

# CATHEDRAL ENERGY SERVICES LTD.

6030 - 3<sup>rd</sup> Street S.E.  
Calgary, Alberta T2H 1K2

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that the annual meeting (the "**Meeting**") of the holders (the "**Shareholders**") of common shares (the "**Common Shares**") of **CATHEDRAL ENERGY SERVICES LTD.** ("**Cathedral**") will be held at Cathedral's head office which is located at 6030 – 3<sup>rd</sup> Street S.E., Calgary, Alberta at 2:00 p.m. (Mountain Time) on Thursday, May 9, 2019, for the following purposes:

1. To receive the consolidated financial statements of Cathedral for the year ended December 31, 2018, together with the Auditor's Report thereon;
2. To fix the number of directors (collectively, the "**Directors**") of Cathedral to be elected at the Meeting at six (6) and to elect the Directors of Cathedral to hold office until the next annual meeting of Shareholders;
3. To appoint auditors of Cathedral until the next annual meeting of Shareholders and to authorize the Directors to fix their remuneration; and
4. To transact such further and other business as may properly come before the Meeting or any adjournment thereof.

**The enclosed management information circular of Cathedral dated April 2, 2019 (the "Information Circular") accompanying this Notice of Meeting should be consulted for further details on matters to be acted upon.**

This Notice of Meeting is accompanied by an Information Circular and a form of proxy (the "**Form of Proxy**"). The Information Circular is expressly made part of this Notice of Meeting. Capitalized words that are not otherwise defined in this Notice of Meeting shall have the meaning set out in the Information Circular.

**DATED** at Calgary, Alberta, this 2<sup>nd</sup> day of April, 2019.

**BY ORDER OF THE BOARD OF DIRECTORS OF  
CATHEDRAL ENERGY SERVICES LTD.**

*"P. Scott MacFarlane"*

P. Scott MacFarlane, President, Chief Executive Officer and  
Interim Chief Financial Officer

### **IMPORTANT**

Only holders of Common Shares of Cathedral of record at the close of business on March 29, 2019 are entitled to notice of the Meeting and only those holders of the Common Shares of Cathedral of record at the close of business on March 29, 2019, or who subsequently become Shareholders and comply with the provisions of the *Business Corporations Act* (Alberta), are entitled to vote at the Meeting. If you are unable to attend in person, kindly fill in, sign and return the enclosed Form of Proxy in the envelope provided for that purpose.

Proxies, to be valid, must be deposited at the office of the registrar and transfer agent of Cathedral, Computershare Trust Company of Canada, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, preceding the Meeting or any adjournment of the Meeting.

**CATHEDRAL ENERGY SERVICES LTD.**

6030 - 3<sup>rd</sup> Street S.E.  
Calgary, Alberta T2H 1K2

**INFORMATION CIRCULAR  
DATED APRIL 2, 2019****PURPOSE OF SOLICITATION**

**This information circular (the "Information Circular") is furnished in connection with the solicitation of proxies by management of Cathedral Energy Services Ltd. ("Cathedral" or the "Company") for use at the annual meeting of the holders (the "Shareholders") of common shares (the "Common Shares") of Cathedral to be held on Thursday, May 9, 2019 (the "Meeting") at the time and place and for the purposes set forth in the Notice of Meeting accompanying this Information Circular, and at any adjournment thereof.** Solicitations may be made by mail or email and be supplemented by telephone or other personal contact by the officers, employees or agents of Cathedral without special compensation. Pursuant to National Instrument 54-101 - *Communication with Beneficial Owners of a Reporting Issuer* ("**NI 54-101**"), arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy solicitation materials to the beneficial owners of Common Shares of Cathedral. The cost of this solicitation will be borne by Cathedral.

**APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the accompanying form of proxy (the "**Form of Proxy**") are directors and/or officers of Cathedral. **A Shareholder has the right to appoint a person (who need not be a Shareholder) to attend and represent him/her at the Meeting other than those persons named in the enclosed Form of Proxy. Such right may be exercised by striking out the printed names and inserting such other person's name in the blank space provided in the Form of Proxy or by completing another proper form of proxy.** A proxy will not be valid unless it is completed, dated, signed and delivered to Computershare Trust Company of Canada ("**Computershare**"), 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department, not less than 48 hours (excluding Saturday, Sunday and statutory holidays) preceding the Meeting or adjournment of the Meeting.

A proxy may be revoked by instrument in writing executed by the Shareholder or his or her attorney authorized in writing and delivered to Computershare at the address indicated above or to the attention of the Corporate Secretary of Cathedral at the registered office of Cathedral, Suite 1600, 333 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 2Z1, no later than 4:00 p.m. (Mountain time) on the day prior to the Meeting or to the Chairperson or Scrutineer of the Meeting on the day of the Meeting or any adjournment thereof or in any other manner provided by law. Revocation can also be made by attending the Meeting or any adjournment thereof in person and specifically revoking such proxy or in any other manner permitted by law. Any revocation made or delivered at the Meeting or any adjournment thereof shall be valid only with respect to matters not yet dealt with at the time such revocation is received by the Chairperson or the Scrutineer of the Meeting.

**VOTING OF PROXIES**

Where instructions contained in the Form of Proxy returned by a Shareholder are certain, the Common Shares represented by the Form of Proxy will be voted on any poll, and where the Shareholder whose proxy has been properly given specifies a choice with respect to any matter to be acted upon, the Common Shares represented by the proxy will be voted on any poll in accordance with the specification so made. **In the absence of such specification, it is intended that such Common Shares will be voted in favour of the resolutions referred to in the Form of Proxy.**

**The enclosed Form of Proxy confers discretionary authority upon the persons named therein as proxyholder with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing this Information Circular, Cathedral is not aware of any such amendments, variations or other matters to come before the Meeting other than matters referred to in the Notice of Meeting.**

### **ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES**

The information set forth in this section is of significant importance to many Shareholders of Cathedral, as a substantial number of Shareholders do not hold their Common Shares in their own name. Shareholders who do not hold their Common Shares in their own name (the "**Beneficial Shareholders**") should note that only Forms of Proxy deposited by Shareholders whose names appear on the records of Cathedral as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then, in almost all cases, those Common Shares will not be registered in the Beneficial Shareholder's name on the records of Cathedral. Such Common Shares will more likely be registered under the name of the Beneficial Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the nominee of The Canadian Depository for Securities Limited, which acts as depository for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions (or 'withhold', if applicable)) upon the instructions of the Beneficial Shareholder. Without specific instructions, a broker and its agents and nominees are prohibited from voting Common Shares for the broker's clients. Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.

Applicable regulatory rules require intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, 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 (or the agent of the broker) is identical to the Form of Proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically prepares a Voting Instruction Form (a "**VIF**") and mails the VIF to the Beneficial Shareholders and asks Beneficial Shareholders to return the VIF to Broadridge. Often Beneficial Shareholders are provided with a toll-free telephone number or a website address through either of which their Common Shares can be voted. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Shareholder receiving a VIF from Broadridge cannot use that VIF to vote Common Shares directly at the Meeting. The VIF must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted at the Meeting. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.

Beneficial Shareholders who have not objected to their intermediary disclosing certain ownership information about themselves to the Company are referred to as non-objecting beneficial owners or "**NOBOs**". Those Beneficial Shareholders who have objected to their intermediary disclosing ownership information about themselves to the Company are referred to as objecting beneficial owners or "**OBOs**".

Pursuant to NI 54-101, the Company has distributed copies of proxy-related materials in connection with this Meeting (including this Information Circular) indirectly to all Beneficial Shareholders.

The Company is not relying on the notice and access delivery procedures outlined in NI 54-101 to distribute copies of the proxy related materials in connection with the Meeting.

The Company will not be paying for intermediaries to deliver to OBOs (who have not otherwise waived their right to receive proxy-related materials) copies of the proxy-related materials and related documents. Accordingly, an OBO will not receive copies of the proxy-related materials and related documents unless the OBO's intermediary assumes the costs of delivery.

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

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

On a show of hands, every Shareholder present in person or represented by proxy (and entitled to vote) has one (1) vote. On a poll or ballot, every Shareholder present in person or represented by proxy has one vote for each Common Share held. Only holders of record of Common Shares as of the close of business on March 29, 2019 (the "**Record Date**") are entitled to receive notice of and are entitled to vote such Common Shares at the Meeting, except to the extent that:

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

The by-laws of Cathedral provide that at least one (1) person present and representing, in person or by proxy, not less than five percent (5%) of the issued shares entitled to vote constitutes a quorum for meetings of Shareholders of Cathedral. As at April 2, 2019, there were 49,468,117 Common Shares issued and outstanding.

To the knowledge of the directors and executive officers of Cathedral, the only persons or companies that beneficially own, directly or indirectly, or exercise control or direction over Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares of Cathedral as of April 2, 2019 are Dan and Staci Wilks and Wilks Brothers, LLC which collectively own approximately 8,926,234 Common Shares representing 18.04% of the outstanding Common Shares of Cathedral.

### **STATEMENT OF EXECUTIVE COMPENSATION**

The Compensation Committee of the board of directors (the "**Board**") is responsible for administering the compensation programs with respect to the following officers (collectively referred to as "**Officers**" of Cathedral):

P. Scott MacFarlane <sup>(1)</sup>	President and Chief Executive Officer
Randy H. Pustanyk	Executive Vice President and Corporate Secretary
Michael F. Hill <sup>(1)</sup>	Chief Financial Officer

Note:

- (1) Mr. Hill retired from the position of Chief Financial Officer of the Company effective December 31, 2018. P. Scott MacFarlane was appointed as Interim Chief Financial Officer effective December 31, 2018.

## **Compensation Discussion and Analysis**

The Compensation Committee is comprised of Messrs. Dale E. Tremblay (Chair), Jay Zammit and Ian Brown. All of the members of the Compensation Committee are considered to be independent (see "*Corporate Governance – Composition of the Board*" and "*Corporate Governance – Compensation Committee*" herein).

Mr. Tremblay has held various senior executive positions of publically traded and private companies, which has provided Mr. Tremblay with extensive experience in human resources and compensation matters. In addition, Mr. Tremblay has experience on being a director and compensation committee member. Mr. Zammit has extensive experience acting as a director and compensation committee member of several other public companies. Mr. Brown has served numerous public company boards for the past 20 years, in addition he has been involved in several compensation committee issues during that period. Furthermore, while a business executive, Mr. Brown was responsible for numerous human resource matters when employed at Raymond James and the Alberta Stock Exchange.

### ***Responsibilities of the Compensation Committee***

The Compensation Committee, amongst other things, establishes policies regarding the remuneration of the Officers, as well as for continuously supervising the implementation of such policies. In fulfilling this mandate, the Compensation Committee:

- Works with management to set the total compensation package for new executive officers whenever the hiring of such officers requires the approval of the Board.
- Annually reviews the base salaries and total compensation packages of the Officers to ensure that such packages are competitive within an oil and gas services industry comparison group and properly motivate performance and promote the retention of Cathedral's management.
- Annually reviews the yearly performance of the President and Chief Executive Officer ("**CEO**") of Cathedral and the other Officers.
- Continuously monitors the number of stock options held by the CEO and other Officers to ensure there is a balance of stock options issued in the context of the overall compensation plan.

### ***Executive Compensation Analysis***

The objective of Cathedral's executive compensation policy is to provide total compensation that is competitive and to balance the fixed and variable components of executive compensation in order to attract the most competent people, so that they remain in their positions and are motivated to act in the best interests of Cathedral. An emphasis is placed on providing a competitive and fair fixed salary, with additional, "at-risk" short and long term incentives reflective of Cathedral's performance.

The executive total compensation package is arrived at by considering a number of factors including a comparison with an oil and gas services industry peer group. The Compensation Committee reviews the compensation program of the Officers on a periodic basis, and the last such review was conducted by the Compensation Committee in March 2019. That review took into consideration improved industry fundamentals in the U.S and a decline in Canadian industry fundamentals; a decline in EBITDAS<sup>(1)</sup> despite an increase in revenues on a year-over-year basis; continued advancement of Cathedral's proprietary tools including the commercialization of three new nDurance<sup>TM</sup> drilling motor configurations (CLAW<sup>TM</sup> 250, CLAW 400 and CLAW 650), commercialization of the Cathedral Linear Pulse Measurement-While-Drilling system and continued advancement on development of Cathedral's new generation Dual Telemetry Measurement-While-Drilling system.

Note:

- (1) EBITDAS is a non-Generally Accepted Accounting Principles term and is defined as earnings before share of income/loss from associate, write-down/recovery on investment in associate, finance costs, unrealized foreign exchange on intercompany balances, unrealized foreign exchange due to hyper-inflation accounting, taxes, non-recurring gains and losses on disposal of equipment, depreciation, write-down of goodwill, write-down of equipment, write-down of inventory and share-based compensation.

The Compensation Committee normally reviews and considers compensation data from a comparative group of oil and gas services companies within Cathedral's sector as well as Petroleum Services Association of Canada ("**PSAC**") comparison data. However, the oil and gas services sector continues to endure significant re-structuring and re-balancing (including compensation levels) and the comparative data available to the committee did not yet, in its view, reflect the restructuring and rebalancing still ongoing. As a result, the Compensation Committee found such comparisons to be less meaningful than in prior years.

On an as needed basis, the Compensation Committee retains the services of an independent consultant for advice, research and analysis about executive compensation. The Compensation Committee takes the information provided by the independent consultant into consideration but ultimately makes its own recommendations and decisions.

In 2018, the Compensation Committee did not retain the services of an independent consultant for advice, research and analysis about executive compensation. In 2017, the Compensation Committee retained the services of Mercer (Canada) Limited ("**Mercer**") to provide advice and paid Mercer \$37,000 for services rendered.

### ***Total Compensation Components***

Executive compensation at Cathedral consists of a total compensation package that has the following components:

- Fixed compensation, comprised of base salary, benefits and perquisites; and
- Variable compensation, comprised of bonus (which is a short-term incentive program) and stock options (which are a long-term incentive program).

These compensation components are discussed below with respect to the Compensation Committee's supervision of the remuneration of the Officers.

### ***Base Salary***

Cathedral's Officers' positions are normally compared to other similar executive officer positions in corporations making up the comparison group and using PSAC information, and the salary data gathered is analyzed to establish appropriate salary ranges. The Compensation Committee then considers the experience, qualifications and past performance of the individual officers, along with issues of pay equity within Cathedral's executive group before either setting the initial salary for a new executive officer or awarding annual pay increases to Officers. Due to the industry downturn that commenced in 2014 and extended into 2016, effective February 1, 2015, Cathedral implemented a company-wide wage roll back program with such roll backs ranging from 5-15%. Officers were subject to a 15% roll back in 2015 ("**Roll Back #1**"). A further 9% wage roll back was implemented January 1, 2016 ("**Roll Back #2**"). With the return of more favorable industry conditions in 2017 and Cathedral's improved financial performance the wage roll backs were returned to Officers in stages as follows: 1) Roll Back #2 in its entirety effective June 1, 2017; 2) one-third of Roll Back #1 effective September 1, 2017; and 3) the final two-thirds of Roll Back #1 effective January 1, 2018. The return of wage roll backs to Officers coincided with the return of roll backs for other Cathedral staff.

### *Benefits and Perquisites*

The benefits program and perquisites awarded to each Officer is generally consistent with the benefits program and perquisites available to other employees within Cathedral's organization. Effective December 1, 2012, Cathedral adopted a deferred profit sharing plan (the "**DPSP**") and a group registered savings plan (the "**Group RSP**") for its Canadian employees, including NEOs (as defined below). Pursuant to the DPSP, Cathedral contributes three percent (3%) of each employee's regular earnings to the employee's DPSP on a monthly basis and such contributions vest one (1) year after the date of the contribution. Due to industry conditions, effective February 1, 2015 the DPSP was suspended. Management does not anticipate reinstating the DPSP in 2019. Additionally, pursuant to the Group RSP, Cathedral matches employee contributions to the Group RSP of up to two percent (2%) of the employee's regular earnings.

### *Bonus*

The bonus for the Officers is an "at-risk" form of compensation based on the financial performance of Cathedral as well as individual performance during the year. The Officers' bonus is included within a company-wide bonus pool established by the Board, based upon recommendation by the Compensation Committee, giving consideration to the Quantitative Goals (as defined below) and taking into account the Company's financial performance.

For 2018, the Compensation Committee reviewed the performance of the President and CEO in part based on certain quantitative goals (the "**Quantitative Goals**") communicated to Cathedral earlier in the year. The Quantitative Goals related to the following:

- financial performance of Cathedral;
- balance sheet strength; and
- Common Share price performance.

The Compensation Committee also considered other quantitative and qualitative factors related to the overall performance of the CEO during the year; notably, the factors set out under the heading "Executive Compensation Analysis" above. The Compensation Committee reviewed the performance of the other Officers based on their contribution to the achievement of the Quantitative Goals, as well as other qualitative factors related to the performance of each individual Officer. As part of the bonus determination process, the Compensation Committee reviews the CEO's evaluation of both his own goals and performance and that of each of the other Officers.

The weighting of bonus compensation components is generally as follows:

- Quantitative Goals – 75%; and
- Other qualitative factors relating to individual performance during the year – 25%.

The Compensation Committee annually holds a meeting after the annual results of Cathedral are available, to consider such matters and to consider a bonus for each Officer. The CEO's input is obtained in the form of specific bonus recommendations together with comments on the individual performance of each Officer, including himself. The Compensation Committee then delivers its bonus recommendations to the Board, where these recommendations are discussed and, if deemed acceptable, approved during a session comprised only of the independent directors held in camera.

The Compensation Committee considers bonuses to be a highly variable component of the compensation package. With respect to the Quantitative Goals portion of the bonus, no bonuses may occur if annual

results are below expectations and Quantitative Goals are not achieved. But even in instances where Quantitative Goals and performance indicators are attained, the Company may still not be in a financial position to pay bonuses. In response to the industry downturn, Cathedral suspended its bonus program for 2015 and 2016. Despite improving industry conditions as well as improvement in Cathedral's financial performance and overall management performance for 2017, the CEO's recommendation to the Compensation Committee was to fully return wage roll backs to staff (including the Officers) during the year and forego bonuses. For 2018, it was the CEO's recommendation to not pay bonuses as Quantitative Goals were not achieved.

### *Stock Options*

The issuance of stock options to Officers is intended to encourage Common Share ownership and to motivate them to focus on a culture that will result in improving Cathedral's financial performance, the effect of which should lead to increases in the market value of Cathedral's Common Shares. Cathedral's Stock Option Plan (as defined below) is discussed under "*Stock Option Plan*" below (and is also attached to this Information Circular as Schedule "A").

In order to ensure that stock options provide a long-term incentive, stock options granted in the past have vested 1/3rd on the first year anniversary date of issue, 1/3rd on the year second anniversary date of issue and the remaining 1/3rd on the third year anniversary date of issue. In October 2009, this policy was changed so that new stock options granted have a four (4) year term as opposed to the previous six (6) year term. In response to the industry downturn and related employee retention issues, effective November 2015 Cathedral adjusted its policy on vesting and term. The new vesting was 1/3rd twelve (12) months after date of issue, 1/3rd eighteen (18) months after date of issue and remaining 1/3rd twenty four (24) months after date of issue with a three (3) year term. Going forward, Cathedral is considering adjusting the vesting schedule further to accommodate industry influences.

The Board has delegated to the Compensation Committee the authority to determine, from time to time, the amount of stock options granted by Cathedral, as well as the grant date or dates. In the course of fulfilling such responsibility, the Compensation Committee continuously monitors the number of stock options held by the CEO and other Officers, and attempts to keep such holdings in balance whenever significant grants of stock options are made.

### *Compensation Risk Assessment and Mitigation*

As part of the annual review of executive compensation, the Compensation Committee duly considers risk assessment and mitigation to ensure the Company's executive compensation program does not encourage management to take inappropriate or excessive risks. Based upon its most recent review, the Compensation Committee has concluded that there do not appear to be any risks arising from the compensation programs that are reasonably likely to have a material adverse effect on the Company.

The executive compensation program includes several mechanisms to ensure risk-taking behavior falls within reasonable risk tolerance levels, including:

- a balanced pay mix between fixed and variable (at-risk) and between short and long-term incentives that defer awarded value;
- having a cap on short-term incentive awards;
- establishment of performance criteria and corresponding objectives which represent a balance of performance and the quality and sustainability of such performance;

- establishment of a compensation package in the context of competitive company compensation practices (comparison group);
- explicit restrictions on hedging of equity awards by executives; and
- utilizing longer-term incentive plans for diversification and alignment with risk realization periods.

Under Cathedral's policies, neither an officer or director is permitted to purchase financial instruments, including, for greater certainty, prepaid forward variable contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in the market value of Cathedral equity securities granted as compensation or held, directly or indirectly, by any officer or director.

### ***Director Compensation***

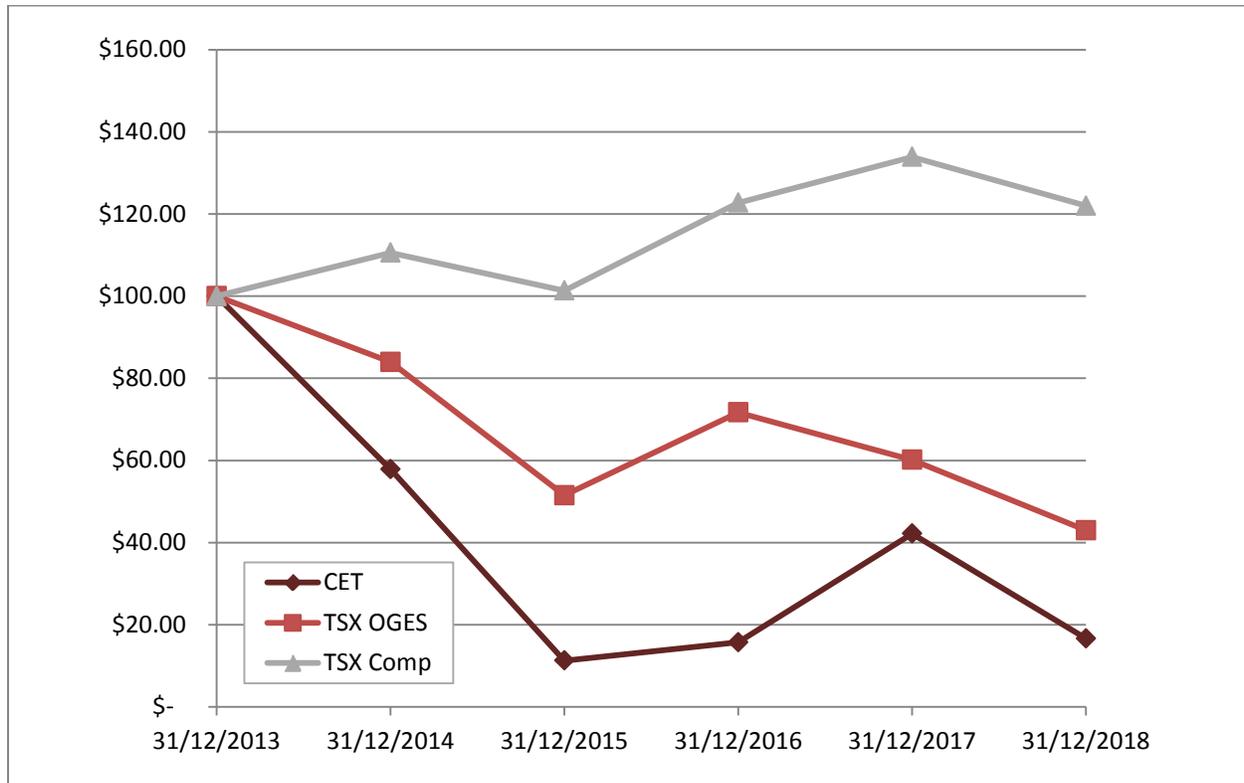
The Compensation Committee, after referring to compensation paid to directors of other Canadian comparable companies, makes a recommendation to the Board as to appropriate compensation for the directors. The Board discusses the Compensation Committee's recommendations and provides the final approval.

Cathedral's overall policy regarding compensation of members of the Board is structured to provide competitive levels of total compensation and to attract and retain suitable and qualified directors with commitment to Cathedral. Cathedral also looks at the compensation of the boards of other comparable Canadian public companies.

The Board compensation program includes three elements. The first is retainer fees paid in quarterly instalments over the year of service, in arrears. There are separate retainer fees for committee chairs. In response to the industry downturn, the Board accepted a 15% roll back of their retainer fees effective February 1, 2015. With the return in 2017 of more favorable industry conditions and Cathedral's improved financial performance, the retainer fee roll back was returned to Directors in stages as follows: 1) one-third effective September 1, 2017; and 3) the final two-thirds effective January 1, 2018. The second is meeting attendance fees of \$1,250 per meeting. The third is a long-term incentive, which is in the form of stock options. A description of the Stock Option Plan is noted herein. See "*Stock Option Plan*" below.

### ***Performance Graph***

The following graph compares the yearly percentage change in the cumulative Shareholder total return (assuming reinvestment of dividends/distributions) over the last five (5) years on the Common Shares ("**CET**") assuming a \$100 investment was made on December 31, 2013, with the cumulative total returns of the S&P/TSX Composite Index ("**TSX Comp**") and S&P/TSX Oil & Gas Equipment & Services Index ("**TSX OGES**").



While a significant portion of the compensation of Cathedral's Officers is performance based, it is difficult to correlate compensation to the trends shown in the above performance graph. As described under "*Compensation Discussion and Analysis*", base salaries are not determined on benchmarks or a specific formula but are set to be competitive with industry levels. The annual bonus plan is based on the achievement of certain Quantitative Goals for the fiscal year, which relate to, in addition to share price performance, the financial performance of Cathedral, balance sheet strength, business milestones achieved and other qualitative factors, which are not necessarily reflected in the trading prices of shares. The value of stock options granted pursuant to the Stock Option Plan is directly affected by changes in share prices.

### ***Option-Based Awards***

See "*Compensation Discussion and Analysis*" above and "*Stock Option Plan*" below for a description of Cathedral's Stock Option Plan and the process Cathedral uses to grant option-based awards.

The following sections set forth the remuneration of the CEO and the Chief Financial Officer of the Company and the executive officers that were, during the year ended December 31, 2018, the three (3) most highly compensated executive officers, other than the CEO and the Chief Financial Officer, whose total compensation exceeds \$150,000 for the last fiscal year or each individual who would qualify as such but for the fact that the individual was neither an executive officer of Cathedral, nor acting in a similar capacity, at the end of the last fiscal year (hereafter referred to as the "**Named Executive Officers**" or "**NEOs**"), as well as a description of all other applicable compensation provided to the Named Executive Officers.

### ***Summary Compensation Table***

The following table sets forth the total compensation paid to or earned by the Named Executive Officers for Cathedral's fiscal year ended December 31, 2018.

Name and Principal Position	Year Ended Dec. 31	Salary (\$) <sup>(3)</sup>	Share-Based Awards (\$)	Option-Based Awards (\$) <sup>(4)</sup>	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans (\$)	Long-Term Incentive Plans (\$)			
P. Scott MacFarlane <sup>(1)</sup> President and Chief Executive Officer	2018	343,542	-	52,800	-	-	-	28,238	424,580
	2017	283,034	-	115,200	-	-	-	23,436	421,670
	2016	265,138	-	-	-	-	-	23,320	288,458
Randy H. Pustanyk <sup>(1)</sup> Executive Vice President and Corporate Secretary	2018	318,281	-	52,800	-	-	-	17,902	388,983
	2017	262,223	-	115,200	-	-	-	19,813	397,236
	2016	245,642	-	-	-	-	-	22,545	268,187
Michael F. Hill <sup>(2)</sup> Chief Financial Officer	2018	294,136	-	52,800	-	-	-	482,851	829,787
	2017	241,412	-	115,200	-	-	-	22,537	379,149
	2016	226,147	-	-	-	-	-	22,043	248,190
David Diachok Vice President, Sales	2018	260,000	-	19,200	-	-	-	20,696	299,896
	2017	225,864	-	42,600	-	-	-	19,749	288,213
	2016	207,523	-	-	-	-	-	19,165	226,688
Bogdan Picioreanu Vice President, Technology	2018	260,000	-	19,200	-	-	-	20,696	299,896
	2017	225,864	-	42,600	-	-	-	19,749	288,213
	2016	207,523	-	-	-	-	-	19,165	226,688

## Notes:

- (1) Neither Mr. MacFarlane nor Mr. Pustanyk receive compensation for acting as directors of Cathedral.
- (2) Michael F. Hill retired from the position of Chief Financial Officer of the Company effective December 31, 2018. P. Scott MacFarlane was appointed as the Interim Chief Financial Officer of the Company effective December 31, 2018 to replace Michael F. Hill. Included in Mr. Hill's "All Other Compensation" amount is a termination payment of \$456,750.
- (3) Effective January 1, 2019, the annual salaries payable to each NEO is as follows: Mr. MacFarlane - \$340,000; Mr. Pustanyk - \$315,000; Mr. Diachok - \$260,000; and Mr. Picioreanu - \$260,000.
- (4) Value is based on the grant date fair value of the stock options calculated using the Black-Scholes methodology based on the following key assumptions and estimates: a risk-free interest rate of 2.0% (2017 - 0.80% to 1.20%); an expected annual dividend of \$nil (2017 - \$nil) (Cathedral suspended its dividend in November 2015); an expected forfeiture rate per annum of 0% for Officers and 10% for non-Officers (2017 - 0% for Officers and 10% for non-Officers); an expected life of 3 years past vesting date (2017 - equal to option term (issuance date to expiry date)); and expected share price volatility of 79.8% (2017 - 79% to 102%). This methodology was selected due to its acceptance as an appropriate evaluation model used for similar sized oil and gas service companies and is consistent with the Company's financial reporting under International Financial Reporting Standards ("IFRS").

**Currencies**

Unless otherwise noted, all monetary amounts disclosed under the heading "*Statement of Executive Compensation*" are in Canadian dollars, which is the same currency that is used by Cathedral in its consolidated financial statements.

**Incentive Plan Awards*****Outstanding Option-Based Awards***

The following table sets forth the stock options granted to the Named Executive Officers to purchase or acquire securities of Cathedral outstanding at the end of the financial year ended December 31, 2019.

## Option-based Awards

Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>
P. Scott MacFarlane	110,000	0.92	September 4, 2021	Nil
	110,000	1.02	September 19, 2020	Nil
	120,000	1.13	January 24, 2020	Nil
	80,000	2.13	March 13, 2019	Nil
Randy H. Pustanyk	110,000	0.92	September 4, 2021	Nil
	110,000	1.02	September 19, 2020	Nil
	120,000	1.13	January 24, 2020	Nil
	80,000	2.13	March 13, 2019	Nil
Michael F. Hill	110,000	0.92	September 4, 2021	Nil
	110,000	1.02	September 19, 2020	Nil
	120,000	1.13	January 24, 2020	Nil
	40,000	2.13	March 13, 2019	Nil
David Diachok	40,000	0.92	September 4, 2021	Nil
	40,000	1.02	September 19, 2020	Nil
	45,000	1.13	January 24, 2020	Nil
	30,000	2.13	March 13, 2019	Nil
Bogdan Picioreanu	40,000	0.92	September 4, 2021	Nil
	40,000	1.02	September 19, 2020	Nil
	45,000	1.13	January 24, 2020	Nil
	30,000	2.13	March 13, 2019	Nil

Note:

(1) Reflects the closing market price on the Toronto Stock Exchange ("TSX") on December 31, 2018, being \$0.71, minus the exercise price.

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

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to Named Executive Officers during the most recently completed financial year.

Name	Option-based awards - Value vested during the year (\$) <sup>(1)</sup>	Non-equity incentive plan compensation - Value earned during the year (\$)
P. Scott MacFarlane	25,200	Nil
Randy H. Pustanyk	25,200	Nil
Michael F. Hill	25,200	Nil
David Diachok	9,450	Nil
Bogdan Picioreanu	9,450	Nil

Note:

(1) Represents the value that would have been realized if the stock options had been exercised on their vesting dates.

Refer to "Compensation Discussion and Analysis" above, notes to the Summary Compensation Table above and "Stock Option Plan" below for a description of all Stock Option Plan (as defined below) based awards and their significant terms.

### Stock Option Plan

Cathedral's stock option plan was originally implemented in 2009 and was most recently amended by the Board on March 3, 2015 (the "Stock Option Plan"). A copy of the Stock Option Plan is attached to this

Information Circular as Schedule "A". The purpose of the Stock Option Plan is to advance the interests of Cathedral or any of its subsidiaries or affiliates by encouraging the directors, officers, employees, service providers and consultants of Cathedral or any of its subsidiaries or affiliates (each, a "**Participant**") to acquire Common Shares, thereby increasing their proprietary interest in Cathedral, encouraging them to remain associated with Cathedral or any of its subsidiaries or affiliates and furnishing them with additional incentive in their efforts on behalf of Cathedral or any of its subsidiaries or affiliates in the conducts of their affairs.

The Stock Option Plan shall be administered by the Board, or a committee thereof, who at its discretion from time to time may grant options to Participants to purchase Common Shares in accordance with the rules of the TSX, subject to the following limitations:

- (a) the maximum number of Common Shares issuable at any time pursuant to the Stock Option Plan shall be ten percent (10%) of the issued and outstanding Common Shares, and such maximum number shall increase or decrease as the number of issued and outstanding Common Shares shall increase or decrease, but in any case subject to adjustments described below;
- (b) the number of Common Shares reserved for issuance pursuant to the Stock Option Plan and any other option agreements to any one person shall not exceed five percent (5%) of the outstanding Common Shares;
- (c) the number of Common Shares issuable at any time to insiders pursuant to the Stock Option Plan and all other security based compensation arrangements of Cathedral shall not exceed ten percent (10%) of the issued and outstanding Common Shares;
- (d) the number of Common Shares issued to insiders within a one (1) year period pursuant to the Stock Option Plan and all other security based compensation arrangements of Cathedral shall not exceed ten percent (10%) of the issued and outstanding Common Shares;
- (e) the number of Common Shares of Cathedral reserved for issue under stock options granted to non-employee directors of Cathedral be limited to one percent (1%) of the Common Shares outstanding from time to time;
- (f) maximum annual equity grant to non-employee directors of Cathedral limited to \$100,000 per non-employee director as calculated under the Black-Scholes pricing model of stock options granted during the year; and
- (g) the number of Common Shares issuable within one (1) year pursuant to the Stock Option Plan and all other established or proposed share compensation arrangements of Cathedral, to any one insider and such insider's associates shall not exceed five percent (5%) of the outstanding Common Shares.

Where the terms "insider", "associates" and "security based compensation arrangements" are used they have the meaning ascribed to such terms under the policies of the TSX or other regulatory body having jurisdiction and "outstanding Common Shares" shall be determined pursuant to the policies of the TSX or other regulatory body having jurisdiction.

Options granted under the Stock Option Plan will have an exercise price not less than the "**Market Price**" on the date of grant. "Market Price", on any date, shall be the volume weighted average of the prices at which the Common Shares traded on the TSX for the five (5) trading days on which the Common Shares traded on the said exchange immediately preceding such date. Each option shall expire on the date set out in the respective option agreement (the "**Expiry Date**"), provided that any options granted under the Stock

Option Plan shall expire not later than ten (10) years from the date of grant. If an option is to expire during a period when the Participant is prohibited by Cathedral from trading in Common Shares pursuant to its blackout policies (a "**Blackout Period**"), or within ten (10) business days of expiry of such Blackout Period, the term of such option be extended for a period of ten (10) business days immediately following the end of the Blackout Period (the "**Blackout Extension Period**").

The Stock Option Plan provides that appropriate adjustments in the number of Common Shares issuable under the Stock Option Plan will be made upon the occurrence of certain events including the reclassification, change, subdivision, redivision, or consolidation of the issued Common Shares. The Stock Option Plan also includes provisions in the event that Cathedral amalgamates, consolidates with or merges with another corporation and the entitlement of an optionee on such occurrence.

The Board, or a committee thereof, at its sole discretion, may determine the method of vesting, if any, of Cathedral stock options granted under the Stock Option Plan. All stock options are subject to the applicable rules and regulations of all regulatory authorities having jurisdiction, including the TSX. Stock options granted under the Stock Option Plan are non-assignable, non-transferable and are subject to early termination in the event of the death of the optionee or the optionee ceasing to be a Participant.

Upon the death of an optionee, their respective stock options shall terminate on the date determined by the Board, or a committee thereof, which date shall not be later than the earlier of the Expiry Date and the date which is twelve (12) months after the date of death. If the optionee ceases to be a Participant, the stock option shall terminate on the date prescribed by the Board which shall be not be later than the earlier of the Expiry Date and the date which is twelve (12) months after the date that the optionee ceases to be a Participant.

The Board has the right to amend, to suspend, terminate or discontinue the Stock Option Plan or any option agreement, or any portion thereof, and may do so without shareholder approval, subject to those provisions of applicable law, if any, that require approval of shareholders or any governmental regulatory body. Except as expressly set forth in the Stock Option Plan, no action of the Board or Shareholders shall alter or impair the rights of an optionee, under any award previously granted to the optionee.

Under the Stock Option Plan, the Board has the power and authority to approve the following types of amendments to the Stock Option Plan or any option agreement, without further approval of the Shareholders, including:

- (a) amendments of a "housekeeping nature", including for the purpose of curing any ambiguity, inconsistency, error or omission in the Stock Option Plan;
- (b) amendments necessary to comply with the provisions of applicable law (including the rules, regulations and policies of the TSX);
- (c) amendments necessary in order for stock option awards to qualify for favourable treatment under applicable taxation laws;
- (d) amendments respecting administration of the Stock Option Plan;
- (e) amendments regarding the terms and conditions in which vesting of stock options occurs, including the acceleration of vesting;
- (f) amendments necessary to suspend or terminate stock options or the Stock Option Plan in accordance with applicable law; and
- (g) any other amendment, whether fundamental or otherwise, not requiring Shareholder approval under applicable law.

Approval will be required from holders of Common Shares for the following types of amendments:

- (a) amendments to the number of Common Shares issuable under the Stock Option Plan;
- (b) amendments that increase the percentage of Common Shares reserved for issuance and issuable to non-employee directors of Cathedral as set out in paragraph (e) above;
- (c) amendments that increase the maximum value of the annual equity grant to non-employee directors of Cathedral as set out in paragraph (f) above;
- (d) any amendment regarding the terms and conditions in respect of the Cathedral option price in respect of stock options granted pursuant to the Stock Option Plan;
- (e) any amendment regarding the extension of the Expiry Date as set out in the applicable stock option agreement in respect of stock options granted pursuant to the Stock Option Plan;
- (f) any amendment that permits stock options granted pursuant to the Stock Option Plan to become transferrable or assignable, other than for normal estate planning purposes;
- (g) any amendment to the amendment provisions of the Stock Option Plan as set out in this paragraph; and
- (h) amendments required to be approved by shareholders under applicable law (including, without limitation, the rules, regularities and policies of the TSX).

Under the Stock Option Plan, in the event of:

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

a stock option may be exercised in respect of any or all of the remaining optioned Common Shares.

For the purpose of the Stock Option Plan, a "change of control" is deemed to have occurred at any time when:

- (a) any person, any associate or affiliate of such person or any person acting jointly or in concert with any of them, becomes the beneficial owner, directly or indirectly, of securities of the Company carrying more than 30% of the votes entitled to vote generally on the election of directors of the Company by way of acquisition, merger, arrangement, reorganization, business combination or other transaction; or
- (b) the shareholders of the Company shall have approved an amalgamation, merger, arrangement, reorganization, business combination or other transaction involving the Company and any other person, or persons, as a result of which persons who were members of the Board immediately prior to such transaction represent less than a majority of the members of the Board of the amalgamated, merged, arranged, reorganized, combined or successor corporation following the consummation thereof.

### ***Unallocated Entitlements***

On May 10, 2018, at Cathedral's annual and special meeting for the year ended December 31, 2017, the Shareholders approved the unallocated stock option entitlements under the Stock Option Plan pursuant to Rule 613(a) of the TSX Company Manual. As at the date hereof, there are 3,086,834 Common Shares reserved for issuance on exercise of outstanding stock options granted under the Stock Option Plan representing approximately 6.24% of the outstanding Common Shares.

### **Pension Plan Benefits**

Cathedral and its operating entities do not have pension plan benefits to which the NEO's are eligible to participate in.

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

Effective January 1, 2007, employment agreements were entered into with each of Randy H. Pustanyk, Executive Vice President and Chief Operating Officer of Cathedral, and P. Scott MacFarlane, President and Chief Executive Officer of Cathedral. Effective June 1, 2009, an employment agreement was entered into with Bogdan Picioreanu, Vice President, Technology of Cathedral. Messrs. Pustanyk, MacFarlane, and Picioreanu are collectively referred to herein as the "**Executives**" and their respective employment agreements are collectively referred to herein as the "**Employment Agreements**". The Employment Agreements provide for a base salary, benefits, bonuses and participation in the Stock Option Plan. The Employment Agreement for each of Messrs. Pustanyk and Picioreanu includes restrictive clauses that for twelve (12) months after the termination of the Employment Agreement he will not compete with Cathedral and nor will he solicit customers and employees of Cathedral. The Employment Agreement for Mr. MacFarlane includes restrictive clauses that for three (3) months after the termination of the Employment Agreement he will not compete with Cathedral and for twelve (12) months after the termination of the Employment Agreement he will not solicit customers and employees of Cathedral.

The following table summarizes the termination provisions available to the Executives according to the Employment Agreements under each of the compensation programs, including the Stock Option Plan.

Resignation	<ul style="list-style-type: none"> <li>• All salary and benefit programs cease</li> <li>• Bonus is not paid</li> <li>• Payment for outstanding and accrued vacation pay</li> <li>• Vested stock options must be exercised by the close of business on the effective date of such termination or prior to expiry, whichever is earlier</li> </ul>
Death	<ul style="list-style-type: none"> <li>• All salary and benefit programs cease</li> <li>• Bonus pro-rated based on proportion of fiscal year completed as of the date of death</li> <li>• Payment for outstanding and accrued vacation pay</li> <li>• Vested stock options must be exercised within one year of date of death or prior to expiry date, whichever is earlier</li> </ul>
Retirement	<ul style="list-style-type: none"> <li>• All salary and benefit programs cease</li> <li>• Bonus is not paid</li> <li>• Payment for outstanding and accrued vacation pay</li> <li>• Vested stock options must be exercised by the close of business on the effective date of such termination or prior to expiry, whichever is earlier</li> </ul>
Termination with cause	<ul style="list-style-type: none"> <li>• All salary and benefit programs cease</li> <li>• Bonus is not paid</li> </ul>

- Payment for outstanding and accrued vacation pay
- Vested stock options must be exercised within sixty (60) days of last day of employment

## Termination without cause

- All salary ceases
- Bonus is not paid
- Vested stock options must be exercised by the close of business on the effective date of such termination or prior to expiry, whichever is earlier
- Severance provided pursuant to Employment Agreement (for Messrs. Pustanyk and MacFarlane)
  - 2 times base salary
  - 2 times average bonus over the past three (3) years
- Severance provided pursuant to Employment Agreement (for Mr. Picioreanu)
  - 1 times base salary
- Payment for outstanding and accrued vacation pay
- Maintain benefits (health, dental, life insurance and disability) (for Messrs. Pustanyk and MacFarlane) until the earlier of (or alternatively provide a lump sum payment to replace such benefits for a twenty-four (24) month period):
  - Obtaining alternative employment
  - Death
  - 24 months after termination date
- Maintain benefits (health, dental, life insurance and disability) (for Mr. Picioreanu) until the earlier of (or alternatively provide a lump sum payment to replace such benefits for a twelve (12) month period):
  - Obtaining alternative employment
  - Death
  - 12 months after termination date

## Termination without cause following a Change of Control

- For Messrs. Pustanyk, and MacFarlane, as above under termination without cause;
- Messrs. Pustanyk and MacFarlane have the option to terminate their respective agreement on a without cause basis subject to ninety (90) days notice following the Change of Control
- For these purposes, "Change of Control" means the acquisition of:
  - (i) the Common Shares; and/or
  - (ii) the securities convertible into, exercisable for or carrying the right to purchase Common Shares ("**Convertible Securities**"),

as a result of which a person, group of persons or persons acting jointly or in concert, or persons associated or affiliated within the meaning of the *Business Corporations Act* (Alberta) (the "**ABCA**") with any such person, group of persons or any of such persons (collectively, the "**Acquirors**") who beneficially own Common Shares or convertible securities such that, assuming only the conversion or exercise of convertible securities beneficially owned by the Acquirors, the Acquirors would beneficially own Common Shares which entitle them to cast more than 50% of the votes attaching to all Common Shares in the capital of Cathedral which may be cast to elect members of the Board.

As at the date hereof, Cathedral has not entered into any additional NEO employment agreements.

The following table provides the estimated incremental payment (pursuant to terms of the respective employment agreements) to NEOs with employment agreements for termination without cause if such termination occurred on December 31, 2018.

<b>Named Executive</b>	<b>Base salary</b>	<b>Bonus</b>	<b>Benefits</b>	<b>Stock options</b>	<b>Unpaid vacation</b>	<b>Total Incremental Obligation</b>
Randy H. Pustanyk	\$630,000	\$-	\$15,750	-	\$6,060	\$651,810
P. Scott MacFarlane	\$680,000	\$-	\$17,000	-	\$6,540	\$703,540
Bogdan Picioreanu	\$260,000	\$-	\$13,000	-	\$5,000	\$278,000
<b>Total</b>	<b>\$1,570,000</b>	<b>\$-</b>	<b>\$45,750</b>	<b>\$-</b>	<b>\$17,600</b>	<b>\$1,633,350</b>

Michael F. Hill retired from the positions of Chief Financial Officer effective December 31, 2018. In connection with Mr. Hill's retirement on December 31, 2018, the Company paid to Mr. Hill all salary owed to Mr. Hill up to and including December 31, 2018, and a termination payment in the amount of \$456,750. Following December 31, 2018, Mr. Hill was no longer entitled to any salary or benefits. Pursuant to a consulting agreement, Mr. Hill will be providing consulting services to the Company on an as needed basis. Mr. Hill's stock options expire as follows: i) if the consulting agreement is terminated by Mr. Hill, then upon termination of the consulting agreement; or ii) if the consulting agreement is terminated by the Company, then sixty (60) days after termination of the consulting agreement.

## Director Compensation

### *Director Compensation Table*

The following table sets forth the value of all compensation provided to members of the Board, who are not also NEOs, for the most recently completed financial year.

<b>Name</b>	<b>Fees earned (\$)</b>	<b>Common Share-based awards (\$)</b>	<b>Option-based awards (\$)<sup>(1)</sup></b>	<b>Non-equity incentive plan compensation (\$)</b>	<b>Pension value (\$)</b>	<b>All other Compensation (\$)</b>	<b>Total (\$)</b>
Rod Maxwell	59,501	-	18,000	-	-	-	77,501
Scott Sarjeant	46,752	-	9,120	-	-	-	55,872
Jay Zammit	32,918	-	9,120	-	-	-	42,038
Ian S. Brown	51,835	-	9,120	-	-	-	60,955
Dale E. Tremblay	39,252	-	13,440	-	-	-	52,692

Note:

- (1) Value is based on the grant date fair value of the options calculated using the Black-Scholes methodology based on the following key assumptions and estimates: a risk-free interest rate of 2.0%; an expected annual dividend of \$nil (Cathedral suspended its dividend in November 2015); an expected forfeiture rate per annum of 10%; an expected life of 3 years past vesting date; and expected share price volatility of 79.8%. This methodology was selected due to its acceptance as an appropriate evaluation model used for similar sized oil and gas service companies and is consistent with the Company's financial reporting under IFRS.

The following table sets forth the breakdown of fees earned by source for the most recently completed financial year.

<b>Name</b>	<b>Board retainer (\$)</b>	<b>Board Chairperson retainer (\$)</b>	<b>Committee chair retainer (\$)</b>	<b>Meeting fees (\$)</b>	<b>Total (\$)</b>
Rod Maxwell	N/A	45,751	N/A	13,750	59,501

<b>Name</b>	<b>Board retainer (\$)</b>	<b>Board Chairperson retainer (\$)</b>	<b>Committee chair retainer (\$)</b>	<b>Meeting fees (\$)</b>	<b>Total (\$)</b>
Scott Sarjeant	25,502	N/A	5,000	16,250	46,752
Jay Zammit	25,418	N/A	N/A	7,500	32,918
Ian S. Brown	25,585	N/A	10,000	16,250	51,835
Dale E. Tremblay	25,502	N/A	5,000	8,750	39,252

### ***Outstanding Option-Based Awards***

The following table sets forth the options granted to the directors of Cathedral, not including those directors who are also Named Executive Officers, to purchase or acquire securities of Cathedral outstanding at the end of the financial year ended December 31, 2018.

<b>Option-based Awards</b>				
<b>Name</b>	<b>Number of securities underlying unexercised options (#)</b>	<b>Option exercise price (\$)</b>	<b>Option expiration date</b>	<b>Value of unexercised in-the-money options (\$)<sup>(1)</sup></b>
Rod Maxwell	37,500	0.92	September 4, 2021	Nil
	23,500	1.02	September 19, 2020	Nil
	29,000	1.13	January 24, 2020	Nil
	20,000	2.13	March 13, 2019	Nil
Scott Sarjeant	19,000	0.92	September 4, 2021	Nil
	21,000	1.02	September 19, 2020	Nil
	30,000	1.13	January 24, 2020	Nil
	20,000	2.13	March 13, 2019	Nil
Jay Zammit	19,000	0.92	September 4, 2021	Nil
	21,000	1.02	September 19, 2020	Nil
	30,000	1.13	January 24, 2020	Nil
	20,000	2.13	March 13, 2019	Nil
Ian S. Brown	19,000	0.92	September 4, 2021	Nil
	21,000	1.02	September 19, 2020	Nil
	30,000	1.13	January 24, 2020	Nil
	20,000	2.13	March 13, 2019	Nil
Dale E. Tremblay	28,000	0.92	September 4, 2021	Nil
	32,000	1.02	September 19, 2020	Nil
	30,000	1.13	January 24, 2020	Nil

Note:

(1) Reflects the closing market price on the TSX on December 31, 2018, being \$0.71, minus the exercise price.

### ***Incentive Plan Awards – Value Vested or Earned during the Year***

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to the Board during the most recently completed financial year.

<b>Name</b>	<b>Option-based awards - Value vested during the year (\$)<sup>(1)</sup></b>	<b>Non-equity incentive plan compensation - Value earned during the year (\$)</b>
Rod Maxwell	6,090	Nil
Scott Sarjeant	6,300	Nil

Name	Option-based awards - Value vested during the year (\$) <sup>(1)</sup>	Non-equity incentive plan compensation - Value earned during the year (\$)
Jay Zammit	6,300	Nil
Ian S. Brown	6,300	Nil
Dale E. Tremblay	6,300	Nil

Note:

(1) Reflects the closing market price on the vesting date minus the exercise price.

## EQUITY COMPENSATION PLANS

The following table sets forth summary information regarding Cathedral's equity compensation plans as at the end of the most recently completed financial year.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) (c)
Equity compensation plans approved by the security holders <sup>(1)</sup>	3,670,334	\$1.20	1,276,478
Equity compensation plans not approved by the security holders	N/A	-	N/A
<b>Total</b>	3,670,334	\$1.20	1,276,478

Note:

(1) See "Stock Option Plan" above.

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

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

Period	Options Granted	Weighted average Common Shares outstanding	Burn Rate <sup>(1)</sup>
2016	30,000	36,295,380	0.08%
2017	2,197,750	48,380,723	4.54%
2018	1,040,500	49,445,205	2.10%

Note:

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

## INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

No current or former executive officer, director or employee of Cathedral or of any of its subsidiaries is, or at any time since the beginning of the most recently completed financial year has been, indebted: (i) to Cathedral or any of its subsidiaries; or (ii) to another entity, where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Cathedral or any of its subsidiaries.

No director or executive officer of Cathedral, or any individual who was a director or executive officer of Cathedral at any time during the most recently completed financial year, or any associate of any such director or officer is, or has been at any time since the beginning of the most recently completed financial year of Cathedral, indebted to Cathedral or any of its subsidiaries, nor is, or at any time since the beginning of the most recently completed financial year of Cathedral has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Cathedral or any of its subsidiaries.

## **CORPORATE GOVERNANCE**

### **General**

The Board believes that good corporate governance improves corporate performance and benefits all Shareholders. The Canadian Securities Administrators (the "CSA") have adopted National Policy 58-201 - *Corporate Governance Guidelines*, which provides guidelines on corporate governance practices for reporting issuers such as Cathedral. In addition, the CSA have implemented National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("NI 58-101"), which prescribes certain disclosure by Cathedral of its corporate governance practices. This disclosure is presented below.

### **Board of Directors**

#### *Composition of the Board*

The Board is currently comprised of seven (7) members of which five (5) are independent directors for the purposes of NI 58-101. The Board has elected Rod Maxwell as Board Chairperson. Mr. Maxwell is an independent director. A written description of the duties and responsibilities of the Board Chairperson is contained in the Board Charter attached to this Information Circular as Schedule "B". NI 58-101, when taken together with Section 1.4 of National Instrument 52-110 – *Audit Committees* ("NI 52-110"), provides that a member is "independent" if the member has no direct or indirect material relationship with the issuer, a "material relationship" being one which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment.

The following table sets forth the Board members and the Board's determination of the independence of its members.

<b>Director</b>	<b>Independence Status</b>	<b>Basis for Determination of Non-Independence</b>
Rod Maxwell	Independent	Not applicable - no material relationship
Jay Zammit	Independent	Not applicable <sup>(1)</sup> - no material relationship
Scott Sarjeant	Independent	Not applicable - no material relationship
Ian S. Brown	Independent	Not applicable - no material relationship
Dale E. Tremblay	Independent	Not applicable - no material relationship
P. Scott MacFarlane	Not independent	Mr. MacFarlane is considered to have a material relationship with Cathedral due to him being an executive officer of Cathedral.
Randy H. Pustanyk	Not independent	Mr. Pustanyk is considered to have a material relationship with Cathedral due to him being an executive officer of Cathedral.

Note:

- (1) Mr. Zammit is Chairman and Counsel at Cathedral's primary external legal counsel and is therefore deemed to be not independent with respect to the composition of the Audit Committee. Mr. Zammit is not a member of the Audit Committee. However, the Board considers Mr. Zammit to be independent for other purposes pursuant to NI 58-101 as his relationship as Chairman and Counsel at Cathedral's primary external legal counsel is not considered a relationship that could be reasonably expected to interfere with the exercise of his independent judgment. Mr. Zammit is not standing for re-election at the Meeting.

The majority of the members of the Board are independent. Rod Maxwell is the Chairperson of the Board and an independent director. The Board has developed a written description of the Chairperson's responsibilities which is contained in the Board Charter attached to this Information Circular as Schedule

"B" and includes the role of reviewing, addressing and reporting to the Board with matters of succession planning for the positions of CEO, Chief Financial Officer and Executive Vice President in respect of: (a) death or disability; and (b) long term succession planning. Mr. Maxwell is also a member of the Audit Committee. At the end of each Board meeting in 2018, the Board met without management and non-independent directors present. During 2018, the independent directors held seven (7) meetings that excluded both non-independent directors and management.

### ***Board and Committee Meeting Attendance***

The following table sets out the attendance of members at meetings of the Board and committees of the Board during 2018.

<b>Director</b>	<b>Meetings Attended</b>			
	<b>Board</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Governance Committee</b>
Rod Maxwell	7 of 7	4 of 4	n/a	n/a
Jay Zammit	6 of 7	n/a	2 of 2	n/a
Scott Sarjeant	7 of 7	4 of 4	n/a	2 of 2
Ian S. Brown	7 of 7	4 of 4	2 of 2	2 of 2
Randy H. Pustanyk	7 of 7	n/a	n/a	n/a
Dale E. Tremblay	7 of 7	n/a	2 of 2	n/a
P. Scott MacFarlane	7 of 7	n/a	n/a	n/a

Since December 31, 2018, the Board has held two (2) meetings.

### ***Other Reporting Issuer Experience***

Certain members of the Board are also directors of other reporting issuers, as follows:

<b>Director</b>	<b>Other Reporting Issuers</b>
P. Scott MacFarlane	N/A
Randy H. Pustanyk	N/A
Rod Maxwell	N/A
Jay Zammit	N/A
Ian S. Brown	Bonavista Energy Corporation (TSX)
Scott Sarjeant	N/A
Dale E. Tremblay	Horizon North Logistics Inc. (TSX) McCoy Global Inc. (TSX)

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

The Board approved a mandate which includes among other duties and responsibilities: to approve and monitor the strategic, business and financial plans of Cathedral; to supervise performance and succession planning of senior officers; to assess the principal risk factors relating to the business of Cathedral; and to monitor and oversee the integrity of financial reporting and disclosure. Every member of the Board is required to act honestly and in good faith and in the best interests of Cathedral and to exercise the care, diligence and skill of a reasonably prudent person. Responsibilities not delegated to senior management or to a committee of the Board remain those of the full Board. The written mandate of the Board is contained in the Board Charter attached to this Information Circular as Schedule "B".

### ***Position Descriptions***

The Board develops corporate objectives which the CEO is responsible to meet through its annual budget and strategic plan review, and otherwise as required. The Compensation Committee evaluates the CEO against those objectives and reports the results of the evaluation to the Board. The Board has not developed a written job description for the CEO.

### ***Orientation and Continuing Education of Board Members***

Cathedral has no formal program for orientation of new directors; existing directors provide orientation and education to new directors on an informal basis. New Board members receive an orientation package which includes reports on operations and results, and public disclosure filings by Cathedral. In addition, management of Cathedral makes itself available for discussion with all Board members. There is no formal continuing education program for Board members; however, directors are encouraged to seek applicable educational opportunities that are available to them, as they have a fiduciary duty to Cathedral and are expected to ensure they obtain knowledge or training they consider necessary to meet their obligations.

### ***Measures to Encourage Ethical Business Conduct***

The Board has adopted a written Code of Business Conduct and Ethics (the "**Code**") that encourages and promotes a culture of ethical business conduct and a copy of such document is available on Cathedral's website ([www.cathedralenergyservices.com](http://www.cathedralenergyservices.com)), which provides for a mechanism to report possible violations of the Code on a confidential, anonymous basis. At each quarterly review of financial results, management provides the Board with a report on compliance with the Company's policies, which includes the Code. Such report would identify issues and how they have been resolved or the status of the resolution to such issue if identified. In addition to the Code, the Board has adopted a "Whistleblower Policy" wherein employees of Cathedral are provided with the mechanics by which they may raise concerns regarding questionable accounting, internal accounting controls or auditing matters, or reporting of fraudulent financials information on a confidential anonymous basis. Any situation that involves, or may reasonably be inferred to involve, a conflict between a director's personal interests and the interests of Cathedral are required to be disclosed as to the nature and extent of such director's interest. A director in a conflict of interest may not, subject to certain exceptions set forth in the ABCA, vote or participate in a discussion on a matter in respect of which a director has a material interest.

### ***Gender Equality Policy***

Although Cathedral has not specifically adopted a written policy relating to the identification and nomination of certain interest groups, including women directors, the Board believes that the key to effective board membership is to source individuals that, having regard to an extensive group of factors, possess the range of necessary skills, experience, commitment and qualifications that are best suited to fostering effective leadership and decision-making at Cathedral.

The Board is confident that its recruitment practices result in the appointment of the most suitable candidates without discriminating unfairly against any potential director on the basis of race, age or gender. The Board believes the Company adopts an open and inclusive attitude in decisions on the appointment of new directors. Cathedral wishes to ensure that it seeks and retains the best people for the roles assigned regardless of race, age or gender.

The Board considers the representation of women in identifying and nominating board candidates and when making executive officer appointments. While paramount importance is given to identifying the right candidate for each role, the Board is mindful of the benefit of not only gender diversity but also of race and age diversity in the Company's leadership positions and the need to maximize the effectiveness of the Board and its decision making abilities. The Board acknowledges that importance of diversity in enriching the

discussion and its corporate governance. The level of diversity in leadership roles is one of several factors used in its search process for new directors and officers.

Cathedral has not adopted targets for women on the board or in executive officer positions. The Board does not believe that quotas or strict rules necessarily result in the identification or selection of the best candidates. The Board will continue to fill roles based on the skills, experience, character and behavioural qualities that are most important to determine the value which an individual could bring to the Company.

### ***Board Term Limits***

Cathedral does not have term limits for directors. The Board believes there are benefits to be achieved by continuity and directors having in depth knowledge of each aspect of the Company's business, which necessarily takes time to develop. Fixed term limits would have the effect of forcing directors off the Board who have developed increased insight into the Company and who, therefore, can be expected to provide an increased contribution to the Board. However, the Board recognizes there is benefit to adding new perspectives to the Board, and there is value in turnover and to adding additional members to a board in order to provide fresh ideas and views. The Board believes that it is critical to have an appropriate balance between long-term directors with extensive knowledge that understand the business of the Company and the industries we operate in and new directors that add new experience and perspectives to the Board. The Board's focus is on maintaining the proper mix of skills, experience and diversity.

### ***Nomination of Board Members***

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of view and experience. In selecting new candidates, the Board considers the skills and competencies of each potential director and those required by the Board as a whole.

The Board does not have a Nominating Committee, and these functions are currently performed by the Governance Committee. However, if there is a change in the number of directors required by Cathedral, this policy will be reviewed.

### ***Board Committees***

Under the ABCA and the by-laws of Cathedral, the Board may appoint a committee of directors and delegate to such committee any of the powers of the directors, subject to the ABCA. During the year ended December 31, 2018, there were 3 (three) committees formally appointed by the Board: the Audit Committee, the Compensation Committee and the Governance Committee. The Board does not have an Executive Committee.

The Board has developed a mandate for each of the Audit Committee, the Compensation Committee and the Governance Committee which the Board reviews annually. Cathedral does not have a position description for the Chair of each Board committee. The Board Charter (refer to Schedule "B") includes the role and responsibilities of committee chairs. The Board reviews the recommendations of all its committees, and decides on whether and how to implement such recommendations.

### ***Audit Committee***

The Audit Committee is currently comprised of Messrs. Brown (Chair), Maxwell and Sarjeant. Messrs. Brown, Maxwell and Sarjeant are independent and financially literate under NI 52-110.

For additional information, including the mandate and responsibilities regarding the Audit Committee, please refer to the Audit Committee section in the Annual Information Form of Cathedral dated March 7, 2019 available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

The Audit Committee meets with Cathedral's auditors regularly, independent of management, and has direct communication channels with Cathedral's external auditors to discuss and review specified issues as appropriate.

### ***Compensation Committee***

The Compensation Committee is currently comprised of Messrs. Tremblay (Chair), Zammit and Brown, all whom are considered to be independent under NI 58-101. With Mr. Zammit not standing for re-election at the Meeting, another board member will be added to the Compensation Committee shortly after the Meeting.

The Compensation Committee has approved a mandate which includes, among other duties and responsibilities: monitoring the performance and compensation of senior management, and reviewing and providing recommendations to the Board with respect to implementation and variation of option, compensation and incentive plans, including those applicable to the directors of Cathedral. For further information see "*Compensation Discussion and Analysis – Director Compensation*".

### ***Governance Committee***

The Governance Committee is comprised of Messrs. Sarjeant (Chair) and Brown.

The Governance Committee has approved a mandate which includes, among other duties and responsibilities: monitoring the effectiveness of the system of governance within Cathedral; assessing the effectiveness of the Board as a whole, committees of the Board and the contributions of individual members; and identifying, recommending, orienting and educating new directors.

### **Assessment of Directors, the Board and Board Committees**

The members of the Board, through the Governance Committee, conduct an annual evaluation of performance and effectiveness of each member of the Board and of the Board and each of its committees as a whole.

## **MANAGEMENT CONTRACTS**

Management functions of Cathedral and its subsidiaries are performed by the directors and executive officers of Cathedral.

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

Neither Cathedral, nor any person who has been a director or senior officer of Cathedral, nor a member of the Board at any time since the beginning of Cathedral's last completed financial year, nor any proposed nominee for election as a director of Cathedral or a member of the Board, nor any associate or affiliate of any one of them, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting except as disclosed in this Information Circular.

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

Except as disclosed in this Information Circular, neither Cathedral, nor any informed person has or has had, at any time since the beginning of Cathedral's most recently completed financial year, any material interest,

direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect Cathedral or any of its subsidiaries, except for any interest arising from the ownership of Common Shares where the Shareholder will receive no extra or special benefit or advantage not shared on a pro-rata basis by all Shareholders.

For the purposes of this Information Circular, an "**informed person**" means: (i) a director or officer of Cathedral; (ii) a director or executive officer of a person or company that is itself an informed person or a subsidiary of Cathedral; or (iii) any person or company who beneficially owns, directly or indirectly, or controls or directs, directly or indirectly, voting securities of Cathedral carrying more than ten percent (10%) of the voting rights attaching to all outstanding voting securities of Cathedral.

There may be situations in which the interests of Cathedral will conflict with those of Shareholders. In resolving any conflicts, decisions will be made on a basis consistent with the objectives and funds of each group of interested parties and the time limitations on investment of such funds, all consistent with the duty of the Board to deal fairly and in good faith with each such group of persons. In the event that the interests of the Board are in conflict with those of Shareholders, the members of the Board are obliged to make decisions acting in good faith, having regard to the best interests of Shareholders and in a manner that would not contravene their fiduciary obligations to Shareholders.

### **PARTICULARS OF MATTERS TO BE ACTED UPON**

To the knowledge of the Board of Cathedral, the only matters to be placed before the Meeting are those matters set forth in the accompanying Notice of Meeting, the particulars of which are set forth below.

#### **A. Financial Statements**

The consolidated financial statements of Cathedral for the year ended December 31, 2018, together with the Auditor's Report thereon will be placed before the Meeting. No formal action will, or is required to, be taken in respect of the financial statements at the Meeting. The consolidated financial statements of Cathedral are also available on SEDAR.

#### **B. Election of Directors**

The Board presently consists of seven (7) directors, all of whom are elected annually. Each director was duly elected at Cathedral's annual and special meeting of Shareholders held on May 10, 2018 to hold office until the next annual meeting of Shareholders or until his successor is duly elected or appointed unless his office is earlier vacated in accordance with the provisions of the ABCA or Cathedral's by-laws. One of Cathedral's current directors, Jay Zammit, is not standing for re-election at the Meeting. Therefore, it is proposed that the number of directors of the Company for the ensuing year be fixed at six (6). The persons named in the enclosed Form of Proxy intend to vote for the election of the nominees whose names appear in the table below. The management of Cathedral has no reason to believe that any of the said nominees will be unable to serve as a director, but, should that occur prior to the Meeting, the persons named in the enclosed Form of Proxy intend to vote for another nominee in their discretion. Shareholders executing the Form of Proxy who do not wish their Common Shares to be voted in this manner should so indicate in the appropriate place on the Form of Proxy.

#### ***Majority Voting for Directors***

The Board has adopted an individual voting standard for the election of directors at the Meeting. Under the individual voting standard, the Board has adopted a policy which requires that any nominee for director who receives a greater number of votes "withheld" than votes "for" his or her election as a director shall submit his or her resignation to the Governance Committee of the Board for consideration promptly following the meeting. This policy applies only to uncontested elections, meaning elections where the number of nominees for directors is equal to the number of directors to be elected. The Governance

Committee shall consider the resignation and shall provide a recommendation to the Board. The Board will consider the recommendation of the Governance Committee and determine whether to accept it within ninety (90) days of the applicable meeting and a news release will be issued by Cathedral announcing the Board's determination and fully stating the reasons for rejecting the resignation, if applicable. A director who tenders his or her resignation will not participate in any meetings to consider whether the resignation shall be accepted. Resignations shall be effective when accepted by the Board and resignation offers are expected to be accepted by the Board, except in situations where extenuating circumstances would warrant the applicable director to continue to serve as a member of the Board. The Board may fill any vacancy created by any such resignation or determine to leave the resulting vacancy unfilled.

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 following table sets out the names of persons proposed to be nominated by management for election as a director; all positions and offices in Cathedral held by them; their current principal occupation; the periods during which they have served as a director; and the number of Common Shares beneficially owned, directly or indirectly, by them or over which control or direction is exercised, as of the date hereof. Each director elected will hold office until the next annual meeting of Cathedral, unless his office is earlier vacated in accordance with the by-laws of Cathedral or becomes disqualified to act as a director.

<b>Name and Municipality of Residence</b>	<b>Director Since</b>	<b>Principal Occupation</b>	<b>Number of Common Shares Beneficially Owned or Controlled</b>
P. Scott MacFarlane Calgary, Alberta Director, President, Chief Executive Officer and Interim Chief Financial Officer	December 19, 2013	President and Chief Executive Officer of Cathedral since October 10, 2013 and Interim Chief Financial Officer of Cathedral since December 31, 2018. Prior thereto, Chief Financial Officer of Cathedral from April 1, 2001 to September 1, 2014.	410,552
Randy H. Pustanyk Chestermere, Alberta Director, Executive Vice President and Corporate Secretary	October 30, 2000	Executive Vice President of Cathedral since October 10, 2013. Prior thereto, Vice President, Operations of Cathedral since June 2000.	621,842
Rod Maxwell <sup>(1)</sup> Calgary, Alberta Chairperson and Director	October 30, 2000	Managing Director of StoneBridge Equity Partners Ltd. StoneBridge Equity Partners Ltd. is a private equity investment firm, located in Calgary, Alberta, that invests in growing private companies.	515,878 <sup>(4)</sup>
Scott Sarjeant <sup>(1)(3)</sup> Calgary, Alberta Director	April 7, 2003	President and Chief Executive Officer of PremiAx Financial Corp. (" <b>PremiAx</b> ") since April 2003. PremiAx is a non-bank financial institution involved in leasing and other financial businesses targeted at the energy industry, and also invests in equity and debt issued by well-established Canadian companies.	677,998
Ian S. Brown <sup>(1)(2)(3)</sup> Calgary, Alberta Director	December 18, 2009	Mr. Brown is an independent consultant.	124,286
Dale E. Tremblay <sup>(2)</sup> Calgary, Alberta Director	October 6, 2015	Mr. Tremblay is an independent businessman.	109,286

Notes:

- (1) Member of the Audit Committee of which Mr. Brown is the Chair.
- (2) Member of the Compensation Committee of which Mr. Tremblay is the Chair.
- (3) Member of the Governance Committee of which Mr. Sarjeant is the Chair.
- (4) Of which 50,000 Common Shares are held by Mr. Maxwell's spouse.

As at the date hereof, the directors and executive officers of Cathedral, as a group, beneficially owned, directly or indirectly, 2,747,252 Common Shares or approximately 5.55% of the issued and outstanding Common Shares. Additionally, as of the date hereof, 3,670,334 Common Shares have been reserved for issuance to the directors and executive officers of Cathedral in respect of the granting of stock options. See "*Executive Compensation - Stock Option Plan*".

### ***Cease Trade Orders, Bankruptcies and Penalties or Sanctions***

To the knowledge of management, no proposed director of Cathedral is, as of the date of this Information Circular, or has been, within ten (10) years before the date hereof, a director, chief executive officer or chief financial officer of any company (including Cathedral) that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemptions under securities legislation, that was in effect for a period of more than thirty (30) consecutive days, that was issued: (i) while that person was acting in such capacity; or (ii) after that person ceased to act in such capacity but which resulted from an event that occurred while that person was acting in such capacity.

Other than as set forth below, to the knowledge of management, no proposed director of Cathedral is, as of the date of this Information Circular, or has been, within ten (10) years before the date hereof, a director or executive officer of any company (including Cathedral) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Rod Maxwell acted as a director of Patch International Inc. ("**Patch**") from January 2007 until April 2009. Patch's wholly-owned subsidiary, Patch Energy Inc. ("**Patch Energy**"), of which Mr. Maxwell was not a director or officer, filed a proposal (the "**Proposal**") to its creditors under the *Bankruptcy and Insolvency Act* (Canada) ("**BIA**") on August 20, 2009 which was accepted by creditors at a meeting held on September 9, 2009. Pursuant to the Proposal, Patch Energy subsequently sold all of its assets to its working interest partner and the working interest partner's joint venture partner. The Alberta Securities Commission issued a cease trade order against Patch on October 2, 2009 for failing to make required annual continuous disclosure filings for its financial year ended May 31, 2009.

Dale E. Tremblay was a director of GASFRAC Energy Services Inc. ("**GASFRAC**") between May 27, 2014 and February 13, 2015. Pursuant to court supervised creditor protection proceedings commenced under the *Companies' Creditors Arrangement Act* ("**CCAA**"), GASFRAC sold most of its operating assets and intellectual property to a third party service industry competitor on April 7, 2015 and subsequently then completed a court approved CCAA Plan of Compromise and Arrangement pursuant to which a third party service industry competitor acquired 100% equity ownership of GASFRAC as an operating entity on July 7, 2015. Mr. Tremblay was also a director of ATK Oilfield Transportation Inc. ("**ATK**"), a private oilfield services company, until April 1, 2019. ATK was placed into receivership following an application by its creditors on April 1, 2016.

Mr. Rod Maxwell was a director of Iona Energy Inc. ("**Iona**"), a public oil and gas company that held assets in the United Kingdom's North Sea, until November 24, 2015, being the date on which Iona announced that it was highly likely that its wholly owned United Kingdom subsidiaries, Iona Energy (UK) Company plc ("**Iona UK**") and Iona UK Huntington Limited ("**Iona Huntington**") would commence insolvency procedures. All of the board of directors and officers of Iona, including Mr. Maxwell, resigned effective November 24, 2015. On January 6, 2016, representatives of FTI Consulting LLP were appointed as joint administrators of Iona UK and Iona Huntington.

Mr. Ian Brown was a director of Lightstream Resources Ltd., a public oil and gas company that commenced proceedings under the CCAA on September 26, 2016. Effective December 29, 2016, concurrent with the

completion of the sale of all of the assets and business of Lightstream Resources Ltd. to a third party, all directors, including Mr. Brown, resigned from the board of directors.

To the knowledge of management, no proposed director of Cathedral has, within the ten (10) years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

To the knowledge of management, no proposed director of Cathedral has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

### **C. Appointment of Auditor**

The Board proposes to nominate KPMG LLP, Chartered Professional Accountants ("**KPMG**") to serve as auditor of Cathedral until the next annual meeting of Shareholders. KPMG has been the auditor of Cathedral since August 11, 2000.

### **OTHER MATTERS TO BE ACTED UPON**

There are no other matters to be considered at the Meeting which are known to the directors or senior officers of Cathedral at this time. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the Form of Proxy accompanying this Information Circular to vote the same in accordance with their best judgment of such matters exercising discretionary authority with respect to amendments or variations of matters identified in the Notice of Meeting, and other matters which may properly come before the Meeting or any adjournment thereof.

### **ADDITIONAL INFORMATION**

Additional information relating to Cathedral may be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") of the CSA at [www.sedar.com](http://www.sedar.com). Financial information regarding Cathedral is provided in Cathedral's comparative consolidated financial statements and management's discussion and analysis for its most recently completed financial year. Shareholders of Cathedral may contact Cathedral at 6030, 3<sup>rd</sup> Street S.E., Calgary, Alberta, T2H 1K2, (403) 265-2560 to request copies of Cathedral's consolidated financial statements and management's discussion and analysis.

### **GENERAL**

All matters referred to herein for approval by Shareholders require a majority of the Shareholders voting, in person or by proxy, at the Meeting.

The contents and sending of this Information Circular have been approved by the Board. Unless otherwise stated, the information contained herein is given as of the 2<sup>nd</sup> day of April, 2019.

## SCHEDULE "A"

### CATHEDRAL ENERGY SERVICES LTD.

#### STOCK OPTION PLAN

##### 1. Purpose

The purpose of the Stock Option Plan (the "**Plan**") of Cathedral Energy Services Ltd., a body corporate amalgamated under the *Business Corporations Act* (Alberta) (the "**Corporation**"), is to advance the interests of the Corporation or any of its subsidiaries or affiliates by encouraging the directors, officers, employees, service providers and consultants of the Corporation or any of its subsidiaries or affiliates to acquire common shares in the Corporation, thereby increasing their proprietary interest in the Corporation, encouraging them to remain associates with the Corporation or any of its subsidiaries or affiliates and furnishing them with additional incentive in their efforts on behalf of the Corporation or any of its subsidiaries or affiliates in the conducts of their affairs.

##### 2. Administration and Granting of Options

The Plan shall be administered by the board of directors of the Corporation or by a special committee of directors appointed from time to time by the board of directors of the Corporation (such committee or, if no such committee is appointed, the board of directors of the Corporation is hereinafter referred to as the "**Committee**") pursuant to rules of procedure fixed by the board of directors.

The Committee may from time to time designate directors, officers, employees, service providers and consultants of the Corporation or any of its subsidiaries or affiliates (the "**Participants**") to whom options to purchase common shares of the Corporation may be granted and the number of common shares to be optioned to each Participant, provided that the number of common shares to be optioned shall not exceed the number provided in Sections 3 and 4 hereof. Each holder of Options (as herein defined) shall enter into an option agreement in such form proscribed by the Committee from time to time (the "**Option Agreement**").

##### 3. Shares Subject to Plan

Subject to adjustment as provided in Section 16 hereof, the shares to be offered under the Plan shall consist of the authorized but unissued common shares of the Corporation. The aggregate number of common shares of the Corporation (the "**Common Shares**") to be delivered upon the exercise of all options granted under the Plan (the "**Options**") shall not exceed the maximum number of shares permitted under the rules of any stock exchange on which the Common Shares are then listed or other regulatory body having jurisdiction. If any Option granted hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased Common Shares subject thereto shall again be available for the purpose of this Plan. On any exercise of Options, Common Shares in respect of which the Options are exercised shall not reduce the number of Common Shares available for reservation and issuance under new Options that may be granted under the Plan.

##### 4. Number of Optioned Shares

The number of Common Shares subject to an Option to any one Participant shall be determined by the Committee, but no Participant, upon the Corporation becoming listed on any stock exchange, shall be granted an Option which exceeds the maximum number of shares permitted by any stock exchange on which the Common Shares are then listed or other regulatory body having jurisdiction.

## 5. Vesting

The Committee may, in its sole discretion, determine the time during which Options shall vest and the method of vesting, or that no vesting restriction shall exist or continue to exist.

## 6. Maintenance of Sufficient Capital

The Corporation shall at all times during the term of the Plan reserve and keep available such number of Common Shares as will be sufficient to satisfy the requirements of the Plan.

## 7. Participation

The Committee shall determine to whom Options shall be granted, the terms and provisions of the respective Option Agreements, the time or times at which such Option shall be granted, and the number of Common Shares to be subject to each Option. A Participant who has been granted an Option ("**Optionee**") may, if he is otherwise eligible, and if permitted by any stock exchange on which the Common Shares are then listed or other regulatory body having jurisdiction, be granted an additional Option or Options if the Committee shall so determine.

## 8. Exercise Price

The exercise price of the Common Shares covered by each Option shall be determined by the Committee, provided that such price shall not be less than the market price of the Common Shares on the date of grant. "**Market Price**", on any date, shall be the volume weighted average of the prices at which the Common Shares traded on the Toronto Stock Exchange (the "**TSX**") (as reported by the TSX) for the five (5) trading days on which the Common Shares traded on the said exchange immediately preceding such date or, if the Common Shares are not listed on the TSX, on such other stock exchange as the Committee may designate, and otherwise, shall be as determined by the Committee.

## 9. Duration of Option

Each Option and all rights thereunder shall be expressed to expire on the date set out in the Option Agreements (the "**Expiry Date**") and shall be subject to earlier termination as provided in Sections 12 and 13 hereof, provided that any Options granted pursuant to the Plan shall expire not later than ten (10) years after the date of grant. However, if an Option is to expire during a period when the Participant is prohibited by the Corporation from trading in Common Shares of the Corporation pursuant to its blackout policies (a "**Blackout Period**"), or within ten (10) business days of expiry of such Blackout Period, the term of such Option be extended for a period of ten (10) business days immediately following the end of the Blackout Period ("**Blackout Extension Period**").

## 10. Limitations to the Plan

Notwithstanding any other provision of the Plan:

- (a) the maximum number of Common Shares issuable at any time pursuant to the Plan shall be 10% of the issued and outstanding Common Shares, and such maximum number shall increase or decrease as the number of issued and outstanding Common Shares shall increase or decrease, but in any case, subject to adjustments pursuant to Section 16 hereof;
- (b) the number of Common Shares reserved for issuance pursuant to the Plan and any other Option Agreements to any one person shall not exceed five percent (5%) of the outstanding Common Shares;

- (c) the number of Common Shares issuable to insiders at any time pursuant to the Plan and all other security based compensation arrangements of the Corporation shall not exceed ten percent (10%) of the issued and outstanding Common Shares;
- (d) the number of Common Shares reserved for issuance and issuable to non-employee directors of the Corporation at any time pursuant to the Plan and all other security based compensation arrangements of the Corporation shall not exceed one percent (1%) of the issued and outstanding Common Shares;
- (e) the number of Common Shares issued to insiders within a one (1) year period pursuant to the Plan and all other security based compensation arrangements of the Corporation shall not exceed ten percent (10%) of the issued and outstanding Common Shares;
- (f) the number of Common Shares issuable within one (1) year pursuant to the Plan and all other established or proposed security compensation arrangements of the Corporation, to any one insider and such insider's associates shall not exceed five percent (5%) of the outstanding Common Shares; and
- (g) the maximum annual equity grant to non-employee directors of the Corporation shall be limited to \$100,000 per non-employee director as calculated under the Black-Scholes pricing model of Options granted during the year;

where "insider", "associates" and "security based compensation arrangements" shall have the meaning ascribed to such terms under the policies of the TSX or other regulatory body having jurisdiction and "outstanding Common Shares" shall be determined pursuant to the policies of the TSX or other regulatory body having jurisdiction.

#### **11. Option Period, Consideration and Payment**

- (a) The Option period shall be a period of time fixed by the Committee, not to exceed the maximum period permitted by any stock exchange on which the Common Shares are then listed or other regulatory body having jurisdiction, provided that the Option period shall be reduced with respect to any Option as provided in Sections 12 and 13 hereof on cessation as a director, officer, employee, service provider or consultant of the Corporation or any of its subsidiaries or affiliates or death of the Participant.
- (b) Except as set forth in Sections 11(c), 12 and 13 hereof, no Option may be exercised unless the Participant is at the time of such exercise a director, officer, employee, service provider or consultant of the Corporation or any of its subsidiaries or affiliates.
- (c) Notwithstanding any other provision to the contrary, an Option granted to a consultant or service provider in connection with specific services provided or to be provided by that consultant or service provider shall be exercised only after the date of completion of such service and prior to 30 days following the date of completion of such service.
- (d) The exercise of any Option will be contingent upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of shares with respect to which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such shares with respect to which the Option is exercised.

#### **12. Ceasing To Be a Director, Officer, Employee, Service Provider or Consultant**

If an Optionee ceases to be a Participant for any reason other than death of the Participant, the Option granted to the Participant shall terminate on the date prescribed by the Committee which shall not be later than the earlier of the Expiry Date and the date which is twelve (12) months after the date that the Optionee ceases to be a Participant.

Options shall not be affected by any change of employment or position so long as the Participant continues to be a Participant.

Nothing contained in the Plan nor in any Option granted pursuant to the Plan shall confer upon any Participant any right with respect to continuance as a director, officer, employee, service provider or consultant of the Corporation or any of its subsidiaries or affiliates.

**13. Death of Participant**

In the event of death of a Optionee, the Option previously granted to him shall be exercisable on the date determined by the Committee which shall not be later than the earlier of the Expiry Date and the date this is twelve (12) months after the date of death.

**14. Rights of Optionee**

No person entitled to exercise an Option shall have any of the rights or privileges of a shareholder of the Corporation in respect of any shares issuable upon exercise of such Option until certificates representing such shares shall have been issued and delivered.

**15. Proceeds from Sale of Shares**

The proceeds from the issuance of shares upon the exercise of Options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Corporation may determine.

**16. Adjustments**

In the event of:

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

an Option may be exercised in respect of any or all of the remaining Optioned Common Shares. For this purpose, "change of control" shall be deemed to have occurred at any time when:

- (A) any person, any associate or affiliate of such person or any person acting jointly or in concert with any of them, becomes the beneficial owner, directly or indirectly, of securities of the Corporation carrying more than 30% of the votes entitled to vote generally on the election of directors of the Corporation by way of acquisition, merger, arrangement, reorganization, business combination or other transaction; or
- (B) the shareholders of the Corporation shall have approved an amalgamation, merger, arrangement, reorganization, business combination or other transaction involving the Corporation and any other person, or persons, as a result of which persons who were members of the Board of Directors immediately prior to such transaction represent less than a majority of the members of the Board of Directors of the amalgamated, merged, arranged, reorganized, combined or successor corporation following the consummation thereof.

In the event of any reclassification, change, subdivision or redivision of the issued Common Shares at any time prior to the Expiry Date into a greater number of Common Shares, an Optionee shall be entitled to receive, and shall accept, in lieu of the number of Common Shares to which an Optionee was theretofore entitled upon exercise of the Option, the kind and amount of shares and other securities or property which the Optionee would have been entitled to receive as a result of such reclassification, change, subdivision, or

redivision if, on the effective date thereof, the Optionee had been the registered holder of the number of Common Shares to which the Optionee was theretofore entitled upon exercise of the Option.

In the event of any reclassification, change or consolidation in the Common Shares at any time prior to the Expiry Date into a lesser number of Common Shares, an Optionee shall be entitled to receive, and shall accept, in lieu of the number of Common Shares to which the Optionee was theretofore entitled upon exercise of the Option, the kind and amount of shares and other securities or property which the Optionee would have been entitled to receive as a result of such reclassification, change or consolidation if, on the effective date thereof, the Optionee had been the registered holder of the number of Common Shares to which the Optionee was theretofore entitled upon exercise of the Option.

In the event that the Corporation shall at any time prior to the Expiry Date of an Option, amalgamate, consolidate with or merge into another corporation or trust, an Optionee shall be entitled to receive, and shall accept, in lieu of the number of Common Shares to which the Optionee was theretofore entitled upon exercise of the Option, the kind and amount of shares and other securities or property which the Optionee would have been entitled to receive as a result of such amalgamation, consolidation or merger if, on the effective date thereof, the Optionee had been the registered holder of the number of Common Shares to which the Optionee was theretofore entitled upon exercise of the Option, and the Corporation will take steps in connection with such amalgamation, consolidation or merger as may be necessary to ensure that the provisions of the Option Agreement shall thereafter be applicable, as near as reasonably may be possible in relation to any securities or properties thereafter delivered upon the exercise of the Option. A sale of all or substantially all of the assets of the Corporation for a consideration (apart from the assumption of obligations) consisting primarily of securities, shall be deemed a consolidation, amalgamation or merger for the foregoing purposes.

For greater certainty, an Optionee shall pay for the number of Common Shares, other securities or property as aforesaid, the amount the Optionee would have paid if the Optionee had exercised the Option prior to the effective date of such reclassification, change, subdivision, redivision, consolidation, amalgamation or merger, as the case may be.

In the event that the Corporation shall fix a record date for the distribution to holders or substantially all holders of Common Shares of rights to purchase Common Shares exercisable for a period expiring not more than 45 days after such record date at a price less than 95% of the Market Price on such record date, the Exercise Price shall be adjusted immediately after such record date so that it shall be equal to the price determined by multiplying the Exercise Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus the number arrived at by dividing the aggregate price of the total number of additional Common Shares offered for subscription pursuant to the exercise of such rights by such Market Price, and of which the denominator shall be the total number of Common Shares on such record date plus the total number of additional Common Shares offered for subscription pursuant to the exercise of such rights. To the extent that any rights are not issued or any such rights are not exercised prior to the expiration thereof, the Exercise Price shall then be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed or to the Exercise Price which would then be in effect based upon the number and aggregate price of Common Shares actually issued upon exercise of such rights. The Corporation shall deliver at the time of any exercise of the Option thereafter that number of Common Shares which the Optionee would have been entitled to receive pursuant to the Option granted notwithstanding the adjustment in the Exercise Price. For greater certainty, this paragraph does not apply to any exercise of the Option granted prior to the establishment of the record date for the issuance of such rights. For the purposes of this paragraph, "**Market Price**" shall mean the weighted average price per share for the Common Shares for the 20 consecutive trading days ending on the fifth trading day before such date on the TSX.

Adjustments shall be made successively whenever any event referred to in this section shall occur. Upon any adjustment of the number of Common Shares which may be purchased hereunder, the Corporation shall give written notice to the Optionee, giving particulars of such adjustment. In the event the Corporation

agrees to sell all or substantially all of the assets of the Corporation for cash, it shall give the Optionee at least thirty (30) days notice prior to the date of finalization of such proposed sale, determined as of the date of notice. In the event of the liquidation, dissolution or winding up of the affairs of the Corporation, the right to exercise an Option shall terminate ten (10) days before the earliest day fixed for the payment of any distribution amount on the Common Shares, provided at least thirty (30) days notice of such payment date shall be given to the Optionee.

#### 17. **Transferability**

All benefits, rights and Options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein. During the lifetime of a Participant, any such benefits, rights and Options may only be exercised by the Participant.

#### 18. **Option Grants under Prior Plans**

In the case of options to purchase trust units ("**Trust Options**") of Cathedral Energy Services Income Trust (the "**Trust**") granted under the unit option plan of the Trust (the "**Trust Option Plan**"), that existed prior to the plan of arrangement effective December 18, 2009, the individuals that were granted Trust Options under the Trust Option Plan will continue to have their Trust Options governed by the terms of their Trust Option agreements; however, the exercise of the Trust Options will be assumed by this Plan, with the appropriate adjustments for the exercise into Common Shares of the Corporation.

#### 19. **Amendment and Termination**

Subject to the exceptions set out below, the Board of Directors of the Corporation may at any time or from time to time, in its sole discretion amend, suspend or terminate the Plan or any Option Agreement, or any portion thereof, and may do so without shareholder approval, subject to those provisions of applicable law, if any, that require the approval of shareholders or any governmental regulatory body. Without limiting the generality of the foregoing, the Board of Directors of the Corporation may make the following types of amendments to the Plan or any Option Agreement without seeking shareholder approval:

- (a) amendments of a housekeeping nature including, without limiting the generality of the foregoing, any amendment for the purpose of curing any ambiguity, error or omission in the Plan or Option Agreement or to correct or supplement any provision of the Plan that is inconsistent with any provision of the Plan or Option Agreement;
- (b) amendments necessary to comply with the provisions of applicable law (including, without limitation, the rules, regulations and policies of the TSX);
- (c) amendments necessary in order for awards to qualify for favourable treatment under applicable taxation laws;
- (d) amendments respecting administration of the Plan;
- (e) any amendment regarding the terms and conditions in which vesting occurs in respect of Options granted pursuant to the Plan, including the acceleration of vesting in any Option Agreement;
- (f) amendments necessary to suspend or terminate Options, Option Agreements or the Plan in accordance with applicable law; and
- (g) any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law.

Shareholder approval will be required for the following types of amendments:

- (a) amendments to the number of Common Shares issuable under the Plan;
- (b) amendments that increase the percentage of Common Shares reserved for issuance and issuable to non-employee directors of the Corporation as set out in Section 10(d) hereof;
- (c) amendments that increase the maximum value of the annual equity grant to non-employee directors of the Corporation as set out in Section 10(g) hereof;
- (d) any amendment regarding the terms and conditions in respect of the Option Price of Options granted pursuant to the Plan;
- (e) any amendment regarding the extension of the Expiry Date as set out in the applicable Option Agreement in respect of Options granted pursuant to the Plan;
- (f) any amendment that permits Options granted pursuant to the Plan to become transferrable or assignable, other than for normal estate planning purposes;
- (g) any amendment to the amendment provisions of the Plan as set out in this Section 19; and
- (h) amendments required to be approved by shareholders under applicable law (including, without limitation, the rules, regulations and policies of the TSX).

Except as expressly set forth herein, no action of the Committee, the Board of Directors of the Corporation or shareholders shall alter or impair the rights of an Optionee, under any award previously granted to the Optionee.

**20. Necessary Approvals**

The ability of a Participant to exercise Options and the obligation of the Corporation to issue and deliver shares in accordance with the Plan is subject to any approvals which may be required from the shareholders of the Corporation and any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If any shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such shares shall terminate and any Option exercise price paid to the Corporation shall be returned to the Participant.

**21. Applicable Law**

The laws of the Province of Alberta, and the laws of Canada applicable therein, shall apply to the Plan and all rights and obligations hereunder shall be determined in accordance with such laws.

**22. Effective Date of Plan**

The Plan is effective as of December 18, 2009, as amended on March 3, 2015 (and as further amended from time to time).

**SCHEDULE "B"**  
**CATHEDRAL ENERGY SERVICES LTD.**  
**BOARD OF DIRECTORS CHARTER**  
**DATED: MARCH 2016**

**ROLE AND RESPONSIBILITIES**

The Board of Directors (the "**Board**", each member of the Board a "**Director**") is responsible for the overall supervision of the management of the business and affairs of Cathedral Energy Services Ltd. (the "**Corporation**"). Each Director has a fiduciary duty to act honestly and in good faith with a view to the best interests of the Corporation, and to exercise the care, diligence and skill that a reasonable prudent person would exercise in comparable circumstances. In fulfilling their fiduciary duties, each Director must act honestly, maintain confidences in respect to information involving the Corporation and, disclose conflicts of interest on any material matters involving the Corporation.

**MAJOR DUTIES AND RESPONSIBILITIES**

In broad terms, the stewardship of the Corporation involves the Board in strategic planning, financial reporting, risk management and mitigation, senior management determination, communication planning and internal control integrity. The major responsibilities of the Board are as follows:

- 1) Supervise the determination and control in broad terms the purposes, strategic direction, goals, activities and general characteristics of the Corporation. These duties range from overseeing financial objectives, scope of operations, fundamental strategies and policies, reviewing and approving the Corporation's annual strategic plan (including annual operating and capital budgets), reviewing the Corporation's operating and financial performance results relative to established strategy, budgets and objectives, establishing a dividend policy and declaring dividends and considering and approving other specific actions that are likely to have a substantial effect on the Corporation or that the Board is legally required to take.
- 2) Review with senior management the mission of the Corporation, its objectives and goals, and the strategies whereby it proposes to achieve them. Monitor the Corporation's progress towards its goals and plans, and assume responsibility to revise and alter the Corporation's direction where warranted.
- 3) Review and approve the Corporation's annual and interim consolidated financial statements, annual and interim management's discussion and analysis, and all public disclosure documents containing audited or unaudited financial information before release, including, but not limited to, any prospectus, the Corporation's annual report, the Corporation's annual information form, the Corporation's management proxy circular and any press releases.
- 4) Oversee corporate financial operations, ensuring proper control mechanisms are in place to require management to obtain the Board's prior approval of:
  - (a) material capital asset additions, acquisitions and disposals;
  - (b) material borrowings;
  - (c) equity issues and repurchases;
  - (d) compensation paid to senior management;
  - (e) any material transactions or events outside the ordinary course of business; and

- (f) any other matter specified by the Board as requiring approval.
- 5) Appoint a President and Chief Executive Officer (collectively, a "CEO") and other senior officers, define their respective duties, monitor and evaluate their performance, approve their compensation, provide for adequate succession, and replace the CEO or other senior officers when appropriate.
- 6) Appoint a Compensation Committee and Compensation Committee Chair, oversee the activities of the Compensation Committee and receive and consider the recommendation of the Compensation Committee with respect to the compensation provided by the Corporation to senior management and Directors as Board and committee members.
- 7) Appoint an Audit Committee and Audit Committee Chair, oversee the activities of the Audit Committee and receive and consider the recommendation of the Audit Committee with respect to the financial systems of the Corporation and related disclosures, reports to shareholders and other related communications.
- 8) Oversee corporate risk assessment and risk management systems including:
  - (a) discussion with senior management as guidelines and policies governing the risk assessment and risk management processes;
  - (b) review and discussion of significant risks and exposures with senior management;
  - (c) assess the steps management has taken to monitor, control, report and mitigate such risk to the Corporation, including insurance coverage; and
  - (d) with the advice and assistance of senior management, identify and evaluate the principal risk factors relating to the Corporation's business.

Identification of financial risk and oversight of systems to manage it, including the review of the effectiveness and integrity of internal financial control systems, has been delegated to the Audit Committee, which is to report to the Board thereon regularly.

- 9) Ensure that the Corporation has in place appropriate environmental, health and safety policies, having regard to legal, industry and community standards, and ensure implementation of management systems to monitor the effectiveness of those policies.
- 10) Monitor and oversee the Corporation's financial reporting and disclosure system, including how the Corporation interacts with analysts, investors, other key stakeholders and the public, and how the Corporation complies with its continuous and timely disclosure obligations and avoids selective disclosure, and review all such policies at least annually, and since much of the Board's work in this regard has been delegated to the Audit Committee, receive regular reports with respect thereto from that committee.
- 11) Ensure that management has systems in place for communication and relations with stakeholder groups, including, but not limited to: shareholders; the investing public; government; employees; the financial community; and the communities in which the Corporation operates. More specifically:
  - (a) be accountable for the manner in which public disclosure of the Corporation's affairs is made. Require all news releases and reports issued to shareholders involving financial information are reviewed by the Board prior to their public release and that all other news releases are reviewed by the Board as appropriate;

- (b) ensuring that management maintains an investor relation function to coordinate the receipt of and response to shareholder inquiries; and
  - (c) ensure the Audit Committee puts in place procedures to receive and handle complaints or concerns received by the Corporation about accounting or audit matters including those submitted anonymously by an employee of the Corporation.
- 12) Appoint a Governance Committee and Governance Committee Chair, oversee the activities of the Governance Committee and consider the recommendations of the Governance Committee. Through this committee, establish an appropriate system of corporate governance including practices to ensure the Board functions independently of management.
- 13) Manage Board operations, including, without limitation:
- (a) subject to shareholder approval, review the Board's size and composition and when appropriate, identify new nominees;
  - (b) ensure Directors meet in accordance with all legal requirements and that the independent Directors have an opportunity to meet separately on a regular basis;
  - (c) review the recommendations of the Governance Committee in connection with the development of the Corporation's approach to governance issues and the Corporation's responses to the Toronto Stock Exchange guidelines or any rules or guidelines published by any and all other regulated markets upon which the Corporation's securities may be listed or quoted for trading, from time to time;
  - (d) ensure that new Directors receive proper education and orientation about the Corporation, and that on an ongoing basis all Directors receive continuing education; and
  - (e) periodically review the Board's role and responsibilities pursuant to this Charter, and evaluate the effectiveness of the Board, its members and its committees from time to time and if necessary and appropriate, create new or disband existing committees and in the case of new or old committees, establish and review their charters and elect chairs from time to time.
- 14) Review the adequacy and form of each Board member's compensation to ensure it realistically reflects the responsibilities and risks involved in being a Director.

## **ORGANIZATION**

The Corporation's Articles of Incorporation provide that the Directors shall be elected annually by the shareholders of the Corporation, and that the Board shall consist of not less than three (3) or more than ten (10) individuals, with the exact number being determined from time to time by resolution of the Board. The Board should be of a size which facilitates effective decision-making. Directors will review the size of the Board from time to time to ensure this principle is being adhered to. Under the *Business Corporations Act* (Alberta), a minimum of 25% of the Directors must be residents of Canada.

A majority of the Board shall be independent Directors (as defined by National Instrument 58-101 – *Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators), as determined by the Board. In assessing whether a Director or potential Director is independent, the Board will consider such facts as ownership of the Corporation's securities, whether the individual is an employee or officer of the Corporation or an affiliate of the Corporation and existence of any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act with the best interests of the Corporation.

The independent Directors shall appoint a Chairperson of the Board from the group of independent Directors. The fundamental responsibility of the Chairperson is to facilitate communication among the independent Directors.

There are currently three committees of the Board of Directors and each committee has its own charter, approved by the Board, setting out its role and mandate.

- Audit Committee – consists of a minimum of three (3) Directors, including a committee Chair, all of which are independent to the Corporation.
- Compensation Committee – consists of a minimum of three (3) Directors, including a committee Chair, all of which are independent to the Corporation.
- Governance Committee – consists of a minimum of two (2) Directors, including a committee Chair, all of which are independent to the Corporation.

### **EXTERNAL RESOURCES**

To assist the Board in discharging its duties and responsibilities, the Board may, at the expense of the Corporation, retain persons having special expertise. In addition, individual Directors may engage outside consultants, at the expense of the Corporation, with prior approval of the Governance Committee.

### **NEW BOARD MEMBERS**

New Board members will be provided with sufficient background materials relating to the Corporation that will provide the new Director with knowledge to understand the Corporation's business, assets, capitalization, personnel, policies and procedures, to enable them to educate themselves with regard to the Corporation's business. In addition, the new Director will be provided with the opportunity for meetings and discussions with senior management and other Directors. Details of orientation will be tailored to the Director's individual needs.

### **LIMITATION ON BOARD MEMBERS' DUTIES**

Nothing in this Charter is intended, or may be construed, to impose on any member of the Board a standard of care or diligence that is in any way more onerous or extensive than the standard required by law. The purposes and responsibilities outlined in this charter are meant to serve as guidelines rather than inflexible rules and the Board may adopt such additional procedures and standards it deems necessary from time to time to fulfill its responsibilities.

### **ROLE AND RESPONSIBILITIES OF CHAIRPERSON OF THE BOARD**

The Chairperson of the Board shall have, among other, the following responsibilities:

- 1) In conjunction with the Corporation's CEO and Chief Financial Officer, plan the meetings of the Board, establish the agenda of these meetings and coordinate the activities of the Corporate Secretary in regards to the affairs of the Board and its committees.
- 2) Chair all meetings of the Board, ensure the proper and efficient conduct of Board meetings, ensure that all members are able to express their opinions on the topics being discussed and ensure that the decisions or recommendations made by the Board are clear.
- 3) Ensure that all strategically important issues are communicated to the Board for approval and that the Board receives the necessary information it needs to allow its members to assume their role fully and to follow up on the implementation of decisions made by the Board.
- 4) Attend committee meetings as deemed appropriate.

- 5) Ensure that all policies of the Board relating to compliance with regulations as well as ethics and conduct standards are communicated to all interested parties.
- 6) In collaboration with the chairs of the committees, to ensure that the Board and each of its committees respect their respective mandates (or charters).
- 7) Review the Chief Executive Officer's expenses and perquisites at least once a year.

**ROLE AND RESPONSIBILITIES OF COMMITTEE CHAIRS**

Every chair of a Board committee shall have, among those listed above, the following responsibilities:

- 1) Plan committee meetings, establish the agenda of these meetings and coordinate the activities of the Corporate Secretary in regards to the affairs of the committee.
- 2) Chair all the meetings of the committee, ensure the proper and efficient conduct hereof, ensure that all members are able to express their opinions on the topics being discussed and ensure that the decisions or recommendations made by the committee are clear.
- 3) Liaise and communicate to the Board and senior management in matters relating to his mandate and to the work of his committee.