the offer that are believed to be in the best interests of Shareholders.

To qualify as a “permitted bid” under the Shareholder Rights Plan, a take-over bid must remain open for acceptance for not less than 105 days (which mirrors the approach set forth in the Amendments). The Board of Directors believe that this period of time is sufficient for the Board of Directors to: (i) evaluate a take-over bid (particularly if the consideration consists, wholly or in part, of shares of another issuer); (ii) explore, develop and pursue alternative transactions that could better maximize shareholder value, if considered appropriate; and (iii) make reasoned recommendations to the Shareholders. The Board of Directors believe that take-over bids, including “creeping-bids” and other arrangements not covered under existing take-over bid rules, should be subject to the 105 day offer period to ensure that there is sufficient opportunity to assess the merits of the offer and identify other possible suitors or alternative transactions, if considered appropriate, and by providing other bidders or proponents of alternative transactions with time to come forward with competing, and potentially superior, proposals.

The Shareholder Rights Plan is not being proposed in response to, or in anticipation of, any pending, threatened or proposed acquisition or take-over bid that is known to Management. The adoption of the Shareholder Rights Plan is also not intended as a means to prevent a take-over of the Corporation, to secure the continuance of management or the directors in their respective offices or to deter fair offers for the Common Shares.

### *Terms*

The following is a summary of the provisions of the Shareholder Rights Plan. The summary is qualified in its entirety by the full text of the Shareholder Rights Plan which is available on the internet on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com). All capitalized terms used in this summary without definition have the meanings attributed to them in the Shareholder Rights Plan unless otherwise indicated.

#### *Issuance of Rights*

The Shareholder Rights Plan authorizes the issue, on June 10, 2019 (the "**Effective Date**"), of one Right in respect of each Common Share outstanding on the Effective Date and the issue of one Right for each Common Share issued after such date and prior to the earlier of the Separation Time and the Expiration Time. Each Right entitles the registered holder thereof to purchase from the Corporation one Common Share at the Exercise Price. The Exercise Price and number of Common Shares are subject to adjustment. The Rights are not exercisable until the Separation Time.

#### *Certificates and Transferability*

Prior to the Separation Time, certificates for Common Shares will also evidence one Right for each Common Share represented by the certificate. Certificates issued after the Effective Date, but prior to the earlier of the Separation Time and the Expiration Time, will bear a legend to this effect. Rights are also attached to Common Shares outstanding on the Effective Date, although share certificates issued as at that date will not bear such a legend.

Prior to the Separation Time, Rights will not be transferable separately from the attached Common Shares. From and after the Separation Time, the Rights will be evidenced by Rights certificates which will be transferable and traded separately from the Common Shares.

#### *Separation Time and Rights Exercise Privilege*

The Rights will separate from the Common Shares to which they are attached and will become exercisable at the Separation Time. The Separation Time is the close of business on the eighth Trading Day after the earlier of: (i) the Stock Acquisition Date; (ii) the date of the commencement of or first public announcement of the intent of any person (other than the Corporation or any Subsidiary of the Corporation) to commence a Take-over Bid (other than a Permitted Bid or a Competing Permitted Bid), or such later time as may be determined by the Board of Directors, provided that, if any Take-over Bid expires, is cancelled, terminated or otherwise withdrawn prior to the Separation Time, such Take-over Bid shall be deemed never to have been made; and (iii) the date on which a Permitted Bid or Competing Permitted Bid ceases to be such.

Subject to adjustment as provided in the Shareholder Rights Plan, each Right entitles the holder to purchase, after the Separation Time, one Common Share for an exercise price (the "**Exercise Price**") equal to \$100.00.

The acquisition by any person (an "**Acquiring Person**") of 20% or more of the Common Shares, other than by way of a Permitted Bid or in certain other circumstances set out below, is referred to as a "**Flip-in Event**". Any Rights held by an Acquiring Person will become void upon the occurrence of a Flip-in Event.

If a Flip-in Event shall occur, at the close of business on the eighth business day after the Stock Acquisition Date, the Rights (other than those held by the Acquiring Person) will entitle the holder to purchase Common Shares having an aggregate market price equal to twice the Exercise Price for an amount in cash equal to the Exercise Price.

#### *Impact Once Shareholder Rights Plan is Triggered*

The issue of Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the attached Common Shares, reported earnings per Common Share on a fully diluted or non-diluted

basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

By permitting holders of Rights other than an Acquiring Person to acquire Common Shares at a discount to market value, the Rights may cause substantial dilution to a person or group that acquires 20% or more of the voting securities of the Corporation other than by way of a Permitted Bid or in certain other circumstances set out below.

#### *Acquiring Person*

An Acquiring Person is a person that beneficially owns 20% or more of the outstanding Common Shares. An Acquiring Person does not, however, include the Corporation or any Subsidiary of the Corporation, or any person that becomes the Beneficial Owner of 20% or more of the Common Shares as a result of certain exempt transactions. These exempt transactions include where any person becomes the Beneficial Owner of 20% or more of the Common Shares as a result of, among other things: (i) acquisitions pursuant to a Permitted Bid or Competing Permitted Bid, (ii) transactions to which the application of the Shareholder Rights Plan has been waived by the Board of Directors, (iii) pursuant to transactions that are subject to the approval of the Shareholders, and (iv) certain purchases of securities issued by prospectus or private placement.

#### *Permitted Lock-Up Agreements*

A bidder may enter into lock-up agreements (a “**Lock-Up Agreement**”) with Shareholders (a “**Locked-Up Person**”) whereby such Shareholders agree to tender their Common Shares to the take-over bid (the “**Lock-Up Bid**”) without a Flip-in Event (as referred to above) occurring. Any such agreement must permit the Locked-Up Person to withdraw their Common Shares from the lock-up to tender to another take-over bid or support another transaction that will provide greater value to the Locked-Up Person than the Lock-Up Bid where the greater value offered exceeds by as much or more than a specified amount (the “**Specified Amount**”) the value offered under the Lock-Up Bid, provided the Specified Amount is greater than 7% of the value offered under the Lock-Up Bid. A Lock-Up Agreement may contain a right of first refusal or require a period of delay (or other similar limitation) to give an offeror an opportunity to match a higher price in another transaction as long as the Locked-Up Person can accept another bid or tender to another transaction.

The Lock-Up Agreement must be made available to the Corporation and to the public, and under the Lock-Up Agreement no “break up” fees, “top up” fees, penalties, expense reimbursement or other amounts that exceed in aggregate the greater of: (i) 2.5% of the value payable under the Lock-up Bid to the Locked-up Person; and (ii) 50% of the amount by which the value received by a Locked-Up Person under another take-over bid or transaction exceeds what such Locked-Up Person would have received under the Lock-up Bid; can be payable by such Locked-Up Person if the Locked-Up Person fails to deposit or tender their Common Shares to the Lock-Up Bid or withdraws such shares previously tendered thereto in order to deposit such shares to another take-over bid or to support another transaction.

#### *Permitted Bids and Competing Permitted Bids*

The Shareholder Rights Plan is not triggered if an offer (a “**Permitted Bid**”) would allow sufficient time for the Shareholders to consider and react to the offer and would allow Shareholders to decide to tender or not tender without the concern that they will be left with illiquid Common Shares should they not tender.

The requirements for a Permitted Bid include the following: (a) the Take-Over Bid must be made by way of a takeover bid circular; (b) the Take-Over Bid must be made to all holders of Common Shares; (c) the Take-Over Bid must be outstanding for a minimum period of 105 days and Common Shares tendered pursuant to the takeover bid may not be taken up prior to the expiry of the 105 day period and only if at such time more than 50% of the Common Shares held by Shareholders, other than the bidder, its affiliates and persons acting jointly or in concert and certain other persons (the “**Independent Shareholders**”), have been tendered to the take-over bid and not withdrawn; and (d) if more than 50% of

the Common Shares held by Independent Shareholders are tendered to the take-over bid within the 105 day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of Common Shares for an additional 10 business days from the date of such public announcement.

The Shareholder Rights Plan allows for a competing Permitted Bid (a “**Competing Permitted Bid**”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that it may expire on the 105th day after which the earliest Permitted Bid which preceded the Competing Bid was made, subject to the requirement that it be outstanding for a minimum period of 35 days.

Acquisitions of Common Shares made pursuant to a Permitted Bid or a Competing Permitted Bid do not give rise to a Flip-in Event.

#### *Waiver and Redemption*

The Board of Directors, acting in good faith, may, prior to the occurrence of a Flip-In Event, waive the application of the Shareholder Rights Plan to a Flip-In Event that would result from a Take-Over Bid made by way of take-over bid circular to all Shareholders. In such case, the Board of Directors shall be deemed to also have waived the application of the Shareholder Rights Plan to any other Flip-In Event occurring as a result of any other Take-Over Bid made by way of take-over bid circular to all Shareholders prior to the expiry of the Take-Over Bid for which the Shareholder Rights Plan has been waived or deemed to have been waived.

Until the occurrence of a Flip-in Event, the Board of Directors may, with the approval of Shareholders (or with the approval of holders of Rights if the Separation Time has occurred), elect to redeem all but not less than all of the then outstanding Rights at \$0.001 per Right. In the event that a person acquires Common Shares pursuant to a Permitted Bid, a Competing Permitted Bid or pursuant to a transaction for which the Board of Directors has waived the application of the Shareholder Rights Plan, then the Board of Directors shall, immediately upon the consummation of such acquisition, without further formality, be deemed to have elected to redeem the Rights at the redemption price.

#### *Amendment*

The Board of Directors may amend the Shareholder Rights Plan with the approval of a majority vote of the votes cast by Shareholders (of the holders of Rights if the Separation Time has occurred) voting in person and by proxy at a meeting duly called for that purpose. The Board of Directors without such approval may correct clerical or typographical errors and, subject to approval as noted above at the next meeting of the Shareholders (or holders of Rights, as the case may be), may make amendments to the Shareholder Rights Plan to maintain its validity due to changes in applicable legislation.

#### *Resolution Re-Approving Shareholder Rights Plan as Amended and Restated*

At the Meeting, Shareholders will be asked to consider, and, if deemed appropriate, approve the following resolution to ratify and approve the Shareholder Rights Plan (as amended and restated):

“BE IT RESOLVED THAT:

1. The shareholder rights plan agreement between the Corporation and Computershare Trust Company of Canada, as described in the management information circular of the Corporation dated as of April 29, 2019, amending and restating the shareholder rights plan agreement dated as of June 16, 2016, is confirmed, ratified and approved.

2. Any one director or officer of the Corporation is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed, whether under corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such documents, and to

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

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by Shareholders who vote in person or by proxy at the Meeting. The persons named in the enclosed proxy form, if named as proxyholder, intend to vote FOR the resolution approving the Shareholder Rights Plan. The Board of Directors recommend that you vote FOR the resolution approving the Shareholder Rights Plan.

## **5. Appointment of Auditor**

Deloitte LLP, Chartered Accountants (“**Deloitte**”) are the current auditors of the Corporation. Deloitte was first appointed as auditors of the Corporation on January 13, 2006. At the Meeting, Shareholders will be requested to re-appoint Deloitte as the independent auditors of the Corporation to hold office until the next annual general meeting of the Shareholders and to authorize the Board of Directors to fix the auditors’ remuneration.

Certain information regarding the audit committee of the Board of Directors (the “**Audit Committee**”), including the fees billed by the Corporation’s external auditors during the fiscal periods ended December 31, 2017 and December 31, 2018, which are required to be disclosed in accordance with National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”), is contained in Schedule “A” of the Corporation’s Annual Information Form for the year ended December 31, 2018 dated March 12, 2019. The Corporation’s Annual Information Form is available on the internet on the Corporation’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

**The persons designated in the enclosed Form of Proxy, unless otherwise directed, intend to vote IN FAVOUR of the appointment of the firm of Deloitte LLP of Calgary, Alberta, as auditors of the Corporation to hold office until the next annual general meeting of the Shareholders and to authorize the Board of Directors to fix their remuneration.**

## **DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES**

### **General**

The Board of Directors is responsible for the governance of the Corporation, considers good corporate governance to be central to the effective operation of the Corporation and is committed to maintaining a high standard of corporate governance.

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

The Board of Directors established a Corporate Governance and Nominating Committee and the Charter and has delegated primary responsibility for maintaining and enhancing the Corporation’s corporate governance practices and identifying and recommending qualified individuals for nomination for election to the Board of Directors and for appointment to senior management positions, including the Chief Executive Officer position. The Charter provides that the responsibilities of the Corporate Governance and Nominating Committee include, but are not limited to, assisting the Board of Directors in:

- (a) evaluating, developing and recommending the process and structure by which the Board of Directors, Management and committees of the Corporation are held accountable to the Shareholders and other stakeholders of the Corporation;
- (b) establishing and reviewing the appropriate skills, composition and characteristics (including independence) of the Board of Directors;

- (c) reviewing the composition of, and succession planning in respect of, the directors on the Board of Directors;
- (d) evaluating, identifying and recommending nominees for election or re-election to the Board of Directors;
- (e) evaluating, identifying and recommending individuals for the Chief Executive Officer position;
- (f) succession planning for the Chief Executive Officer position and other senior management positions in the Corporation;
- (g) monitoring, reviewing and making recommendations regarding the orientation, education and development of the Board of Directors;
- (h) recommending directors to serve as members and Chairs of the Corporation's committees;
- (i) reviewing and recommending changes to the Governance Guidelines, Terms of Reference and other approvals, policies and procedures of the Board of Directors;
- (j) reviewing and recommending changes to the respective charters of the Corporation's committees;
- (k) establishing procedures for the engagement of separate independent counsel by each committee and director;
- (l) reviewing the Corporation's annual disclosure documents that contain significant information relating to matters within the Corporate Governance and Nominating Committee's mandate;
- (m) reviewing and evaluating the Charter and the Corporate Governance and Nominating Committee's efficacy;
- (n) oversight of risk management activities, including monitoring and reviewing the Corporation's risk management policies and procedures for key risks to the Corporation's business and operations; and
- (o) providing oversight of corporate governance related matters.

The Corporation's governance practices are consistent with the governance guidelines set forth in National Policy 58-201 – *Corporate Governance Guidelines* (the "**National Policy**") and the audit committee rules set forth in NI 52-110, each of which has been adopted by Canadian securities regulatory authorities. The disclosure set forth herein is responsive to and complies in full with the disclosure requirements set forth in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (the "**National Instrument**") and Form 58-101F1 – *Corporate Governance Disclosure*. A referencing guide setting forth the Corporation's compliance with the National Instrument is set forth in Appendix "A" to this Information Circular.

The Board of Directors and the Corporation have devoted significant attention and resources to reviewing the Corporation's corporate governance practices and ensuring that the Corporation's system of corporate governance meets applicable legal requirements. Of particular note, the Board of Directors adopted its Code of Business Conduct (the "**Code**") and Terms of Reference as well as a number of policies including those related to: the clawback of executive compensation in certain circumstances where there is a restatement of financial statements; insider trading; disclosure and the media; and a whistleblower policy. These policies have been put in place to assist the Corporation in maintaining a high standard of corporate governance. With input from the relevant committees, the Board of Directors also created charters for the Corporation's committees. A copy of the Code is available on the Corporation's website and on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Set out below is a description of certain corporate governance practices of the Corporation as required by the National Instrument.

## Board of Directors

The National Policy recommends that boards of directors be composed of a majority of independent directors and that the chair of a board of directors be an independent director. The Board of Directors of the Corporation is currently comprised of nine (9) directors, eight (8) of whom are independent for the purpose of the National Instrument and NI 52-110. The one (1) non-independent director is Mr. Thomas J. Simons, the President and Chief Executive Officer of the Corporation. The other eight (8) directors, including the Chairman of the Board of Directors, Mr. Kyle D. Kitagawa, are all independent. Following the Meeting, the Board of Directors is expected to be comprised of seven (7) directors, six (6) of whom are independent. In determining that each director other than Mr. Simons is independent, the Board of Directors affirmatively determined that each such director has no material relationship with the Corporation that would be reasonably expected to interfere with the exercise of such members' independent judgment, either directly or as a partner, securityholder or officer of an organization that has a relationship with the Corporation. The Board of Directors also determined that each such director has not received any consulting, advisory, or other compensatory fee from the Corporation except in the capacity of a member of the Board of Directors or a committee of the Board of Directors. The table below lists the members of the Board of Directors, their year of appointment and their respective committee memberships as at the date of this Information Circular.

	Year Appointed	Committees			
		Audit	Compensation	Corporate Governance and Nominating	Health, Safety and Environment
<b>Independent Board Members</b>					
Kyle D. Kitagawa (Chair of the Board)	2005	✓	✓	✓	
Burton J. Ahrens <sup>(1)</sup>	2013	✓		✓	
Spencer D. Armour III	2018				
Rodney L. Carpenter	2005				Chair
Stella Cosby	2017		✓		✓
John M. Hooks	2005		Chair	✓	
Philip J. Scherman	2015		Chair		
D. Michael G. Stewart <sup>(2)</sup>	2006	✓		Chair	
<b>Non Independent - Management</b>					
Thomas J. Simons	2005				

**Note:**

- (1) Mr. Ahrens will not stand for re-election at the Meeting.
- (2) Mr. Stewart will not stand for re-election at the Meeting.

The Board of Directors currently considers seven (7) directors to be appropriate for the size and present stage of development of the Corporation, and sufficient to provide an appropriate mix of background and skills.

The Corporation and the Board of Directors recognize the significant commitment involved in being a member of the Board of Directors. Accordingly, the Corporation's Governance Guidelines require every director to immediately notify the Board of Directors of all potential conflicts of interest. Subsequent to such notification, the Board of Directors or the President and Chief Executive Officer of the Corporation will be responsible for evaluating the potential conflict and will take such actions as are reasonably

required to resolve such matters with a view to the best interests of the Corporation. In addition, a director whose principal occupation or professional position materially changes must promptly advise the Chairman of the Board of Directors. Upon such a significant change in a director's principal occupation or upon a director assuming any significant outside commitments, the Corporate Governance and Nominating Committee is responsible for reviewing, in light of the Board of Directors' current policies and the Corporation's Governance Guidelines and policies, whether that director should continue as a member of the Board of Directors. If the Corporate Governance and Nominating Committee determines that such a director should no longer serve as a member of the Board of Directors, then upon receiving a resignation request from the Chairman, that director would be expected to tender his or her resignation to the Board of Directors for consideration.

Certain directors currently serve on the boards of directors of other reporting issuers in Canada (or the equivalent in a foreign jurisdiction) as listed below.

<b>Director</b>	<b>Public Company Board Membership</b>	<b>Stock Exchange</b>
KYLE D. KITAGAWA	Zargon Oil and Gas Ltd.	TSX
BURTON J. AHRENS <sup>(1)</sup>	None	N/A
SPENCER D. ARMOUR III	ProPetro Holding Corp. Viper Energy Partners LP	NYSE NASDAQ
RODNEY L. CARPENTER	None	N/A
STELLA COSBY	None	N/A
JOHN M. HOOKS	PHX Energy Services Corp.	TSX
PHILIP J. SCHERMAN	Mullen Group Ltd.	TSX
D. MICHAEL G. STEWART <sup>(2)</sup>	Pengrowth Energy Corporation TransCanada Corporation and its subsidiary TransCanada Pipelines Limited	TSX TSX, NYSE TSX
THOMAS J. SIMONS	None	N/A

**Note:**

- (1) Mr. Ahrens will not stand for re-election at the Meeting.
- (2) Mr. Stewart will not stand for re-election at the Meeting.

**Other Board Memberships and Interlocks**

The Corporate Governance and Nominating Committee considers it to be good governance to avoid interlocking relationships on the boards of other reporting issuers and on the Corporation's committees. No Board members sit on the same board of directors of any outside reporting issuer.

**Meeting Attendance**

The Corporation's Governance Guidelines provide that any director may, at any time, request that a meeting of the Board of Directors or any committee of the Board of Directors be held without representatives of Management and without non-independent directors present or that all or some representatives of Management absent themselves from any particular portion of any meeting of the Board of Directors or committee of the Board of Directors. In addition, the Board of Directors generally schedules time at the end of each meeting to meet without the President and Chief Executive Officer and other Management and without non-independent directors. This is intended to ensure that adequate structures and processes are in place to permit the Board of Directors to function independently of Management. For the period from January 1, 2018 to December 31, 2018, the Board of Directors held four (4) in-camera sessions. In addition, the Audit Committee and the Compensation Committee have held four (4) and three (3) in-camera sessions, respectively, without the presence of members of Management and the non-independent directors.



During 2018, the Board of Directors and its committees held the following number of meetings:

Director	Board	Audit	Compensation	Corporate Governance and Nominating	Health, Safety and Environment
Kyle D. Kitagawa	5/5 (100%)	4/4 (100%)	6/6 (100%)	1/1 (100%)	-
Burton J. Ahrens <sup>(1)</sup>	5/5 (100%)	4/4 (100%)	-	1/1 (100%)	-
Spencer D. Armour III	0/0 (100%) <sup>(3)</sup>				
Rodney L. Carpenter	5/5 (100%)	-	-	-	4/4 (100%)
Stella Cosby	5/5 (100%)		2/2 (100%) <sup>(4)</sup>		4/4 (100%)
John M. Hooks	5/5 (100%)	-	6/6 (100%)	1/1 (100%)	-
Philip J. Scherman	5/5 (100%)	4/4 (100%)	-	-	-
D. Michael G. Stewart <sup>(2)</sup>	5/5 (100%)	4/4 (100%)	-	1/1 (100%)	-
Thomas J. Simons	5/5 (100%)	-	-	-	-

**Notes:**

- (1) Mr. Ahrens will not stand for re-election at the Meeting.
- (2) Mr. Stewart will not stand for re-election at the Meeting.
- (3) Mr. Armour was appointed to the Board of Directors on December 12, 2018. There were no Board meetings held between his appointment and December 31, 2018.
- (4) Ms. Cosby was appointed to the Compensation Committee on August 9, 2018. There were two Compensation Committee meetings held between her appointment and December 31, 2018

**Board Mandate**

The Board of Directors' primary responsibility is the stewardship of the Corporation and the Board of Directors' fundamental objectives are to enhance and preserve long-term Shareholder value and to ensure that the Corporation meets its obligations on an ongoing basis and operates in a reliable and safe manner. In broad terms, the stewardship of the Corporation involves the Board of Directors in strategic planning, risk management and mitigation, senior management determination, financial reports and internal control integrity. The Board of Directors discharges these responsibilities directly and through delegation of specific responsibilities to the committees of the Board of Directors and Management.

The Board of Directors' mandate, the Terms of Reference, is attached as Appendix "B" to this Information Circular.

**Strategic Planning**

The Board oversees the development, execution and fulfillment of the Corporation's strategic goals. This responsibility includes a strategic planning process whereby one Board meeting per year is specifically set aside for a substantial strategic planning session in which the Board reviews and discusses the strategic plan developed by Management. Subsequent to the Board's annual strategy meeting, the Board reviews on a regular basis the implementation of the strategic plan and monitors the Corporation's performance against the plan.

**Position Descriptions**

The Board of Directors has implemented position descriptions for the CEO, Chair of the Board of Directors and the Chair of each committee of the Board of Directors.

The Chairman of the Board is generally responsible for delineating the role and responsibilities of each of the members of the Board of Directors and, in consultation with each of the Chairs of the committees of the Board of Directors, ensures that appropriate resources and attention are allocated to each committee of the Board to ensure that the Board functions in an efficient and effective manner.

The Board of Directors believes in a management team of the highest calibre and delegates specific duties and responsibilities to the committees of the Board of Directors and Management and imposes certain limitations as to the authority of the committees and Management including, for example, discretionary spending limits within the annual capital expenditure budget. The President and Chief Executive Officer, together with Management, is responsible for ensuring that the corporate objectives, developed annually with the Board of Directors, are met in order to enhance Shareholder value.

### **Succession Planning for Senior Executives and Management**

The Corporate Governance and Nominating Committee has discussed a succession plan for the President and Chief Executive Officer and certain other senior executives of the Corporation. The Corporate Governance and Nominating Committee also has an emergency succession plan in place, should it be required.

### **Risk Management Oversight**

The Corporate Governance and Nominating Committee oversees enterprise risk management, including reports prepared by management which: (a) identify the key risks facing the Corporation and ensure that such risks are properly defined; and (b) identify who is responsible for oversight, prevention and management in respect of such key risks and the coordination of any response by the Corporation in the event such key risk materializes. Management of the Corporation is responsible for ensuring that there are processes in place to effectively identify, monitor and manage risks facing the Corporation.

Management also frequently reports to the Board on developments and progress made on its strategies for managing key risks facing the Corporation.

### **Responsibility of Chairman of the Board of Directors**

The Board Chair is charged with the responsibility to lead the Board of Directors and organize it to function independently of Management so as to foster ethical and responsible decision making, appropriate oversight of Management and good corporate governance practices. The Board Chair generally schedules in camera sessions at the end of each regularly scheduled meeting of the Board of Directors, to meet with only members who are independent. The Board Chair is responsible for setting the agenda of each meeting and for ensuring that matters to be considered by the Board of Directors are properly presented so as to use directors' time wisely and safeguard the time to be dedicated to strategic planning, review, discussion and decision making. The Board Chair provides advice and counsel to the President and Chief Executive Officer and other senior executives and leads the Board of Directors process for assessment of the effectiveness of the Board of Directors. The position of Board Chair and Chief Executive Officer have been separate throughout the history of the Corporation since it went public in March 2006.

### **Orientation and Continuing Education**

The Corporate Governance and Nominating Committee is responsible for reviewing, monitoring and making recommendations regarding the orientation of new directors and the ongoing education of directors.

Each new director on the Board of Directors will, when appointed, be provided with an orientation that is tailored to his or her particular needs and areas of interest. In addition, each new director will be provided with written information about the duties and obligations of directors, and the business and operations of the Corporation. These written materials will include the Board of Directors' Terms of Reference, the

Governance Guidelines, the Code, the charters of each respective committee of the Board of Directors, documents from recent meetings of the Board of Directors and other key corporate policies and relevant corporate and Board of Director information. New directors will be expected to review these documents and become familiar with their contents. New members of the Board of Directors will also have the opportunity to meet with Management of the Corporation.

The Corporation's ongoing education efforts include: (i) on-site visits and field trips to various facilities; and (ii) presentations from officers, senior managers and advisors to the Board and its committees regarding business, legal and other matters. Directors are also encouraged to independently engage in professional development initiatives to become more effective board members.

### **Ethical Business Conduct**

As disclosed above, the Board of Directors has instituted a Code of Business Conduct. The Code sets out in detail the Corporation's expectations and guidelines in the conduct of its business. It applies to and is annually certified by all employees, officers, consultants, service providers and directors. In addition, the Corporation's business partners and suppliers are expected to conduct their business activities with the Corporation in accordance with applicable laws, rules and regulations and the Code. The Code is available on the Corporation's website and on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

The Corporation's President and Chief Executive Officer and Chief Financial Officer are responsible for communicating the Code to directors, officers, employees and consultants, administering the Code, handling inquiries and complaints, investigating violations, and reporting to the Board of Directors on matters related to the Code.

The Board of Directors and the Audit Committee have also established a Whistleblower Policy to encourage employees, officers and directors to raise concerns regarding any matters, including accounting, internal controls or auditing matters, on a confidential basis free from discrimination, retaliation or harassment.

In addition, in order to ensure independent judgment in considering transactions/agreements in which a director/officer has a material interest, all related party transactions are approved by the independent directors and all payments under related party transactions are approved by the Audit Committee.

### **Nomination of Directors and Director Succession**

In consultation with the Chairman of the Board of Directors and the President and Chief Executive Officer, the Corporate Governance and Nominating Committee is responsible for identifying and recommending to the Board of Directors nominees for election or re-election to the Board of Directors or for appointment to fill any vacancy that is anticipated or has arisen on the Board of Directors in accordance with the Committee's charter, governance guidelines and any policies adopted by or applicable to the Corporation from time to time. In identifying potential nominees, the Corporate Governance and Nominating Committee will screen the qualifications of candidates against a matrix of the skills and experiences of current directors and the skills and experience needs of the Board of Directors, taking into account the Board of Directors' long-term succession plans.

The Corporate Governance and Nominating Committee, which is comprised entirely of independent directors, is also responsible for reviewing and considering all candidates identified by Shareholders as potential nominees for the Board of Directors.

Candidates are assessed on their individual qualifications, diversity, experience and expertise and must exhibit the highest degree of integrity, professionalism, values and independent judgment. While the emphasis on filling board vacancies is on finding the best qualified candidates given the needs and circumstances of the Board, a nominee's diversity of gender, race, nationality or other attributes may be considered favorably in his or her assessment.

The Corporate Governance and Nominating Committee believes that the Board should be comprised of directors with a broad range of experience and expertise and utilizes a skills matrix to identify those areas which are necessary for the Board to carry out its mandate effectively. The following table reflects the diverse skill set of the Board and identifies the specific experience and expertise brought by each individual director.

*Director Skills Matrix*

<b>SKILL SET/EXPERIENCE</b>	<b>Kitagawa</b>	<b>Ahrens<sup>(1)</sup></b>	<b>Armour</b>	<b>Carpenter</b>	<b>Cosby</b>	<b>Hooks</b>	<b>Scherman</b>	<b>Stewart<sup>(2)</sup></b>	<b>Simons</b>
Corporate governance expertise/board member of a public issuer	√	√	√	√	√	√	√	√	√
Chief executive officer/senior officer experience of a public issuer		√	√	√		√		√	√
Managing and leading growth	√	√	√	√	√	√	√	√	√
Management & Operations									
- General	√	√	√	√	√	√	√	√	√
- Chemicals production/processing/manufacturing/supply chain				√					√
- U.S.		√	√	√		√	√		√
- International		√			√	√	√	√	
- Marketing and sales			√	√		√			√
- Research and development						√			√
Financial literacy/Financial reporting/Audit Committee	√	√	√		√	√	√	√	
Financing	√	√	√			√	√		√
Investment Banking/Mergers & Acquisitions	√	√	√		√		√		√
Tax	√	√					√		
Health, safety, environment and social responsibility/HS&E Committee				√	√			√	
Human resources/Executive compensation/Compensation Committee	√		√		√	√		√	√
Information Technology	√						√		

**Note:**

- (1) Mr. Ahrens will not stand for re-election at the Meeting.
- (2) Mr. Stewart will not stand for re-election at the Meeting.

## Compensation

The Compensation Committee is responsible for assisting the Board of Directors in fulfilling its responsibilities relating to matters of human resources and compensation, including equity compensation, and the establishment of a plan of continuity and development for senior management of the Corporation. The Committee's responsibilities include:

- (a) reviewing and recommending to the Board of Directors a compensation philosophy, strategy and principles for the Corporation's executive officers;
- (b) evaluating the Corporation's compensation and benefits programs in accordance with the statement approved by the Board of Directors;
- (c) reviewing and making recommendations to the Board of Directors regarding all new employment, consulting, retirement and severance agreements and arrangements proposed for the Corporation's executive officers; and
- (d) reviewing and recommending to the Board of Directors certain matters relating to annual salary policies and programs, if requested by Management.

Further information regarding the compensation-related activities of the Compensation Committee is provided in the "*Executive Compensation*" section of this Information Circular.

## Other Board Committees

The Board of Directors has an Audit Committee comprised of four (4) independent directors, being Messrs. Philip J. Scherman (Chair), Kyle D. Kitagawa, Burton J. Ahrens and D. Michael G. Stewart. With Messrs. Ahrens and Stewart not standing for re-election, it is anticipated that following the Meeting, the Audit Committee will be comprised of three (3) independent directors, being Messrs. Scherman (Chair), Kitagawa, and Armour. Certain information regarding the Audit Committee that is required to be disclosed in accordance with NI 52-110 is contained in Schedule "A" in the Corporation's Annual Information Form for the year ended December 31, 2017. The Corporation's Annual Information Form is available on the internet on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

The Board of Directors has a Health, Safety and Environment Committee (the "**HS&E Committee**") currently comprised of two (2) independent directors, being Mr. Rodney L. Carpenter (Chair) and Ms. Stella Cosby. The primary function of the HS&E Committee is to assist the Board of Directors in fulfilling its oversight in respect of the development, implementation and monitoring of the Corporation's health, safety and environmental policies.

## Board Assessments

The Corporation's Governance Guidelines provide that the Board of Directors must make an annual assessment of the overall effectiveness of the Board of Directors and the committees of the Board of Directors. To assess the effectiveness of the Board of Directors and its committees, on an annual basis, each of the directors completes a detailed questionnaire which provides for quantitative ratings in key areas including: (a) the effectiveness of the Board; (b) the governance practices of the Board; (c) the ethical standards and professional integrity of the Board and its members; (d) the Board's oversight of management and risk-management; (e) the Corporation's corporate strategy and the Board's input and oversight of the implementation and execution of such strategy; (f) communication and transparency between management and the Board, between Board committees and the Board and between members and the Board; (g) Board processes; (h) Board composition and diversity; (i) committee composition, structure and performance; (j) director succession; (k) quality of materials and information presented to the Board by Management; (l) evaluation of the performance of Management; and (m) evaluation of executive compensation. Board members are also requested to provide any subjective comments regarding corporate governance matters. A summary report of the received questionnaires is then

prepared by the chair of the Corporate Governance and Nominating Committee, discussed by such committee and provided to the Board for information purposes. Following the aforementioned Board meeting, matters requiring follow-up are identified and action plans are developed and monitored on a go-forward basis by the Corporate Governance and Nominating Committee.

## **SHARE BASED COMPENSATION PLANS**

### **Existing Plans and Shares Authorized for Issuance**

The Corporation has three share based compensation arrangements pursuant to which Common Shares may be authorized for issuance to eligible participants, being its restricted share unit plan (“**RSU Plan**”), its share rights incentive plan (“**SRIP**”) and its director compensation arrangement (“**DCA**”). The RSU Plan, SRIP and DCA are the only compensation arrangements that have been adopted by the Corporation providing for the issuance of securities as compensation going forward. The RSU Plan, SRIP and DCA have all been approved by the Shareholders.

Under the RSU Plan, the Corporation may grant RSUs to eligible directors, officers and employees of the Corporation and its subsidiaries. Upon vesting, each RSU is redeemed for one Common Share for no additional consideration. 4,236,453 RSUs were granted under the RSU Plan in 2018, representing approximately 1.6% of the number of Common Shares outstanding as at December 31, 2018. 7,027,278 RSUs were outstanding as at April 29, 2019, representing approximately 2.6% of the number of Common Shares outstanding as at that date.

Under the SRIP, the Corporation may grant incentive rights to purchase Common Shares (“**Incentive Rights**”) to eligible directors, officers, employees and service providers. 210,000 Incentive Rights were granted under the SRIP in 2018, representing approximately 0.1% of the number of Common Shares outstanding as at December 31, 2018. 11,701,645 Incentive Rights were outstanding as at April 29, 2019, representing approximately 4.4% of the number of Common Shares outstanding as at that date. The SRIP expires June 16, 2019 and the Corporation has no intention to renew the SRIP at the Meeting. As such, the Corporation may not grant Incentive Rights under the SRIP after June 16, 2019.

Under the DCA, members of the Board of Directors may elect to receive their annual retainer and other amounts payable for their services on the Board of Directors in the form of Common Shares or cash. A fixed maximum aggregate amount of 600,000 Common Shares are issuable to the directors over the lifetime of the DCA. 11,510 Common Shares were issued to directors under the DCA in 2018, representing 0.004% of the number of Common Shares outstanding as at December 31, 2018. 556,545 Common Shares remain available for issuance under the DCA as at April 29, 2019, representing approximately 0.21% of the number of Common Shares outstanding as at that date.

Additional information concerning the outstanding RSUs and Incentive Rights and the Common Shares available for issuance under the RSU Plan, SRIP and DCA as at December 31, 2018 is set out in the table below.

<b>Plan</b>	<b>Number of Common Shares issuable upon exercise of outstanding RSUs or Incentive Rights</b>	<b>Weighted-average exercise price of outstanding Incentive Rights (\$)</b>	<b>Number of Common Shares remaining available for future issuance under the SRIP, RSU Plan and DCA<sup>(1)</sup></b>
SRIP	12,333,645	6.29	7,987,534
RSU Plan	6,267,482	N/A	7,026,848
DCA	-	-	
<b>Equity compensation plans approved by securityholders</b>	18,601,127	N/A	7,987,534
<b>Equity compensation plans not approved by securityholders</b>	Nil	Nil	Nil
<b>Total</b>	18,601,127	<b>N/A</b>	7,987,534

**Notes:**

(1) As at December 31, 2018, a total of 26,588,661 Common Shares were available for issuance under the SRIP and RSU Plan, representing 10% of the issued and outstanding Common shares as of December 31, 2018. As at December 31, 2018, a total of 13,294,330 Common Shares were available for issuance under the RSU Plan, representing 5% of the issued and outstanding Common Shares as at December 31, 2018, less the number of Common Shares issued under the SRIP in excess of 5% of the issued and outstanding Common Shares as at December 31, 2018. At December 31, 2018, a total of 7,987,534 Common Shares remained available for grant under the SRIP and 7,026,848 Common Shares remained available for grant under the RSU Plan. After June 16, 2019, the SRIP will expire and no additional Incentive Rights will be available for issuance. The maximum number of Common Shares available for issuance under the DCA is 600,000, less the number of Common Shares already issued under the DCA.

**Terms of the RSU Plan**

The RSU Plan allows participants to earn Common Shares of the Corporation over time, rather than options that give participants the right to purchase stock at a set price. Under the RSU Plan, the Corporation may grant RSUs to those directors and employees of the Corporation that the Board of Directors designates to be eligible to receive a grant based on performance of such person (an “**Eligible Person**”).

Grants of RSUs under the RSU Plan are subject to the following restrictions:

- (a) The aggregate number of Common Shares which may be issuable under the RSU Plan (excluding the SRIP and any other security based compensation arrangement of the Corporation) shall not exceed 5.0% of the issued and outstanding Common Shares as at the date of grant.
- (b) The total number of RSUs to be granted to any one Eligible Person under the RSU Plan shall not exceed 1.0% of the issued and outstanding Common Shares (on a non-diluted basis) at the date of the grant of the RSUs.
- (c) The maximum number of RSUs which may be reserved for issuance to insiders of the Corporation shall be 2.5% of the Common Shares outstanding at the time of the grant (on a non-diluted basis).

- (d) The maximum number of RSUs which may be issued to insiders under the RSU Plan within a one year period shall be 2.5% of the Common Shares issued and outstanding at the time of the issuance (on a non-diluted basis).
- (e) The maximum number of RSUs which may be issued to any one insider and such insider's associates under the RSU Plan within a one-year period shall be 1.0% of the Common Shares outstanding at the time of the issuance (on a non-diluted basis).
- (f) The maximum number of RSUs which may be reserved for issuance to any non-employee director of the Corporation shall be 0.5% of the Common Shares outstanding at the time of grant (on a non-diluted basis) and the aggregate number of Common Shares reserved for issuance to all non-employee directors within a one year period under all security based compensation arrangements of the Corporation shall not exceed 1.0% of the Common Shares outstanding at the time of grant (on a non-diluted basis). In addition, the aggregate value of RSU's reserved for issuance to any non-employee director of the Corporation in any calendar year under the RSU Plan (including all security based compensation arrangements of the Corporation) shall not exceed \$150,000, of which no more than \$100,000 may be issued in share rights under the SRIP or stock options under any stock option plan.

The Board approves the number of RSUs to be awarded to each Eligible Person. RSUs awarded to Eligible Persons are credited to an account that is maintained for that Eligible Person on the books of the Corporation.

An Eligible Person's account is credited with additional RSUs to account for dividends on the Common Shares on each dividend payment date in respect of which ordinary course cash dividends are paid on the Common Shares. The number of additional RSUs credited is determined by dividing: (a) the amount obtained by multiplying the amount of the dividend declared and paid per Common Share by the number of RSUs recorded in the Eligible Person's RSU account on the date for the payment of such dividend, by (b) the market value of a Common Share (as defined in the RSU Plan) as at the dividend payment date.

The granting of RSUs to any Eligible Person under the RSU Plan in any calendar year is either: (i) awarded solely in respect of performance of such Eligible Person in the same calendar year of the grant date; or (ii) in respect of performance of such Eligible Person for the preceding calendar (in each case, the "**Service Year**"). The RSU Plan provides that the vesting date of RSUs is determined by the Board of Directors, in its discretion, for each grant. The majority of RSUs granted to date have vested on the first anniversary of the date of grant, with the remainder vesting as to one third on each of the first, second and third anniversaries of the date of the grant.

Upon vesting, each RSU is redeemed for one Common Share issued from treasury for no additional consideration.

Under the RSU Plan, if an Eligible Person's employment is terminated for reasons other than resignation or cause (as defined in the RSU Plan), then the RSUs for which the vesting date is on or after the participant's termination date will vest and be payable in cash based on the market value of the Common Shares at the termination date. Should the year in respect of which the RSUs were granted not yet be complete, only the *pro rata* portion of the RSU award relating to the period of employment in the subject year will vest. Upon the death of an Eligible Person, the Corporation shall redeem all vested RSUs credited to the Eligible Person's account and all such amounts shall be transferred or paid to the legal representatives of the estate of such Eligible Person. Upon the resignation or termination for cause of an Eligible Person, all RSUs not yet vested at the date that notice of the termination is given will be forfeited.

If a take-over bid (that is not exempt from the take-over bid requirements of the *Securities Act* (Alberta) or Multilateral Instrument 62-104 — *Take-Over Bids and Issuer Bids*) is made for the Common Shares, or if the Corporation is merged into or amalgamated with any other entity, or the Corporation sells all or substantially all of its assets, the Corporation shall redeem all of the RSUs granted to Eligible Persons and outstanding under the RSU Plan for a cash payment per RSU equal to the greater of the market



value of a Common Share (as defined in the RSU Plan) or the price paid for the Common Shares under the change of control.

The RSU Plan provides that appropriate adjustments in the number of Common Shares subject to the RSU Plan and issuable upon the vesting of an RSU shall be made by the Board of Directors to give effect to adjustments in the number of Common Shares resulting from any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off, or other distribution (other than normal cash dividends) of the Corporation's assets to its shareholders.

RSUs are not assignable or transferable other than by will or the laws of descent and distribution.

The Board of Directors may suspend, discontinue or amend the RSU Plan or any award made pursuant thereto without the approval of a majority of the voting securityholders of the Corporation, excepting that, unless the proposed amendment results from a change of control as described in the RSU Plan, such securityholder approval is required in order to make the following amendments: (i) increase in the number of Common Shares, or the percentage of the issued and outstanding Common Shares, issuable pursuant to the RSU Plan; (ii) extend the redemption date of any award granted under the RSU Plan; (iii) amend the limitations on the maximum number of Common Shares reserved or issued to insiders; (iv) amend the limitations under the RSU Plan with respect to RSUs that may be granted to non-employee directors; (v) amend the restriction under the RSU Plan on the transfer of RSUs to permit a holder to transfer any RSUs to a new beneficial holder other than for estate settlement purposes or (vi) amend the amendment provision of the RSU Plan.

The rules of the TSX provide that an issuer must obtain securityholder approval of all unallocated options, rights or other entitlements under any security-based compensation arrangements that do not have a fixed maximum aggregate of securities issuable every three years after the institution of any such compensation arrangement. The unallocated RSUs under the RSU Plan were last approved by the Shareholders in June 2017 and will be required to be re-approved by the Shareholders at a meeting of Shareholders by June 2020.

Shareholders approved certain amendments to the RSU Plan at the last meeting of Shareholders held on June 15, 2017. A summary of such amendments are described below:

- Reducing the maximum number of Common Shares reserved for issuance under the RSU Plan (excluding the SRIP and any other security-based compensation arrangement of the Corporation) to 5% of the outstanding Common Shares from time to time;
- Reducing the aggregate number of Common Shares issuable to insiders as a group at any one time (under all security based compensation arrangements of the Corporation), and which may be issued to insiders within a one-year period to 2.5% of the outstanding Common Shares;
- Reducing the number of Common Shares issuable to any one insider and such insider's associates during any one year period to 1% of the outstanding Common Shares;
- Setting the aggregate annual limit of Common Shares reserved for issuance to non-employee directors (including all security based compensation arrangements of the Corporation) to 1% of the outstanding Common Shares;
- Including all security-based compensations arrangements of the Corporation in calculating the maximum value of RSUs granted to any one non-employee director in any calendar year; and
- Limiting no more than \$100,000 of the \$150,000 maximum value of security-based compensation to be issued in share rights under the SRIP or stock options under any stock option plan to any one non-employee director in any calendar year.

## Terms of the SRIP

The Corporation adopted the SRIP pursuant to which Incentive Rights to purchase Common Shares may be granted to any director, officer, employee or service provider of the Corporation as the Board of Directors may determine, provided that, in the case of a service provider, such service provider has been engaged by the Corporation to provide services for an initial, renewable or extended period of twelve months or more and provides such services on an ongoing basis throughout the term of the Incentive Right.

The SRIP permits the Board of Directors to issue Incentive Rights. The SRIP provides that, at all times, 10% of the issued and outstanding Common Shares (on a non-diluted basis) will be reserved and available for issuance upon the exercise of Incentive Rights. Additionally, the Board further limits the number of Incentive Rights granted such that the aggregate number of Common Shares that may be issuable upon the exercise of Incentive Rights and RSUs does not exceed 10% of the issued and outstanding Common Shares (on a non-diluted basis). The 10% maximum provision is a “reloading” provision whereby a number of Common Shares equivalent to the number of Incentive Rights that have been exercised, terminated, cancelled or expired are immediately re-reserved for issuance under the SRIP and available for future issuances.

The maximum number of Incentive Rights (and corresponding Common Shares reserved for issuance upon exercise of such Incentive Rights) that any one person and that insiders of the Corporation as a whole may receive under the SRIP is 5% and 10%, respectively, of the issued and outstanding Common Shares (on a non-diluted basis) at the date of the grant of the Incentive Right, less the aggregate number of Common Shares that may be issued to such persons under any other security-based compensation arrangement of the Corporation. In addition, the maximum number of Common Shares which may be issued to insiders of the Corporation as a whole under the SRIP and under any other security-based compensation arrangements within a one year period is 10% of the Common Shares outstanding at the time of the issuance (on a non-diluted basis), excluding Common Shares issued under the SRIP or any other security-based compensation arrangement over the preceding one year period. The maximum number of Common Shares which may be issued to any one insider and his or her associates under the SRIP within a one year period is 5% of the Common Shares outstanding at the time of the issuance (on a non-diluted basis), excluding Common Shares issued under the SRIP or any other security-based compensation arrangement over the preceding one year period. The maximum aggregate number of Common Shares which may be reserved for issuance pursuant to the Incentive Rights granted to non-employee directors of the Corporation shall be 1% of the Common Shares outstanding (on a non-diluted basis) and the maximum aggregate value of Common Shares which may be issued to non-employee directors under the SRIP and under any other security-based compensation arrangements (not including Common Shares issued in lieu of cash fees payable to such non-employee director) within a one year period shall be \$150,000, excluding Common Shares issued under the SRIP or any other security-based compensation arrangement over the preceding one year period.

The original exercise price of the Incentive Rights at the time of grant must be no less than the closing price of the Common Shares on the TSX on the last business day prior to the approval of the granting of the Incentive Right by the Board of Directors. However, the original exercise price of Incentive Rights may be adjusted downward at the election of the holder by an amount equal to the per share amount of all dividends or distributions declared and paid from the date of grant to the date of exercise (whether paid in cash, in other securities of the Corporation or in other assets of the Corporation). In certain circumstances, it is more advantageous to use the original exercise price rather than the downward adjusted exercise price as using the downward adjusted price may increase the tax rate applicable to the exercise of the Incentive Right.

Under the SRIP, the Board of Directors has the power to determine the time at which an Incentive Right will expire and the time or times when Incentive Rights will vest and become exercisable. The SRIP states that the period during which an Incentive Right is exercisable will generally expire at the end of the fifth calendar year following the year in which the Incentive Right has vested. However, if the original expiry date of an Incentive Right occurs during, or within ten business days of the end of a

Corporation-imposed securities trading blackout applicable to a holder of Incentive Rights, then the expiry date is extended to be the tenth business day after the original expiry date of the blackout period. All Incentive Rights granted to date under the SRIP vest as to one-third on each of the first, second, and third anniversaries of their respective dates of grant and expire on a date that is no later than five years after their respective dates of grant.

An Incentive Right is personal to the grantee and is non-transferable and non-assignable. The SRIP does not provide for or contemplate the provision of financial assistance to facilitate the exercise of Incentive Rights and the issuance of Common Shares.

Appropriate adjustments as regards Incentive Rights granted or to be granted, in the number of Common Shares optioned and in the exercise price of the Incentive Rights, shall be made by the Board of Directors to give effect to adjustments in the number of Common Shares resulting from subdivisions, consolidations or reclassifications of the Common Shares, or other relevant changes in the Corporation. The appropriate adjustment in any particular circumstance shall be conclusively determined by the Board of Directors in its sole discretion, subject to approval by the Shareholders and to acceptance by the TSX, respectively, if applicable.

If the employment or appointment of an Incentive Rights holder with the Corporation is terminated by either party for any reason other than termination for cause or, generally, the voluntary resignation of the holder (provided that a termination of employment by an Incentive Rights holder following a change of control of the Corporation in accordance with the terms of any employment agreement shall not constitute a resignation), in which cases the Incentive Rights expire immediately upon the holder ceasing to provide active services to the Corporation, the Incentive Rights held by such individual must be exercised by an Incentive Rights holder or, if the Incentive Rights Holder is deceased, by the legal representative(s) of the estate of the Incentive Rights Holder within 90 days of the later of the date of notice of such termination or the date on which the holder ceased to actively provide services to the Corporation, but in either case prior to the expiry date of the Incentive Right in accordance with the terms thereof.

If the Corporation is merged into or amalgamated with any other entity, or the Corporation sells all or substantially all of its assets, and as a result of such a transaction the Shareholders would receive securities of another issuer in substitution for the Common Shares, the Incentive Rights would be modified so that the holder would receive that number of securities of the successor issuer that he or she would have received as a result of the merger, amalgamation or sale if the holder had exercised the Incentive Rights to purchase Common Shares immediately prior to the transaction. Additionally, if a take-over bid (that is not exempt from the take-over bid requirements of the *Securities Act* (Alberta) or Multilateral Instrument 62-104 — *Take-Over Bids and Issuer Bids*) is made for the Common Shares, holders of Incentive Rights have the right to immediately exercise all unexercised Incentive Rights held by such holder, whether vested or not at such time, in order to tender such Common Shares to the take-over bid. If those Common Shares are not tendered to or taken up under the bid, any Common Shares acquired by the holder of the exercised Incentive Rights in connection with the take-over bid are deemed to be cancelled and returned to the Corporation, and the Incentive Rights and the consideration paid by the holder to exercise those Incentive Rights will be returned to the holder.

The SRIP states that the Board of Directors may, at any time without the approval of the Shareholders, suspend, discontinue or amend the SRIP or any Incentive Right. However, the Board of Directors may not, without the approval of a majority of the Shareholders, amend the SRIP or an Incentive Right to: (a) increase the number of Common Shares, or the percentage of the issued and outstanding Common Shares, issuable pursuant to the plan; (b) other than as provided for in the exercise price adjustment mechanisms for dividends described above, make any amendment that would reduce the exercise price of an outstanding Incentive Right held by an insider of the Corporation (including a cancellation and reissue of an Incentive Right that constitutes a reduction of the exercise price), or to make any amendment to such exercise price adjustment mechanisms; (c) extend the expiry date of any Incentive Right granted under the SRIP beyond the expiry date of the Incentive Right determined at the date of grant, except as provided for with respect to an expiry date that occurs during a blackout period, as described above; (d) amend the limitations on the maximum number of shares reserved or issued to

insiders of the Corporation under the SRIP; or (e) amend the amendment provisions of the SRIP, as described therein, in each case unless the change to the SRIP or an Incentive Right results from the application of provisions in the SRIP relating to mergers, business combinations, take-over bids and anti-dilution provisions.

The rules of the TSX provide that an issuer must obtain securityholder approval of all unallocated options, rights or other entitlements under any security-based compensation arrangements that do not have a fixed maximum aggregate of securities issuable every three years after the institution of any such compensation arrangement. The unallocated rights and entitlements under the SRIP were last approved by the Shareholders in June 2016 and expire on June 16, 2019. The Corporation has no intention to renew the SRIP at the Meeting. As such, the Corporation may not grant Incentive Rights under the SRIP after June 16, 2019.

### **Terms of the DCA**

Under the DCA members of the Board of Directors may elect to receive their annual retainer and other amounts payable for their services on the Board of Directors in the form of Common Shares or cash. If a director elects to receive any portion of his or her annual retainer or other remuneration in the form of Common Shares, the number of Common Shares to be issued will be determined net of withholding taxes and based on the five day volume weighted average trading price of Common Shares prior to each payment date, subject to the Corporation's trading policy. Directors of the Corporation are paid quarterly. In addition, the Board of Directors may, at any time, amend or terminate the terms and conditions of the DCA by resolution of the Board of the Directors without Shareholder approval, subject to the policies of the TSX (or any other applicable stock exchange from time to time) and applicable laws.

The DCA has a fixed maximum aggregate amount of 600,000 Common Shares reserved and issuable to the Board of Directors. 556,545 Common Shares remain available for issuance under the DCA as at April 29, 2019, representing approximately 0.21% of the number of Common Shares outstanding as at that date.

### **Annual Burn Rate for RSU Plan, SRIP and DCA**

The annual burn rate for the RSU Plan, SRIP and DCA for the last three fiscal years is set out in the table below:

<b>Plan</b>	<b>Year ended December 31, 2016</b>	<b>Year ended December 31, 2017</b>	<b>Year ended December 31, 2018</b>
RSU Plan	1.4%	1.1%	1.6%
SRIP	2.0%	1.2%	0.1%
DCA	0.002%	0.001%	0.004%

The annual burn rate for the RSU Plan, SRIP and DCA set out above is calculated by (i) dividing the number of securities granted under the RSU Plan, SRIP or DCA, as applicable, during the applicable year by (ii) the weighted average number of securities outstanding for the applicable year. The weighted average number of securities is the number of securities outstanding at the beginning of the period, adjusted by the number of securities bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the securities are outstanding as a proportion of the total number of days in the period.

## EXECUTIVE COMPENSATION

### Named Executive Officers

The President and Chief Executive Officer (“**CEO**”), the Chief Financial Officer (“**CFO**”) and the three most highly compensated executive officers of the Corporation other than the CEO and CFO constitute the Corporation’s Named Executive Officers for the purposes of this Information Circular (each a “**Named Executive Officer**” or a “**NEO**” and collectively, the “**Named Executive Officers**” or “**NEOs**”). For the period ending December 31, 2018, the Corporation had the following six Named Executive Officers: (a) Thomas J. Simons, President and Chief Executive Officer; (b) Anthony M. Aulicino, Chief Financial Officer; (c) Kenneth E. Zinger, President - Canadian Drilling Fluids; (d) Jason D. Waugh, President – Canadian Production Chemicals; (e) Vernon J. Disney, President – US Production Chemicals (each of Messrs. Zinger, Waugh and Disney a “**Division President**” and collectively, the “**Division Presidents**”); and (f) Craig F. Nieboer, Former Chief Financial Officer.

### Compensation Discussion and Analysis

#### *Introduction*

The purpose of this Compensation Discussion and Analysis is to provide information about the Corporation’s philosophy, objectives, methodology and processes regarding compensation for the Named Executive Officers.

The Corporation strives to achieve the following with its total compensation program:

- align total compensation with Shareholder interests and returns;
- be viewed as an employer of choice that attracts, retains and motivates skilled and valued employees;
- minimize turnover related to compensation issues;
- reward individual and corporate contribution and team performance;
- provide employees with the opportunity to earn up to or beyond the typical target positioning for high achieving employees whose performance exceeds the objectives for the year;
- balance a proportion of fixed versus variable compensation to be competitive with typical practice among peers; and
- enhance a performance culture by aligning pay with performance under the Corporation’s short-term incentive plan and long-term incentive plan.

#### *Compensation Program Design*

The Corporation’s compensation program is designed to reward performance that contributes to the achievement of CES’ business strategy on both a short-term and long-term basis. Additionally, the Corporation strives to reward qualities that it believes help achieve its strategy such as teamwork, individual performance, responsibility, accountability and tenure with CES.

The Corporation believes that its compensation program incorporates various measures designed to mitigate any incentive for its executives or other key employees to take, or be rewarded for, excessive or inappropriate risks. The following are examples of such measures:

- the Corporation's compensation program consists of both fixed and variable compensation, with a significant portion of compensation being "at risk" and based on performance;
- under the Corporation's short-term incentive plan, NEOs may be awarded cash and RSUs if EBITDAC targets of the Corporation recommended by the Compensation Committee and approved by the Board are satisfied. If the EBITDAC targets are satisfied under the short-term incentive plan, the Compensation Committee may then approve the grant of cash and RSUs, and such RSUs granted will vest one year from the date of such grant;
- under the Corporation's long-term incentive plan, NEOs may be awarded RSUs if certain performance based criteria recommended by the Compensation Committee and approved by the Board are satisfied. If the performance based criteria are satisfied under the long-term incentive plan, the Compensation Committee may then approve the grant of RSUs and such RSUs granted will vest on a one third basis over a three year period from the date of grant;
- subject to the maximum award amounts established by the Compensation Committee on an annual basis, the variable compensation under the Corporation's short-term incentive plan and long-term incentive plan are tied to measures such as EBITDAC and other performance based factors, which must be satisfied before any such grants are awarded, such performance measures are intended to align the interests of Shareholders and the Corporation as a whole with the interests of the executives;
- the Corporation has adopted executive officer and non-executive director share ownership guidelines to align the long-term interests of executive officers and non-executive directors and the Shareholders by requiring such persons to maintain significant direct ownership of the Common Shares;
- the Corporation has adopted an incentive compensation clawback policy to ensure NEOs must repay the Corporation in the event of the restatement of financial statements as a result of intentional misconduct; and
- NEOs, directors, officers, consultants and employees of the Corporation are not permitted to purchase any financial instrument that is designed to hedge or offset a decrease in market value of the Common Shares. CES' insider trading policy prohibits speculation in securities of the Corporation, buying the Corporation's securities on margin, short-selling a security of the Corporation or any other arrangement that results in a gain only if the value of the Corporation's securities declines in the future, buying a put option and selling a call option. The insider trading policy requires the Corporation to pre-clear certain trades of its securities by executives or other key employees.

#### *Clawback Policy*

The Corporation adopted an incentive compensation clawback policy to require reimbursement of any cash or equity based incentive payment to any executive officer where:

- the payment was predicated upon achieving certain financial results that were subsequently the subject of a substantial restatement of the Corporation's financial statements;
- the Board determines such individual engaged in intentional misconduct that caused or substantially caused the need for the substantial restatement; and
- a lower payment would have been made to such individual based upon the restated financial results.

In each such instance, CES will, to the extent practicable, seek to recover from the individual the amount by which the individual's cash or equity based incentive payments for the relevant period exceeded the lower payment that would have been made based on the restated financial results.

### *Elements of Compensation*

The Corporation's compensation program is comprised of four elements, namely: (a) base salary; (b) short-term incentives (cash and RSUs); (c) long-term incentives (RSUs and Incentive Rights); and (d) benefits. The Board and the Compensation Committee believe that properly allocating these pay components so that a significant portion of compensation is "at risk" is critical in motivating executives to carry out CES' strategy and ensuring that the interests of management are aligned with the interests of the Corporation's shareholders. Under the Corporation's performance based short-term incentive plan for 2018, cash and RSUs are awarded annually if the Corporation achieves certain EBITDAC targets for the financial year which are recommended by the Compensation Committee and approved by the Board on an annual basis. If EBITDAC targets are satisfied for a financial year, any RSUs awarded by the Board, on the recommendation of the Compensation Committee, to NEOs under the short-term incentive plan will vest one year from the date of grant of such RSUs. Under the Corporation's performance based long-term incentive plan for 2018, RSUs are awarded annually if the Corporation and NEOs satisfy certain performance criteria which are recommended by the Compensation Committee and approved by the Board on an annual basis. If the Compensation Committee determines that the performance criteria for the Corporation and NEOs are satisfied for a financial year, any RSUs awarded by the Compensation Committee to NEOs under the long-term incentive plan will vest on the basis of one third each year over a three year period from the date of grant. For a full description of the Corporation's compensation program for 2018, please refer to the Corporation's information circular dated May 1, 2018 (the "**2018 Information Circular**") under the heading "*Executive Compensation*".

For 2019, the Corporation's performance based short-term incentive plan will consist of two components being: (a) achieving a specified level of EBITDAC for the financial year (the "**EBITDAC Targets**"), which will represent 75% of the total targeted amount paid under the short-term incentive plan, and (b) satisfying other financial and operational performance metrics including EBITDAC Margin, annual capital expenditures ("**Capex**"), and balance sheet management at the divisional and corporate levels (the "**Corporate and Division Performance Metrics**"), which will represent the remaining 25% of the total targeted amount paid under the short-term incentive plan.

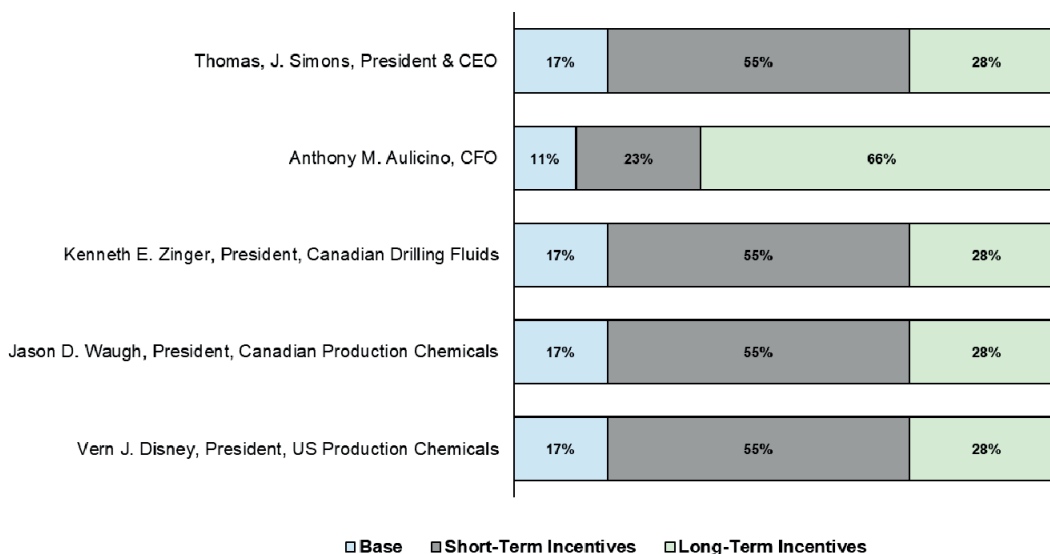
The Corporation's 2019 long-term incentive plan will include the addition of certain metrics including relative total Shareholder return ("**TSR**") and relative Return on Capital Employed ("**ROCE**").

For more information about the Corporation's short-term and long-term incentive plan, see "*Short-Term Incentive Plan*" and "*Long-Term Incentive Plan*" below.

The following is an overview of the four elements of CES' compensation program for 2019:

	Total Direct Compensation			Indirect Compensation
Program	Base Salary	Short-Term Incentives	Long-Term Incentives	Group Benefit and Perquisite Programs
Purpose	Compensates executives for leadership, management and operational skills and the degree of accountability inherent in their roles	Cash bonuses and grants of RSUs if EBITDAC Targets and Corporate and Division Performance Metrics are satisfied to reward executives for their contributions to the achievement of annual financial goals. EBITDAC Targets represent 75% of total targeted amount of short-term incentives, with Corporate and Division Performance Metrics representing the remaining 25%. RSUs vest one year from the date of grant.	Grants of RSUs if performance based criteria established by the Compensation Committee are satisfied. The performance based long-term incentive plan links the interests of executives and Shareholders by rewarding executives for creating sustained Shareholder value in the long term. A portion of these RSUs vest on the basis of one third each year over a three year period from the date of grant and a portion of these RSUs cliff vest after three years from the date of grant.	Invests in employee health and well-being
Performance Period		1 Year	3 Years	
		At Risk	At Risk	

The following chart outlines the total direct compensation break-down amongst the above-noted compensation categories for the year ended December 31, 2018.





### *Compensation Committee*

To assist the Board of Directors in fulfilling its oversight responsibilities with respect to human resource policies and executive management compensation, the Board of Directors has established a Compensation Committee (the “**Compensation Committee**”) comprised of three independent directors: Messrs. Hooks (Chair), Kitagawa and Ms. Stella Cosby. Messrs. Hooks and Kitagawa have served as executive officers of other corporations and, as such, have experience in decision-making related to compensation policies and practices. In addition, Mr. Hooks has served on the compensation committee of another public issuer. Ms. Cosby serves as Vice President, People at Cervus Equipment Corporation and has experience in designing, implementing and monitoring pay for performance executive compensation plans. She has also served on the Human Resources and Compensation Committee of Savanna Energy Services Corp.

The Compensation Committee is responsible for reviewing the Corporation’s overall compensation policies and guidelines and its objectives related to executive compensation. It is mandated, among other things, to:

- (a) consider and recommend to the Board of Directors, on an annual basis, the Corporation’s general compensation policies and guidelines;
- (b) determine that such policies and guidelines are aligned with CES’ values and mission and will attract, retain and motivate the selected personnel;
- (c) determine that the compensation of directors realistically reflects the responsibilities and risks involved in being an effective director;
- (d) consider and recommend to the Board of Directors annual compensation budgets;
- (e) consider and recommend to the Board of Directors various benefit plans, bonus and incentive plans, and share option and other medium or long-term incentive plans and to oversee the administration and assess the effectiveness and appropriateness of the foregoing;
- (f) make recommendations to the Board of Directors with respect to the CEO’s compensation and entitlement to bonuses in light of the CEO’s annual performance and in light of the criteria proposed by the Compensation Committee and adopted by the Board of Directors; and
- (g) propose to the Board of Directors criteria for assessing the performance of senior management and assessing their performance in accordance with evaluation processes established by the Board of Directors.

The Compensation Committee has the authority to engage advisors to assist it in making determinations as to appropriate compensation levels throughout the organization and compensation program design. The Compensation Committee receives recommendations respecting compensation from the CEO for the other NEOs and takes such recommendations into consideration when making its determinations.

The Compensation Committee also makes executive compensation decisions based on an annual review and analysis of: (a) management’s overall performance, as evidenced by the achievement of corporate and individual goals; (b) TSR and ROCE metrics; (c) industry conditions; and (d) executive compensation of peer group members.

### *Compensation Consultants*

For the years ended December 31, 2017 and 2018, the Compensation Committee did not engage any outside consultant or advisor to assist in determining compensation for any of the Corporation’s directors

or executive officers. In 2019, the Corporation retained C.J. Howe & Associates to undertake a review and make recommendations regarding modifications to the compensation program and procedures for the 2019 financial year.

The table below summarizes the fees paid by the Corporation to compensation consultants related to determining compensation and compensation program design for the Corporation's executives ("**Executive Compensation-Related Fees**") and the fees paid by the Corporation to compensation consultants for other services ("**All Other Fees**") for the financial years ended December 31, 2017 and 2018.

	<b>Fees Paid to Compensation Consultant</b>	
	<b>2018</b>	<b>2017</b>
Executive Compensation-Related Fees	nil	nil
All Other Fees	nil	nil

#### *Peer Group Comparisons*

The Compensation Committee and Management identified a compensation peer group to assist in the evaluation of the appropriate overall level and form of employee compensation. The peer group consists of similarly sized peers within the broader Canadian oilfield services industry. For the purposes of 2018, the peer group included:

<b>2018 Compensation Peer Group</b>	
Black Diamond Group Limited	PHX Energy Services Corp.
Calfrac Well Services Ltd.	Precision Drilling Corporation
Enerflex Ltd.	Secure Energy Services Inc.
Ensign Energy Services Inc.	Trican Well Service Ltd.
Gibson Energy Inc.	Trinidad Drilling Ltd.
Pason Systems Inc.	

For 2019, the Compensation Committee and Management modified the compensation peer group by considering relevant comparable size, financial structure, business models, operational complexity, and geographic presence and exposure. This peer group includes:

<b>2019 Compensation Peer Group</b>	
Calfrac Well Services Ltd.	Newpark Resources Inc.
Core Laboratories N.V.	Pason Systems Inc.
Enerflex Ltd.	Precision Drilling Corporation
Ensign Energy Services Inc.	Secure Energy Services Inc.
Gibson Energy Inc.	Shawcor Ltd.
Innospec Inc.	Tetra Technologies Inc.

The Compensation Committee analyzes public information available with respect to each peer group member listed above and compares the compensation paid to particular peer executives with executives of CES.

In addition, the Compensation Committee and Management have identified a peer group for the purposes of evaluating the Corporation's relative financial performance on metrics including TSR and ROCE (the "**Performance Peer Group**"). The Performance Peer Group set out below includes companies that are commonly compared to the Corporation by research and investor communities as well as certain US based corporations that the Corporation has deemed relevant:

**2019 Performance Peer Group**

Black Diamond Group Limited	Precision Drilling Corporation
Calfrac Well Services Ltd.	Secure Energy Services Inc.
Enerflex Ltd.	Shawcor Ltd.
Ensign Energy Services Inc.	Source Energy Services Ltd.
Horizon North Logistics Inc.	STEP Energy Services Ltd.
Innospec Inc.	Tetra Technologies Inc.
Newpark Resources Inc.	Trican Well Service Ltd.
PHX Energy Services Corp.	Total Energy Services Inc.

*Overall Compensation*

Recommendations to the Board of Directors in respect of executive compensation for the NEOs are the responsibility of the Compensation Committee. The Compensation Committee uses all appropriate data available to it and may determine, from time to time, to engage a compensation consultant to assist in reviewing, updating and improving the Corporation's compensation program, to ensure that the Corporation is maintaining a level of compensation that is both commensurate with the size of the Corporation and sufficient to retain personnel it considers essential to the success of the Corporation. The Compensation Committee assesses the performance of NEOs with respect to the performance based objectives described below under the headings "*Short-Term Incentive Plan*" and "*Long-Term Incentive Plan*" to determine if the NEOs are eligible for awards under the Corporation's short-term incentive plan and long-term incentive plan.

*Base Salaries*

The Corporation pays base salaries in amounts intended to: (a) recognize each NEO's unique value and historical contribution to the success of the Corporation; (b) match competitors' salaries for executive talent; (c) provide NEOs with sufficient, regularly paid income; and (d) reflect each NEO's position and level of responsibility.

The Compensation Committee reviews base salaries for the NEOs annually to determine if changes are warranted. In reviewing base salaries, the Compensation Committee considers a number of factors, including:

- general market and industry conditions and the operating environment for the Corporation;
- operational and financial results of the Corporation;
- a comparison to base salaries paid for comparable positions in the compensation peer group (base salaries and total compensation are targeted at the peer group median for median performance); and

- the relationship among base salaries paid by the Corporation and individual experience and contribution.

#### *Short-Term Incentive Plan*

The Corporation maintains a short-term incentive plan for NEOs as part of its compensation program. Each NEO is eligible for an award on an annual basis under the short-term incentive plan if the Corporation: (a) achieves the EBITDAC Targets for the financial year set on an annual basis by the Board, on the recommendation of the Compensation Committee, and (b) satisfies the Corporate and Division Performance Metrics. For greater certainty, “**EBITDAC**” means net income before interest, taxes, depreciation and amortization, finance costs, other income (loss) and stock-based compensation, which are not reflective of underlying operations.

For 2019, the short-term incentive plan will be weighted whereby the EBITDAC Target component represents 75% of the total short-term incentive plan bonus and the targeted Corporate and Division Performance Metrics represents the remaining 25%. The EBITDAC Target multiplier for 2019 will be 1.6875 times base salary and the target Corporate and Division Performance Metrics will be 0.5625 times base salary, representing a combined short-term incentive plan target multiplier of 2.25 times, or 225% of base salary, unless otherwise determined by the Board of Directors. The actual total awards for the short-term incentive plan may range from zero to a maximum of 2.1 times the targeted award percentage (or a maximum of 472% of an NEO’s base salary).

It is expected that the Corporation’s post-EBITDAC expenditures will be approximately \$100 million for the year ended December 31, 2019. If the Corporation achieves at least \$125 million in annual consolidated EBITDAC in 2019, each NEO will receive an award equal to 94% of base salary. To the extent that the minimum threshold of \$125 million is surpassed, the award structure will increase in the increments indicated in the table below:

<b>Annual EBITDAC (\$MM)</b>	<b>Annual Award under Short-Term Incentive Plan (Expressed as a % of Base Salary with 75% EBITDAC Target weighting applied)<sup>(1)</sup></b>
less than 125	0
125	94
142.5	131
160	169
180	263
200 or more	356

**Notes:**

(1) For every \$1 million that the Corporation’s annual EBITDAC is: (a) above \$125 million up to \$160 million, the incentive award under the short-term incentive plan will increase by 2.14% of each NEO’s base salary, and (b) above \$160 million, the incentive award under the short-term incentive plan will increase by 4.67% of each NEO’s base salary up to a maximum of 356%.

In addition to the EBITDAC Target component, each NEO is eligible to receive an award based on satisfying the Corporate and Division Performance Metrics, related to EBITDAC Margin, Capex and balance sheet management, the achievement of which will be based on respective performances at the divisional levels and at the corporate level and shall be determined by the Compensation Committee and the Board of Directors. The targeted multiplier for this component of the short-term incentive plan is 0.5625 times base salary. The actual awards for the Corporate and Division Performance Metrics of the short-term incentive plan may range from zero to a maximum of 2.1 times the targeted award percentage (or a maximum of 118% of an NEO’s base salary).

Annual awards to NEOs must be recommended by the Compensation Committee and approved by the Board and are only payable after the Board has approved CES’ year end results. If the NEOs are entitled

to an award under the short-term incentive plan, two thirds of such award is payable in cash and the remaining third is payable in RSUs which vest one year after the date of grant.

*Long-Term Incentive Plan*

The Corporation also maintains a performance based long-term incentive plan for the NEOs. To be eligible for an award under the long-term incentive plan, the Corporation and the NEOs must satisfy certain performance-based criteria recommended by the Compensation Committee and approved by the Board on an annual basis.

For 2019, the Board, on the recommendation of the Compensation Committee, has established the following performance based criteria for the Corporation and the NEOs for NEOs to be eligible for awards under the long-term incentive plan:

- **Total Shareholder Return**, relative to the Performance Peer Group. The Compensation Committee and the Board will evaluate the relative TSR for the Corporation by calculating, on a quarterly basis, the Corporation’s ranking compared to the Performance Peer Group as follows:

<b>TSR Percentile Ranking</b>	<b>Target Multiplier (Expressed as a % of Base Salary)<sup>(1)</sup></b>
Less than 25%	0
25%	50
50% (median)	100
75% or greater	200

**Notes:**

- (1) For every percentile increase that the Corporation achieves relative to the Performance Peer Group: (a) between the 25<sup>th</sup> and 50<sup>th</sup> percentile, the target multiplier will increase by 2%; and (b) between the 50<sup>th</sup> and 75<sup>th</sup> percentile, the target multiplier will increase by 4%.

- **Return on Capital Employed**, relative to the Performance Peer Group. The Compensation Committee and the Board will evaluate the relative ROCE for the Corporation by calculating, on an annual basis, the Corporation’s ranking compared to the Performance Peer Group as follows:

<b>Percentile Ranking</b>	<b>Target Multiplier (Expressed as a % of Base Salary)<sup>(1)</sup></b>
Less than 25%	0
25%	50
50% (median)	100
75% or greater	200

**Notes:**

- (1) For every percentile increase that the Corporation achieves relative to the Performance Peer Group: (a) between the 25<sup>th</sup> and 50<sup>th</sup> percentile, the target multiplier will increase by 2%; and (b) between the 50<sup>th</sup> and 75<sup>th</sup> percentile, the target multiplier will increase by 4%.

- **Cost Structure Optimization**, particularly in the areas of: (a) capital and operating expenses; (b) human capital; and (c) third party service providers. The Compensation Committee and the Board consider NEOs’ efforts to manage the Corporation’s capital programs, general and administrative expenses, and field operating costs, within the framework of other corporate objectives, such as, corporate growth, risk management, and effective management of the Corporation’s human capital and relationships with third party service providers;

- **Health Safety and Environmental Performance**, including NEOs’ achievements regarding: (a) accident mitigation and reduction; and (b) compliance with environmental and legal requirements; and
- **Good Governance**, as determined by, among other things: (a) asset management processes; (b) external rating agency rankings and surveys; (c) internal controls; (d) adherence to good governance practices; (e) legislative compliance; and (f) risk mitigation.

The Compensation Committee and the Board do not take into account previous grants when considering new grants.

If the Compensation Committee and the Board are satisfied that the performance criteria set out above under the long-term incentive plan are met, the Board will approve the award of RSUs to the NEOs. RSUs awarded to the NEOs by the Board, on the recommendation of the Compensation Committee, relating to TSR and ROCE will cliff-vest on the third anniversary from the date of the grant. All other RSUs granted under the long-term incentive plan shall vest on a one third basis over a three year period from the date of grant. For clarity, under the long-term incentive plan, the performance criteria set out above must first be achieved prior to Board approval of the award of RSUs.

The following chart outlines the weighting of each of the above criteria along with the corresponding vesting schedule in respect of RSUs granted under the long-term incentive plan:

<b>Performance Criteria</b>	<b>Weighting</b>	<b>Vesting Schedule</b>
TSR	20%	3 Year Cliff Vesting
ROCE	20%	3 Year Cliff Vesting
Cost Structure	20%	1/3 Per Year
HSE	20%	1/3 Per Year
Governance	20%	1/3 Per Year

For 2019, the targeted long-term incentive award for each NEO is 225% of base salary. Unless otherwise determined by the Compensation Committee and the Board of Directors, the actual awards may range from zero to a maximum of 2.0 times the targeted award percentage (or a maximum of 450% of an NEO’s base salary).

*Benefits*

CES supports a traditional employee benefit plan consisting of health and dental care and various forms of life and disability insurance. The NEOs are eligible to participate in the same benefits as are offered to all full-time employees. The Corporation does not view these benefits as a significant element of its compensation structure, but does believe that they can be used in conjunction with base salary to attract, motivate and retain individuals in a competitive environment.

*Compensation of the President and Chief Executive Officer*

Mr. Simons’ annual compensation, long-term compensation and other compensation are disclosed below under “*Summary Compensation Table*”. The compensation paid to Mr. Simons for the fiscal period ended December 31, 2018 was based on the factors and criteria set out under the heading “*Executive Compensation*” in the Corporation’s 2018 Information Circular.

All Common Shares acquired by Mr. Simons upon the exercise of RSUs granted after December 31, 2018 will be subject to a post-exercise holding period expiring upon the earlier of: (a) one year from the

acquisition date of such Common Shares; or (b) the date when the CEO's share ownership guidelines are met. As a founder of the Corporation, Mr. Simons currently significantly exceeds the amount of ownership required under the Corporation's share ownership guidelines. See "Executive Share Ownership Requirements".

### Executive Share Ownership Requirements

To align executive and shareholder interests, all of the Corporation's NEOs must meet minimum share ownership requirements. The minimum share ownership requirements reflect the executive's compensation and position and may be satisfied through holdings of Common Shares, RSUs and vested Incentive Rights. Newly appointed executives have three years to meet the share ownership requirements.

The table below summarizes the minimum ownership requirements by level:

EXECUTIVE LEVEL	MINIMUM OWNERSHIP REQUIREMENT
CEO	Six (6x) times annual base salary
CFO	Five (5x) times annual base salary
Division Presidents	Three (3x) times annual base salary

The following table sets out the NEOs share ownership as against the foregoing minimum share ownership guidelines:

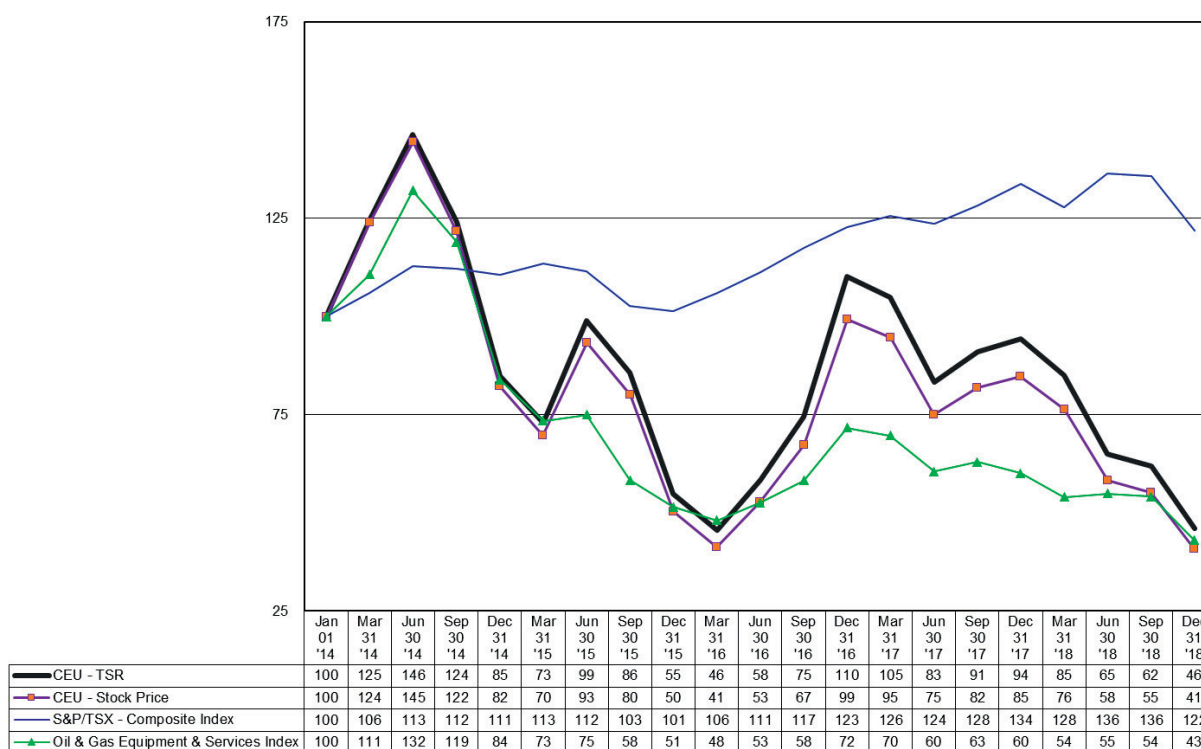
NAME	SHARE OWNERSHIP GUIDELINES		SHARE OWNERSHIP OF NEOS AT DECEMBER 31, 2018			TOTAL OWNERSHIP MULTIPLE OF SALARY	REQUIREMENT MET (✓) OR VALUE (\$) REQUIRED TO MEET REQUIREMENT
	MULTIPLE OF BASE SALARY		DIRECTLY HELD COMMON SHARES (\$) <sup>(1)</sup>	SHARE UNITS (\$) <sup>(2)</sup>	TOTAL OWNERSHIP (\$)		
Thomas J. Simons	6		7,424,011	1,063,336	8,487,348	17.0	✓
Anthony M. Aulicino	5		30,555	344,713	375,268	0.94	\$1,624,732 <sup>(3)</sup>
Kenneth E. Zinger	3		4,215,588	852,169	5,067,757	12.7	✓
Jason D. Waugh	3		1,494,965	849,669	2,344,634	5.9	✓
Vernon J. Disney	3		7,518,266 <sup>(4)</sup>	Nil	7,518,266	18.8	✓

**Notes:**

- (1) Based on the closing price on the TSX of the Common Shares of \$3.15 on December 31, 2018.
- (2) "Share Units" includes RSUs and Incentive Rights.
- (3) Mr. Aulicino began his employment with the Corporation as Chief Financial Officer on October 1, 2018 and has three years from this date to satisfy minimum share ownership requirements.
- (4) Based on 4,773,502 Common Shares held by Gardendale Energy, LLC of which Mr. Disney owns a 50% interest.

## Performance Graph

The following graph illustrates changes from January 1, 2014 to December 31, 2018 in the cumulative Shareholder return, assuming an initial \$100 investment in the Common Shares with all cash distributions reinvested at the payment date of such distributions, compared to the cumulative return of the S&P/TSX Composite Index and the Oil & Gas Equipment & Services Index.



The trend shown in the above graph does not necessarily correspond to CES' compensation to its NEOs for the period ended December 31, 2018 or for any prior fiscal periods. The Corporation's executive compensation is reviewed annually and is set by the Board of Directors upon the recommendation of the Compensation Committee. In connection with its determination of appropriate levels of compensation, the Compensation Committee and the Board consider a number of factors, all of which are discussed above under "Executive Compensation – Compensation Discussion and Analysis" in the 2018 Information Circular.

In setting the 2018 compensation program for the Corporation, the Compensation Committee and the Board examined and considered executive compensation levels relative to its industry peer groups, as discussed under "Executive Compensation – Compensation Discussion and Analysis" in the 2018 Information Circular, many of which do not necessarily correspond to the market or trading price of such industry peer groups' securities. For 2019, the Compensation Committee and the Board have incorporated relative TSR as a component of the Corporation's long-term incentive plan which is further discussed under the heading "Executive Compensation – Compensation Discussion and Analysis – Long Term Incentive Plan".

The trading price of the Common Shares on the TSX is subject to fluctuation based on several factors, many of which are outside the control of the Corporation. These include, but are not limited to, fluctuations and volatility in commodity price markets for oil and natural gas and natural gas liquids, input



costs relating to products used in connection with the Corporation's services, global economic conditions, changes in government, environmental policies, legislation and royalty regimes, and other factors, some of which are disclosed and discussed under the heading "Risk Factors" in the Corporation's annual information form dated March 12, 2019.

### Summary Compensation Table

The following table sets forth the total compensation of the Named Executive Officers for the last three financial years.

Name and Position	Year	Salary (\$)	Share-Based Awards <sup>(1)</sup> (\$)	Option and Incentive Right Based Awards <sup>(2)</sup> (\$)	Non-equity incentive plan compensation <sup>(3)</sup> (\$)	All Other Compensation <sup>(4)</sup> (\$)	Total Compensation (\$)
<b>Thomas J. Simons</b> <sup>(5)</sup> President & Chief Executive Officer	2018	500,000	1,361,765	Nil	1,073,530	24,180	2,959,475
	2017	500,000	1,898,861	Nil	1,697,722	23,531	4,120,114
	2016	340,000	1,252,980	Nil	Nil	16,437	1,609,417
<b>Anthony M. Aulicino</b> <sup>(6)</sup> Chief Financial Officer	2018	100,000	650,221	Nil	134,191	368,838 <sup>(7)</sup>	1,253,250
	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
<b>Kenneth E. Zinger</b> President, Canadian Drilling Fluids	2018	400,000	1,089,412	Nil	858,824	24,180	2,372,416
	2017	400,000	1,519,089	Nil	1,358,178	23,678	3,300,945
	2016	261,000	1,044,150	Nil	Nil	16,437	1,321,587
<b>Jason D. Waugh</b> President, Canadian Production Chemicals	2018	400,000	1,089,412	Nil	858,824	12,766	2,361,002
	2017	400,000	1,519,089	Nil	1,358,178	13,110	3,290,377
	2016	261,000	1,044,150	Nil	Nil	3,145	1,308,295
<b>Vernon J. Disney</b> <sup>(8)</sup> President, US Production Chemicals	2018	400,000	1,089,412	Nil	858,824	29,463	2,377,699
	2017	272,773	Nil	Nil	Nil	31,419	304,192
	2016	78,769	Nil	Nil	Nil	12,597	91,366
<b>Craig F. Nieboer</b> <sup>(9)</sup> Former Chief Financial Officer	2018	268,205	Nil	Nil	Nil	3,068,036 <sup>(10)</sup>	3,336,241
	2017	400,000	1,519,089	Nil	1,358,178	23,531	3,300,798
	2016	261,000	1,044,150	Nil	Nil	16,437	1,321,587

**Notes:**

- (1) Consists of RSUs granted under the RSU Plan in respect of services performed in the referenced financial year, which grants are made following the end of the referenced year. See "Share Based Compensation Plans" for a description of the terms of the RSU Plan. Amounts represent the grant date fair value based on the five day volume weighted average trading price of the Common Shares on the TSX on the day immediately preceding the grant.
- (2) Consists of SRIPs granted under the SRIP in respect of services performed in the referenced financial year, which grants are made following the end of the referenced year. See "Share Based Compensation Plans" for a description of the terms of the SRIP.
- (3) Represents the cash bonus awards paid to the Named Executive Officers. Bonuses declared for the respective fiscal year were paid in the following calendar year.
- (4) Represents all other employer-paid employee benefits.

- (5) Mr. Simons is a director of the Corporation but was not compensated by the Corporation for his services in his capacity as a director during the most recently completed financial year, other than reimbursement for out-of-pocket expenses for attending meetings of the Board of Directors.
- (6) Mr. Aulicino began his employment with the Corporation as Chief Financial Officer on October 1, 2018. Mr. Aulicino received a contingent compensation award to offset the incentives forfeited at his previous employer and to align his efforts to the interests of shareholders. The incentives consisted of a \$720,000 cash payment to be paid over three years, for which \$360,000 was paid in 2018, and 109,092 RSUs granted under the RSU plan. The RSUs vest as to one third on each of the first, second and third anniversaries of the date of the grant, as determined by the Board of Directors.
- (7) Amounts include the cash payment of \$360,000 described in (6) above.
- (8) Mr. Disney began his employment with the Corporation on August 1, 2016 as Executive Vice President of Catalyst Oilfield Services 2016, LLC. On August 15, 2018, Mr. Disney was appointed as President, US Production Chemicals.
- (9) Mr. Nieboer's employment with the Corporation ended on September 4, 2019.
- (10) Represents payments made to Mr. Nieboer pursuant to the terms of his executive employment agreement.

### Outstanding Incentive Rights and RSUs as at December 31, 2018

The following tables set forth all outstanding awards held by the Named Executive Officers as at December 31, 2018 under the SRIP and RSU Plan.

Name	SRIP-based Awards				Share-based Awards		
	Number of securities underlying unexercised Incentive Rights (#)	Incentive Right exercise price (\$)	Incentive Right expiration date	Value of unexercised in-the-money Incentive Rights <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested <sup>(2)</sup> (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Thomas J. Simons	150,000	3.10	15-Mar-21	7,500	335,186	1,055,836	Nil
Anthony M. Aulicino	Nil	Nil	Nil	Nil	109,433	344,713	Nil
Kenneth E. Zinger	150,000	3.10	15-Mar-21	7,500	268,149	844,669	Nil
Jason D. Waugh	100,000	3.10	15-Mar-21	5,000	268,149	844,669	Nil
Vernon J. Disney	Nil	Nil	Nil	Nil	Nil	Nil	Nil

**Notes:**

- (1) The value of the unexercised in-the-money Incentive Rights as at December 31, 2018 has been determined based on the closing price of the Common Shares on the TSX on December 31, 2018 of \$3.15 per Common Share being less than the exercise price of such Incentive Rights.
- (2) The value of the unvested RSUs as at December 31, 2018 has been determined based on the closing price of the Common Shares on the TSX on December 31, 2018 of \$3.15 per Common Share.

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

The following table sets forth for each Named Executive Officer: (i) the value of Incentive Rights vested during the year ended December 31, 2018; and (ii) the value of RSUs vested and redeemed during the year ended December 31, 2018. The value of vested Incentive Rights is calculated based on the difference between the closing price of the Common Shares on the vesting dates and the exercise price of the Incentive Rights. The value of the RSUs vested and redeemed is based on the five day volume weighted average trading price of the Common Shares on the TSX prior to the date of redemption.

Name	SRIP-based awards- Value vested during the year (\$)	Share-based awards-Value vested during the year (\$)
Thomas J. Simons	116,500	267,524
Anthony M. Aulicino	Nil	Nil
Kenneth E. Zinger	116,500	198,493
Jason D. Waugh	116,500	198,493
Vernon J. Disney	Nil	Nil

## Termination and Change of Control Benefits

### *Executive Employment Agreements*

#### General

The Corporation has executive employment agreements (the “**Executive Employment Agreements**”) with each of the Named Executive Officers. The Executive Employment Agreements contain standard provisions consistent with employment agreements for senior executives of comparable entities. The Executive Employment Agreements are for an indefinite term, until terminated by the Corporation or a Named Executive Officer pursuant to the terms and conditions of the respective Executive Employment Agreement. The Executive Employment Agreements contain non-competition and non-solicitation provisions that restrict the Named Executive Officers from directly or indirectly competing with the Corporation or soliciting business from clients of the Corporation for a prescribed period of time (the “**Restrictive Period**”). The Restrictive Period is for the Named Executive Officers is eighteen (18) months following the termination of their respective Executive Employment Agreement.

For the purposes of the Executive Employment Agreements, a “**Change of Control**” means, in the case of Messrs. Simons, Aulicino, Zinger and Waugh: (i) the acceptance, by the beneficial owners of voting units (“**Voting Units**”) of Canadian Energy Services L.P. (the “**Partnership**”) representing in the aggregate 50% or more of all issued and outstanding Voting Units, of any offer for all or any of the Voting Units, provided that no Change of Control shall be deemed to have occurred if upon completion of any such transaction, individuals who were members of the Board of Directors immediately prior to the effective date of such transaction constitute a majority of the Board of Directors following such effective date; (ii) the acquisition by a person (or two or more persons acting jointly or in concert, directly or indirectly) of beneficial ownership of outstanding securities, other interests or rights to acquire securities, which, together with such person’s then owned outstanding securities, other interests or rights to acquire securities, result in that person or persons being in a position to exercise effective control of the Partnership or the Corporation (i.e. such person or group of persons holding, owning or controlling, directly or indirectly, more than 50% of the outstanding voting securities or interests), except where such acquisition is part of a bona fide reorganization of the Corporation in circumstances where the affairs of the Corporation are continued, directly or indirectly; (iii) the sale, lease or exchange by the Partnership of all or substantially all of its assets (other than to an affiliate of the Partnership in circumstances where the affairs of the Partnership are continued, directly or indirectly); (iv) the passing of a resolution by the Board of Directors or the beneficial owners of Voting Units to substantially liquidate the assets or wind up the

Partnership or significantly rearrange the affairs of the Partnership in one or more transactions or series of transactions or the commencement of proceedings for such a liquidation, winding up or re arrangement, except where such resolution is part of a bona fide reorganization of the Partnership in circumstances where the affairs of the Partnership are continued, directly or indirectly; or (v) any other event which in the opinion of the Board of Directors reasonably constitutes a Change of Control.

In the case of Mr. Disney, a “**Change of Control**” means: (i) the acceptance of any offer for all or any of the Common Shares by the holders of Common Shares of 50% of more of the issued and outstanding Common Shares, provided that no Change of Control shall be deemed to have occurred if upon completion of any such transaction, individuals who were members of the Board of Directors immediately prior to the effective date of such transaction constitute a majority of the Board of Directors following such effective date; (ii) the acquisition by a person (or two or more persons acting jointly or in concert, directly or indirectly) of beneficial ownership of outstanding securities, other interests or rights to acquire securities, which, together with such person’s then owned outstanding securities, other interests or rights to acquire securities, result in that person or persons being in a position to exercise effective control of the Corporation (i.e. such person or group of persons holding, owning or controlling, directly or indirectly, more than 50% of the outstanding voting securities or interests), except where such acquisition is part of a bona fide reorganization of the Corporation in circumstances where the affairs of the Corporation are continued, directly or indirectly; (iii) the sale by the Corporation of all or substantially all of its assets (other than to an affiliate of the Corporation in circumstances where the affairs of the Corporation are continued, directly or indirectly); (iv) the passing of a resolution by the Board of Directors or the Common Shareholders to substantially liquidate the assets or wind up the Corporation or significantly rearrange the affairs of the Corporation in one or more transactions or series of transactions or the commencement of proceedings for such a liquidation, winding up or re arrangement; or (v) any other event which in the opinion of the Board of Directors reasonably constitutes a change of control.

For the purposes of the Executive Employment Agreements, “**Severance Period**” means a period of eighteen (18) months’ notice or pay in lieu of notice, in the Corporation’s discretion.

#### *Termination Without Cause or Termination Following Change of Control*

If a Named Executive Officer: (i) is terminated without cause; or (ii) terminates his Executive Employment Agreement following a Change of Control of the Corporation and for “good reason”, including a loss of position or reduction in salary and benefits (a “**Change of Control Reason**”), such Named Executive Officer may, within 180 days following the Change of Control, provide the Corporation with 60 days’ written notice and be entitled to: (i) his base salary and employee benefits and perquisites to the conclusion of the Severance Period; (ii) an amount equal to the average bonus paid to such Named Executive Officer each year over the three previous years multiplied by 1.5 (and in the case of Mr. Aulicino, if such termination event occurs prior to the completion of three years of service, the average bonus paid shall be calculated based on the average annualized bonus paid or to be paid over the course of his employment by the Corporation); and (iii) the vesting of any RSUs, granted to the Named Executive Officer prior to the Named Executive Officer’s termination date which remain unvested and would have otherwise vested during the Severance Period, which shall be deemed to have vested on the date of such Named Executive Officer’s termination and therefore redeemable for Common Shares.

#### *Termination for Good Reason*

If a Named Executive Officer terminates his Executive Employment Agreement following: (i) the assignment of any duties inconsistent with such Named Executive Officer’s status as an executive officer of the Corporation or a material alteration in the nature or status of such Named Executive Officer’s responsibilities or duties or reporting relationship; (ii) a reduction by the Corporation in such Named Executive Officer’s base salary or other remuneration; (iii) the elimination of such Named Executive Officer’s bonus; (iv) a material reduction by or as a result of action by the Corporation in such Named Executive Officer’s employment benefits; (v) the Corporation requiring such Named Executive Officer to be based anywhere other than as provided for in his Executive Employment Agreement, excepting business travel obligations in the ordinary course of business; (vi) failure by the Corporation to pay to

such Named Executive Officer any non-discretionary bonus to which such Named Executive Officer is entitled from time to time on or before four (4) months from the end of the period to which the bonus relates; or (vii) the failure of the Corporation or the Partnership to obtain a satisfactory agreement from a successor to assume and agree to perform the Executive Employment Agreement (each circumstance constituting “**Good Reason**”), such Named Executive Officer is entitled to: (i) their base salary and employee benefits and perquisites to the conclusion of the Severance Period; (ii) an amount equal to the average bonus paid to the Named Executive Officer each year over the three previous years multiplied by 1.5 (and in the case of Mr. Aulicino, if such termination event occurs prior to the completion of three years of service, the average bonus paid shall be calculated based on the average annualized bonus paid or to be paid over the course of his employment by the Corporation); and (iii) the vesting of any RSUs, granted to the Named Executive Officer prior to the Named Executive Officer’s termination date which remain unvested and would have otherwise vested during the Severance Period, which shall be deemed to have vested on the termination date and therefore redeemable for Common Shares. The Corporation remains liable to the Named Executive Officer for payment of any non-discretionary bonus to which the Named Executive Officer was entitled on the date of issuance by the Named Executive Officer of the notice of termination.

#### *Termination for Cause and Voluntary Resignation*

Under the Executive Employment Agreements, in the event of a termination for cause or upon notice of the voluntary resignation of a Named Executive Officer, the Corporation is not obligated to pay any further compensation from the date of termination, provided that the Corporation has paid the Named Executive Officer their salary, benefits and out of pocket expenses earned up to the date of termination.

#### *Death or Permanent Disability*

If a Named Executive Officer’s employment is terminated due to death, his estate is entitled to receive (1) any unpaid annual salary, less required deductions, owing up to and including the date of death; (2) all outstanding vacation pay; and (3) expense reimbursements and bonus where: (i) if the Named Executive Officer dies between the date of the Corporation’s fiscal year end and the bonus payment date, the Corporation shall pay to the estate an amount in cash equal to 100% of the bonus that would otherwise have been payable to the Named Executive Officer for the fiscal year ended, less required deductions; or (ii) if the bonus has not yet been determined in the year of the Named Executive Officer’s death, the Corporation shall pay to the estate a pro-rata amount in cash, calculated by dividing the number of days worked by the Named Executive Officer in the fiscal year in question by the total number of working days in that fiscal year.

If a Named Executive Officer suffers a permanent disability, the Corporation may terminate his Executive Employment Agreement after exhaustion of the Corporation’s short term disability coverage by providing 60 days’ notice. Upon termination as a result of permanent disability, such Named Executive Officer continues to be entitled to such insurance benefits as the Named Executive Officer is qualified to receive pursuant to any long term disability plan and to any benefit or entitlement under any pension plan of the Corporation or any executive superannuation undertakings in which the Named Executive Officer participates and is qualified to receive. Additionally, if the Named Executive Officer suffers a permanent disability between the date of the Corporation’s fiscal year end and the bonus payment date, the Corporation shall pay to the Named Executive Officer an amount in cash equal to 100% of the bonus that would otherwise have been payable to the Named Executive Officer for the fiscal year ended, less required deductions. If the bonus has not yet been determined in the year of the Named Executive Officer’s permanent disability, the Corporation shall pay to the Named Executive Officer a pro-rata amount in cash, calculated by dividing the number of days worked by the Named Executive officer in the fiscal year in question by the total number of working days in that fiscal year.

#### *Estimated Payments*

The following table sets forth the estimated incremental payments under the Executive Employment Agreements that would have been required to have been made to the Named Executive Officers had a

Named Executive Officer either been terminated without just cause or if a Named Executive Officer would have been entitled to terminate his or her employment within 180 days of a Change of Control and for a Change of Control Reason, as described above and in each case had such events occurred on December 31, 2018.

**Estimated Incremental Payments as of December 31, 2018  
Termination Without Cause or Termination Following a Change of Control**

Name	(\$)
Thomas J. Simons	4,424,503
Anthony M. Aulicino	2,439,729
Kenneth E. Zinger	3,566,974
Jason D. Waugh	3,549,337
Vernon J. Disney	3,559,094

The following table sets forth the estimated incremental payments under the Executive Employment Agreements that would have been required to have been made to the Named Executive Officers if a Named Executive Officer would have been entitled to terminate his or her employment for Good Reason, had such events occurred on December 31, 2018.

**Estimated Incremental Payments as of December 31, 2018  
Termination for Good Reason**

Name	(\$)
Thomas J. Simons	4,424,503
Anthony M. Aulicino	2,439,729
Kenneth E. Zinger	3,566,974
Jason D. Waugh	3,549,337
Vernon J. Disney	3,559,094

*SRIP and RSU Plan*

As described under “*Share Based Compensation Plans – Terms of the SRIP*” and “*Share Based Compensation Plans – Terms of the RSU Plan*”, the SRIP and the RSU Plan provide for the accelerated vesting of outstanding Incentive Rights and RSUs in certain circumstances, including in connection with certain change of control transactions or termination events.

The following table provides details of the value of accelerated Incentive Rights and RSUs held by the Named Executive Officers as at December 31, 2018 assuming the occurrence of the noted triggering event as at December 31, 2018. The value of the accelerated Incentive Rights has been calculated based on the difference between the exercise price of the Incentive Rights and the closing price of the Common Shares on the TSX on December 31, 2018 of \$3.15. The value of the accelerated RSUs has been calculated by multiplying the number of RSUs held by the Named Executive Officer by the closing price of the Common Shares on the TSX on December 31, 2018 of \$3.15.

Name	Triggering Event	Value of Accelerated Incentive Rights (\$)	Value of Accelerated RSUs (\$)
Thomas J. Simons	Termination Without Cause or Change of Control	7,500	1,055,836
	Termination for Good Reason	7,500	1,055,836
	Termination for Cause and Voluntary Resignation	Nil	Nil
	Termination on Death or Permanent Disability	Nil	Nil
Anthony M. Aulicino	Termination Without Cause or Change of Control	Nil	344,713
	Termination for Good Reason	Nil	344,713
	Termination for Cause and Voluntary Resignation	Nil	Nil
	Termination on Death or Permanent Disability	Nil	Nil
Kenneth E. Zinger	Termination Without Cause or Change of Control	7,500	844,669
	Termination for Good Reason	7,500	844,669
	Termination for Cause and Voluntary Resignation	Nil	Nil
	Termination on Death or Permanent Disability	Nil	Nil
Jason D. Waugh	Termination Without Cause or Change of Control	5,000	844,669
	Termination for Good Reason	5,000	844,669
	Termination for Cause and Voluntary Resignation	Nil	Nil
	Termination on Death or Permanent Disability	Nil	Nil
Vernon J. Disney	Termination Without Cause or Change of Control	Nil	Nil
	Termination for Good Reason	Nil	Nil
	Termination for Cause and Voluntary Resignation	Nil	Nil
	Termination on Death or Permanent Disability	Nil	Nil

## DIRECTORS' COMPENSATION

### Overview

The Board of Directors, through the Compensation Committee, is responsible for developing and implementing the directors' compensation plan. The main objectives of the directors' compensation plan are to:

- compensate the directors in a manner that is commensurate with the risks and responsibilities assumed in Board of Directors and committee membership, and competitive with other comparable public issuers; and
- align the interests of the directors with the Shareholders.

Unlike compensation for the Named Executive Officers, the directors' compensation plan is not designed to pay for performance; rather, directors receive equity-based compensation and retainers for their services and meeting fees paid in cash in order to help ensure unbiased decision-making.

Effective as at March 1, 2018, the Corporation adjusted the retainers and meeting fees paid to directors of the Corporation. During the year ended December 31, 2018, the retainers and meeting fees paid in cash for the directors of the Corporation were as follows:

<b>Fee</b>	<b>Fee Amount Prior to March 1, 2018 (\$)</b>	<b>Fee Amount After March 1, 2018 (\$)</b>
Annual Retainer for Board member	\$20,000	\$25,000
Meeting Fee for Board and Committee Meetings (in person)	\$1,500	\$1,500
Meeting Fee for Board and Committee Meetings (via conference call)	\$1,000	\$1,000
Annual Retainer for Chair of the Board	\$15,000	\$50,000
Annual Retainer for Chair of the Audit Committee	\$12,000	\$12,000
Annual Retainer for Chair of the Compensation Committee	\$9,000	\$9,000
Annual Retainer for Chair of the Corporate Governance and Nominating Committee	\$9,000	\$9,000
Annual Retainer for Chair of the HS&E Committee	\$9,000	\$9,000

For US based directors, the above retainers and meeting fees are paid in US Dollars. The Corporation also reimburses the directors for out-of-pocket expenses for attending meetings. No compensation was paid to Mr. Simons in his capacity as a director of the Corporation.

Pursuant to the DCA, directors may elect to receive their annual retainer and meeting fees in the form of Common Shares instead of cash. If a director elects to receive any portion of his or her annual retainer or meeting fees in the form of Common Shares, the number of Common Shares to be issued will be determined net of withholding taxes and based on the five day volume weighted average trading price of Common Shares prior to each payment date, subject to the Corporation's trading policy.



## Summary Compensation Table

The following table summarizes the compensation paid, payable, awarded or granted for 2018 to each of the non-management directors of the Corporation in 2018.

Name <sup>(1)</sup>	Fees earned <sup>(2)</sup> (\$)	SRIP-based awards	Share-based awards <sup>(3)</sup> (\$)	All other compensation (\$)	Total (\$)
Kyle D. Kitagawa	115,000	Nil	149,996	Nil	264,996
Burton J. Ahrens <sup>(4)</sup>	47,500	Nil	100,001	Nil	147,501
Spencer D. Armour III <sup>(5)</sup>	3,083	Nil	100,003	Nil	103,087
Rodney L. Carpenter	64,000	Nil	100,001	Nil	164,001
Stella Cosby <sup>(6)</sup>	57,500	Nil	100,001	Nil	157,501
John M. Hooks <sup>(7)</sup>	67,000	Nil	100,001	Nil	167,001
Philip J. Scherman	64,000	Nil	100,001	Nil	164,001
D. Michael G. Stewart <sup>(8)</sup>	61,500	Nil	100,001	Nil	161,501

### Notes:

- (1) Mr. Simons does not receive compensation for serving as a director.
- (2) Represents all fees awarded, earned, paid, or payable in cash for services as a director, including annual retainer fees, committee, chair and all meeting fees, including fees paid in the form of Common Shares pursuant to the DCA.
- (3) Mr. Kitagawa was granted 25,277 RSUs and each of Messrs. Carpenter, Ahrens, Scherman, Hooks, Stewart and Ms. Cosby were granted 16,852 RSUs respectively in March 2018. The above referenced Share-Based Award amounts represents the fair value, on the date of grant, of the RSU awards made to the respective Directors under the RSU Plan, which vest on the first anniversary of the date of grant, as determined by the Board of Directors. The key assumption used for the calculation of the grant date fair for these grants is the Common Share price of \$5.93.
- (4) Mr. Ahrens will not stand for re-election at the Meeting.
- (5) Mr. Armour received his director fees in U.S. dollars. The amount set out above has been converted to Canadian Dollars using the average exchange rate for 2018 provided by the Bank of Canada. Mr. Armour was granted 33,206 RSUs in December 2018. The above referenced Share-Based Award amounts represents the fair value, on the date of grant, of the RSU awards made to the respective Director under the RSU Plan, which vest on the first anniversary of the date of grant, as determined by the Board of Directors. The key assumption used for the calculation of the grant date fair for this grant is the Common Share price of \$5.93.
- (6) Ms. Cosby received \$29,900 of her 2018 directors' compensation in Common Shares paid pursuant to the DCA.
- (7) Mr. Hooks received \$34,840 of his 2018 directors' compensation in Common Shares paid pursuant to the DCA.
- (8) Mr. Stewart will not stand for re-election at the Meeting.

## Outstanding Incentive Rights and RSUs as at December 31, 2018

Directors of the Corporation are entitled to participate in the security-based compensation arrangements of the Corporation, including receiving Incentive Rights under the SRIP and RSUs under the RSU Plan. See "*Share Based Compensation Plans*" above for a description of the SRIP and RSU Plan. The purpose of granting awards under such incentive plans is to assist the Corporation in compensating, attracting, retaining and motivating directors and to align the interests of such persons with those of the Shareholders.

The following table sets forth all outstanding awards held by the non-management directors of the Corporation as at December 31, 2018 under the SRIP and RSU Plan.

Name	SRIP-based Awards				Share-based Awards		
	Number of Common Shares underlying unexercised Incentive Rights (#)	Incentive Rights exercise price (\$)	Incentive Rights expiration date	Value of unexercised in-the-money Incentive Rights (\$)	Number of Shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested <sup>(1)</sup> (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Kyle D. Kitagawa	Nil	Nil	Nil	Nil	25,508	80,350	Nil
Burton J. Ahrens <sup>(2)</sup>	Nil	Nil	Nil	Nil	17,006	53,569	Nil
Spencer D. Armour III	Nil	Nil	Nil	Nil	33,206	104,599	Nil
Rodney L. Carpenter	Nil	Nil	Nil	Nil	17,006	53,569	Nil
Stella Cosby	Nil	Nil	Nil	Nil	29,365	92,500	Nil
John M. Hooks	Nil	Nil	Nil	Nil	17,006	53,569	Nil
Philip J. Scherman	Nil	Nil	Nil	Nil	17,006	56,569	Nil
D. Michael G. Stewart <sup>(3)</sup>	Nil	Nil	Nil	Nil	17,006	53,569	Nil

**Notes:**

- (1) The value of the unvested RSUs as at December 31, 2018 has been determined based on the closing price of the Common Shares on the TSX on December 31, 2018 of \$3.15 per Common Share.
- (2) Mr. Ahrens will not stand for re-election at the Meeting.
- (3) Mr. Stewart will not stand for re-election at the Meeting.

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

The following table sets forth for each non-management director: (i) the value of Incentive Rights vested during the year ended December 31, 2018; and (ii) the value of RSUs vested and redeemed during the year ended December 31, 2018. The value of vested Incentive Rights is calculated based on the difference between the closing price of the Common Shares on the vesting dates and the exercise price of the Incentive Rights. The value of the RSUs vested and redeemed is based on the five day volume weighted average trading price of the Common Shares on the TSX prior to the date of redemption.

Name	SRIP-based awards-Value vested during the year (\$)	Share-based awards-Value vested during the year (\$)	Non-equity incentive plan compensation- Value earned during the year (\$)
Kyle D. Kitagawa	Nil	179,685	Nil
Burton J. Ahrens <sup>(1)</sup>	Nil	119,796	Nil
Spencer D. Armour III	Nil	Nil	Nil
Rodney L. Carpenter	Nil	119,796	Nil
Stella Cosby	Nil	26,601	Nil
John M. Hooks	Nil	119,796	Nil
Philip J. Scherman	Nil	113,263	Nil
D. Michael G. Stewart <sup>(2)</sup>	Nil	119,796	Nil

**Note:**

- (1) Mr. Ahrens will not stand for re-election at the Meeting.  
(2) Mr. Stewart will not stand for re-election at the Meeting.

**Non-Executive Director Share Ownership Requirements**

To align Shareholder interests and the interests of the non-executive directors of the Corporation, all of the non-executive directors must meet a minimum share ownership requirements. The minimum share ownership requirements for the non-executive directors of the Corporation has been set at three times the directors' annual retainer, including the value of any equity-based consideration (whether RSUs, Incentive Rights or otherwise). Newly elected non-executive directors have three years to meet the share ownership requirements.

The table below shows the Common Shares, RSUs and Incentive Rights each non-executive director of the Corporation held as of December 31, 2018:

Director	Total Compensation in 2018 (\$)	Number of Common Shares	Number of RSUs	Number of Incentive Rights	Total number of Common Shares, RSUs and Incentive Rights	Total value of Common Shares, RSUs and Incentive Rights <sup>(1)</sup> (\$)	Guideline met (✓) or value (\$) required to meet guideline
Kyle D. Kitagawa	115,000	1,576,298	25,508	Nil	1,601,806	5,045,689	✓
Burton J. Ahrens <sup>(2) (3)</sup>	47,500	112,119	17,006	Nil	129,125	406,744	✓
Spencer D. Armour III <sup>(4)</sup>	3,083	Nil	33,206	Nil	33,206	104,599	✓
Rodney L. Carpenter	64,000	5,902,111	17,006	Nil	5,919,117	18,645,219	✓
Stella Cosby	57,500	17,282	29,365	Nil	46,647	146,938	✓
John M. Hooks	67,000	1,455,424	17,006	Nil	1,472,430	4,638,155	✓
Philip J. Scherman	64,000	95,097	17,006	Nil	112,103	353,125	✓
D. Michael G. Stewart <sup>(5)</sup>	61,500	60,737	17,006	Nil	77,743	244,891	✓

**Notes:**

- (1) The value of the RSUs and Incentive Rights as at December 31, 2018 has been determined based on the closing price of the Common Shares on the TSX on December 31, 2017 of \$3.15 per Common Share.
- (2) Mr. Ahrens' discretionary account clients also hold an aggregate of 72,600 Common Shares. These Common Shares held in discretionary accounts managed by Mr. Ahrens have not been included for purposes of establishing that Mr. Ahrens meets the Corporation's share ownership requirements. Mr. Ahrens received his director fees U.S. dollars. The amount set out above has been converted to Canadian Dollars using the average exchange rate for 2018 provided by the Bank of Canada.
- (3) Mr. Ahrens will not stand for re-election at the Meeting.
- (4) Mr. Armour received his director fees U.S. dollars. The amount set out above has been converted to Canadian Dollars using the average exchange rate for 2018 provided by the Bank of Canada.
- (5) Mr. Stewart will not stand for re-election at the Meeting.

## **INDEBTEDNESS OF DIRECTORS AND MANAGEMENT**

No director, executive officer, employee or former director, executive officer or employee of the Corporation or its subsidiaries nor any of their associates or affiliates, is, or has been at any time since the beginning of the last completed financial year, indebted to the Corporation or its subsidiaries nor has any such person been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding, provided by the Corporation.

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

To the knowledge of the Board of Directors and Management, no person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, no proposed nominee of Management for election as a director of the Corporation and no associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting, except as otherwise disclosed herein.

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

To the knowledge of the Board of Directors and Management, no directors or executive officers of the Corporation, or associate or affiliate of any of the foregoing, has had an interest, direct or indirect, in any material transaction of the Corporation since January 1, 2018 or in any proposed transaction that has materially affected or would materially affect the Corporation, other than as disclosed in the Corporation's consolidated financial statements for the year ended December 31, 2018 or the Corporation's Annual Information Form, each of which is available on the internet on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on the internet on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com). Financial information relating to the Corporation is provided in the Corporation's audited consolidated financial statements and management's discussion and analysis for the financial year ended December 31, 2018. Shareholders may contact the Corporation to request copies of the Corporation's financial statements and management's discussion and analysis at the following: Prior to May 10, 2019 - Suite 1400, 700 - 4<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3J4, Attention: Mr. Anthony M. Aulicino, Chief Financial Officer. After May 13, 2019 – Suite 1400, 332 6 Avenue SW, Calgary, AB T2P 0B2, Attention: Mr. Anthony M. Aulicino, Chief Financial Officer.

## **OTHER MATTERS**

As of the date of this Information Circular, the Board of Directors and Management know of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting; however, if any other matter properly comes before the Meeting, proxies in favour of

Management nominees will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

**DIRECTORS' APPROVAL**

The contents and sending of this Information Circular have been approved by the directors of the Corporation.

## APPENDIX “A”

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Canadian Securities Administrators have enacted National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”), which requires an issuer to disclose whether it has adopted each of the recommended best practices set out in National Policy 58-201 – *Corporate Governance Guidelines*, or, where its practices depart from that approach, to describe the procedures implemented to meet the same governance objective. The following statement of corporate governance practices has been prepared in accordance with the requirements of NI 58-101.

1.	<b>Board of Directors</b>	
	<p><b>NI 58-101 Disclosure Requirement:</b> Disclose the identity of directors who are independent</p>	<p><b>Response:</b> As at December 31, 2018, the Board of Directors (the “<b>Board</b>”) of CES Energy Solutions Corp. (the “<b>Corporation</b>”) was comprised of nine directors, eight of whom are independent. The eight independent directors are Burton J. Ahrens, Spencer D. Armour III, Rodney L. Carpenter, Stella Cosby, John M. Hooks, Kyle D. Kitagawa, Philip J. Scherman, and D. Michael G. Stewart. Assuming the election of the nominees set forth in this Information Circular, the Board will be comprised of seven directors, six of whom are independent.</p> <p>NI 58-101 states that a director is considered “independent” if he or she has no direct or indirect “material relationship” with the issuer. The definition of “material relationship” includes a relationship that could “in the view of the issuer’s Board, be reasonably expected to interfere with the exercise of a member’s independent judgment”. The Board has completed an assessment of director independence. The assessment included a review of directors’ responses to a questionnaire in which each director was required to review and respond to all of the components of the definition of “independent” under NI 58-101 and to disclose any and all current or prior relationships between the director and the Corporation.</p>
(b)	<p><b>NI 58-101 Disclosure Requirement:</b> Disclose the identity of directors who are not independent, and describe the basis for that determination.</p>	<p><b>Response:</b> Following the assessment referred to above in section 1A of this Appendix “A”, based on the NI 58-101 definition of “independent”, the Board has determined that one (1) of the nine (9) current members of the Board are not independent. The non-independent director is Thomas J. Simons, the President and Chief Executive Officer (“<b>CEO</b>”) of the Corporation.</p>

(c)	<p><b>NI 58-101 Disclosure Requirement:</b> Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the Board does to facilitate its exercise of independent judgment in carrying out its responsibilities.</p>	<p><b>Response:</b> Following the assessment referred to above in section 1A of this Appendix “A”, based on the NI 58-101 definition of “independent”, the Board has determined that a majority of the members of the Board are independent.</p>
(d)	<p><b>NI 58-101 Disclosure Requirement:</b> If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and other issuer.</p>	<p><b>Response:</b> Please refer to the body of the Information Circular under the heading “<i>Disclosure of Corporate Governance Practices - Board of Directors</i>” for a list identifying directors of the Corporation who are also directors of other reporting issuers.</p>
(e)	<p><b>NI 58-101 Disclosure Requirement:</b> Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer’s most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.</p>	<p><b>Response:</b> The Board’s Governance Guidelines provide that any director may, at any time, request that a meeting of the Board or any committee of the Board be held without representatives of management of the Corporation (“<b>Management</b>”) and without non-independent directors present or that all or some representatives of Management absent themselves from any particular portion of any meeting of the Board or committee of the Board.</p> <p>Additionally, the Board schedules time at the end of each meeting for the independent directors to meet without the President and CEO and other members of Management. This is intended to ensure that adequate structures and processes are in place to permit the Board to function independently of Management. During the financial year ended December 31, 2018, the Board has held four (4) in-camera sessions. In addition, the Audit Committee and the Compensation Committee have held four (4) and two (2) in-camera sessions, respectively, without the presence of management and non-independent directors.</p>
(f)	<p><b>NI 58-101 Disclosure Requirement:</b> Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.</p>	<p><b>Response:</b> Kyle D. Kitagawa, the Chairman of the Board, is an independent director and is not a member of management. Please refer to the body of the Information Circular under the heading “<i>Disclosure of Corporate Governance Practices – Board of Directors</i>” for a summary of the Chairman’s role and responsibilities.</p>

(g)	<p><b>NI 58-101 Disclosure Requirement:</b> Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.</p>	<p><b>Response:</b> Please refer to the body of the Information Circular under the heading "<i>Disclosure of Corporate Governance Practices – Board of Directors</i>" for a chart profiling the attendance record chart for each director.</p>
2.	<p><b>Board Mandate</b></p>	
	<p><b>NI 58-101 Disclosure Requirement:</b> Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.</p>	<p><b>Response:</b> The Terms of Reference for the Board of Directors is attached as Appendix "B".</p>
3.	<p><b>Position Descriptions</b></p>	
	<p><b>NI 58-101 Disclosure Requirement:</b> Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.</p>	<p><b>Response:</b> The Board has prepared written position descriptions for the Chairman of the Board and the Chairs of each of the Board committees. Please refer to the body of the Information Circular under the heading "<i>Disclosure of Corporate Governance Practices – Position Descriptions</i>".</p>
	<p><b>NI 58-101 Disclosure Requirement:</b> Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.</p>	<p><b>Response:</b> The Board has developed a written position description for the CEO. The Compensation Committee, in consultation with the independent members of the Board, evaluate the performance of the President and CEO. Please refer to the body of the Information Circular under the heading "<i>Disclosure of Corporate Governance Practices – Position Descriptions</i>".</p>



4.	<b>Orientation and Continuing Education</b>	
	<p><b>NI 58-101 Disclosure Requirement:</b> Briefly describe what measures the Board takes to orient new directors regarding (i) the role of the Board, its committees and its directors, and (ii) the nature and operation of the issuer's business.</p>	<p><b>Response:</b> Each new director on the Board will be provided with an orientation that is tailored to his or her particular needs and areas of interest. In addition, each new director will be provided with written information about the duties and obligations of directors, and the business and operations of the Corporation. These written materials will include the Board's Terms of Reference, the Governance Guidelines, the Code of Business Conduct, the charters of each respective committee of the Board, documents from recent meetings of the Board and other key corporate policies and relevant corporate and Board information. New directors will be expected to review these documents and become familiar with their contents. New Board members will also have the opportunity to meet with Management.</p>
	<p><b>NI 58-101 Disclosure Requirement:</b> Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.</p>	<p><b>Response:</b> The Corporation's ongoing education efforts include: (i) on-site visits and field trips to various facilities and (ii) presentations from officers, senior managers and advisors to the Board and its Committees regarding business, legal and other matters. Directors are also encouraged to independently engage in professional development initiatives to become more effective board members.</p> <p>The Corporate Governance and Nominating Committee is responsible for reviewing, monitoring and making recommendations regarding the orientation of new directors and the ongoing education of director.</p>

5.	<b>Ethical Business Conduct</b>	
	<p><b>NI 58-101 Disclosure Requirement:</b> Disclose whether or not the Board has adopted a written code of business conduct (the “Code”) for the directors, officers and employees. If the Board has adopted a written code:</p> <ul style="list-style-type: none"> <li>i. disclose how a person or company may obtain a copy of the Code;</li> <li>ii. describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its Code; and</li> <li>iii. provide a cross-reference to any material change report filed since the beginning of the issuer’s most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the Code.</li> </ul>	<p><b>Response:</b> The Board has adopted the Code. The employees, directors, officers (including the CEO, CFO, principal accounting officer/controller or persons performing similar functions), consultants and service providers must comply with the Code. The Code sets out in detail the core values and the principles by which the Corporation is governed and addresses topics such as: honest and ethical conduct; conflicts of interest; compliance with applicable laws, rules and regulations; privacy and confidentiality of non-public information; protection; proper use of Corporation assets; accuracy of recording and reporting; fair dealing; political activities and contributions; gifts and entertainment; discrimination and harassment; environment, safety and health; and reporting potential violations of laws, rules, regulations and the Code.</p> <p>The Corporation’s President and CEO and CFO are responsible for communicating the Code to directors, officers and employees, administering the Code, handling inquiries and complaints, investigating violations, and reporting to the Board on matters related to the Code. No material change reports were filed since the beginning of the Corporation’s most recently completed financial year that pertain to any departures from the Code by a director or executive officer.</p> <p>A copy of the Code has been distributed to all directors, officers and employees of the Corporation, and is provided to all employees upon commencement of employment with the Corporation. A copy of the Code is also available on the internet on the Corporation’s SEDAR profile at <a href="http://www.sedar.com">www.sedar.com</a>.</p>
	<p><b>NI 58-101 Disclosure Requirement:</b> Describe any steps the Board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p>	<p><b>Response:</b> The Code states that any related party transactions or activities that could give rise to conflicts of interest are prohibited unless specifically approved in advance by the Audit Committee. Since it is not always easy to determine whether a conflict of interest exists, the Code requires that all potential conflicts of interests be reported immediately to a senior officer or the Chair of the Audit Committee.</p>
		<p>In addition, the Code states that any staff member or director who is actively engaged in the management of, or who owns an investment of 1% or more of the outstanding securities in, public or private entities</p>

		<p>must disclose such holding to the President and CEO (in the case of a staff member) or the Board (in the case of a director). In the event that any circumstances should arise as a result of such positions or investments being held, which in the opinion of the President and CEO or Board (as applicable) constitutes a conflict of interest which reasonably affects such person's ability to act with a view to the best interests of the Corporation, the President and CEO or Board will take such actions as are reasonably required to resolve such matters with a view to the best interests of the Corporation. Such actions, may, without limitation, include excluding such staff or directors from certain information or activities of the Corporation.</p>
	<p><b>NI 58-201 Disclosure Requirement:</b> Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.</p>	<p><b>Response:</b> As part of maintaining compliance with the Code, the Board and the Audit Committee have also established a Whistleblower Policy to encourage employees, consultants, service providers, officers and directors to raise concerns and complaints regarding the Corporation's accounting, internal controls or auditing matters. Pursuant to the Whistleblower Policy, anyone may contact the Audit Committee and report a complaint regarding the Corporation's accounting, internal controls or auditing matters free from fear of reprisal or contravention of the Code on a confidential basis free from fear of retaliation.</p> <p>The Audit Committee also reviews any related party transactions proposed to be entered into by the Corporation and its affiliates and will recommend whether or not such related party transaction should be approved to the Board.</p>
6.	<b>Nomination of Directors</b>	
	<p><b>NI 58-101 Disclosure Requirement:</b> Describe the process by which the Board identifies new candidates for Board nomination.</p>	<p><b>Response:</b> In consultation with the Chairman of the Board and the President and Chief Executive Officer, the Corporate Governance and Nominating Committee is responsible for identifying and recommending to the Board nominees for election or re-election to the Board or for appointment to fill any vacancy that is anticipated or has arisen on the Board in accordance with the Charter of the Corporate Governance and Nominating Committee, the governance guidelines and any policies adopted by or applicable to the Corporation from time to time. In identifying potential nominees, the Corporate Governance and Nominating Committee screens the qualifications of candidates against a matrix of the skills and experiences of current directors and the skills and experience needs of the Board, taking into account the Board's long-term succession plans.</p>

		The Corporate Governance and Nominating Committee, which is comprised entirely of independent directors, is also responsible for reviewing and considering all candidates identified by Shareholders as potential nominees for the Board.
	<b>NI 58-101 Disclosure Requirement:</b> Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.	<b>Response:</b> The Corporate Governance and Nominating Committee is responsible for matters relating to the nomination of directors. The Committee is currently comprised of four (4) directors, Messrs. Stewart (Chair), Hooks, Kitagawa and Ahrens, each of whom is an independent director.
	<b>NI 58-101 Disclosure Requirement:</b> If the Board has a nominating committee, describe the responsibilities, power and operation of the nominating committee.	<b>Response:</b> The Charter of the Corporate Governance and Nominating Committee provides that the Committee is responsible for assisting the Board in: (a) establishing and reviewing the appropriate skills and characteristics required of Board members, taking into consideration the Board's short-term needs and long-term succession plans; and (b) developing and annually updating a long-term plan for the Board's composition that takes into consideration the characteristics of independence, age, skills, experience and availability of service to the Corporation, as well as the opportunities, risks and strategic direction of the Corporation.
		The Committee is also responsible for: (a) reviewing, monitoring and making recommendations regarding the initial orientation of new members of the Board, and the on-going education of directors; and (b) upon a significant change in a director's principal occupation or upon a director assuming any significant outside commitments, reviewing (in light of the current Board's policies and the Corporation's governance guidelines and policies) the continued Board membership of such director.
7.	<b>Compensation</b>	
	<b>NI 58-101 Disclosure Requirement:</b> Describe the process by which the Board determines the compensation for the issuer's directors and officers.	<b>Response:</b> The Compensation Committee is responsible for reviewing and making recommendations to the Board regarding all new employment, consulting, retirement and severance agreements and arrangements proposed for the Corporation's executive officers. In addition, the Committee is also responsible for reviewing and recommending to the Board certain matters relating to annual salary policies and compensation programs, and material new benefit programs (or

		<p>material changes to existing benefit programs) if requested by management of the Corporation.</p> <p>In determining to recommend to the Board any long-term incentive component of the compensation of the President and CEO, the Committee considers the President and CEO's individual performance, the Corporation's performance and relative Shareholder return, and the value of similar incentive awards to chief executive officers at comparable entities.</p> <p>In addition, in consultation with the President and CEO, the Committee makes recommendations to the Board with respect to the total compensation package for the Corporation's executive officers other than the President and CEO. The Committee also reviews and makes recommendations to the Board with respect to the compensation of the Corporation's directors, including cash, equity and equity-based compensation, to ensure that directors' compensation is appropriate, and adequately reflects the responsibilities of a directorship.</p>
		<p>The Committee also reviews periodically, and makes recommendations to the Board regarding short-term and long-term incentive compensation or equity plans, programs or similar arrangements that the Corporation establishes for, or makes available to, its directors, officers, employees, service providers and/or consultants. In addition, the Committee reviews periodically the extent to which these forms of compensation are meeting their intended objectives, and makes recommendations to the Board regarding modifications that will more accurately relate such compensation to Corporation and employee performance.</p>
	<p><b>NI 58-101 Disclosure Requirement:</b> Disclose whether or not the Board has a Compensation Committee composed entirely of independent directors. If the Board does not have a Compensation Committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.</p>	<p><b>Response:</b> As at December 31, 2018, the Compensation Committee was comprised of three (3) directors, Messrs. Hooks, Kitagawa and Ms. Cosby, each of whom is an independent director.</p>
	<p><b>NI 58-101 Disclosure Requirement:</b> If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</p>	<p><b>Response:</b> The Compensation Committee is responsible for assisting the Board in fulfilling its responsibilities relating to matters of human resources and compensation, including executive compensation, and for establishing a plan of continuity and development of senior management of</p>

		<p>the Corporation. The Committee is also responsible for evaluating and making recommendations to the Board regarding the compensation of the Corporation's executive officers and the equity-based and incentive compensation plans, policies and programs of the Corporation. In addition, the Committee is responsible for producing an annual report on executive compensation for inclusion in the Corporation's disclosure documents.</p> <p>For further details regarding the responsibilities, powers and operations of the Compensation Committee, please see section 7A of this Appendix "A". Also, please refer to the body of the Information Circular under the heading "<i>Executive Compensation</i>".</p>
8.	<b>Other Board Committees</b>	
	<p><b>NI 58-101 Disclosure Requirement:</b> If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p><b>Response:</b> The Corporation has the following committees of the Board: the Audit Committee, the Corporate Governance and Nominating Committee, the Compensation Committee and HS&amp;E Committee.</p>
9.	<b>Assessments</b>	
	<p><b>NI 58-101 Disclosure Requirement:</b> Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.</p>	<p><b>Response:</b> The Corporation's Governance Guidelines provide that the Board of Directors must make an annual assessment of the overall effectiveness of the Board of Directors. To assess the effectiveness of the Board of Directors, on an annual basis, each of the directors completes a detailed questionnaire which provides for quantitative ratings in key areas. A summary report of the received questionnaires is then prepared by the chair of the Corporate Governance and Nominating Committee, reviewed by such Committee and provided to the Board for information purposes. Matters requiring follow-up are identified and action plans are developed and monitored on a go-forward basis by the Corporate Governance and Nominating Committee.</p>

10.	<b>Director Term Limits and Other Mechanisms of Board Renewal</b>	
	<p><b>NI 58-101 Disclosure Requirement:</b> Disclose whether or not the issuer has adopted term limits for the directors on its board or other mechanisms of board renewal and if so, include a description of those director term limits or other mechanisms of board renewal. If the issuer has not adopted director term limits or other mechanisms of board renewal, disclose why it has not done so.</p>	<p><b>Response:</b> The Corporation has not adopted term limits for the directors on the Board or other mechanisms of board renewal. However, the Board may adopt such initiatives in the future. The Corporate Governance and Nominating Committee and the Board considers director succession planning on an annual basis, including a review of the qualifications, diversity, skills and experiences of current directors and the skills and experience needs of the Board of Directors, taking into account the Board of Directors' long term succession plans and the need for renewal, as well as diversity in background and experience on the Board.</p>
11.	<b>Policies Regarding the Representation of Women on the Board</b>	
	<p><b>NI 58-101 Disclosure Requirement:</b> Disclose whether or not the issuer has adopted a written policy relating to the identification and nomination of women directors. If the issuer has not adopted such a policy, disclose why it has not done so.</p>	<p><b>Response:</b> The Corporation has adopted a Board &amp; Management Diversity Policy (the "<b>Diversity Policy</b>") which is intended to set out a framework to promote diversity on both the Board of Directors and in senior leadership and management positions of the Corporation.</p>
	<p><b>NI 58-101 Disclosure Requirement:</b> If the issuer has adopted the policy referred to in item 11(a) above, disclose the following in respect of the policy: (i) a short summary of its objectives and key provisions; (ii) the measures taken to ensure that the policy has been effectively implemented; (iii) annual and cumulative progress by the issuer in achieving the objectives of the policy; and (iv) whether and, if so, how the Board or its nominating committee measures the effectiveness of the policy.</p>	<p><b>Response:</b> The objectives of the Diversity Policy is to identify and consider candidates for the Board and management who are highly qualified based on their experience, education, functional expertise, personal skills and qualities and who meet diversity criteria, including gender, age, ethnicity, sexual orientation, indigenous heritage and geographic location of the candidate.</p> <p>Gender diversity is an important component of the Diversity Policy. The Corporation is committed to ensuring that gender diversity is actively pursued. The Corporate Governance and Nominating Committee seeks to include diverse candidates in any director search and looks at a broad array of organizations in addition to the traditional candidate pool of corporate directors. Due consideration is given to female representation in the director nomination process by identifying female candidates in the selection process in order to promote gender diversity.</p> <p>The Corporation does not believe that quotas or a formulaic approach necessarily results in the identification or selection of the best candidates. Accordingly, no fixed targets regarding the representation of women on the Board or in</p>

		<p>management positions is established at this time.</p> <p>The Corporate Governance and Nominating Committee will annually discuss promoting diversity on the Board and in management in light of the skills required at the time and make recommendations for consideration by the Board. The Corporation has made progress in this regard with the appointment of Stella Cosby to the Board on September 14, 2017.</p> <p>The Corporate Governance and Nominating Committee will review the Diversity Policy from time to time as necessary, and make recommendations on any required changes to the Board for consideration and approval.</p> <p>A copy of the Diversity Policy may be found on the Corporation's website at:</p> <p><a href="https://www.cesenergysolutions.com/governance">https://www.cesenergysolutions.com/governance</a></p>
12.	<b>Consideration of the Representation of Women in the Director Identification and Selection Process</b>	
	<p><b>NI 58-101 Disclosure Requirement:</b> Disclose whether and, if so, how the Board or nominating committee considers the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board. If the issuer does not consider the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board, disclose the issuer's reasons for not doing so.</p>	<p><b>Response:</b> The Corporate Governance and Nominating Committee, which is comprised entirely of independent directors, is responsible for reviewing and considering all candidates as potential nominees for the Board of Directors.</p> <p>Candidates are assessed on their individual qualifications, diversity, experience and expertise and must exhibit the highest degree of integrity, professionalism, values and independent judgment. Pursuant to the Diversity Policy, emphasis is placed on filling board vacancies with the best qualified candidates given the needs and circumstances of the Board, taking into account a nominee's diversity of gender, age, ethnicity, sexual orientation, indigenous heritage, geographic location or other attributes. The Corporate Governance and Nominating Committee and the Board considers and, where appropriate, seeks to increase the level of representation of women on the Board in identifying and nominating candidates for election to the Board. In addition to its own searches, as and when appropriate from time to time, qualified independent external advisors such as a recruitment firm may be engaged to conduct a search for candidates who meet the Board's expertise, skill and diversity criteria. Due consideration will be given to female representation in the Director nomination process by identifying female candidates in the selection process in order to promote gender diversity.</p>



13.	<b>Consideration Given to the Representation of Women in Executive Officer Appointments</b>	
	<p><b>NI 58-101 Disclosure Requirement:</b> Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer's reasons for not doing so.</p>	<p><b>Response:</b> The Corporate Governance and Nominating Committee and the Board considers and, where appropriate, seeks to increase the level of representation of women in executive officer positions when making executive officer appointments.</p> <p>The President and Chief Executive Officer and other Senior Officers, as applicable, will endeavour to develop, mentor and promote diverse internal candidates and to identify and hire diverse external candidates for management positions. In addition to its own searches, as and when appropriate from time to time, qualified independent external advisors such as a recruitment firm may be engaged to conduct a search, which considers internal and external candidates who meet the required expertise, skill and diversity criteria. Due consideration will be given to female representation in the management recruitment process by identifying female candidates in the selection process in order to promote gender diversity.</p>
14.	<b>Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions</b>	
	<p><b>NI 58-101 Disclosure Requirement:</b> Disclose whether the issuer has adopted a number or percentage, or a range of numbers or percentages (a "Target"), regarding women on the issuer's board. If the issuer had not adopted such a Target, disclose why it has not done so.</p>	<p><b>Response:</b> The Corporation has not adopted a formal Target regarding women on the Board as the Corporation does not believe that quotas or a formulaic approach necessarily results in the identification or selection of the best candidates. Accordingly, no fixed targets regarding the representation of women on the Board is established at this time. The Board may adopt such a Target in the future. The Corporate Governance and Nominating Committee and the Board considers and, where appropriate, seeks to increase the level of representation of women on the Board in identifying and nominating candidates for election to the Board.</p>
	<p><b>NI 58-101 Disclosure Requirement:</b> Disclose whether the issuer has adopted a Target regarding women in executive officer positions of the issuer. If the issuer had not adopted such a Target, disclose why it has not done so.</p>	<p><b>Response:</b> The Corporation has not adopted a formal Target regarding women in executive officer positions as the Corporation does not believe that quotas or a formulaic approach necessarily results in the identification or selection of the best candidates. Accordingly, no fixed targets regarding the representation of women in management positions is established at this time. The Board may adopt such a Target in the future. The Corporate Governance and</p>

		Nominating Committee and the Board considers and, where appropriate, seeks to increase the level of representation of women in executive officer positions in identifying candidates for such positions.
	<b>NI 58-101 Disclosure Requirement:</b> If the issuer has adopted a Target for Items 14(a) or 14(b) above, disclose the respective Target and the annual and cumulative progress of the issuer in achieving such Targets.	<b>Response:</b> Not applicable.
15.	<b>Number of Women on the Board and in Executive Officer Positions</b>	
	<b>NI 58-101 Disclosure Requirement:</b> Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women.	<b>Response:</b> The Corporation currently has one (1) woman on its Board representing 11% of the Board. As Mr. Ahrens and Mr. Stewart are not standing for re-election at the Meeting, assuming the recommended slate of Director's are elected, after the meeting women will represent 14% of the Board.
	<b>NI 58-101 Disclosure Requirement:</b> Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.	<b>Response:</b> The Corporation currently has no executive officers that are women.

## APPENDIX "B"

### BOARD OF DIRECTORS TERMS OF REFERENCE

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The board of directors (the "**Board**") of CES Energy Solutions Corp. (the "**Corporation**") is responsible for overseeing the conduct of the business of the Corporation and the activities of management of the Corporation.

#### 1. Composition and Operation

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains responsibility for managing its own affairs, including selecting its chair, planning its composition and size, nominating candidates for election to the Board, constituting committees of the Board, determining director compensation, and assessing the effectiveness of the Board, committees and directors in fulfilling their responsibilities. Subject to the articles and by-laws of the Corporation and the *Canada Business Corporations Act*, the Board may constitute, seek the advice of, and delegate powers, duties and responsibilities to, committees of the Board.

#### 2. Responsibilities

The Board's primary responsibility is for the stewardship of the business of the Corporation and the Board's fundamental objectives are to enhance and preserve long-term value of the common shares ("**Common Shares**") and maintain the dividends thereon and to ensure that the Corporation meets its obligations on an on-going basis and operates in a reliable and safe manner. In performing its duties, the Board may also consider the legitimate interests other stakeholders, such as employees, customers and communities, may have in the Corporation. In broad terms, the stewardship of the business of the Corporation involves the Board in strategic planning, risk management and mitigation, senior management determination, performance assessment and succession planning, communication planning, and internal control integrity.

#### 3. Specific Duties

The Board's specific duties, obligations and responsibilities fall into the categories outlined below.

##### (a) Legal Requirements

- (i) The Board has oversight responsibility for the Corporation's satisfaction of its legal obligations and for properly preparing, approving and maintaining the Corporation's documents and records.
- (ii) The Board has the obligation to:
  - A. manage, or supervise the management of, the business and affairs of the Corporation;
  - B. act honestly and in good faith with a view to the best interests of the Corporation;
  - C. exercise the care, diligence and skill that reasonably prudent people would exercise in comparable circumstances; and
  - D. act in accordance with its obligations contained in the *Canada Business Corporations Act* and the regulations thereunder, the Corporation's

articles and by-laws, as amended from time to time, and other relevant legislation and regulations.

- (iii) The Board has the obligation to consider as a board of directors, and may not delegate to management or to a committee of directors, the following matters:
  - A. submission to the holders of the Common Shares and other classes of shares of the Corporation of any question or matter requiring the approval of the shareholders;
  - B. filling a vacancy among the directors or in the office of auditor;
  - C. appointing additional directors;
  - D. issuing securities except in the manner and on the terms authorized by the Board;
  - E. declaring dividends;
  - F. purchasing, redeeming or otherwise acquiring shares issued by the Corporation, except in the manner and on the terms authorized by the Board;
  - G. paying a commission to any person in consideration of the person's purchasing or agreeing to purchase securities of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for securities of the Corporation;
  - H. approving any management proxy circular relating to a solicitation of proxies by or on behalf of the management of the Corporation;
  - I. approving any take-over bid circular or directors' circular;
  - J. approving any annual or interim financial statements of the Corporation; and
  - K. adopting, amending or repealing by-laws.

(b) Independence

The Board is responsible for implementing appropriate structures and procedures to permit the Board to function independently of management.

(c) Strategy Determination

The Board is responsible for ensuring that there are long-term goals and a strategic planning process in place for the Corporation and participating with management directly or through its committees in approving the business plan by which the Corporation proposes to achieve its goals including:

- (i) considering strategic planning processes and reviewing and approving strategic plans and visions which take into account, among other things, the opportunities and risks of the business of the Corporation on a long-term and short-term basis;

- (ii) reviewing and approving management's business plan to ensure it is consistent with the Corporation's vision; and
- (iii) monitoring performance against both short-term and long-term strategic plans and annual performance objectives.

(d) Managing Risk

The Board is responsible for understanding the principal risks of the business in which the Corporation is engaged, and reviewing whether the Corporation achieves a proper balance between risks incurred and the potential return to shareholders, and confirming that there are systems in place that effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

(e) Appointment and Assessment of Senior Management

The Board, upon the recommendation of the Corporate Governance and Compensation Committee, is responsible for:

- (i) appointing the chief executive officer of the Corporation (the "CEO") and providing advice and counsel to the CEO in the execution of the CEO's duties;
- (ii) approving or developing the corporate objectives that the CEO is responsible for meeting and assessing the CEO against those objectives;
- (iii) approving the appointment and remuneration of all officers of the Corporation, upon the recommendation of the Corporate Governance and Compensation Committee; and
- (iv) confirming that adequate provision has been made for the training and development of management and for the orderly succession of management.

(f) Corporate Social Responsibility, Ethics and Integrity The Board is responsible for:

- (i) taking all reasonable steps to satisfy itself of the integrity of the CEO and management and satisfying itself that the CEO and management create a culture of integrity throughout the organization;
- (ii) approving the Corporation's Code of Business Conduct; and
- (iii) monitoring compliance with the Corporation's Code of Business Conduct.

(g) Reporting and Communication

The Board is responsible for:

- (i) verifying that the Corporation has in place policies and programs to enable the Corporation to communicate effectively with shareholders of the Corporation, other stakeholders and the public generally;
- (ii) verifying that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;

- (iii) after consultation with the Audit Committee, verifying that the Corporation's financial results are reported fairly and in accordance with generally accepted accounting principles;
- (iv) verifying the timely reporting of any other developments that have a significant and material effect on the value of the Corporation;
- (v) reporting annually to shareholders on the Board's stewardship of the affairs of the Corporation for the preceding year; and
- (vi) adopting measures for receiving feedback from stakeholders and ensuring appropriate disclosures of the measures are made.

(h) Financial Reporting and Management

The Board will after consultation with and upon recommendation of the Audit Committee:

- (i) approve financial statements and review and oversee compliance with applicable audit, accounting and financial reporting requirements;
- (ii) approve annual operating and capital budgets;
- (iii) approve and revise from time to time a Schedule of Authorities which delegates certain expenditure commitments and signing authorities from the Board to management;
- (iv) satisfying itself that management has an appropriate system in place to ensure the integrity of internal control and management information systems,
- (v) confirming that the Corporation has a system in place for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- (vi) reviewing operating and financial performance results relative to established strategy, budgets and objectives and revising and altering its direction through management in response to changing circumstances; and
- (vii) approving significant changes in accounting practices or policies.

(i) Monitoring and Acting

The Board is responsible for:

- (i) verifying that the Corporation operates at all times within applicable laws and regulations to high ethical and moral standards;
- (ii) approving and monitoring compliance with the significant policies and procedures by which the Corporation is operated;
- (iii) verifying that the Corporation sets high environmental standards in its operations and is in compliance with environmental laws and legislation;
- (iv) verifying that the Corporation has in place appropriate programs and policies for the health and safety of its employees in the workplace;

(v) reviewing and considering for approval all material amendments or departures proposed by management from established strategy, capital and operating budgets or matters of policy; and

(vi) taking action when the Corporation's performance falls short of its goals and objectives or when other special circumstances warrant.

(j) Outside Consultants or Advisors

At the Corporation's expense, the Board may retain, when it considers it necessary or desirable, outside consultants or advisors to advise the Board independently on any matter. The Board shall have the sole authority to retain and terminate any such consultants or advisors, including sole authority to review a consultant's or advisor's fees and other retention terms.

(k) Review of the Board Terms of Reference

The Board shall assess the adequacy of these Terms of Reference annually and shall make any changes deemed necessary or appropriate.

(l) Other

The Board may perform any other activities consistent with these terms of reference, the Corporation's articles and by-laws, and any other governing laws, as the Board deems necessary or appropriate.

