



## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

The annual and special meeting (“**Meeting**”) of holders of common shares (the “**Shares**”) of Divergent Energy Services Corp. (the “**Corporation**”) will be held on Tuesday, June 6, 2023 at **3:00 pm MDT at 715 – 5<sup>th</sup> Avenue SW, Calgary, Alberta in the Conference Room on the main floor**, for the following purposes:

1. to receive the audited financial statements as at and for the financial year ended December 31, 2022 and the report of the auditors thereon;
2. to fix the number of directors of the Corporation at five until the next annual general meeting of shareholders;
3. to elect directors of the Corporation until the next annual general meeting of shareholders, as more particularly set forth in the accompanying management information circular dated May 1, 2023 (the “**Circular**”);
4. to appoint the auditors of the Corporation until the next annual general meeting of shareholders and to authorize the directors to fix the remuneration to be paid to the auditors;
5. to consider and, if thought fit, to pass the ordinary resolution set out in the Circular approving the adoption and implementation of the incentive stock option plan of the Corporation; and
6. to transact such other business as may properly be brought before the Meeting.

Shareholders are referred to the Circular for more detailed information with respect to the matters to be considered at the Meeting.

Only holders of Shares of record at the close of business on May 2, 2023 (the “**Record Date**”) are entitled to notice of the Meeting and only those holders of the Shares of record on the Record Date, or who subsequently become shareholders and comply with the provisions of the *Business Corporations Act* (Alberta), are entitled to vote at the Meeting. It is important that your Shares are represented at the Meeting.

**If you are a registered Shareholder**, please submit the enclosed form of proxy. Proxies, to be valid, must be deposited at the office of the registrar and transfer agent of the Corporation, Computershare Trust Company of Canada, Proxy Department, by mail at 135 West Beaver Creek, P.O. Box 300, Richmond Hill, Ontario, Canada L4B 4R5, by hand at 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, or vote by telephone, fax or internet as per the instructions in the proxy, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays in the city of Calgary, Alberta) preceding the Meeting or any adjournment thereof.

**If you are not a registered Shareholder**, please complete the voting instruction form from your intermediary/broker/agent and follow the instructions set out under "*Notice to Beneficial Holders of Shares*" in the Circular.

Dated the 1<sup>st</sup> day of May, 2023

**BY ORDER OF THE BOARD OF DIRECTORS  
OF DIVERGENT ENERGY SERVICES CORP.**

signed "*Ken Berg*"

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Ken Berg  
President and Chief Executive Officer



MANAGEMENT INFORMATION CIRCULAR  
Dated May 1, 2023

**SOLICITATION OF PROXIES AND PERSONS MAKING THE SOLICITATION**

This management information circular (this "**Circular**") is furnished in connection with the solicitation of proxies by the management of Divergent Energy Services Corp. (the "**Corporation**") for use at the annual and special meeting (the "**Meeting**") of holders (the "**Shareholders**") of common shares (the "**Shares**") in the capital of the Corporation to be held on Tuesday, June 6, 2023 at 3:00 p.m. MDT at 715 – 5<sup>th</sup> Avenue SW, Calgary, Alberta in the Conference Room on the Main Floor.

The record date for the purpose of determining holders of Shares is May 2, 2023 (the "**Record Date**"). Shareholders of record on the Record Date are entitled to receive notice of and attend the Meeting and vote their Shares, except to the extent that a registered Shareholder has transferred the ownership of any Shares subsequent to the Record Date and the transferee of those Shares produces properly endorsed Share certificates, or otherwise establishes that they own the Shares and demand, not later than 10 calendar days before the Meeting, that their name be included on the Shareholder list, in which case the transferee will be entitled to vote their Shares at the Meeting.

This solicitation of proxies is made on behalf of management. The Corporation will bear the costs incurred in the preparation and mailing of the Meeting materials. In addition to mailing forms of proxy, proxies may be solicited by personal interviews, email, telephone or by other means of communication, by directors, officers and employees of the Corporation who will not be remunerated for their services. Arrangements will also be made with clearing agencies, brokerage houses and other financial intermediaries, custodians, nominees and fiduciaries to forward proxy solicitation material to the beneficial owners of Shares pursuant to the requirements of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**"). The cost of any such solicitation will be borne by the Corporation.

**APPOINTMENT AND REVOCATION OF PROXIES AND EXERCISE OF DISCRETION**

**The persons named in the enclosed form of proxy are officers and/or directors of the Corporation. As a Shareholder, you have the right to appoint a person, who need not be a Shareholder, to represent you at the Meeting. To exercise this right, you should insert the name of your representative in the blank space provided on the form of proxy and strike out the other names or submit another appropriate proxy.** The form of proxy should be dated and executed by the Shareholder or an attorney, authorized in writing and with proof of the authorization attached. A form of proxy may be revoked by a registered Shareholder personally attending at the Meeting and voting their Shares in person.

A form of proxy will not be valid for the Meeting or any adjournment unless it is completed and delivered to Computershare Trust Company of Canada ("**Computershare**"), Proxy Department, by mail at 135 West Beaver Creek, P.O. Box 300, Richmond Hill, Ontario, Canada L4B 4R5, or by hand at 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, not later than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting, or any adjournment thereof. You may also send your form of proxy by fax or vote your Shares by telephone or internet pursuant to the instructions contained in the form of proxy.

**The Shares represented by a Shareholder's proxy will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Shares will be voted accordingly.**

**In the absence of such specification, such Shares will be voted FOR the matters to be acted upon as set out herein. The persons appointed under the form of proxy furnished by the Corporation are conferred with discretionary authority with respect to amendments to or variations of those matters specified in the form of proxy and notice of Meeting and with respect to any other matters which may properly be brought before the Meeting. In the event that amendments to or variations of matters identified in the notice of Meeting or any other matters are properly brought before the Meeting, it is the intention of the persons designated in the form of proxy to vote in accordance with their best judgment on such matter. At the time of printing this Circular, management of the Corporation knows of no such amendment, variation or other matter.**

A Shareholder may revoke its proxy at any time prior to a vote. In addition to revocation in any other manner permitted by law, a proxy may be revoked by depositing an instrument in writing executed by the Shareholder or by its authorized attorney in writing, or, if the Shareholder is a company, under its corporate seal by an officer or attorney duly authorized, either at the registered office of the Corporation which is located at Suite 800, 333 – 7<sup>th</sup> Avenue SW, Calgary, Alberta, T2P 2Z1 or with Computershare, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment at which the proxy is to be used, or with the Chair of the Meeting on the day of the Meeting, or any adjournment thereof. 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 Chair of the Meeting or the Scrutineer of the Meeting.

#### **NOTICE TO BENEFICIAL HOLDERS OF SHARES**

**The information set forth in this section is of significant importance to many Shareholders as a substantial number of the Shareholders do not hold their Shares in their own names.** Shareholders who do not hold their Shares in their own names (referred to herein as "**Beneficial Shareholders**") should note that only forms of proxy deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Shares can be recognized and acted upon at the Meeting. If Shares are listed in an account statement provided to a Shareholder by a broker, intermediary or agent, then in almost all cases those Shares will not be registered in the Beneficial Shareholder's name on the records of the Corporation. Such 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 registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, the brokers/nominees are prohibited from voting Shares for their clients. The Corporation does not know for whose benefit the Shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of securityholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered Shareholders; however, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers delegate responsibility for obtaining voting instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically mails a voting instruction form ("**VIF**") in lieu of the form of proxy. Beneficial Shareholders are requested to complete and return the VIF to Broadridge by mail or facsimile. Alternatively, Beneficial Shareholders can call a toll-free telephone number or access Broadridge's dedicated voting website (each as noted on the VIF) to deliver their voting instructions and vote the Shares held by them. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the Meeting. A Beneficial Shareholder receiving a VIF cannot use it to vote Shares directly at the Meeting. The VIF must be returned as directed by Broadridge well in advance of the Meeting in order to have the Shares voted. Beneficial Shareholders who receive forms of proxy or voting materials from organizations other than Broadridge should complete and return such forms of proxy or voting materials in accordance with the instructions on such materials in order to properly vote their Shares at the Meeting. **Beneficial Shareholders should follow the instructions on the forms that they receive and contact their intermediaries promptly if they need assistance.**

Beneficial Shareholders who wish to appear in person and vote at the Meeting must appoint themselves as proxy by inserting their name in the blank space on the form of proxy or VIF provided to them and return same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.

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

The Corporation intends to send the Meeting materials directly to NOBOs under NI 54-101.

The Corporation intends to pay for intermediaries to forward the Meeting materials to OBOs under NI 54-101.

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

All references to Shareholders in this Circular, the form of proxy and the notice of Meeting are to registered Shareholders unless specifically stated otherwise.

#### **NOTICE-AND-ACCESS**

The Corporation is not electing to use the "notice-and-access" provisions under NI 54-101 for the Meeting in respect of the mailing of the Meeting materials to Shareholders.

#### **REQUEST FOR FINANCIAL STATEMENTS**

National Instrument 51-102 *Continuous Disclosure Obligations* sets out the procedures for a Shareholder to receive financial statements. If you wish to receive financial statements, you may use the enclosed form or provide instructions to the Corporation at its head office in any other written format.

#### **QUORUM**

Pursuant to the by-laws of the Corporation, a quorum for the transaction of any business at the Meeting shall be at least two persons present in person, each being a Shareholder entitled to vote thereat or a duly appointed proxy or representative for an absent Shareholder so entitled and representing in the aggregate not less than 10% of the outstanding Shares. Pursuant to the *Business Corporations Act* (Alberta) (the "**ABCA**") and the by-laws of the Corporation, if a quorum is present at the opening of the Meeting, the Shareholders present may proceed with the business of the Meeting notwithstanding that a quorum is not present throughout the Meeting.

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

The Corporation is authorized to issue an unlimited number of Shares and an unlimited number of preferred shares, issuable in series. As at the Record Date, there were 33,004,912 Shares and nil preferred shares issued and outstanding. Each Shareholder present in person or represented by proxy (and entitled to vote) at the Meeting is entitled to one vote for each Share held on all matters to be considered and acted upon at the Meeting.

To the knowledge of the directors and the executive officers of the Corporation, as at the Record Date, no person or company beneficially owned, directly or indirectly, or exercised control or direction over, voting securities carrying more than 10% of the voting rights attached to the Shares other than the persons and the amounts (to the knowledge of the directors and executive officers of the Corporation) as set out below:

Name of Shareholder	Number of Common Shares Beneficially Owned, or over which Control or Direction is Exercised, Directly or Indirectly	Percentage of Common Shares Beneficially Owned, or over which Control or Direction is Exercised, Directly or Indirectly
Murray Cobbe	4,964,347	15.04%
Don Luft	5,056,734	15.32%

## PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING

To the knowledge of the board of directors of the Corporation (the "**Board**"), the only matters to be placed before the Meeting are those matters set forth in the accompanying notice of Meeting relating to: (i) the receipt of the annual audited financial statements of the Corporation as at and for the financial year ended December 31, 2022; (ii) fixing the number of directors to be elected at the Meeting and the election of directors until the next annual meeting of Shareholders; (iii) the appointment of auditors; and (iv) the re-approval of the Corporation's incentive stock option plan as required by the TSX Venture Exchange (the "**TSXV**") on an annual basis.

### I. Presentation of Financial Statements

The Board has approved the audited financial statements of the Corporation as at and for the year ended December 31, 2022 and the report of the auditors thereon. The audited financial statements have been mailed to all registered Shareholders and to the Beneficial Shareholders who responded to the Corporation's request card. No formal action will, or is required to be, taken in respect of the financial statements at the Meeting. The audited financial statements, the auditors' report thereon together with MD&A for the financial year ended December 31, 2022 are available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") under the Corporation's profile at [www.sedar.com](http://www.sedar.com) and copies will be available at the Meeting.

### II. Fixing the Number of Directors and Election of Directors

The Articles of the Corporation provide that the minimum number of directors shall be three and the maximum number shall be 12. There are currently six directors, all of whom are elected annually and whose term of office will expire at the Meeting. At the Meeting, Shareholders will be asked to fix the number of directors at five and to elect five directors to serve until the next annual meeting of Shareholders, or until their respective successors have been elected or appointed. **Unless otherwise directed, the Shares represented by proxy in favour of management designees will be voted FOR the fixing of the number of directors at five and FOR the election of nominees herein listed.**

Donald Luft has advised the Board that he will not be standing for re-election as a director of the Corporation at the Meeting. The Board wishes to thank Mr. Luft for his many valuable contributions to the Corporation as a director since his initial appointment to the Board in June, 2017.

Please refer to "*Disclosure of Corporate Governance Practices – Nomination of Directors*" for further information regarding the nomination and election of directors.

Management has no reason to believe that any of such nominees will be unable to serve as directors; however, if, for any reason, one or more of the proposed nominees do not stand for election or are unable to serve as directors, the management designees named in the enclosed form of proxy intend to vote for another nominee or other nominees, as the case may be, in their discretion, unless the Shareholder has specified in its form of proxy that its Shares are to be withheld from voting on the election of directors.

The following table sets forth the nominees, their positions with the Corporation, their principal occupations and five-year occupational history (where applicable), periods during which they have served as directors and the number of Shares beneficially owned, directly or indirectly, by each of them, or over which they exercise control or direction. The information in the following table is based on information received by the Corporation from said nominees.

Name and Residence	Position(s) Currently Held	Present Principal Occupation and Five Year History (where applicable)	Director Since	Number of Shares Held at Record Date <sup>(5)</sup>
Ken Berg <sup>(4)</sup> Alberta, Canada	President, Chief Executive Officer and Director	Mr. Berg is a Professional Engineer and has been President and CEO of the Corporation since January 2013.	October 2, 2012	470,338 <sup>(6)</sup>
Ken Bagan <sup>(2)(3)</sup> Alberta, Canada	Lead Director and Corporate Governance and Nominating Committee Chair	Mr. Bagan, LL.B., B.P.E. has been an independent businessman since 2011. He has completed the ICD Director Education Program.	November 22, 2012	435,460 <sup>(7)</sup>
Robert Riecken <sup>(1)(2)(4)</sup> British Columbia, Canada	Human Resources and Compensation Committee Chair and Director	Mr. Riecken is a Professional Engineer and has been an independent businessman since 2017. He was Vice President of North America Drilling and Completions with Repsol Oil & Gas Canada Inc. (formerly Talisman Energy) from July 2015 to July 2017. From October 2001 to May 2014, Mr. Riecken held various management positions at Devon Canada Corp., including being General Manager at the time of his departure.	October 1, 2014	8,800
Cameron Barton <sup>(3)</sup> Alberta, Canada	Executive Chairman of the Board	Mr. Barton is a former Chartered Professional Accountant (CPA). He has been an independent businessman since September 2015. From 2010 to 2015, Mr. Barton held the position of Chief Financial Officer at Sanjel Corporation.	March 22, 2017	720,833
Geoff Bury <sup>(1)(2)</sup> Alberta, Canada	Audit Committee Chair and Director	Mr. Bury is a Chartered Professional Accountant (CPA, CA). He is the President of Northern Petrochemical Corporation since June 2018 and the Executive Vice President of Maribo Resources Ltd. since 2012. Mr. Bury was the Managing Director of Wentworth Resources Limited from 2010 to 2018.	March 18, 2020	250,000

**Notes:**

1. Member of the Audit Committee, of which Geoff Bury is the Chair.
2. Member of the Human Resources and Compensation Committee, of which Robert Riecken is the Chair.
3. Member of the Corporate Governance and Nominating Committee, of which Ken Bagan is the Chair.
4. Member of the Health, Safety and Environment Committee, of which Donald Luft will remain as the Chair until the Meeting. A new Chair will be appointed immediately after the AGM when the committees are reconstituted.
5. The information as to Shares beneficially owned or over which control or direction is exercised, not being

within the knowledge of the Corporation, has been furnished by each of the nominees. Except as indicated in these notes, the nominees have sole voting and dispositive power with respect to the Shares listed.

6. Includes Shares registered in the name of Mr. Berg's spouse.
7. Includes Shares registered in the name of Mr. Bagan's spouse.

The proposed directors of the Corporation, as a group, beneficially own, or exercise control or direction over, directly or indirectly, 1,885,431 (5.7% of the issued and outstanding) Shares at the Record Date.

#### *Cease Trade Orders*

To the knowledge of the Corporation's management, except as set forth below, no proposed director is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

(a) was subject to: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**") that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

The Corporation was subject to a failure-to-file cease trade order issued by the Alberta Securities Commission ("**ASC**") on May 6, 2019 as a result of a delay in filing its 2018 year-end audited financial statements and MD&A. A similar order was issued by the British Columbia Securities Commission ("**BCSC**"). The delay resulted from consideration by the Corporation of accounting adjustments related to the wind-up of the Corporation's Mexican subsidiary, Cdn Oilfield Technologies and Solutions, S. de R.L. de C.V., which was dissolved in Q1 2018 and correction of prior year errors in the calculation of Accumulated Other Comprehensive Income. The 2018 year-end audited financial statements and MD&A were filed in December 2019 and on March 26, 2020, the ASC and BCSC each revoked their respective cease trade orders and on April 14, 2020, the Corporation's Shares were re-instated for trading on the TSXV.

#### *Bankruptcies*

To the knowledge of the Corporation's management, no proposed director is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director or executive officer of any company (including the Corporation) that, while the proposed director was acting in that capacity, or within a year of the proposed director 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.

#### *Personal Bankruptcies*

To the knowledge of the Corporation's management, no proposed director has, within 10 years before the date of this 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 such proposed director.

#### *Penalties and Sanctions*

To the knowledge of the Corporation's management, no proposed director has been subject to:

(a) 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



(b) 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,

other than a settlement agreement entered into before December 31, 2000 that would likely not be important to a reasonable securityholder in deciding whether to vote for a proposed director.

### **III. Appointment of the Auditors**

MNP LLP, Chartered Professional Accountants, of Calgary, Alberta are the current auditors of the Corporation. MNP LLP have acted as auditors of the Corporation since January 13, 2020. At the Meeting, Shareholders will be asked to re-appoint MNP LLP, Chartered Professional Accountants as the independent auditors of the Corporation to hold office until the close of the next annual meeting of the Shareholders or until they are removed from office or resign, and to authorize the Board to fix the auditor's remuneration.

**Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote FOR the appointment of MNP LLP, Chartered Professional Accountants, of Calgary, Alberta, as auditors of the Corporation and to authorize the directors to fix their remuneration.**

### **IV. Approval of the Corporation's Incentive Stock Option Plan**

On April 28, 2022 the Board updated the Corporation's stock option plan (the "**Plan**") to make certain administrative changes to the Plan as a result of updates to the TSXV policies regarding security based compensation. The Plan is a 10% rolling stock option plan, attached hereto as Schedule "A". The purpose of the Plan is to provide directors, officers, employees and consultants of the Corporation or its subsidiaries, or any other individual or body corporate who may be granted an Option (as defined below) pursuant to the requirements of the TSXV (the "**Participants**"), with an opportunity to purchase Shares and benefit from the appreciation thereof. This proprietary interest in the Corporation is anticipated to provide an increased incentive for the Participants to contribute to the future success and prosperity of the Corporation, thus enhancing the value of the Shares for the benefit of all the Shareholders and increasing the ability of the Corporation and its subsidiaries to attract and retain individuals of exceptional skill. **The material terms of the Plan are described below.** The Plan is currently the Corporation's only securities-based compensation arrangement pursuant to which securities may be issued from treasury of the Corporation.

The number of authorized but unissued Shares that may be issued upon the exercise of options (the "**Options**") granted under the Plan at any time plus the number of Shares reserved for issue under all other security based compensation arrangements, including outstanding Options otherwise granted by the Corporation, shall not exceed 10% of the number of issued and outstanding Shares on a non-diluted basis as at the date of the grant of any Option.

Under the Plan, unless disinterested Shareholder approval is obtained, the number of Shares that may be reserved for issue to any one person under Options or other security based compensation arrangements granted in any 12-month period shall not exceed 5% of the outstanding Shares determined at the date of grant. The number of Shares that may be reserved for issue to any one person under Options granted in any twelve month period shall not exceed 2% of the issued and outstanding Shares in the case of an Optionee (as defined in the Plan) who is a consultant. The number of Shares which may be granted to all persons who perform investor relations activities for the Corporation shall not exceed 2% of the issued and outstanding Shares in any 12-month period, calculated as at the date the Option is granted to any such investor relations services provider. The Board is authorized to determine the price per Share and the number of Shares that may be allotted to each director, officer, employee and consultant and all other terms and conditions of the Options, subject to the terms of the Plan and the rules of the TSXV. Notwithstanding the foregoing, the price per Share set by the Board shall not be below the "**Market Price**" of the Shares on the TSXV on the business day immediately preceding the grant date and is subject to minimum pricing restrictions set by the TSXV.

The maximum aggregate number of Shares issuable pursuant to Options granted (or any other Security Based Compensation granted or issued) to insiders of the Corporation (as a group) must not exceed 10% of the issued and outstanding Shares at any point in time, unless disinterested shareholder approval is obtained. Furthermore, the maximum aggregate number of Shares issuable pursuant to Options granted (or any other Security Based Compensation granted or issued) in any 12-month period to insiders of the Corporation (as a group) must not exceed

10% of the issued and outstanding Shares, calculated as at the date the Option is granted to any insider, unless disinterested shareholder approval is obtained.

The Plan provides that if an Option expires or terminates without having been exercised in full, the Shares not purchased become available again for granting under the Plan. Options granted under the Plan may be exercisable for a period of up to 5 years and may vest at such times as determined by the Board at the time of grant, subject to acceleration in accordance with the terms of the Plan. Notwithstanding the foregoing, in the event the expiration date for an Option occurs during a Blackout Period (as defined in the Plan) or within 10 business days after the expiry of a Blackout Period applicable to the relevant Optionee, the expiration date for such Option shall be the date that is the tenth business day after the expiry date of the Blackout Period. The exercise price must be paid in full on any exercise of Options.

Further, if an Optionee ceases to hold their position with the Corporation for any reason other than death, their Options may be exercised within the earlier of the expiry date and 90 days following the date the Optionee ceases to be in that role, but only to the extent the Optionee was entitled to exercise the Option at the date of such cessation. In the event of death of an Optionee, their Options may be exercised within the earlier of the expiry date and a reasonable period of time, not exceeding 12 months, to be set out in the applicable stock option agreement, and only to the extent the Optionee was entitled to exercise the Options at the date of death. Options granted pursuant to the Plan may not be transferred or assigned.

The Shareholders of the Corporation will be asked to consider and if thought fit, approve an ordinary resolution authorizing the continuance of the Plan. The text of the ordinary resolution which management intends to place before the Meeting for approval, confirmation and adoption, with or without modification, is as follows:

**"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:**

- (a) The stock option plan (the "**Plan**") of Divergent Energy Services Corp. (the "**Corporation**"), substantially in the form attached as Schedule "A" to the management information circular of the Corporation dated May 1, 2023 be and is hereby approved, ratified and confirmed.
- (b) The form of the Plan may be amended in order to satisfy the requirements or requests of any regulatory authorities, including the TSX Venture Exchange or at the discretion of the board of directors of the Corporation (the "**Board**") acting in the best interests of the Corporation without requiring further approval of the shareholders of the Corporation.
- (c) All issued and outstanding stock options previously granted, including stock options previously granted pursuant to previous stock option plans, be and are continued and are hereby ratified, confirmed and approved.
- (d) The shareholders of the Corporation hereby expressly authorize the Board to revoke this resolution before it is acted upon without requiring further approval of the Shareholders in that regard.
- (e) Any one (or more) director(s) or officer(s) of the Corporation be and is hereby authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all documents (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this resolution."

The foregoing resolution must be passed by a simple majority of the votes cast by Shareholders who vote on the resolution at the Meeting. **It is the intention of the management designees, if named as proxy, to vote FOR the foregoing resolution, unless otherwise directed in the form of proxy.**

## STATEMENT OF EXECUTIVE COMPENSATION

This Statement of Executive Compensation is given in respect of the financial year ended December 31, 2022.

### **Human Resources and Compensation Committee**

The Corporation's executive compensation program is administered by the Corporation's Human Resources and Compensation Committee (the "**HR and Compensation Committee**"). The HR and Compensation Committee currently consists of Mr. Riecken (as Chair), Mr. Bagan, and Mr. Bury, all of whom are independent. The HR and Compensation Committee's mandate includes reviewing compensation matters relating to the Corporation's executive officers and directors, including the Named Executive Officers who are identified under "*Summary Compensation Table*" below, and considering and making recommendations to the Board on salaries, bonus payments and Option grants to such personnel.

The HR and Compensation Committee assists the Board in carrying out its responsibilities by reviewing compensation and human resources issues in support of the achievement of the Corporation's business strategy and making recommendations to the Board as appropriate. In particular, the HR and Compensation Committee is responsible for reviewing and approving corporate goals and objectives relevant to the Executive Chairman and Chief Executive Officer, evaluating the Executive Chairman and Chief Executive Officer's performance against those goals and objectives and making recommendations to the Board with respect to compensation. The HR and Compensation Committee also approves compensation matters for the Corporation's other executive officers and proposes such compensation to the Board. The HR and Compensation Committee meets at least twice annually to fulfill its mandate.

All of the members of the HR and Compensation Committee have direct experience that is relevant to their responsibilities regarding executive compensation of the Corporation. Mr. Riecken has held a number of management and executive positions, and has been a member of management teams responsible for establishing and implementing compensation programs and strategies for companies. Mr. Bagan has held a number of executive positions and has been a member of management teams responsible for establishing and implementing compensation programs and strategies for companies and has also been a director and member of the compensation committees of publicly traded companies. Mr. Bury has held a number of director and executive officer positions, including managing director and chief financial officer, with international public and private oil and gas companies. Accordingly, as a result of this collective experience, the HR and Compensation Committee has knowledge of typical day-to-day responsibilities and challenges faced by the Corporation's management team, the role of the HR and Compensation Committee and Board in reviewing the executive compensation of a reporting issuer, and first-hand knowledge regarding executive compensation policies and practices (in the publicly traded energy services sector), all of which are beneficial to the HR and Compensation Committee in the context of its review of the Corporation's compensation policies and practices.

### **Compensation Discussion and Analysis**

#### *Design and Objectives*

The Corporation's program of executive compensation is designed to provide incentives for the enhancement of Shareholder value, the successful implementation of the Corporation's business plan and improvement in corporate and personal performance. The program is based on a pay-for-performance philosophy and consists of three components: base salary, annual cash bonus incentives and long-term equity-based incentives.

The overall objectives of the program are to:

1. attract and retain qualified executives critical to the Corporation's success;
2. provide fair and competitive compensation;
3. integrate compensation with the Corporation's business plan;
4. align the interests of management with those of Shareholders; and
5. reward both business and individual performance.

The Corporation currently does not actively benchmark executive compensation against any formal peer group as it has been determined there are currently no Canadian publicly traded companies of a comparable size to the Corporation that could reasonably be considered as peers. However, the Corporation intends to continue monitoring this matter and in the coming year will look into the availability of relevant industry compensation surveys and consider using the expertise of a compensation consultant for assistance, as appropriate. The Corporation currently retains the flexibility to determine compensation for each executive officer on an individual basis. Furthermore, the HR and Compensation Committee annually reviews and recommends approval to the Board on the compensation packages, including salary level, bonus potential and entitlement and participation in long-term equity-based incentives, and the performance of all executive officers, including the Executive Chairman and Chief Executive Officer.

**Unless otherwise specified, all references to currency in this Circular are in Canadian dollars.**

### ***Base Salary***

The base salary of each executive is reviewed annually by the HR and Compensation Committee and determined by an assessment of the executive's duties and responsibilities. As with all other elements of compensation, the Executive Chairman and Chief Executive Officer makes recommendations to the HR and Compensation Committee with respect to the salary levels for all executive officers except himself. The HR and Compensation Committee, in its discretion, considers the salary for the Executive Chairman and Chief Executive Officer. The HR and Compensation Committee then makes recommendations to the Board based on available general economic and labour market information (*i.e.*, cost of living, public/private sector salary data) for the markets in which the Corporation operates. In its recommendations to the Board, the HR and Compensation Committee also considers the particular skills and experience of the executive.

### ***Short-Term Incentive Plan***

Divergent uses a short-term incentive plan ("STIP") approved annually by the Board as recommended by its HR and Compensation Committee for its executive officers. The STIP is designed to incorporate a strong pay-for-performance philosophy by linking the variable portion of executive pay to the achievement of key objectives within a one-year time frame. Subject to the discretion of the Board in the final determination of bonus amounts, to be paid in cash, varying levels of STIP bonuses may be earned depending upon the executive's level of achievement of certain subjective performance objectives based on the Corporation's overall performance, as set by the HR and Compensation Committee and the Board.

For the year ended December 31, 2022 the Board, upon recommendation from the Human Resources and Compensation Committee, exercised its discretion and awarded STIP bonuses to the executive officers in the amounts of \$86,656 to Mr. Barton, \$90,783 to Mr. Berg and \$72,214 to Mr. Olson.

### ***Long Term Incentive Plan – Stock Option Plan***

The Corporation has implemented the Plan as an integral component of its compensation arrangement for directors and officers of the Corporation. A description of the Plan can be found under "*PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING – IV. Approval of the Corporation's Incentive Stock Option Plan*" in this Circular. The Board has implemented a general policy under which the Corporation typically grants Options only on an annual basis in conjunction with the consideration and approval of its year-end financial statements but may consider exceptions from time-to-time for new hires and employee promotions.

The Corporation believes that participation by its directors and officers in the Plan aligns their interests with those of the Shareholders, as the directors and officers are rewarded for the Corporation's performance as evidenced by share price appreciation. As a result of the vesting period for issued Options (normally over a three-year period, with expiry date 5 (five) years from the grant date), participation in the Plan focuses the directors and officers on the long-term appreciation of the Corporation's share price.

In determining the number of new Options to be granted, the number and terms of stock options previously granted, position responsibilities and functions, individual performance and projected contribution are considered. Proposals for grants under the Plan are reviewed and considered by the HR and Compensation Committee and recommended to the Board for final approval.

### ***Perquisites and Personal Benefits***

Perquisites and personal benefits provided to Named Executive Officers (as defined under “Summary Compensation Table” below) reflect competitive practices and particular business needs. They are not a significant component of the Corporation's executive compensation program.

### ***Risk-Adjusted Compensation***

#### ***Risk Oversight***

The combination of short term and long term incentive plans in the Corporation's compensation program ensures that a significant portion of each Named Executive Officer's compensation is at risk annually. The balance between the short term and long term incentive plans aligns the Named Executive Officer's interests with both the short and long term interests of the Shareholders and the Corporation's business strategy. It is, however, important to ensure that the Corporation's incentive plans do not result in a Named Executive Officer taking actions that expose the Corporation to inappropriate or excessive risks or which would conflict with the Corporation's short term and long term interests. The Corporation believes that its compensation policies and practices have been structured to ensure that they do not encourage a Named Executive Officer to expose the Corporation to inappropriate or excessive risks.

Key components of the management of this risk include:

- All Named Executive Officers are compensated based on similar and/or complementary goals and objectives as approved by the Board.
- Incentives are balanced between short term incentives and long term incentives which vest over time.
- Short term incentive programs for all Named Executive Officers, while having different attributes, are subject to the same fundamental characteristics: payable only on the achievement of specified goals and objectives which have been defined at the beginning of a financial year.
- All short term incentive programs have clearly specified payout limits.

As a result of the steps taken to consider and mitigate the risks associated with the Corporation's compensation policies and practices, the Corporation has not identified any risks from such policies and practices which would be reasonably likely to have a material adverse effect on the Corporation.

### ***Financial Instruments***

The Corporation does not have a specific policy that would prohibit a Named Executive Officer or director from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officer or director, other than general provisions in the Corporation's insider trading policy which prohibit directors and officers from short-selling and buying put options in respect of the Corporation's securities. Management and the Board are not aware of any Named Executive Officer or director purchasing such instruments.

### ***Review/Modifications***

The Corporation's executive compensation program is reviewed and considered at least annually by the HR and Compensation Committee (with recommendations to the Board as appropriate) to determine if the objectives of the executive compensation program are being achieved and whether any modifications to that program are required. This includes a review of base salaries payable, and entitlement and participation in short-term and long-term incentive plans for all senior executives. It also includes a review of the metrics used to assess performance, the targets established with respect to those performance metrics, whether previously established targets have been achieved and

to what degree, and whether the performance metrics and targets are still appropriate in light of the stock market and general economic conditions. The HR and Compensation Committee (with recommendations to the Board) considers the establishment of new performance metrics and related targets to be used to assess executive officer performance and determines executive officer compensation on a go-forward basis. In completing this review, the HR and Compensation Committee considers the recommendations of the Executive Chairman and Chief Executive Officer in particular. Upon completion of that review, the HR and Compensation Committee makes recommendations to the Board to approve the executive compensation program, including the individual components thereof, subject to any modifications it deems necessary.

From time to time adjustments to the Corporation's executive compensation program may be necessary to respond to changing market conditions. As market conditions, and therefore the short-term focus of the Corporation, are dynamic, the Board and management of the Corporation recognize that the Corporation's executive compensation program must remain flexible so as to respond to changing market conditions and the possible need to modify, add or delete performance metrics used so as to keep the Corporation's executive officers appropriately incentivized and focused on the long-term interests of the Corporation.

### Summary Compensation Table

Form 51-102F6 *Statement of Executive Compensation*, defines "Named Executive Officers" as the CEO, the CFO and each of the Corporation's three most highly compensated executive officers (or the three most highly compensated individuals acting in a similar capacity) other than the CEO and CFO, whose total compensation was, individually, more than \$150,000, and each individual who would be a Named Executive Officer but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of the most recently completed financial year. For the financial year ended December 31, 2022, the Corporation had three Named Executive Officers: Cameron Barton (Executive Chairman), Ken Berg (President and CEO) and Ken Olson (Interim CFO). In April 2021, Mr. Mierendorf resigned as Interim CFO and effective May 17, 2021, Ken Olson was appointed Interim CFO (and his title was changed to CFO in January 2023).

The following table sets forth the annual compensation paid or payable for the three most recently completed financial years of the Corporation to each of its Named Executive Officers.

Name and Principal Position	Year Ended	Salary (\$)	Share Based Awards (\$)	Option Based Awards <sup>(1)</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value <sup>(3)</sup> (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plan <sup>(9)</sup>	Long Term Incentive Plans <sup>(2)</sup>			
	<b>Dec 31</b>								
Cameron Barton Executive Chairman <sup>(7)</sup>	2022	90,000	Nil	3,885	86,656	N/A	N/A	92 <sup>(4)</sup>	180,633
	2021	75,000	Nil	23,311	Nil	N/A	N/A	502 <sup>(4)</sup>	98,813
	2020	33,833	Nil	Nil	60,000	N/A	N/A	Nil	93,833
Ken Berg President and CEO	2022	199,998	Nil	3,885	90,783	N/A	N/A	1,351	296,017
	2021	187,200	Nil	19,426	Nil	N/A	N/A	778 <sup>(4)</sup>	207,404
	2020	163,800	Nil	Nil	49,500	N/A	N/A	2,684 <sup>(4)</sup>	215,984
Scott Hamilton CFO <sup>(5)</sup>	2022	Nil	Nil	Nil	Nil	N/A	N/A	Nil	Nil
	2021	Nil	Nil	Nil	Nil	N/A	N/A	Nil	Nil
	2020	15,954	Nil	Nil	Nil	N/A	N/A	330,390 <sup>(5)</sup>	346,344

Name and Principal Position	Year Ended	Salary (\$)	Share Based Awards (\$)	Option Based Awards <sup>(1)</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value <sup>(3)</sup> (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plan <sup>(9)</sup>	Long Term Incentive Plans <sup>(2)</sup>			
	<b>Dec 31</b>								
Lance Mierendorf Interim CFO <sup>(6)</sup>	2022 2021 2020	Nil 62,461 136,400	Nil Nil Nil	Nil Nil Nil	Nil Nil 40,500	Nil N/A N/A	N/A N/A N/A	Nil 1,400 <sup>(4)</sup> 4,290 <sup>(4)</sup>	Nil 63,861 181,190
Ken Olson Interim CFO <sup>(8)</sup>	2022 2021	117,916 40,000	Nil Nil	3,885 3,885	72,653 Nil	N/A N/A	N/A N/A	3,131 1,009 <sup>(4)</sup>	197,585 44,894

**Notes:**

- Based on the grant date fair value of the applicable awards for all option granted on the date. The fair value of options granted are estimated at the date of grant using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate determined at the date of grant, dividend yield of 0%, volatility factor of the market price of the Shares determined at the date of grant, and an average expected life of the Options of 5 (five) years. No options were granted during 2020.
- The Corporation has no non-equity long-term incentive plan.
- The Corporation has no pension plan or other defined benefit or actuarial plan.
- Amounts represent parking fees for Mr. Berg, Mr. Hamilton, Mr. Mierendorf and Mr. Olson that were paid by the Corporation.
- Mr. Hamilton left the Corporation on January 31, 2020. Amounts shown for Mr. Hamilton in the table above as "*All Other Compensation*" include amounts paid and/or payable to Mr. Hamilton in connection with his ceasing to act as CFO.
- Mr. Mierendorf was appointed Interim CFO on February 1, 2020 and he resigned subsequent to year-end in May 2021.
- Mr. Barton's salary includes director fees, for the period January 1, 2020 to March 17, 2020 prior to his appointment to Executive Chair, in the amount of \$3,750.
- Mr. Olson was appointed Interim CFO on May 17, 2021, in a part-time role.
- Amounts shown were earned in the period. Amounts earned in 2022 are still outstanding and payable.

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

The following table sets forth all of the options granted to the Named Executive Officers to purchase or acquire securities of the Corporation which were outstanding at the end of the financial year ended December 31, 2022.

Name	Option Based Awards				Share Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in the Money Options <sup>(1)</sup> (\$)	Number of Shares or Units of Shares that have not Vested (#)	Market or Payout Value of Share based Awards that have not Vested (\$)
Cameron Barton	100,000	0.12	Mar 23, 2027	Nil	Nil	Nil
Barton	600,000	0.075	May 17, 2026	19,000	Nil	Nil

	12,000 <sup>(2)</sup>	1.550 <sup>(3)</sup>	Apr 2, 2023	Nil	Nil	Nil
Ken Berg	100,000	0.12	Mar 23, 2027	Nil	Nil	Nil
	500,000	0.075	May 17, 2026	15,833	Nil	Nil
	22,500 <sup>(2)</sup>	1.550 <sup>(3)</sup>	Oct 2, 2023	Nil	Nil	Nil
	22,500 <sup>(2)</sup>	1.550 <sup>(3)</sup>	Apr. 2, 2023	Nil	Nil	Nil
Ken Olson	100,000	.012	Mar 23, 2027	Nil	Nil	Nil
	100,000	0.075	May 17, 2026	3,167	Nil	Nil

**Notes:**

1. The amounts are calculated based on the difference between the closing price of the Shares of \$0.095 on December 31, 2022 and the exercise price of the vested Options.
2. Subsequent to December 31, 2020, the shareholders approved the consolidation of the common shares of the Corporation on the basis of one (1) post-consolidation share for every ten (10) pre-consolidation shares.
3. Subsequent to December 31, 2020, following the stock consolidation, the stock option prices were automatically adjusted to increase by a factor of 10 and the number of stock options outstanding was automatically reduced by a factor of 10.

**Incentive Plan Awards**

*Value Vested or Earned During the Year*

The following table indicates for each Named Executive Officer the value of all indicated compensation awards that vested during the most recently completed financial year.

Name	Option Based Awards Value Vested During the Year <sup>(1)</sup> (\$)	Share Based Awards Value Vested During the Year (\$)	Nonequity Incentive Plan Compensation Value Earned During the Year (\$)
Cameron Barton	19,000	N/A	N/A
Ken Berg	15,833	N/A	N/A
Ken Olson	3,167	N/A	N/A

**Notes:**

1. This calculation is determined based on the aggregate dollar value that would have been realized if the Options had been exercised as at the vesting date.

**Termination and Change of Control Benefits**

*Cameron Barton*

The Corporation entered into an Executive Employment Agreement with Mr. Barton as Executive Chairman on March 18, 2020. Mr. Barton's Executive Employment Agreement continues indefinitely, unless terminated by either party in accordance with the terms of the Employment Agreement. The agreement also provides for two months' notice for a termination without cause.

In the event that the Employment Agreement had been terminated as at December 31, 2022 by the Corporation for any reason other than cause, then the amounts payable to Mr. Barton would have been an aggregate of \$12,500.

On March 14, 2023, the Corporation entered into a new Executive Employment Agreement with Mr. Barton as Executive Chairman. Under the terms of the new agreement, termination without cause provides for twelve months'



plus one month for each full year of service. As such, in the event that the Employment Agreement is terminated by the Corporation for any reason other than cause, then the amounts payable to Mr. Barton would be an aggregate of \$157,500.

***Ken Berg***

The Corporation entered into an Executive Employment Agreement with Mr. Berg effective March 22, 2018, that superseded the Executive Employment Agreement, dated January 28, 2013. Mr. Berg's Executive Employment Agreement continues indefinitely, unless terminated by either party in accordance with the terms of the Employment Agreement. Further details regarding Mr. Berg's Executive Employment Agreement are set forth below.

In the event that the Employment Agreement had been terminated as at December 31, 2022 by the Corporation for any reason other than cause, death or disability, or by Mr. Berg for good reason, then the amounts payable to Mr. Berg would have been an aggregate of \$440,000.

***Ken Olson***

The Corporation entered into an Executive Employment Agreement with Mr. Olson as Interim Chief Financial Officer on May 17, 2021. The agreement also provided for a payment of two months' notice for a termination without cause.

In the event that the Employment Agreement had been terminated as at December 31, 2022 by the Corporation for any reason other than cause, then the amounts payable to Mr. Olson would have been an aggregate of \$15,000.

On January 3, 2023, the Corporation entered into a new Executive Employment Agreement with Mr. Olson as Chief Financial Officer. Under the terms of the new agreement, termination without cause provides for twelve months' plus one month for each full year of service. As such, in the event that the Employment Agreement is terminated by the Corporation for any reason other than cause, then the amounts payable to Mr. Olson would be an aggregate of \$189,583.

***Scott Hamilton***

The Corporation entered into an Executive Employment Agreement with Mr. Hamilton effective March 22, 2018, that superseded the Executive Employment Agreement, dated April 26, 2013. Mr. Hamilton left the Company on January 31, 2020. Amounts paid and/or payable to Mr. Hamilton in connection with his ceasing to act as CFO are included in the Summary Compensation Table above under "*All Other Compensation*".

***Lance Mierendorf***

The Corporation entered into an Executive Employment Agreement with Mr. Mierendorf as Interim Chief Financial Officer on February 1, 2020. Mr. Mierendorf left the Company on May 15, 2021. The Company was not required to pay to Mr. Mierendorf any amount representing a termination payment upon his departure, however, Mr. Mierendorf was entitled to receive his STIP bonus, as included the Summary Compensation Table above under "*Non-Equity Incentive Plan Compensation*".

***Summary of Defined Terms and Termination and Change of Control Benefits Contained in the Executive Employment Agreements for Mr. Berg.***

Contained within Mr. Berg's Executive Employment Agreement dated March 22, 2018 (hereinafter referred to as the "**Berg Executive Employment Agreement**"), are the following defined terms, termination and change of control clauses. Unless otherwise defined, the capitalized terms used in this section refer to the terms contained in the Berg Executive Employment Agreement.

## Definitions

(a) "Accrued Obligations" means:

Upon termination of the Employment Agreement for any reason the Executive shall receive payment of:

- (i) his Base Salary, as then in effect, earned but unpaid through the date of termination of employment;
- (ii) all accrued, unused, declared and unpaid vacation pay, Bonus and expense reimbursements due to the Executive through the date of termination of employment; and
- (iii) any and all further compensation, if any, required to be paid in accordance with the minimum standards of the applicable employment standards legislation then in force;

(b) "Affiliate" has that meaning ascribed to same in the *Business Corporations Act* (Alberta);

(c) "Cause" means:

- (i) the conviction of the Executive of, or a plea of guilty to, any indictable offence or a summary conviction offence involving an act of fraud, embezzlement or theft;
- (ii) the commission of any gross misconduct, act of fraud or dishonesty in the performance of the Executive's Duties;
- (iii) improper conduct of the Executive which is materially detrimental to the Corporation;
- (iv) any material breach by the Executive of any of the provisions of the Employment Agreements;
- (v) continued failure by the Executive to perform his Duties after he has received written notice from the Corporation of any shortcomings, as determined by the Corporation acting reasonably, and the Executive has had a reasonable opportunity to correct, or cause to be corrected, such shortcomings; and
- (vi) conduct that would constitute 'just cause' at common law.

(d) "Change of Control" means, with respect to the Corporation:

- (i) the purchase or acquisition of voting securities by a Person or any Persons acting jointly or in concert, whether directly or indirectly, who is not an Affiliate of the Corporation which results in:
  - (1) such Person(s) owning more than 50% of the outstanding voting securities of the Corporation; or
  - (2) such Person(s) having the power or right to appoint or elect a majority of the Board;
- (ii) an amalgamation, arrangement, merger or other consolidation of the Corporation with a Person pursuant to which the shareholders of the Corporation immediately prior thereto do not immediately thereafter own voting securities of the successor continuing entity which entitle them to cast more than 50% of the votes attaching to all voting securities in the capital of the successor or continuing entity which may be cast to appoint or elect directors of that corporation or entity;
- (iii) a liquidation, dissolution or winding-up of the Corporation;
- (iv) the sale, lease or exchange of all or substantially all of the assets of the Corporation, other than in the ordinary course of business of the Corporation or to an Affiliate of the Corporation; or
- (v) a change in the membership of the Board such that one half or more of the members of the Board are

members who were not members of the Board prior to the change in membership taking place;

however, and notwithstanding the foregoing, no Change of Control shall be deemed when one or more of the, as of the date hereof, officers, directors or shareholders owning, directly or indirectly, 10% or more of the voting securities of the Corporation, directly or indirectly acquires additional securities in the Corporation so as to change the control of the Corporation in any manner whatsoever.

(e) "Disability" means:

- (i) as determined by the Executive's physician, that the Executive is incapable of or unwilling to perform the principal functions of his Duties due to physical or mental impairment, but only if such inability has lasted or is reasonably expected to last for at least SIXTY (60) consecutive calendar days or NINETY (90) days within any ONE HUNDRED EIGHTY (180) day consecutive period.;
- (ii) becomes a "dependent adult" as defined in the *Dependent Adults Act* (Alberta); or
- (iii) becomes a "formal patient" as defined in the *Mental Health Act* (Alberta).

(f) "Good Reason" means:

- (i) a reduction, without the Executive's consent, by the Corporation in the Base Salary;
- (ii) the occurrence of a Change of Control;
- (iii) a material diminution or adverse change in the Executive's position, Duties or authority;
- (iv) any material breach of the Employment Agreements by the Corporation; or
- (v) any event which would constitute constructive dismissal at common law;

provided however, that:

- (vi) before the Executive may claim Good Reason under any provision hereof, the Executive must give written notice to the Corporation of the basis of his determination of such Good Reason (the "**Basis Notice**") and the Corporation may, within TEN (10) days after its receipt of the Basis Notice, cure such basis such that a claim for Good Reason by the Executive would no longer then or thereafter have such basis. In the event that the Corporation fails to cure such basis within the stated TEN (10) day period, the Employment Agreements shall automatically terminate on the ELEVENTH (11th) day after receipt by the Corporation of the Basis Notice; and
- (vii) with respect to the Termination for Cause or Resignation without Good Reason clause below, the right of the Executive to claim Good Reason in reference to the occurrence of a Change of Control above shall expire NINETY (90) days after the subject Change of Control.

#### Termination for Cause or Resignation without Good Reason

The Corporation may, at any time, immediately terminate the Employment Agreements for Cause by giving written notice setting forth the nature of the Cause. The Executive may, at any time, terminate the Employment Agreements without Good Reason upon THIRTY (30) days prior written notice. If the Employment Agreements are terminated in accordance with hereof, the Executive shall be entitled to receive, within TEN (10) business days following the date of termination, payment for all Accrued Obligations, excepting any accrued but unpaid Bonus (which shall not be payable hereunder notwithstanding the generality of Accrued Obligations), and upon payment thereof, the Executive shall not be entitled to receive any further compensation of any sort, or severance or termination pay from the Corporation.

### Termination without Cause or Resignation for Good Reason

The Corporation may, at any time, immediately terminate the Employment Agreements without Cause. The Executive may, at any time, subject to the provisions of Good Reason above, terminate this Agreement for Good Reason. If the Employment Agreements are terminated in accordance hereof, the Executive shall be entitled to receive:

- (i) within TEN (10) business days following the date of termination, all Accrued Obligations; plus
- (ii) within TEN (10) business days following the date of termination, upon receipt of an executed release, severance pay equal to the aggregate of:
  - (1) the equivalent of EIGHTEEN (18) months Base Salary then in effect; plus
  - (2) the equivalent of ONE-TWELFTH (1/12th) of the Base Salary then in effect for each full year of service, to an aggregate maximum of ONE HALF (1/2) of the Base Salary then in effect, plus
  - (3) the greater of:
    - (A) an amount equal to the average of the two most recent Bonuses paid to the Executive; and
    - (B) an amount equal to the most recently accrued Bonus to be paid to the Executive.

Upon payment of the amounts described herein, the Executive shall not be entitled to receive any further compensation of any sort, including without limitation any compensation arising from the termination of Benefits or Bonus, or severance or termination pay from the Corporation.

### Termination by Death or Disability

The Employment Agreement shall immediately terminate upon the Executive's Disability or death. In the event of the Executive's Disability or death, the Executive or the Executive's representative, as applicable, shall be entitled to receive the Accrued Obligations. Upon payment of the Accrued Obligations hereunder, the Executive or the Executive's representative, as applicable, shall not be entitled to receive any further compensation of any sort, or severance or termination pay from the Corporation.

## **Directors Compensation**

### ***General***

During the financial year ended December 31, 2022, the directors of the Corporation received the following monthly compensation: Executive Chairman of the Board - \$nil/month, Committee Chairs - \$1,500/month for January through June, and \$2,000/month subsequent thereto, and all other non-executive Directors - \$1,000/month (without duplication of fees).

Additionally, the directors are entitled to be reimbursed for reasonable travel and other expenses properly incurred by them in attending meetings of the Board or any committee thereof or otherwise incurred by them in connection with their services as directors. The Corporation does not have a retirement policy nor does it have a minimum Share ownership requirement for its directors.

### Directors Compensation Table

The following table sets forth the value of all compensation provided to the directors, not including those directors who are also Named Executive Officers, during the financial year ended December 31, 2022.

Name	Fees Earned (\$)	Share Based Awards (\$)	Option Based Awards (\$)	Annual Incentive Plan	Non-equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
Ken Bagan	21,000	N/A	971	N/A	N/A	N/A	Nil	21,971
Rob Riecken	21,000	N/A	971	N/A	N/A	N/A	Nil	21,971
Donald Luft	21,000	N/A	971	N/A	N/A	N/A	Nil	21,971
Geoff Bury	21,000	N/A	971	N/A	N/A	N/A	Nil	21,971

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

The following table sets forth all of the options granted to the directors, not including those directors who were also Named Executive Officers, to purchase or acquire securities of the Corporation that were outstanding at the end of the financial year ended December 31, 2022.

Name	Option Based Awards				Share Based Awards	
	Number of Securities Underlying Unexercised Options	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in the Money Options <sup>(1)</sup> (\$)	Number of Shares or Units of Shares that have not Vested (#)	Market or Payout Value of Share based Awards that have not Vested (\$)
Ken Bagan	25,000	0.12	Mar 23, 2027	Nil	N/A	N/A
	150,000	0.075	May 17, 2026	4,750	N/A	N/A
	12,000 <sup>(2)</sup>	1.55 <sup>(3)</sup>	Apr 2, 2023	Nil	N/A	N/A
Rob Riecken	25,000	0.12	Mar 23, 2027	Nil	N/A	N/A
	150,000	0.075	May 17, 2026	4,750	N/A	N/A
	12,000 <sup>(2)</sup>	1.55 <sup>(3)</sup>	Apr 2, 2023	Nil	N/A	N/A
Donald Luft	25,000	0.12	Mar 23, 2027	Nil	N/A	N/A
	150,000	0.075	May 17, 2026	4,750	N/A	N/A
	12,000 <sup>(2)</sup>	1.55 <sup>(3)</sup>	Apr 2, 2023	Nil	N/A	N/A
Geoff Bury	25,000	0.12	Mar 23, 2027	Nil	N/A	N/A
	150,000	0.075	May 17, 2026	4,750	N/A	N/A

#### Notes:

- These amounts are calculated based on the difference between the closing price of the Shares of \$0.095 on December 31, 2022 and the exercise price of the vested Options.
- Subsequent to December 31, 2020, the shareholders approved the consolidation of the common shares of the Corporation on the basis of one (1) post-consolidation share for every ten (10) pre-consolidation shares.

3. Subsequent to December 31, 2020, following the stock consolidation, the stock option prices were automatically adjusted to increase by a factor of 10 and the number of stock options outstanding was automatically reduced by a factor of 10.

***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 directors, not including those directors who are also Named Executive Officers, during the financial year ended December 31, 2022.

Name	Option-Based Awards Value Vested During the Year <sup>(1)</sup>	Share-Based Awards Value Vested During the Year	Non-equity Incentive Plan Compensation Value Earned During the Year
Ken Bagan	4,750	N/A	N/A
Rob Riecken	4,750	N/A	N/A
Donald Luft	4,750	N/A	N/A
Geoff Bury	4,750	N/A	N/A

**Notes:**

1. This calculation is determined based on the aggregate dollar value that would have been realized if the Options had been exercised as at the vesting date.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table sets forth the information pertaining to equity compensation plans of the Corporation as at December 31, 2022:

Plan Category	Number of Shares to be issued upon exercise of outstanding Options (a)	Weighted-average exercise price of outstanding Options (b)	Number of Shares remaining available for issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by securityholders	3,208,000	\$0.20	92,491 <sup>(1)</sup>
Equity compensation plans not approved by securityholders	Nil	N/A	N/A
<b>Total</b>	3,208,000	\$0.20	92,491 <sup>(1)</sup>

**Notes:**

1. The aggregate number of Shares that may be reserved for issue under the Plan shall not exceed 10% of the issued and outstanding Shares. As at December 31, 2022, the number of issued and outstanding Shares was 33,004,912 and the number of Shares reserved for issue under the Plan was 3,300,491.

## AUDIT COMMITTEE INFORMATION

National Instrument 52-110 *Audit Committees* ("NI 52-110") requires the Corporation, as a TSXV issuer, to disclose annually certain information concerning the constitution of its Audit Committee (the "Audit Committee") and its relationship with its independent auditors, as set forth in the following discussion. The information in this Section is given as of the date of the Circular.

### Audit Committee Charter

The Audit Committee is governed by an Audit Committee Charter, the text of which is attached as Schedule "B" to this Circular.

### Composition of the Audit Committee

The Audit Committee currently consists of three individuals, all of whom are financially literate and each of whom is an independent director as determined in accordance with NI 52-110. The current members of the Audit Committee are Mr. Bury (Chair), Mr. Riecken, and Mr. Bagan. Following the Meeting, the Audit Committee will be re-constituted.

### Relevant Education and Experience

The following relevant education and experience of the current members of the Audit Committee have been used in assessing their financial literacy:

#### Geoff Bury

Mr. Bury is an entrepreneur with over 30 years' experience in the oil and gas industry combined with a strong petrochemical, oil & gas and project development background. Mr. Bury is the President of Northern Petrochemical Corporation since June 2018 and the Executive Vice President of Maribo Resources Ltd. since 2012. Mr. Bury was the Managing Director of Wentworth Resources Limited from 2010 to 2018. He served as Finance Manager of Qatar Fuel Additives Company Limited from 2003 to 2005. Prior thereon, Mr. Bury served as Chief Financial Officer of Trans-Dominion Energy from 1996 to 2000. Mr. Bury is a Chartered Profession Accountant (CPA, CA).

#### Robert Riecken

Mr. Riecken was Vice President of North America Drilling and Completions with Repsol Oil & Gas Canada Inc. (formerly Talisman Energy) from July 2015 to July 2017. From October 2001 to May 2014, Mr. Riecken held various management positions at Devon Canada Corp., including being General Manager at the time of his departure.

#### Ken Bagan

Mr. Bagan was President and CEO of Enerchem from 2008 to 2011, and President and CEO of Wellco Energy Services Trust from 2004 to 2008. Mr. Bagan has been a member of the Audit Committee since June 2020.

### Audit Committee Oversight

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

### Reliance on Certain Exemptions

Since the commencement of the Corporation's most recently completed financial year, it has not relied on the exemption in section 2.4 (*De Minimus Non-audit Services*) or an exemption granted under Part 8 (*Exemptions*) of NI 52-110.

## Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee Charter.

## External Auditor Service Fees

The following table provides information about the fees billed to the Corporation, respectively, for professional services rendered by MNP LLP, Chartered Professional Accountants during fiscal years 2022 and 2021 and were paid or estimated to be payable for services in the year indicated:

Financial Year Ending	Audit Fees <sup>(1)</sup>	Audit Related Fees <sup>(2)</sup>	Tax Fees <sup>(3)</sup>	All Other Fees <sup>(4)</sup>
2022 – MNP LLP	\$96,000	Nil	\$25,095	Nil
2021 – MNP LLP	\$80,000	Nil	\$9,800	Nil

### Notes:

1. Fees paid for the audit of the annual financial statements and other regulatory audits and filings.
2. Fees paid for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements that are not disclosed in the "Audit Fees" column.
3. Fees paid for tax compliance, tax advice, tax planning and advisory services.
4. Fees paid for professional services other than those listed in the previous three columns.

## Exemption

The Corporation has relied on the exemption in Part 5 of NI 52-110 because it is a TSXV Issuer and, therefore, it is not required to file an annual information form.

## DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

### General

In accordance with the requirements of National Instrument 58-101 *Disclosure of Corporate Governance Practices*, the Corporation is required to give full and complete disclosure of its corporate governance practices. The Board and senior management of the Corporation regards good corporate governance as fundamental to the effective and efficient operation of the Corporation. The information in this Section is given as of the date of the Circular.

The Board has delegated primary responsibility for the development of certain governance practices and mechanisms to the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee's charter provides that the responsibilities of such committee include: (i) establishing and reviewing member characteristics for the Board; (ii) evaluating, identifying and recommending nominees to the Board; (iii) monitoring and reviewing the education and development of members of the Board; (iv) recommending directors to serve as committee members and chairs; (v) reviewing and developing corporate governance guidelines, policies and procedures for the Board; (vi) establishing and implementing evaluation processes for the Board; (vii) reviewing disclosure by the Corporation of matters within the committee's mandate; and (viii) reviewing and evaluating the committee's charter and efficacy.

The Board has devoted significant attention and resources to reviewing the Corporation's corporate governance practices and ensuring that the Corporation's system of corporate governance will meet applicable regulatory requirements on an ongoing basis. The Board adopted its Terms of Reference and a number of policies, including insider trading, disclosure and media and whistleblower policies, to assist the Corporation in maintaining a high standard of corporate governance. With input from the relevant committees, the Board also adopted the charters for



its committees: the Audit Committee, the HR and Compensation Committee, the Corporate Governance and Nominating Committee and the Health, Safety and Environment Committee.

The Board and the Corporation have adopted Corporate Governance Guidelines (which set out the responsibilities of the Board as a whole, the structure of the Board, the responsibilities of directors and other matters related to the operations of the Board) and a Code of Conduct (which is applicable to all directors, officers, employees and consultants of the Corporation).

The Lead Director of the Board works to ensure that the Board operates independently of management and that Board members have an independent leadership contact. The Executive Chairman manages the affairs of the Board, with a view to ensuring that the Board functions effectively and meets its obligations and responsibilities. As the Board consists of a majority of independent directors, each of whom has experience in, and an understanding of the role and responsibilities of acting as a director, the independent directors believe that they collectively provide active and appropriate leadership amongst themselves with respect to stewardship of the Corporation.

Set out below is a description of certain corporate governance practices of the Corporation.

### **Board of Directors**

The Board facilitates its exercise of independent supervision over the Corporation's management through regular meetings of the Board with members of the Corporation's management in attendance. The Executive Chair of the Board and chairs of each of the committees of the Board regularly communicate with and oversee management's progress on key strategic, financial and operational matters and report further to the other independent directors between meetings, if necessary. The Board regularly holds "in camera" sessions for independent directors during each Board meeting and most committee meetings to facilitate open and candid discussion amongst the independent directors. The independent directors may also schedule separate meetings as they see fit without members of management and non-independent directors present.

The Board currently consists of six directors, being Ken Bagan, Ken Berg, Robert Riecken, Cameron Barton, Donald Luft, and Geoff Bury, of which, all but Donald Luft are standing for re-election. Ken Berg is not considered independent pursuant to NI 52-110 by virtue of his position as President and CEO of the Corporation. Cameron Barton is not considered independent pursuant to NI 52-110 by virtue of his position as Executive Chairman of the Board. The other four directors are considered independent pursuant to NI 52-110.

The Corporation and the Board recognize the significant commitment involved in being a member of the Board. The Corporate Governance Guidelines set out rules regarding limitations on the number of boards of other publicly traded companies on which a director may serve and the minimum number of Board meetings to be held annually by the Corporation.

The Board is responsible for considering and approving long-term strategic plans and operating budgets as recommended by management. The Board's consideration and approval is also required on any material contracts and business transactions, as well as all debt and equity financings. The Board encourages each of its directors to fully participate in meetings, to consult with other directors on any matters, to form a special *ad hoc* committee if required to investigate a matter in more detail and to seek legal advice on any matters concerning the Corporation, the cost of which is to be borne by the Corporation.

The Board delegates to management responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the business of the Corporation in the ordinary course, evaluating new business opportunities and challenges, recruiting people and meeting all legal and regulatory requirements of the business.

### **Directorships**

Currently, none of the directors serve on the board of directors of other reporting issuers in Canada (or the equivalent in a foreign jurisdiction).

## **Position Descriptions**

The Board has developed formal written position descriptions for the Executive Chair of the Board, President and Chief Executive Officer and committee chairs. The Executive Chair and President and Chief Executive Officer, together with other senior management, are responsible for ensuring that the corporate objectives, developed annually with the Board, are met in order to enhance Shareholder value. The Lead Director provides independent leadership to the Board and facilitates the functioning of the Board independently of the Corporation's management and maintains and enhances the quality of the Corporation's corporate governance practices. The committee chairs ensure that committee charters are adhered to and mandates are executed and that they are communicating in a timely and effective manner to the Board. Full position descriptions are available on the Company's website.

## **Orientation and Continuing Education**

Each director (new and existing) on the Board is/has been provided with a director's manual, which is reviewed by the Board at least annually and updated on a regular basis, as necessary. All directors are expected to review and be familiar with its contents. The director's manual contains the Board Terms of Reference, committee charters, Corporate Governance Guidelines, the Code of Conduct, position descriptions, other key corporate policies and relevant corporate and Board information.

The Board ensures that a new member is provided access to senior management to discuss the current business strategy, encourages new members to meet individually with the Chair and other directors to discuss historical information, and provides access to corporate records and historical meeting minutes as necessary.

Requests for continuing education are considered by the Corporate Governance and Nominating Committee and recommended to the Board for approval. The Corporation currently provides each director an allowance of up to \$2,000 per year per director to pay for relevant and appropriate director continuing education opportunities. During the year, several directors independently participated in various industry and professional continuing education opportunities.

In October 2022, the Board held formal strategic planning sessions to consider and discuss strategic issues, the competitive environment, enterprise risks as well as short term and long term goals. The Board is committed to continuing to identify and take advantage of opportunities to increase directors' knowledge and understanding of the Corporation's business and to hold a strategic session at least annually.

The Board is briefed regularly on corporate governance developments, with assistance from the Corporation's legal counsel and other third party consultants.

## **Ethical Business Conduct**

The Board has adopted a Code of Conduct (the "**Code**"), which has been filed on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com), which sets out the purpose, scope and application of the Code and outlines general principles by which the Corporation is governed. The Code and the method of administering the Code, handling inquiries and complaints, investigating violations, and reporting to the Board on matters related to the Code has been communicated to directors, officers, employees and consultants.

The Board and the Audit Committee have established a Whistleblower Policy to encourage employees, consultants, officers and directors to raise concerns regarding any matters, including accounting, internal controls or auditing matters, on a confidential basis free from discrimination, retaliation or harassment. A report on the status of any matters arising from the Whistleblower Policy is given at each meeting of the Audit Committee by the Chair of the Audit Committee.

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

## **Nomination of Directors**

The responsibility for identifying new candidates for Board nomination has been delegated to the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee is comprised of Mr. Bagan as Chair, Mr. Luft and Mr. Barton, the first two of whom are independent directors. If a vacancy occurs on the Board, or if additional members are deemed necessary, the Corporate Governance and Nominating Committee will, in consultation with the Executive Chairman of the Board and the President and Chief Executive Officer, develop a skills matrix and identify candidates who satisfy the skills and characteristics criteria and the long-term plan for Board composition as established by such committee. The Corporate Governance and Nominating Committee will conduct due diligence on a potential candidate and if appropriate, will recommend such candidate to the Board for appointment.

In 2022, as part of its annual Board self assessment, the Corporate Governance and Nominating Committee conducted a process whereby each director's experience and background was reviewed and information regarding potential additional skills and experience considered important to the Corporation at its current size and stage of development were assessed. As recommended by the Corporate Governance and Nominating Committee, the Board determined that a Board consisting of six members was appropriate at that time.

## **Compensation**

The HR and Compensation Committee consists of Mr. Riecken as Chair, Mr. Bagan and Mr. Bury, all of whom are independent directors within the meaning of NI 52-110. The HR and Compensation Committee recommends the compensation and benefits of the directors and executive officers of the Corporation to the Board and provides recommendations regarding the Corporation's overall general compensation structure, policies and programs.

## **Health, Safety and Environment**

The Health, Safety and Environment Committee ("**HSE Committee**") consists of Mr. Luft as Chair, Mr. Riecken and Mr. Berg, the majority of whom are independent directors within the meaning of NI 52-110. The HSE Committee is responsible for reviewing, reporting and making recommendations to the Board on the development and implementation of the policies, standards and practices of the Corporation (and its controlled subsidiaries) with respect to health, safety and environment.

## **Other Board Committees**

In addition to the Audit Committee, the HR and Compensation Committee, the Corporate Governance and Nominating Committee and the HSE Committee, the Board formed a Technical & Corporate Development Advisory Committee that reports to the Board and consists of the Corporation's President and CEO and five outside independent experts. The mandate of the Technical & Corporate Development Advisory Committee is to evaluate the Corporation's existing artificial lift technologies as well as to evaluate new technologies and the commercialization thereof.

## **Assessments**

On an annual basis and in preparation for the nomination of directors at the annual meeting of Shareholders, the Board conducts an informal assessment of the composition of the Board and the committees. This assessment includes a review of the corporate policies as well as the Board and committee charters.

In March 2023, the Corporate Governance and Nominating Committee coordinated, and the Board completed a formal annual evaluation process for fiscal 2022 to assess the effectiveness of the Board as a whole, including a general review of the committees of the Board and the contribution of individual directors. The results of the evaluation and recommendations relating thereto were discussed and considered by the Board in March 2023 and action items were addressed accordingly.

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

None of the directors or executive officers or associates of such persons have been indebted to the Corporation or any of its subsidiaries at any time since the beginning of the most recently completed fiscal year. No such person has been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Corporation or any of its subsidiaries in respect of the purchase of securities or otherwise.

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

Other than as set forth in this Circular, management of the Corporation is not aware of any material interest, direct or indirect, of any informed person or proposed director of the Corporation or any associate or affiliate of any such persons in any transaction since the commencement of the financial year ended December 31, 2022 or in any proposed transaction, which has materially affected or would materially affect the Corporation or any of its subsidiaries.

For the purposes of this Information Circular, an "**informed person**" means (i) a director or officer of the Corporation, (ii) a director or officer of a person or company that is itself an informed person, or (iii) any person or company who beneficially owns, directly or indirectly, and/or exercises control or direction over voting securities of the Corporation carrying more than 10% of the voting rights attaching to all outstanding voting securities of the Corporation.

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

Other than as set forth herein, to the knowledge of the Board and management of the Corporation, no director, director nominee, or executive officer of the Corporation or anyone who has held office as such since the beginning of the last financial year of the Corporation or of any associate or affiliate of any of the foregoing has a 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 otherwise disclosed herein.

## **MANAGEMENT CONTRACTS**

During the most recently completed financial year, no management functions of the Corporation were to any substantial degree performed by a person or company other than the directors or executive officers (or private companies controlled by them, either directly or indirectly) of the Corporation.

## **GENERAL**

All matters referred to herein for approval by the Shareholders require a majority of the votes cast by Shareholders who are present in person or by proxy at the Meeting. The contents and the sending of this Circular have been approved by the Board.

## **OTHER MATTERS**

As of the date of this Circular, the Board and management know of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the notice of Meeting; however, if any other matter properly comes before the Meeting, proxies in favour of management nominees will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

## **ADDITIONAL INFORMATION**

Additional financial information regarding the Corporation's business is contained in the audited consolidated financial statements and management's discussion and analysis as at and for the year ended December 31, 2022. These statements and all the Corporation's continuous disclosure documents can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders who wish to receive copies of the audited financial statements or management's discussion and analysis should send a request to Divergent Energy Services Corp., Suite 2020, 715 - 5<sup>th</sup> Avenue SW, Calgary, Alberta T2P 2X6, or by phone at (403) 543-0060, or by fax to (403) 543-0069.

**THIS IS SCHEDULE "A" ATTACHED TO AND MADE A PART OF THE MANAGEMENT INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF DIVERGENT ENERGY SERVICES CORP. TO BE HELD ON JUNE 6, 2023 AND ANY ADJOURNMENT THEREOF.**

**DIVERGENT ENERGY SERVICES CORP.**

**STOCK OPTION PLAN**

## DIVERGENT ENERGY SERVICES CORP.

### STOCK OPTION PLAN

#### 1. Purpose

The purpose of this incentive stock option plan (the "**Plan**") is to provide an incentive to the directors, officers, employees, consultants and other personnel of Divergent Energy Services Corp. (the "**Corporation**") or any of its subsidiaries to achieve the longer-term objectives of the Corporation; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and to attract to and retain in the employ of the Corporation or any of its subsidiaries, persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation.

#### 2. Definitions and Interpretation

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

- (a) "**Blackout Expiry Date**" has the meaning ascribed thereto in Section 12;
- (b) "**Blackout Period**" means a period of time during which the Optionee cannot exercise an Option, or sell the Common Shares issuable pursuant to an exercise of Options, due to applicable policies of the Corporation in respect of insider trading;
- (c) "**Board of Directors**" means the board of directors of the Corporation, as constituted from time to time;
- (d) "**Common Shares**" means common shares in the capital of the Corporation;
- (e) "**Corporation**" means Divergent Energy Services Corp. and any successor corporation and any reference herein to action by the Corporation means action by or under the authority of its Board of Directors or a duly empowered committee appointed by the Board of Directors;
- (f) "**Exchange**" means the TSX Venture Exchange or any other stock exchange on which the Common Shares are listed;
- (g) "**Exchange Policies**" means the policies of the Exchange, including those set forth in the Corporate Finance Manual of the Exchange;
- (h) "**Insider**" has the meaning ascribed thereto in Exchange Policies;
- (i) "**Market Price**" means the last per share closing price for the Common Shares on the Exchange before the date of grant of an Option under the Exchange Policies;
- (j) "**Option**" means an option granted by the Corporation to an Optionee entitling such Optionee to acquire a designated number of Common Shares from treasury at a price determined by the Board of Directors;
- (k) "**Option Period**" means the period determined by the Board of Directors (subject to the rules of the Exchange or other regulatory body having jurisdiction) during which an Optionee may exercise an Option, not to exceed a period of ten (10) years from the date the Option is granted;
- (l) "**Optionee**" means a person who is a director, officer, employee, consultant or other personnel of the Corporation or a subsidiary of the Corporation; a corporation wholly-owned by such persons; or

any other individual or body corporate who may be granted an option pursuant to the requirements of the Exchange, who is granted an Option pursuant to this Plan; and

- (m) **"Plan"** shall mean the Corporation's incentive stock option plan as embodied herein and as may be amended, from time to time.

Capitalized terms in the Plan that are not otherwise defined herein shall have the meaning set out in the Exchange Policies, including without limitation "Consultant", "Employee", "Insider", "Investor Relations Activities", "Investor Relations Services Providers", "Management Company Employee", "Participant", "Person", "Security Based Compensation" and "Security Based Compensation Plan".

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

### 3. **Administration**

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

### 4. **Eligibility**

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

### 5. **Participation**

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

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

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

Options will not be granted to an officer, employee or consultant of the Corporation, unless such Participant

is a *bona fide* officer, employee or consultant of the Corporation.

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

## 6. Shares Subject to Options

The number of Common Shares reserved for issuance to any one person pursuant to Options granted under this Plan and any other Security Based Compensation Plan of the Corporation shall be subject to the following restrictions:

- (a) the aggregate number of Common Shares issuable pursuant to all Security Based Compensation Plans of the Corporation must not exceed 10% of the issued and outstanding Common Shares as at the date of the grant or issuance of any Security Based Compensation under any of such Security Based Compensation Plans, including the grant of Options under this Plan;
- (b) the maximum number of Common Shares issuable pursuant to all Security Based Compensation granted or issued in any 12-month period to any one Person (and where permitted under the Exchange Policies, any Companies that are wholly owned by that Person) must not exceed 5% of the issued and outstanding Common Shares, calculated as at the date any Security Based Compensation is granted or issued to the Person, unless disinterested shareholder approval is obtained;
- (c) the maximum aggregate number of Common Shares issuable pursuant to all Security Based Compensation granted or issued to Insiders (as a group) must not exceed 10% of the issued and outstanding Common Shares at any point in time, unless disinterested shareholder approval is obtained;
- (d) the maximum aggregate number of Common Shares issuable pursuant to all Security Based Compensation granted or issued in any 12-month period to Insiders (as a group) must not exceed 10% of the issued and outstanding Common Shares, calculated as at the date any Security Based Compensation is granted or issued to any Insider, unless disinterested shareholder approval is obtained;
- (e) the maximum aggregate number of Common Shares that are issuable pursuant to all Security Based Compensation granted or issued in any 12-month period to any one Consultant must not exceed 2% of the issued and outstanding Common Shares, calculated as at the date any Security Based Compensation is granted or issued to the Consultant; and
- (f) the maximum aggregate number of Common Shares that are issuable pursuant to all Options granted in any 12-month period to all Investor Relations Service Providers in the aggregate must not exceed 2% of the issued and outstanding Common Shares, calculated as at the date the Option is granted to any such Investor Relations Service Provider.

Appropriate adjustments shall be made as set forth in Section 15 hereof, in both the number of Common Shares covered by individual grants and the total number of Common Shares authorized to be issued hereunder, to give effect to any relevant changes in the capitalization of the Corporation.

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



7. **Option Agreement**

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

8. **Option Period and Exercise Price**

Except as set forth in Section 12 hereof, each Option and all rights thereunder shall be expressed to expire on the date set out in the respective Stock Option Agreement, which shall be the date of the expiry of the Option Period (the "**Expiry Date**"), subject to earlier termination as provided in Sections 10 and 11 hereof.

Subject to Exchange Policies and any limitations imposed by any relevant regulatory authority, the exercise price of an Option granted under the Plan shall be as determined by the Board of Directors when such Option is granted and shall be an amount at least equal to the Market Price of the Common Shares.

9. **Exercise of Options**

An Optionee shall be entitled to exercise an Option granted to him at any time prior to the expiry of the Option Period, subject to Sections 10 and 11 hereof, the tax withholding obligations set out below and to vesting limitations which may be imposed by the Board of Directors at the time such Option is granted. Subject to Exchange Policies, including with respect to the vesting of Options granted to any Investor Relations Service Provider, the Board of Directors may, in its sole discretion, determine the time during which an Option shall vest and the method of vesting, or that no vesting restriction shall exist.

In the event an Optionee has been retained to provide Investor Relations Activities (as defined in the Exchange Policies), the Options granted to such Optionee shall be subject to minimum vesting restrictions of at least 12 months and, in no event, shall more than one-quarter of such Options vest in any three month period.

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

Upon exercise of an Option, the Optionee will, upon notification of the amount due and prior to or concurrently with the delivery of the certificates representing the Common Shares, pay to the Corporation amounts necessary to satisfy applicable withholding tax requirements or will otherwise make arrangements satisfactory to the Corporation for such requirements. In order to implement this provision, the Corporation or any related corporation will have the right to retain and withhold from any payment of cash or Common Shares under this Plan the amount of taxes required to be withheld or otherwise deducted and paid in respect of such exercise. At the discretion of the Board of Directors, the Corporation may require an Optionee receiving Common Shares upon the exercise of an Option to reimburse the Corporation for any such taxes required to be withheld by the Corporation and withhold any distribution to the Optionee in whole or in part until the Corporation is so reimbursed. In lieu thereof, the Corporation will have the right to withhold from any cash amount due or to become due from the Corporation to the Optionee an amount equal to such taxes.

Common Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Common Shares pursuant thereto shall comply with all relevant

provisions of applicable securities law, and the requirements of any stock exchange or consolidated stock price reporting system on which prices for the Common Shares are quoted at any given time. As a condition to the exercise of an Option, the Corporation may require the person exercising such Option to represent and warrant at the time of any such exercise that the Common Shares are being purchased only for investment and without any present intention to sell or distribute such Common Shares if, in the opinion of counsel for the Corporation, such a representation is required by law.

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

If an Optionee ceases to be an eligible Participant under the Plan for any reason other than death, the Optionee may, but only within ninety (90) days after the Optionee's ceasing to be a director, officer, employee or consultant, or such other reasonable period not exceeding 12 months, to be determined by the Board and set out in the applicable Stock Option Agreement (or 30 days in the case of an Optionee engaged in Investor Relations Activities) or prior to the expiry of the Option Period, whichever is earlier, exercise any Option held by the Optionee, but only to the extent that the Optionee was entitled to exercise the Option at the date of such cessation. For greater certainty, any Optionee who is deemed to be an employee of the Corporation pursuant to any medical or disability plan of the Corporation shall be deemed to be an employee for the purposes of the Plan.

**11. Death of Optionee**

In the event of the death of an Optionee, the Option previously granted to him shall be exercisable within one (1) year following the date of the death of the Optionee or prior to the expiry of the Option Period, whichever is earlier, and then only:

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

**12. Blackout Periods**

Notwithstanding anything else contained herein, if the expiration date for an Option occurs during a Blackout Period applicable to the relevant Optionee, or within 10 business days after the expiry of a Blackout Period applicable to the relevant Optionee, then the expiration date for that Option (the "**Blackout Expiry Date**") shall be the date that is the tenth business day after the expiry date of the Blackout Period. This Section 12 applies to all Options outstanding under this Plan. The Blackout Expiry Date for an Option may not be amended by the Board without the approval of the holders of Common Shares in accordance with Section 17 of the Plan.

**13. Optionee's Rights Not Transferable**

No right or interest of any Optionee in or under the Plan is assignable or transferable, in whole or in part, either directly or by operation of law or otherwise in any manner except by bequeath or the laws of descent and distribution, subject to the requirements of the Exchange, or as otherwise allowed by the Exchange. Subject to the foregoing, the terms of the Plan shall bind the Corporation and its successors and assigns, and each Optionee and his heirs, executors, administrators and personal representatives.

**14. Takeover or Change of Control**

The Board of Directors shall have the power, in the event of:

- (a) any disposition of all or substantially all of the assets of the Corporation, or the dissolution, merger, arrangement, reorganization, amalgamation or consolidation of the Corporation with or into any other corporation or of such corporation into the Corporation, or any similar transaction; or

- (b) any change in control of the Corporation,

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

**15. Anti-Dilution of the Option**

In the event of:

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

Adjustments shall be made successively whenever any event referred to in this section shall occur. For greater certainty, the Optionee shall pay for the number of 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 subdivision, re-division, consolidation or change of the Common Shares or such reclassification, consolidation, amalgamation, merger or transfer, as the case may be.

**16. Costs**

The Corporation shall pay all costs of administering this Plan.

**17. Termination and Amendment**

Subject to the exceptions set out below, the Board of Directors may at any time or from time to time, in its sole discretion amend, suspend or terminate the Plan or any Stock 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 including the Exchange. 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 Exchange);
- (c) amendments necessary in order for awards to qualify for favourable treatment under applicable taxation laws;
- (d) amendments respecting administration of the Plan;
- (e) amendments necessary to suspend or terminate Options, Option Agreements or the Plan in accordance with applicable law; and
- (f) any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law.

Subject to Exchange Policies, shareholder approval will be required for 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.

Subject to Exchange Policies, disinterested shareholder approval will be required for the following types of amendments:

- (h) amendments to the number of Common Shares issuable under the Plan;
- (i) amendments that increase the percentage of Common Shares reserved for issuance and issuable to Insiders of the Corporation as set out in Sections 6(a), 6(b) or 6(c) hereof will require disinterested shareholder approval;
- (j) any amendment regarding the terms and conditions in respect of the Option Price of Options granted pursuant to the Plan, and in the case of a reduction of the Option Price of outstanding Options (including Options granted to Insiders), disinterested shareholder approval will be required;
- (k) 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 (including Options granted to Insiders);
- (l) any amendment that permits Options granted pursuant to the Plan to become transferrable or assignable, other than for normal estate planning purposes;
- (m) any amendment to the amendment provisions of the Plan as set out in this Section 17; and
- (n) amendments required to be approved by shareholders under applicable law (including, without limitation, the rules, regulations and policies of the Exchange).

**18. Applicable Law**

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

**19. Effective Date**

This Plan shall become effective as of and from, and the effective date of the Plan shall be the date approved at a meeting of shareholders, subject to receipt of all necessary regulatory approvals.

**THIS IS SCHEDULE "B" ATTACHED TO AND MADE A PART OF THE MANAGEMENT INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF DIVERGENT ENERGY SERVICES CORP. TO BE HELD ON JUNE 6, 2023 AND ANY ADJOURNMENT THEREOF.**

**DIVERGENT ENERGY SERVICES CORP.**

**AUDIT COMMITTEE CHARTER**



## DIVERGENT ENERGY SERVICES CORP. AUDIT COMMITTEE CHARTER

### PART I ESTABLISHMENT OF COMMITTEE

#### 1. Committee Purpose

The Audit Committee (the "**Committee**") is established by the board of directors (the "**Board**") of Divergent Energy Services Corp. (the "**Corporation**") primarily for the purpose of overseeing the accounting and financial reporting processes and the reviews and audits of the financial statements of the Corporation.

The Committee shall assist the Board in fulfilling its oversight responsibilities by monitoring, among other things:

- (a) the quality and integrity of the financial statements and related disclosure of the Corporation;
- (b) compliance by the Corporation with legal and regulatory requirements that could have a material effect upon the financial position of the Corporation which are not subject to the oversight of another committee of the Board or the Board as a whole;
- (c) the auditor's qualifications and independence; and
- (d) performance of the Corporation's auditor.

#### 2. Composition of Committee

The Committee shall consist of as many members as the Board shall determine, but in any event not fewer than three directors, provided that all members of the Committee shall be determined by the Board to be independent and financially literate within the meaning of National Instrument 52-110 (Audit Committees) and the rules of any stock exchange or market on which the Corporation's shares are listed or posted for trading (collectively, "**Applicable Governance Rules**"). In this Charter, the term "independent" includes the meanings given to similar terms by Applicable Governance Rules, including the terms "non-executive", "outside" and "unrelated" to the extent such terms are applicable under Applicable Governance Rules. No member of the Audit Committee shall have participated in the preparation of the financial statements of the Corporation or any current subsidiary of the Corporation at any time during the past three (3) years.

#### 3. Appointment of Committee Members

The members of the Committee shall be appointed by the Board on the recommendation of the Corporate Governance and Nominating Committee. The members of the Committee shall be appointed following each annual meeting of shareholders and shall hold office until the next annual meeting, until they are removed by the Board or until their successors are earlier appointed, or until they cease to be directors of the Corporation.

### PART II COMMITTEE PROCEDURE

#### 1. Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board on the recommendation of the Corporate Governance and Nominating Committee and shall be filled by the Board if the membership of the Committee is fewer than three directors. The Board may remove and replace any member of the Committee.

## **2. Committee Chair**

The Board shall appoint a chair (the "**Chair**") for the Committee. The Chair may be removed and replaced by the Board.

## **3. Absence of Chair**

If the Chair is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside at the meeting.

## **4. Secretary of Committee**

The Committee shall appoint a Secretary who need not be a director of the Corporation.

## **5. Regular Meetings**

The Chair, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least quarterly. The Committee at any time may, and at each regularly scheduled Committee meeting shall, meet without management present and shall meet periodically with management and the auditor. The Committee shall also meet separately with the auditor at every regularly scheduled meeting of the Committee at which the auditor is present. The Committee shall record and maintain minutes of meetings.

## **6. Special Meetings**

The Chair, any two members of the Committee, the Chairman of the Board, the auditor or the Chief Executive Officer of the Corporation may call a special meeting of the Committee.

## **7. Quorum**

A majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other, shall constitute a quorum.

## **8. Notice of Meetings**

Notice of the time and place of every meeting shall be given in writing or by e-mail or facsimile communication to each member of the Committee at least 48 hours prior to the time fixed for such meeting; provided, however, that a member may, in any manner, waive notice of a meeting and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

## **9. Agenda**

The Chair shall develop and set the Committee's agenda, in consultation with other members of the Committee, the Board and management of the Corporation. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practicable, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.

## **10. Delegation**

Subject to subsection PART III 2(d)(viii), the Committee shall have the power to delegate its authority and duties to subcommittees or individual members of the Committee as it deems appropriate.

## **11. Access**

In discharging its oversight role, the Committee shall have full access to all books, records, facilities and



personnel of the Corporation.

## **12. Attendance of Others at a Meeting**

At the invitation of the Chair, one or more officers, directors or employees of the Corporation may, and if required by the Committee shall, attend a meeting of the Committee.

## **13. Procedure, Records and Reporting**

The Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board when the Committee may deem appropriate (but not later than the next meeting of the Board).

## **14. Outside Consultants or Advisors**

The Committee, when it considers it necessary or advisable, may retain, at the Corporation's expense, outside consultants or advisors (including independent counsel) to assist or advise the Committee independently on any matter within its mandate. The Committee shall have the sole authority to retain or terminate such consultants or advisors, including the sole authority to approve the fees and other retention terms for such persons.

### **PART III MANDATE OF COMMITTEE**

## **2. Specific Mandates**

The Committee, to the extent required by applicable laws or rules, or otherwise considered by the Committee to be necessary or appropriate, shall:

### **(a) Oversight in Respect of Financial Disclosure**

- (i) review, discuss with management of the Corporation and the auditor, and recommend to the Board for approval:
  - A. the annual and interim financial statements;
  - B. the annual information form (if any);
  - C. the annual and interim management's discussion and analysis;
  - D. the portions of the management proxy circular, for any annual or special meeting of shareholders, containing significant financial information respecting the Corporation;
  - E. all financial statements included in prospectuses or other offering documents;
  - F. any significant financial information contained in all prospectuses and all documents which may be incorporated by reference in a prospectus;
  - G. any significant financial information respecting the Corporation contained in a material change report or a business acquisition report;
  - H. each press release which contains significant financial information respecting the Corporation (including, without limitation, annual and interim earnings press releases) or contains earnings guidance, prior to public dissemination thereof;
- (ii) review and discuss with management of the Corporation:
  - A. financial information and earnings guidance provided to analysts and rating

agencies; provided, however, that such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made), and the Committee need not discuss in advance each instance in which the Corporation may provide earnings guidance or presentations to analysts and rating agencies;

- (iii) review with management and the auditor the scope of the audit;
- (iv) review with management of the Corporation and the auditor major issues regarding accounting principles and practices as well as the adequacy of internal controls and procedures for financial reporting and management information systems and inquire of management and the auditor about significant risks and exposures to the Corporation that could significantly affect the Corporation's financial statements;
- (v) review with management of the Corporation and the auditor the effect of regulatory and accounting initiatives as well as off-balance sheet transactions on the Corporation's financial statements;
- (vi) review with management of the Corporation, the auditor and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation, and the manner in which these matters have been disclosed in the financial statements;
- (vii) review disclosures by the Corporation's Chief Executive Officer and Chief Financial Officer with respect to any required certification for the Corporation's financial statements by such individuals; and
- (viii) discuss with management the Corporation's material financial risk exposures and the steps management has taken to monitor and control such exposures, including any financial risk assessment and financial risk management policies.

**(b) Oversight in Respect of Legal and Regulatory Matters**

- (i) review, if necessary, with legal counsel, the Corporation's compliance policies, legal matters and any material reports or inquiries received from regulators or governmental agencies that could have a material effect upon the financial position of the Corporation and which are not subject to the oversight of another committee of the Board or the Board as a whole.

**(c) Oversight in Respect of the Chief Financial Officer**

- (i) consult with the Board and Chief Executive Officer on the appointment, replacement, reassignment or dismissal of the Chief Financial Officer of the Corporation; and
- (ii) ensure the Chief Financial Officer has access to the Committee Chair, the Chairman of the Board and the Chief Executive Officer, and the Committee, or the Chairman of the Committee, shall meet separately with the Chief Financial Officer to review any problems or difficulties they may have encountered in the performance of their responsibilities and the Committee Chair shall report to the Board on such meetings.

**(d) Oversight in Respect of the Auditor**

- (i) meet with the auditor prior to the annual audit to review the planning and staffing of the audit;

- (ii) review annually the auditor's formal written statement of independence delineating all relationships between itself and the Corporation and review all such relationships;
- (iii) receive confirmation from the auditor as to its standing as a "participating audit firm" and its compliance with any restrictions or sanctions imposed by the Canadian Public Accountability Board as those concepts are set forth in National Instrument 52-108 of the Canadian Securities Administrators;
- (iv) review and evaluate the auditor, including the lead partner of the auditor team and confirm compliance by the auditors with laws and regulations relating to audit partner rotation;
- (v) meet separately with the auditor to review with them any problems or difficulties they may have encountered and specifically:
  - A. any difficulties which were encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management of the Corporation; and
  - B. any changes required in the planned scope of the audit; and
 report to the Board on such meetings;
- (vi) review the engagement reports of the auditor on unaudited financial statements of the Corporation;
- (vii) review and approve the Corporation's hiring policies regarding partners, employees, former partners and former employees of the Corporation's present and former auditor; and
- (viii) pre-approve all audit services and delegate to one or more designated members of the Committee the authority to grant pre-approvals; provided that the decision of any member to whom authority is delegated to pre-approve an activity shall be presented to the Committee at the first scheduled meeting following such decision, and provided further that, if the Committee approves an audit service within the scope of the engagement of the auditor, such audit service shall be deemed to have been pre-approved for purposes of this section.

**(e) Oversight in Respect of Certain Policies**

- (i) establish procedures for: (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters; and
- (ii) periodically review the Corporation's public disclosure policy.

**3. Self-Evaluation**

The Committee shall conduct an annual performance self-evaluation including a review as to whether, during the preceding annual period, it has fulfilled its obligations under the terms of its charter, and report to the Board the results of its review.

**4. Non-Exhaustive List**

The foregoing list of duties is not exhaustive, and the Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its oversight responsibilities.

#### **5. Review of Committee's Charter**

The Committee shall assess the adequacy of this Charter on an annual basis and recommend any changes to the Board.

#### **6. Oversight Function**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate or are in accordance with IFRS. These are the responsibilities of management of the Corporation and the auditor. The Committee and its Chair are members of the Board, appointed to the Committee to provide broad oversight of the financial risk and control related activities of the Corporation, and are specifically not accountable nor responsible for the day-to-day operation or performance of such activities. The role of all Committee members is to oversee the process, not to certify or guarantee the accuracy or completeness of the external audit of the Corporation's financial information or public disclosure.