

**YANGARRA RESOURCES LTD.
Suite 1530, 715 – 5th Avenue S.W.
Calgary, Alberta T2P 2X6**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON MONDAY, MAY 15, 2017**

TAKE NOTICE that an Annual and Special Meeting (the “**Meeting**”) of the shareholders (the “**Shareholders**”) of Yangarra Resources Ltd. (the “**Corporation**”) will be held at the **Tillyard Management Conference Centre, Main Floor, 715 - 5th Avenue SW, Calgary, Alberta, on Monday, May 15, 2017 at 10:00 a.m. (Calgary time)** for the following purposes:

- (1) to receive the financial statements of the Corporation for the financial year ended December 31, 2016, together with the auditor's report thereon;
- (2) to fix the number of directors to be elected at the Meeting at five;
- (3) to elect directors for the Corporation for the ensuing year;
- (4) to re-appoint MNP LLP, Chartered Professional Accountants as the auditors of the Corporation for the ensuing year and to authorize the board of directors to fix their remuneration;
- (5) to consider the approval of the Corporation's stock option plan; and
- (6) to transact such other business as may properly come before the Meeting or any adjournment thereof.

The board of directors of the Corporation has fixed the record date for the Meeting as of the close of business on Monday April 10, 2017 (the “**Record Date**”). Only holders of the Common Shares of the Corporation (Common Shares”) of record at the Record Date are entitled to notice of and to participate at the Meeting and only such persons or those who become holders of Common Shares after the Record Date and comply with the provisions of the *Business Corporations Act* (Alberta) are entitled to vote at the Meeting.

Proxies are being solicited by management of the Corporation. A Shareholder may attend the Meeting in person or may be represented there at by proxy. A form of proxy for use at the Meeting or any adjournment thereof is enclosed with this Notice of Meeting. Shareholders who are unable to attend the Meeting or any adjournment thereof in person are requested to complete, sign and mail the enclosed form of proxy to, or deposit it with, the Corporation's registrar and transfer agent, Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, or by facsimile at 1-866-249-7775, so that it is received no later than 48 hours (excluding Saturdays, Sundays and statutory holidays) prior to the time of the Meeting or any adjournment thereof. Shareholders may also use the internet site at www.investorvote.com to transmit their voting instructions or vote by phone at 1-866-732-VOTE (8683) (toll free within North America), or 1-312-588-4290 (outside North America). Shareholders are cautioned that the use of mail to transmit proxies is at each Shareholder's risk.

Shareholders are referred to the Information Circular of the Corporation dated April 10, 2017 accompanying this Notice of Meeting for more detailed information regarding the matters to be considered at the Meeting.

DATED at Calgary, Alberta this 10th day of April, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS
OF YANGARRA RESOURCES LTD.**

Per: (signed) " James G. Evaskevich "
President and Chief Executive Officer

YANGARRA RESOURCES LTD.

Suite 1530, 715 – 5th Avenue S.W.
Calgary, Alberta T2P 2X6

MANAGEMENT INFORMATION CIRCULAR

Dated April 10, 2017

This management information circular (the “**Information Circular**”) is furnished in connection with the solicitation of proxies by or on behalf of the management of Yangarra Resources Ltd. (the “**Corporation**”) for use at the annual and special meeting of the holders (“**Shareholders**”) of the Common Shares of the Corporation (“**Common Shares**”) to be held Monday, May 15, 2017 at 10:00 a.m. (Calgary time) at Tillyard Management Conference Centre, Main Floor, 715 - 5th Avenue SW, Calgary, Alberta (the “**Meeting**”) and at any adjournment thereof for the purposes set out in the Notice of Meeting accompanying this Information Circular. Unless otherwise noted, information in this Information Circular is given as at April 10, 2017.

SOLICITATION OF PROXIES

The solicitation is made on behalf of management of the Corporation. Proxies are being solicited primarily by mail, but may also be solicited by e-mail, facsimile or oral communication by the directors, officers and employees of the Corporation, at no additional compensation. The costs incurred in the preparation and mailing of the form of proxy, the Notice of Annual Meeting and this Information Circular will be borne by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

The individuals named in the accompanying form of proxy are officers of the Corporation. **A Shareholder has the right to appoint a person (who need not be a Shareholder) other than James G. Evaskevich and James A. Glessing, the management designees, to attend and represent the Shareholder and act on the Shareholder's behalf at the Meeting.** Such right may be exercised by inserting in the blank space provided in the accompanying form of proxy the name of the person to be designated or by completing another proper form of proxy and, in either case, depositing the form of proxy with the registrar and transfer agent of the Corporation, Computershare Trust Company of Canada (“**Computershare**”). A proxy will not be valid unless the completed, dated and signed form of proxy is delivered to Computershare, 8th Floor Proxy Dept., 100 University Avenue, Toronto, Ontario, M5J 2Y1, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or any adjournment of the Meeting.

A Shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy, prior to the revocation. A Shareholder may revoke a proxy by depositing an instrument in writing, executed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney of the corporation:

1. Computershare, 8th Floor, Proxy Dept., 100 University Avenue, Toronto, Ontario, M5J 2Y1, at any time, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, preceding the Meeting or an adjournment of the Meeting at which the proxy is to be used;
2. at the registered office of the Corporation, Suite 1530, 715 - 5 Avenue S.W., Calgary, Alberta, T2P 2X6, at any time up to and including the last business day preceding the day of the Meeting or an adjournment of the Meeting at which the proxy is to be used; or

3. with the chairman of the Meeting on the day of the Meeting or an adjournment of the Meeting.

In addition, a proxy may be revoked by the Shareholder executing another form of proxy bearing a later date and depositing same with Computershare, within the time period set out under the heading "Voting of Proxies", or by the Shareholder personally attending the Meeting and voting his or her Common Shares or in any other manner permitted by law.

VOTING OF PROXIES

All Common Shares represented at the meeting by properly executed proxies will be voted by the persons named in the proxy and, where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the Common Shares represented thereby will be voted or withheld from voting in accordance with such specifications. **In the absence of any such specifications by the Shareholder, such Common Shares will be voted IN FAVOUR of all the matters set out herein.**

The enclosed form of proxy confers discretionary authority upon the management designees, or other persons appointed as proxy-holders thereunder, with respect to any amendments to or variations of matters identified in the Notice of Meeting and with respect to any other matters which may properly come before the Meeting. As of the date of this Information Circular, the management of the Corporation is not aware of any such amendments, variations or other matters which may come before the Meeting other than matters referred to in the accompanying Notice of Meeting.

ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES ON VOTING THEIR COMMON SHARES

The information set forth in this section is of significant importance to many shareholders who hold Common Shares through brokers and their nominees, as a substantial number of shareholders do not hold Common Shares in their own name.

Shareholders who hold their Common Share through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to herein as "**Beneficial Shareholders**") should note that only proxies deposited by Shareholders who appear on the records maintained by the Corporation's registrar and transfer agent as registered holders of Common Shares will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares will, in all likelihood, not be registered in the Shareholder's name. Such Common Shares will more likely be registered under the name of the Shareholder's broker or an agent of the 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). In the United States, the vast majority of such Common Shares are registered under the name Cede & Co. (the registration name for The Depository Trust Company, which acts as nominee for many United States brokerage firms). Common Shares held by brokers (or their agents) on behalf of a broker's client can only be voted or withheld at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. Each Beneficial Shareholder should therefore ensure that the voting instructions are communicated to the appropriate person well in advance of the Meeting.

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. The various brokers and intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the instrument of proxy provided directly to the registered Shareholders by the

Corporation. However, its purpose is limited to instructing the registered Shareholder (i.e. the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder.

Beneficial Shareholders who have not objected to their intermediary disclosing certain ownership information about themselves to the Corporation are called Non-Objecting Beneficial Owners (“**NOBOs**”). Beneficial Shareholders who have objected to their intermediary disclosing ownership information about themselves to the Corporation are called Objecting Beneficial Owners (“**OBOs**”).

In accordance with the requirements of National Instrument 54-101 “Communication with Beneficial Owners” of the Canadian Securities Administrators (“**NI 54-101**”), the Corporation has elected to send the Corporation’s accompanying Notice of Meeting and this Information Circular (collectively, the “**Meeting Materials**”) directly to NOBOs, and indirectly through intermediaries to the OBOs. The Corporation is not relying on the notice and access delivery procedures outlined in NI 54-101 to distribute copies of the proxy-related materials in connection with the Meeting.

The intermediaries (or their service companies) are responsible for forwarding the Meeting Materials to each OBO, unless the OBO has waived the right to receive them. Intermediaries will frequently use service companies to forward the Meeting Materials to the OBOs. Generally, an OBO who has not waived the right to receive Meeting Materials will either:

- a) be given a form of proxy which has already been signed by the intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the OBO and must be completed, but not signed, by the OBO and deposited with Computershare; or
- b) more typically, be given a voting instruction form (“**VIF**”) which is not signed by the intermediary, and which, when properly completed and signed by the OBO and returned to the intermediary or its service company, will constitute instructions the intermediary must follow.

The Corporation will be paying for intermediaries to deliver to OBOs (who have not otherwise waived their rights to receive proxy-related materials) copies of the Meeting Materials and related documents.

The Meeting Materials are being sent to both registered Shareholders of the Corporation and Beneficial Shareholders. If you are a Beneficial Shareholder, and the Corporation or its agent has sent these materials to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

The Meeting Materials sent to the NOBOs who have not waived the right to receive meeting materials are accompanied by a VIF, instead of a proxy. By returning the VIF in accordance with the instructions noted on it, a NOBO is able to instruct the voting of the Common Shares owned by the NOBO.

VIFs, whether provided by the Corporation or by an intermediary, should be completed and returned in accordance with the specific instructions of the VIF. The purpose of this procedure is to permit Beneficial Shareholders to direct the voting of the Common Shares which they beneficially own. Should a Beneficial Shareholder who receives a VIF wish to attend the Meeting or have someone else attend on the Beneficial Shareholder’s behalf, the Beneficial Shareholder may request a legal proxy as set forth in the VIF, which will grant the Beneficial Shareholder, or the Beneficial Shareholder’s nominee, the right to attend and vote at the Meeting.

A Beneficial Shareholder who receives a VIF cannot use the form to vote Common Shares directly at the Meeting. The voting instruction form must be returned to the intermediary (or instructions respecting the voting Common Shares must otherwise be communicated to the intermediary) well in advance of the meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or intermediary for assistance.

Although a Beneficial Shareholder may not be recognized at the Meeting for the purpose of voting Common Shares registered in the name of the broker, a Beneficial Shareholder may attend the meeting as proxy-holder for the registered Shareholder and vote Common Shares in that capacity. **Beneficial Shareholder who wish to attend the meeting and indirectly vote their Common Shares as proxy-holder for the registered holder, should contact their broker, agent or nominee well in advance of the Meeting to determine the step necessary to permit them to indirectly vote their Common Shares as a proxy-holder.**

All references to Shareholders in this Information Circular and the accompanying form or proxy and Notice are to registered Shareholders unless specifically stated otherwise.

RECORD DATE, VOTING SECURITIES AND TEN PERCENT HOLDERS THEREOF

The Shareholders of record at the close of business on the record date, set by the directors of the Corporation to be April 10, 2017 (the “**Record Date**”), are entitled to notice of, and to attend and vote at, the Meeting, except to the extent that: (i) such person transfers ownership of any of his or her Common Shares after the Record Date; (ii) the transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes his or her ownership to the Common Shares; and (iii) the transferee makes a demand to Computershare, not later than ten (10) days before the Meeting, that his or her name be included on the Shareholders' list, in which case the transferee shall be entitled to attend and vote his or her shares at the Meeting.

As at the Record Date, 80,565,816 Common Shares were issued and outstanding. The Common Shares are entitled to be voted at the Meeting on the basis of one vote for each Common Share held. The Corporation does not have any other class of voting securities outstanding.

To the knowledge of the directors and executive officers of the Corporation, as of the date hereof, no person or company beneficially owns, controls or directs, directly or indirectly, voting securities of the Corporation carrying ten percent (10%) or more of the voting rights attached to any class of voting securities of the Corporation.

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the Corporation's directors and executive officers, the only matters to be placed before the Shareholders at the Meeting are those matters set forth in the Corporation's accompanying Notice of Meeting relating to: (i) the receipt of the audited financial statements of the Corporation for the financial year ended December 31, 2016 and the auditor's report thereon; (ii) the fixing of the number of directors to be elected at the Meeting and the election of the directors of the Corporation for the ensuing year; (iii) the appointment of the auditors for the Corporation; and (iv) the approval of the Corporation's incentive stock option plan.

I. Financial Statements

The Corporation will submit to the Shareholders at the Meeting the audited financial statements for the year ended December 31, 2016 together with the auditors' report thereon, but no vote by the Shareholders with respect thereto is required or proposed to be taken. The audited financial statements of the Corporation for

the year ended December 31, 2016 are available on the Canadian System for Electronic Document Analysis and Retrieval (“**SEDAR**”) which can be accessed at www.sedar.com. The audited financial statements have been approved by the Audit Committee and the board of directors of the Corporation (the “**Board of Directors**” or “**Board**”).

II. Fixing Number of Directors

The Board of Directors currently consists of five (5) directors, all of whom are elected annually. The term of office for each of the present directors of the Corporation expires at the Meeting. It is proposed that the number of directors to be elected at the Meeting for the ensuing year be fixed at five (5). At the Meeting, the Shareholders will be asked to consider and, if thought advisable approve an ordinary resolution to fix the number of directors of the Corporation at five (5). **It is the intention of the management designees, if named as proxy, to vote FOR setting the number of directors to be elected at five (5), unless a Shareholder has specified in its proxy that its Common Shares are to be voted against such resolution.**

Each director elected at the Meeting will hold office until the next annual meeting of Shareholders or until his successor is duly elected or appointed pursuant to the by-laws of the Corporation, unless his office is earlier vacated in accordance with the provisions of the *Business Corporations Act* (Alberta) (the “**ABCA**”) or the by-laws of the Corporation. **It is the intention of the management designees, if named as proxy, to vote FOR the election of the persons listed in the table below to the Board of Directors, unless a Shareholder has specified in its proxy that its Common Shares are to be withheld from voting on the election of one or more directors.**

III. Election of Directors

On March 15, 2017, the Board amended its majority voting policy (the “**Majority Voting Policy**”) for the election of directors to provide for the following:

1. Any director must immediately tender his or her resignation to the Board if he or she is not elected by at least a majority (50% +1 vote) of the votes cast with respect to his or her election.
2. The Board must accept the resignation of the director, absent exceptional circumstances and the resignation will be effective when accepted by the Board.
3. The director(s) who tender a resignation pursuant to the Majority Voting Policy will not participate in any meeting of the Board or the Corporate Governance and Nominating Committee at which the resignation is considered.
4. If the Board determines not to accept a resignation, the Corporation must promptly issue a news release with the Board's decision, a copy of which must be provided to Toronto Stock Exchange (“**TSX**”).

The policy provides that if a director standing for election or re-election in an uncontested election does not receive the vote of at least a majority of the votes cast at any meeting for the election of directors at which a quorum is present, the director will promptly tender his or her resignation to the Board. Within 90 days after the certification of the election results, the Board will decide, through a process managed by the Corporate Governance and Nominating Committee, whether to accept or reject the resignation and the Board's decision will be publicly disclosed. For more information regarding the Corporation's Majority Voting Policy, see “Corporate Governance”.

The following table sets out information in respect of each of the nominees for director of the Corporation, and is based on information received by the Corporation from the nominees.

Name, Residence and Position	Principal Occupation Last 5 Years	Director Since	Number of Common Shares Owned Directly or Indirectly
James G. Evaskevich Calgary, Alberta <i>President, Chief Executive Officer, and Director</i>	President and Chief Executive Officer of the Corporation since December 2001.	Dec 19, 2001	3,150,856 ⁽²⁾
Gordon A. Bowerman⁽¹⁾ Calgary, Alberta <i>Chairman</i>	President of Cove Resources Ltd., a private oil and gas company based in Calgary, since 1987.	Dec 19, 2001	4,180,984 ⁽³⁾
Robert D. Weir⁽¹⁾ Calgary, Alberta <i>Director</i>	President of Weir Resource Management Ltd., a private company based in Calgary, since 1981.	Nov 11, 2003	343,812 ⁽⁴⁾
Frederick (Ted) L. Morton⁽¹⁾ Calgary, Alberta <i>Director</i>	Professor at the University of Calgary (1981 – present) and MLA, Foothills Rockyview (2004 – 2012).	Feb 25, 2014	69,000
Neil M. MacKenzie ⁽¹⁾ Calgary, Alberta <i>Director</i>	Vice President of Blackstone Drilling Fluids Ltd. (2010 – present), Vice President New Park Resources (1976 – 2010) and President Challenger Energy Corp. (2004 – 2007).	Feb 25, 2014	592,167

Notes:

- (1) Member of the Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee of the Board of Directors.
- (2) Includes 997,071 Common Shares owned by Grassy Island Ranch Ltd., a private company controlled by Mr. Evaskevich.
- (3) Includes 278,054 Common Shares owned by the spouse of Mr. Bowerman, and 569,690 Common Shares owned by Cove Resources Ltd., a private company controlled by Mr. Bowerman.
- (4) Includes 29,722 Common Shares owned by Weir Resource Management Ltd a private company controlled by Mr. Weir.

Ownership of Shares

The proposed directors of the Corporation as a group currently own, or exercise control or direction over, directly or indirectly, 8,336,819 Common Shares, representing 10.3% of the issued and outstanding Common Shares.

Commission Orders

To the knowledge of management of the Corporation, other than as disclosed herein, no proposed director is, as at the date hereof, or has been within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation) that (a) was subject to 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. For the purposes hereof, “order” means (a) a cease trade order; (b) an order similar to a cease trade order; or (c) 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.

Bankruptcies

Other than as disclosed below, no proposed director of the Corporation is, as of the date hereof, or has been, within 10 years before the date hereof, a director or executive officer of any company that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal to creditors 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.

On October 7, 2009, the Corporation filed a proposal to restructure under Part III Division I of the *Bankruptcy and Insolvency Act* (Canada), including a plan to merge with Athabaska Energy Ltd. At the time of the Restructure Proposal, the directors of the Corporation consisted of James Evaskevich, Gordon Bowerman, Robert Weir and Arthur Dumont.

Penalties or Sanctions

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

IV. Appointment of Auditors

The Board of Directors has recommended that MNP LLP, Chartered Professional Accountants (“MNP”), be re-appointed as auditors of the Corporation for the ensuing year. MNP was first appointed as the auditors of the Corporation by the Board of Directors on December 8, 2015, following the resignation of the former auditors.

At the Meeting, Shareholders will be asked to re-appoint MNP as auditors of the Corporation to serve until the close of the next annual meeting of the Shareholders at a remuneration to be fixed by the Board of Directors.

It is the intention of the management designees, if named as proxy, to vote FOR the appointment of MNP as auditors of the Corporation, at a remuneration to be fixed by the Board of Directors, unless a Shareholder has specified in its proxy that its Common Shares are to be withheld from voting on the appointment of auditors.

V. Incentive Stock Option Plan

At the Corporation's annual meeting, held on May 27, 2014, the Shareholders approved the Corporation's current stock option plan (the “**Stock Option Plan**”). Under the Stock Option Plan, the Board of Directors may grant options to purchase Common Shares up to 10% of the issued number of Common Shares outstanding at the date of the stock option grant.

Additionally, the policies of the TSX require that shareholders must approve all unallocated options under the Stock Option Plan every three years. The Corporation's current unallocated Options expire on May 27, 2017, being the three year anniversary from the approval of the current stock option plan.

Therefore, at the Meeting, Shareholders will be asked to approve an ordinary resolution re-approving the provisions of the Stock Option Plan and the unallocated Options under the Stock Option Plan.

The Stock Option Plan provides that the Board of Directors may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation, or any subsidiary of the Corporation, the option to purchase Common Shares. The Stock Option Plan provides for a floating maximum limit of 10% of the outstanding Common Shares, as permitted by the policies of the TSX. As at the date hereof, this represents 8,056,582 Common Shares available under the Stock Option Plan. Options to purchase a total of 7,752,862 Common Shares issued to directors, officers, employees and consultants of the Corporation are presently outstanding.

The number of Common Shares reserved for any one person may not exceed 5% of the issued and outstanding Common Shares. The maximum aggregate number of Common Shares that may be issued to: (a) directors and officers of the Corporation; (b) a director or officer of a person or company that is an insider or subsidiary of the Corporation; (c) a person or company that beneficially owns or controls, directly or indirectly, more than 10% of the issued and outstanding Common Shares, within any one year period and with any other security-based compensation arrangements of the Corporation, is 10% of the Common Shares then issued and outstanding.

At the time of granting an Option under the Stock Option Plan, the Board of Directors will determine the exercise price, which is subject to minimum pricing restrictions and shall not be less than the “current market price” for the Common Shares which means the closing trading price of the Common Shares on the TSX on the trading day immediately preceding such date.

The Board of Directors determines the number of Common Shares that may be allotted to each director, officer, employee and consultant and all other terms and conditions of the options, subject to the rules of the TSX.

Options may be exercisable for up to five years from the date of grant, but the Board of Directors has the discretion to grant options that are exercisable for a shorter period. Options under the Stock Option Plan are non-assignable. If prior to the exercise of an option, the holder ceases to be a director, officer, employee or consultant, the option shall be limited to the number of Common Shares purchasable by the holder immediately prior to the time of his or her cessation of office or employment and the holder shall have no right to purchase any other Common Shares. Options may be exercised for a period of 30 days from the date of termination of employment or cessation of position with the Corporation, or such other period established by the Board of Directors, provided that if the cessation of office, directorship, employment or consulting arrangement was by reason of death or disability, the option may be exercised for a period of 180 days from the date of the death or the entitlement to long-term disability payments, respectively.

Management of the Corporation believes that it would be in the best interest of the Corporation to reapprove the Stock Option Plan to align the interest of directors, officers, employees and consultants of the Corporation to the growth and development of the Corporation by providing them with the opportunity through stock options to acquire an increased proprietary interest in the Corporation.

At the Meeting, Shareholders will be asked to consider and, if deemed appropriate, to approve, a resolution in the form set out below (the “**Stock Option Plan Resolution**”), subject to such amendments, variations or additions as may be approved at the Meeting, approving the Stock Option Plan and the unallocated Options, rights and other entitlements available under the Stock Option Plan, and the grant of Options until May 15, 2020, being the date that is three years from the date of the Meeting.

The text of the Option Plan Resolution to be submitted to Shareholders at the Meeting is set forth below:

"BE IT RESOLVED THAT:

1. the stock option plan of the Company (the "**Option Plan**"), as reflected in the copy of such plan attached as Schedule "A" to the Corporation's management information circular dated April 10, 2017, be and hereby is approved;
2. the unallocated options, rights or other entitlements to be granted pursuant to the Option Plan are hereby approved;
3. the Corporation shall have the ability to continue granting options under the Option Plan until the date that is three years from the date of the meeting at which approval of the shareholders of the Corporation is being sought and the date by which the Corporation must subsequently seek approval of the shareholders of the Corporation for the Option Plan; and
4. any director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or cause to be delivered, such other documents and instruments, and to do or cause to be done all such other acts and things, as may in the opinion of such director.

It is the intention of the management designees, if named as proxy, to vote FOR approval of the Stock Option Plan Resolution, unless a Shareholder has specified in its proxy that its Common Shares are to be voted against such resolution.

The Stock Option Plan Resolution must be approved by a simple majority of the votes cast at the meeting. If the Stock Option Plan is not re-approved by the Shareholders, the Corporation will have to consider other methods of compensating and providing incentives to directors, officers, employees and consultants.

EXECUTIVE COMPENSATION

Form 51-102F6 *Statement of Executive Compensation*, defines "Named Executive Officers" as the Chief Executive Officer ("**CEO**"), the Chief Financial Officer ("**CFO**") and each of the Corporation's three most highly compensated officers, other than the CEO and CFO, who were serving as officers at the end of the most recent fiscal year and whose total compensation amounted to \$150,000 or more.

Executive Compensation

Design and Objectives

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

The overall objectives of the program are:

- to align the executive compensation with Shareholders' interests;
- to attract and retain qualified management critical to the Corporation's success;
- to provide fair and competitive compensation; and
- to focus performance by linking incentive compensation to the achievement of business objectives and financial results.

The Compensation Committee and Board of Directors annually review and approve the compensation packages, including salary level, bonus potential and entitlement and participation in long term incentives. The Compensation Committee compares the Corporation's level of overall compensation with those of comparable sized oil and gas exploration companies. The Corporation's total compensation mix places a portion of the executive's compensation at risk, by taking into account individual and corporate performance. Compensation practices, including the base salary, discretionary bonuses where appropriate, and long-term incentives, are regularly assessed to ensure they are competitive, take into account the external market trends, and support the Corporation's long-term growth strategies.

When determining executive compensation under each element of compensation, the Corporation relies on a variety of information sources to assess the competitiveness of its compensation program. Management reviews the compensation practices of companies in a selected peer group for salary levels, bonuses and long term incentives and then compiles the information and reports its findings to the Compensation Committee. The companies in the peer group operate in a similar business environment and are of similar size, scope and complexity. The Corporation's peer group for these purposes is selected based upon such factors as market capitalization, production, revenue, and total assets. Currently the Corporation's peer group consists of the following companies: Chinook Energy Inc., Delphi Energy Corp., Eagle Energy Trust, Gear Energy Ltd., Ikkuma Resources Corp., Journey Energy Inc., Leucrotta Exploration Inc., Marquee Energy Ltd., RMP Energy Inc., Storm Resources Ltd., Tamarack Valley Energy Ltd. and Zargon Oil & Gas Ltd. Changes to the peer group occur regularly given the nature of the oil and gas industry as companies merge, are acquired and change over time. In addition, changes to the comparator group may be made from time to time as recommended by management.

When comparing the peer group the key metrics used by the Corporation are as follows:

<i>Metric</i>	<i>2016 Performance</i>
Full cycle internal rates of return	80% full cycle IRR
Production	2,956 boe/d
Cashflow	\$16.3 million cashflow
Reserves	60.6 million boe \$734 million NPV10 value
Debt to Cashflow	4.1 times annual 2.4 times Q4 – annualized
Employee count	12 head office staff
Production per employee	246 boe/employee
Cashflow margins	57% Peer average = 26%
Operating costs (including transportation) per boe	\$8.46/boe Peer average = \$12.87/boe
G&A costs per boe	\$1.88/boe Peer average = \$4.01/boe
Finding and development costs per boe	\$6.18/boe on proved plus probable reserves Peer average = \$8.48/boe

Notes:

- (1) Boe - Barrel of Oil Equivalent. All boe conversions in the report are derived by converting gas to oil at the ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent. Boe may be misleading, particularly if used in isolation. A boe conversion rate of 1 Boe: 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Readers are cautioned that Boe may be misleading, particularly if used in isolation.

The Board of Directors is mindful of the necessity to align compensation policies with the Corporation's objectives and shareholder value and to ensure its compensation policies do not encourage management to take inappropriate risks. The Board of Directors has not identified any particular risks that would arise from the Corporation's compensation policies. In addition, when granting options to management, the Board of Directors will consider the equity position the applicable management member has in the Corporation to ensure that management incentives are balanced so that each individual is rewarded when shareholder value is enhanced but that the individual will also experience a meaningful decrease in their equity position if shareholder value deteriorates as a result of poor corporate performance. The Corporation does not restrict the purchase of financial instruments by NEO's or directors that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by a NEO or director.

The final determination of compensation is not based on a prescriptive formula or weightings as this may lead to unintended consequences and potentially foster single minded behaviors to the overall detriment of sustainable performance.

Base Salary

The Corporation pays competitive base salary to each executive determined by particular skills and capabilities of the individual, job responsibilities, and consideration of competitive compensation levels for the markets in which the Corporation operates. Salaries for executive officers are reviewed annually by the President & CEO, and the CFO, based on a review of corporate and personal performance and individuals levels of responsibility, as well as comparable industry peer groups. The Compensation Committee considers, and if thought appropriate, approves salaries recommended by the President and CEO for the executive officers. The Compensation Committee, guided by the Corporation's compensation philosophy, attempts to ensure that the compensation of senior executives provides a competitive base compensation package and strong link between corporate performance and compensation, in order to attract, retain and motivate highly qualified personnel.

Annual Incentives

Annual incentives, in the form of discretionary cash bonus payments, may be paid based on individual performance and overall corporate performance. As part of its overall compensation program the Compensation Committee annually determines the nature and amount of any bonuses to be paid.

Long Term Incentives

The Corporation's current Stock Option Plan is designed to align the interest of the executive officers with that of the Shareholders over the longer term and to provide a retention incentive for each executive officer.

The Stock Option Plan is administered by the Board of Directors. Pursuant to the terms of the Stock Option Plan, directors, officers, employees and consultants of the Corporation are eligible for selection to participate in the Stock Option Plan as an incentive to achieve the longer term objectives of the Corporation. The purpose of the Stock Option Plan is to advance the interests of the Corporation by giving suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation, and to attract and retain persons of experience and ability by providing them with the opportunity to acquire an increased proprietary interest in the Corporation. The Compensation Committee determines, based on the President and CEO's recommendations, to whom options shall be granted, the terms and provisions of the respective option agreements, the time(s) at which such options shall be granted and vested, and the number of Common Shares purchasable pursuant to each option. Previous grants of option-based awards are taken into account when considering new grants. The number of options granted to any optionee is a function of the level of authority and responsibility of the optionee, the contribution

that has been made by the optionee to the business and affairs of the Corporation, the number of options that have already been granted to the optionee and such other factors as the Board of Directors may consider relevant.

As of the date of this Information Circular options to acquire an aggregate of 7,752,862 Common Shares, representing approximately 9.6% of the outstanding Common Shares, are outstanding under the Stock Option Plan. The maximum number of Common Shares that may be reserved for issuance under the Stock Option Plan at any time may not exceed 10% of the aggregate number of Common Shares actually outstanding at that time, as determined on a non-diluted basis. There were 400,004 options to acquire Common Shares exercised during the fiscal year ended December 31, 2016 by the Named Executive Officers.

The Corporation does not have any retirement plans, or other forms of retirement compensation for its executive officers or directors.

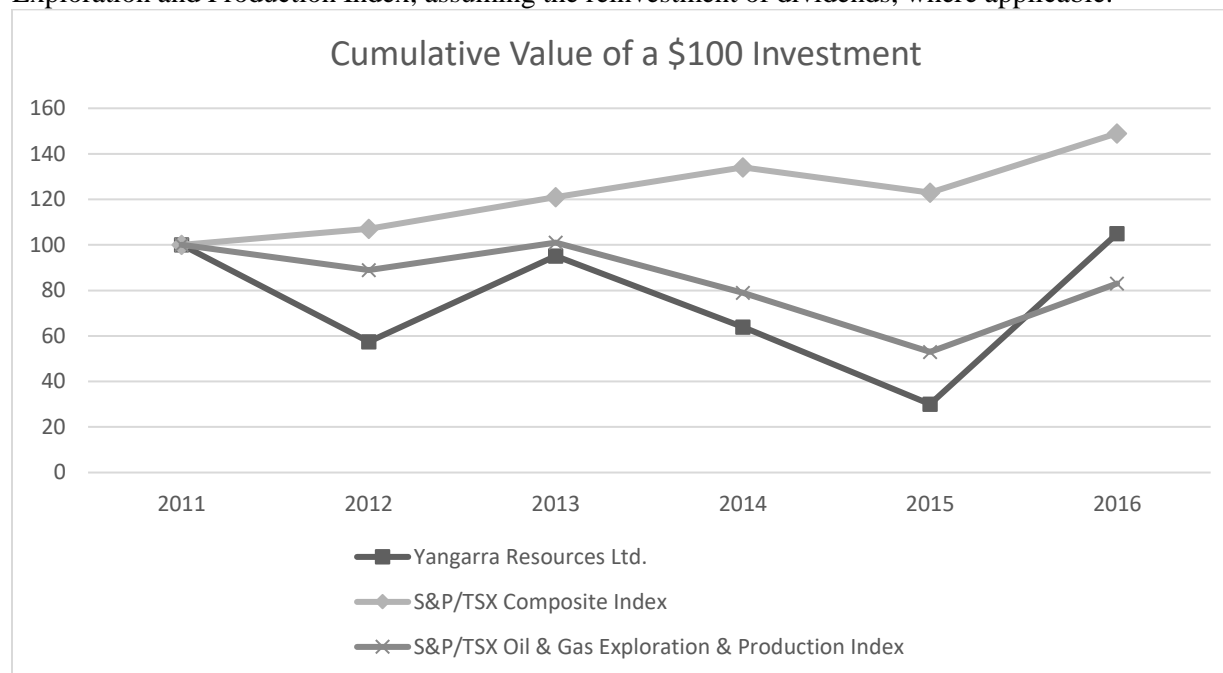
The Corporation maintains directors and officers liability insurance policy. The policy provides coverage for costs incurred to defend and settle claims against directors and officers.

Review/Modifications

The Corporation's executive compensation program is reviewed and considered at least annually by the Compensation Committee and the Board of Directors to determine if the objectives of the program are being achieved and whether any modifications to that program are required. This includes a review of base salaries payable, annual incentives, and entitlement and participation in long-term equity based incentives.

Performance Graph

The following performance graph illustrates, over the five year period ended December 31, 2016, the cumulative return to Shareholders of an investment in the Common Shares of the Corporation compared to the cumulative total Shareholder return on the S&P/TSX Composite Index and the S&P/TSX Oil & Gas Exploration and Production Index, assuming the reinvestment of dividends, where applicable.



December 31, 2016	2011	2012	2013	2014	2015	2016
Yangarra Resources Ltd.	\$100	\$57	\$95	\$64	\$30	\$105
S&P/TSX Composite Index	\$100	\$107	\$121	\$134	\$123	\$149
S&P/TSX Oil & Gas Exploration & Production Index	\$100	\$89	\$101	\$79	\$53	\$83

Summary Compensation Table

During the financial year ended December 31, 2016, the Corporation had four Named Executive Officers. The following table and the notes thereto sets forth the total compensation paid or earned for the three most recently completed fiscal years to each of its Named Executive Officers.

Name and Principal Position	Year	Salary (\$)	Share-based Awards (\$)	Option – based Awards (\$) ⁽¹⁾	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual incentive plans ⁽²⁾	Long-term incentive plans			
James Evaskevich President and Chief Executive Officer	2014	\$216,000	Nil	\$171,864	\$150,000	Nil	Nil	Nil	\$537,864
	2015	\$220,000	Nil	\$769,015	Nil	Nil	Nil	Nil	\$989,015
	2016	\$220,000	Nil	\$352,651	\$130,000	Nil	Nil	Nil	\$702,651
James Glessing Chief Financial Officer	2014	\$180,000	Nil	\$96,825	\$110,000	Nil	Nil	Nil	\$386,825
	2015	\$190,000	Nil	\$225,934	Nil	Nil	Nil	Nil	\$415,934
	2016	\$190,000	Nil	\$113,406	\$85,000	Nil	Nil	Nil	\$388,406
Lorne Simpson Vice President, Operations	2014	\$195,000	Nil	\$121,031	\$120,000	Nil	Nil	Nil	\$436,031
	2015	\$210,000	Nil	\$99,263	Nil	Nil	Nil	Nil	\$309,263
	2016	\$210,000	Nil	\$226,047	\$100,000	Nil	Nil	Nil	\$536,047
Randall Faminow Vice President, Land	2014	\$180,000	Nil	\$121,031	\$80,000	Nil	Nil	Nil	\$381,031
	2015	\$192,000	Nil	\$116,307	Nil	Nil	Nil	Nil	\$308,307
	2016	\$192,000	Nil	\$176,504	\$95,000	Nil	Nil	Nil	\$463,504

Notes:

- (1) Based on the grant date fair value of the applicable awards. The fair value of options granted are estimated at the date of grant using the Black-Scholes option pricing model based on the following assumptions: 68% expected volatility, 0.57% - 1.17% risk free rate and a 5-year expected life. The Black-Scholes option-pricing methodology was selected due to its acceptance as an appropriate evaluation model used for similar sized oil and gas companies.
- (2) Annual Incentive Plan payments consist solely of discretionary cash bonuses.

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth the options granted to the Named Executive Officers to purchase or acquire securities of the Corporation outstanding at the end of the most recently completed financial year.

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 (\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of share-based awards not paid out or distributed (\$)
James Evaskevich	183,335	\$1.48	Dec 5, 2021	\$80,667	183,335	\$80,667	N/A
	200,000	\$1.27	Nov 14, 2021	\$130,000	200,000	\$130,000	
	133,334	\$0.75	Mar 17, 2021	\$156,001	133,334	\$156,001	
	166,666	\$0.62	Dec 1, 2020	\$216,666	166,666	\$216,666	
	831,668	\$1.80	Jun 1, 2020	\$99,800	554,445	\$66,533	
	118,334	\$2.70	Mar 31, 2019	Nil	39,445	Nil	
	16,667	\$1.50	Apr 5, 2017	\$7,000	Nil	Nil	
James Glesing	90,000	\$1.27	Nov 14, 2021	\$58,500	90,000	\$58,500	N/A
	116,667	\$0.75	Mar 17, 2021	\$136,500	116,667	\$136,500	
	100,000	\$0.62	Dec 1, 2020	\$130,000	66,666	\$86,666	
	233,334	\$1.80	Jun 1, 2020	\$28,000	155,556	\$18,667	
	66,667	\$2.70	Mar 31, 2019	Nil	22,222	Nil	
	66,667	\$0.90	Apr 10, 2018	\$68,000	Nil	Nil	
	16,667	\$1.05	Aug 16, 2017	\$14,500	Nil	Nil	
	33,334	\$1.50	Apr 5, 2017	\$14,000	Nil	Nil	
Lorne Simpson	133,334	\$1.85	Dec 19, 2021	\$9,333	133,334	\$9,333	N/A
	120,000	\$1.27	Nov 14, 2021	\$78,000	120,000	\$78,000	
	33,333	\$0.62	Dec 1, 2020	\$43,333	33,333	\$43,333	
	100,000	\$1.80	Jun 1, 2020	\$12,000	66,666	\$8,000	
	83,334	\$2.70	Mar 31, 2019	Nil	27,778	Nil	
	33,334	\$1.05	Jul 28, 2018	\$29,001	Nil	Nil	
	133,334	\$1.05	Aug 16, 2017	\$116,001	Nil	Nil	
	Randall Faminow	100,000	\$1.27	Nov 14, 2021	\$65,000	100,000	
150,000		\$1.23	Sep 29, 2021	\$123,500	150,000	\$123,500	
100,000		\$0.62	Dec 1, 2020	\$130,000	66,666	\$86,666	
100,000		\$1.80	Jun 1, 2020	\$12,000	66,666	\$8,000	
83,334		\$2.70	Mar 31, 2019	Nil	27,778	Nil	
16,667		\$1.05	Jul 28, 2018	\$14,500	Nil	Nil	
66,667		\$0.90	Apr 10, 2018	\$68,000	Nil	Nil	
16,667		\$1.05	Aug 16, 2017	\$14,500	Nil	Nil	

Note:

- (1) Calculated based on the difference between the closing price of the Common Shares on December 31, 2016 the last day during which the Common Shares traded in the financial year end December 31, 2016 (\$1.92 per Common Share) and the exercise price of the options.

Incentive Plan Awards – Value Vested or Earned during the Year

The following table sets forth the value of all indicated compensation awards that vested or were earned during the most recently completed financial year.

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
James Evaskevich	\$73,334	N/A	\$130,000
James Glessing	\$29,333	N/A	\$85,000
Lorne Simpson	\$14,667	N/A	\$100,000
Randall Faminow	\$29,333	N/A	\$95,000

Note:

- (1) Represents the aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date.

Termination and change of control benefits

The Corporation has entered into a written agreement with each of the Named Executive Officers or their respective consulting corporations. Pursuant to the terms of each agreement, which automatically renew on a yearly term, each Named Executive Officer is entitled directly or indirectly to a base remuneration, granting from time to time of options to acquire Common Shares, and to certain payments upon termination with or without cause, resignation, or termination following a change of control.

A change in control is generally considered to have occurred if any person becomes the beneficial owner of securities of the Corporation, carrying more than 50% of the votes that may be cast to elect directors of the Corporation; upon the implementation of any transaction involving the Corporation as a result of which individuals who were members of the Board of Directors immediately prior to such transaction represent less than a majority of the members of the Board of Directors of the successor corporation within three months following the consummation thereof; or individuals who were executive officers of the Corporation immediately prior to such transaction represent less than a majority of the executive officers of the Corporation or the successor corporation within three months following the consummation thereof; upon the election of a slate of directors at a meeting of the Shareholders where a majority of the directors so elected were not members of the Board of Directors immediately prior to such meeting; the passing of a resolution by the shareholders to substantially liquidate, wind-up or rearrangement or the sale of all or substantially all of the assets of the Corporation to any purchaser in circumstances where the purchaser intends to carry on all or part of the business carried on by the Corporation, excluding a sale to an entity in which the Corporation owns 25% or more of the Common Shares; or where the Board of Directors determines that a change of control has occurred.

In a change in control each Named Executive Officer is entitled to payment of 12 months base pay plus an additional month of base pay for each year of service up to a maximum amount of 24 months of the Named Executive Officer's then base annual salary, plus an amount equal to: (a) the average of the previous two years cash bonuses, (b) value of any unused vacation pay, and (c) any unpaid reimbursable expenses.

The estimated incremental payment obligations of the Corporation related to the termination entitlements set forth above for each of the Named Executive Officers pursuant to the respective written agreements, under the noted triggering events, (other than termination for cause) assuming that the triggering event took place on December 31, 2016, are as follows:

Name	Payment Made in the Event of Termination without Just Cause, Resignation or Change in Duties or Remuneration Following a Change of Control
James Evaskevich	\$505,000
James Glessing	\$327,500
Lorne Simpson	\$319,500
Randall Faminow	\$330,000

Director Compensation

Director Compensation Table

The following table sets forth the value of all compensation provided to directors, not including those directors who are also Named Executive Officers⁽¹⁾, for the Corporation's most recently completed financial year, December 31, 2016.

Name	Fees Earned (\$)	Share-based Awards (\$)	Option-based Awards ⁽²⁾ (\$)	Non-equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Gordon Bowerman	\$25,000	Nil	\$89,041	Nil	N/A	Nil	\$114,041
Robert Weir	\$25,000	Nil	\$65,136	Nil	N/A	Nil	\$90,136
Frederick (Ted) Morton ⁽³⁾	\$25,000	Nil	\$44,201	Nil	N/A	Nil	\$69,201
Neil MacKenzie ⁽⁴⁾	\$25,000	Nil	\$35,833	Nil	N/A	Nil	\$60,833

Notes:

- (1) Mr. Evaskevich, President and Chief Executive Officer of the Corporation, is also a director of the Corporation. However, Mr. Evaskevich does not receive any compensation for his services as a director and is therefore not listed in this table.
- (2) Based on the grant date fair value of the applicable awards. The fair value of options granted are estimated at the date of grant using the Black-Scholes option pricing model based on the following assumptions: 68% expected volatility, 0.57% - 1.17% risk free rate and a 5-year expected life. The Black-Scholes option-pricing methodology was selected due to its acceptance as an appropriate evaluation model used for similar sized oil and gas companies.
- (3) Mr. Morton was appointed as a director on February 25, 2014.
- (4) Mr. MacKenzie was appointed as a director on February 25, 2014.

In 2017, all directors of the Corporation, except for Mr. Evaskevich, will be paid an annual fee of \$35,000 and are entitled to be reimbursed for reasonable travel and other expenses properly incurred by them in attending meetings of the directors or any committee thereof or otherwise incurred by them in connection with their service as directors. All matters related to the compensation of directors are determined by the Compensation Committee. The Corporation does not have any retirement policy for its directors.

Outstanding Share-Based Awards and Option-Based Awards

The following table indicates for each director, other than the President and CEO, all option-based awards and share-based awards outstanding at the end of the most recently completed financial year, December 31, 2016.

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 (\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share based awards not paid out or distributed (\$)
Gordon	46,668	\$1.48	Dec 5, 2021	\$20,534	46,668	\$20,534	N/A
Bowerman	60,000	\$1.27	Nov 14, 2021	\$39,000	60,000	\$39,000	
	16,667	\$0.75	Mar 17, 2021	\$19,500	16,667	\$19,500	
	26,666	\$0.62	Dec 1, 2020	\$34,666	26,666	\$34,666	
	151,668	\$1.80	Jun 1, 2020	\$18,200	101,112	\$12,133	
	71,667	\$2.70	Mar 31, 2019	Nil	23,889	Nil	
	16,667	\$1.50	Apr 5, 2017	\$7,000	Nil	Nil	
Robert Weir	26,667	\$1.48	Dec 5, 2021	\$11,733	26,667	\$11,733	N/A
	50,000	\$1.27	Nov 14, 2021	\$32,500	50,000	\$32,500	
	16,667	\$0.75	Mar 17, 2021	\$19,500	16,667	\$19,500	
	20,000	\$0.62	Dec 1, 2020	\$26,000	20,000	\$26,000	
	246,668	\$1.80	Jun 1, 2020	\$29,600	164,445	\$19,733	
	50,000	\$2.70	Mar 31, 2019	Nil	16,667	Nil	
	16,667	\$1.05	Aug 16, 2017	\$14,500	Nil	Nil	
	16,667	\$1.50	Apr 5, 2017	\$7,000	Nil	Nil	
Frederick (Ted)	10,000	\$1.48	Dec 5, 2021	\$4,400	10,000	\$4,400	N/A
Morton ⁽²⁾	50,000	\$1.27	Nov 14, 2021	\$32,500	50,000	\$32,500	
	20,000	\$0.62	Dec 1, 2020	\$26,000	20,000	\$26,000	
	30,000	\$1.80	Jun 1, 2020	\$3,600	20,000	\$2,400	
	166,667	\$2.28	Feb 24, 2019	Nil	Nil	Nil	
Neil	50,000	\$1.27	Nov 14, 2021	\$32,500	50,000	\$32,500	N/A
MacKenzie ⁽³⁾	30,000	\$0.62	Dec 1, 2020	\$39,000	20,000	\$26,000	
	30,000	\$1.80	Jun 1, 2020	\$3,600	20,000	\$2,400	
	166,667	\$2.28	Feb 24, 2019	Nil	Nil	Nil	

Notes:

- (1) Calculated based on the difference between the closing price of the Common shares on December 31, 2016 the last day during which the Common Shares traded in the financial year end December 31, 2016 (\$1.92 per Common Share) and the exercise price of the options.
- (2) Mr. Morton was appointed as a director on February 25, 2014.
- (3) Mr. MacKenzie was appointed as a director on February 25, 2014.

Incentive Plan Awards – Value Vested or Earned during the Year

The following table indicates for each director, other than the President and CEO, the value of all indicated compensation awards that vested during the most recently completed financial year, December 31, 2016.

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Share-based awards – Value vested during the year (\$)	Non-equity Annual incentive plan compensation – Value earned during the year (\$)
Gordon Bowerman	\$11,734	N/A	Nil
Robert Weir	\$8,800	N/A	Nil
Frederick (Ted) Morton ⁽²⁾	\$8,800	N/A	Nil
Neil MacKenzie ⁽³⁾	\$8,800	N/A	Nil

Note:

- (1) Represents the aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date.
- (2) Mr. Morton was appointed as a director on February 25, 2014.
- (3) Mr. MacKenzie was appointed as a director on February 25, 2014.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth the information pertaining to the Corporation's equity compensation plans as at December 31, 2016:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance, under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders ⁽¹⁾⁽²⁾	7,888,198	\$1.50	93,383
Equity compensation plans not approved by securityholders	Nil	N/A	Nil
Total	7,888,198	\$1.50	93,383

Note:

- (1) As of the date of this Information Circular, the Stock Option Plan is the only equity compensation plan available to the Corporation.
- (2) For the year ended December 31, 2016, the Corporation issued 634,007 Common Shares from treasury pursuant to the exercise of options. The maximum number of Common Shares that may be reserved for issuance under the Stock Option Plan is 10% of the issued and outstanding Common Shares (calculated on a non-diluted basis). As at the date of this Information Circular, the Corporation has 80,565,816 issued and outstanding Common Shares and therefore, there are 8,056,582 Common Shares that may be reserved for issuance on options granted or grantable under the Stock Option Plan.

CORPORATE GOVERNANCE

General

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

Composition of the Board of Directors

The Board of Directors is comprised of five (5) directors, four (4) of which – Gordon Bowerman, Robert Weir, Frederick (Ted) Morton and Neil Mackenzie are independent for the purposes of NI 58-101, so that a majority of the directors are independent. James Evaskevich is not independent as he is the President and CEO of the Corporation. The majority of the Board of Directors are independent.

Mr. Bowerman is the Chairman of the Board. Mr. Bowerman is responsible for chairing meetings of the Board of Directors.

Other than position descriptions and mandates, there are no special structures or processes in place to facilitate the functioning of the Board of Directors independently of the Corporation's management. The independent directors of the Corporation do not hold regularly scheduled meetings, but the Chairman may at any time call meetings of the independent directors at which any concerns may be freely expressed. The independent directors are also given full access to management so that they may express their own views and communicate their expectations of management.

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

<u>Director</u>	<u>Other Reporting Issuer</u>
Gordon Bowerman	Kaymus Resources Inc.
James Evaskevich	Kaymus Resources Inc.
Robert Weir	None
Frederick (Ted) Morton	None
Neil MacKenzie	Canyon Services Group Inc.

Position Descriptions

The Board of Directors has developed written position descriptions for the Chairman of the Board, the Chairman of each committee of the Board of Directors and the CEO.

Orientation and Continuing Education

The Corporation provides all new directors with an orientation manual and the Corporation's Board Mandate provides for certain mandatory meetings among the CEO, CFO, Chairman of the Board and new directors.

No formal continuing education program currently exists for directors of the Corporation. From time to time, presentations and seminars will be provided to directors on recent developments such as new accounting rules, new oil and gas operation procedures and capital market developments and directors will be encouraged by the Corporation to attend courses and seminars dealing with financial literacy, corporate governance and related matters at the Corporation's cost.

Board Mandate

The following is the text of the written mandate of the Corporation's Board of Directors.

The Board of Directors is responsible for the overall stewardship of the Corporation and the overall design and implementation of the Corporation's strategy and direction. The Corporation's management shall be responsible for the day to day operations of the Corporation. Every director is required to act honestly and in good faith and in the best interests of the Corporation and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. Every director is expected to understand the nature and operation of the Corporation's business, review Board of Directors and committee materials that are provided a reasonable period of time before the meeting of the Board of Directors or Board of Director's committee to which such director is a member and to use reasonable efforts to attend in person or via conference call at all meetings of the Board of Directors and all meetings of the committees of the Board of Directors to which such director is a member. A majority of the Board of Directors and the Chairman of the Board of Directors shall be independent within the meaning of section 1.4 of National Instrument 52-110 or its successor or replacement policy. Responsibilities not delegated to management or to a committee of the Board of Directors remain those of the full Board of Directors.

The Board of Directors will develop and approve the corporate goals and objectives of the Corporation in consultation with the CEO of the Corporation. Management of the Corporation shall prepare for consideration and adoption by the Board of Directors regular strategic, business and financial plans of the Corporation (including quarterly, annual and forward planning capital budgets and operating budgets) that have regard for the opportunities and risk of the business of the Corporation. The Board of Directors shall supervise the management of the business and affairs of the Corporation and in consultation with the CEO and the CFO of the Corporation put in place a system for monitoring the implementation of the Corporation's strategies and business and financial plans. The Board of Directors shall monitor and oversee the integrity of the Corporation's financial reporting and disclosure and the CEO and CFO certification of the financial reporting.

The Board of Directors shall meet regularly (and in any case a minimum of four times per year) to consider and approve the Corporation's objectives, strategy and direction and the strategic, business and financial plans of the Corporation as well as management's plans designed to accomplish those objectives, strategies and direction. The Board of Directors shall also meet (in person or by electronic means) as necessary to consider specific developments and opportunities as they arise, including material asset acquisitions and dispositions and financing proposals.

Subject to the terms of any disclosure, confidentiality, trading and other policies and procedures of the Corporation, the Chairman of the Board will act as a liaison between stakeholders of the Corporation and the Board of Directors.

The CEO and CFO shall meet with all proposed new directors to provide him or her with a detailed business and financial review of the Corporation. In addition, the Chairman of the Board shall meet with all proposed new directors to provide him or her with an orientation on the experience and expertise of the other members of the Board of Directors and the unique policies and procedures of the Board of Directors.

Key management personnel and professional advisors may be invited to attend Board of Directors meetings (other than *in camera* Board of Directors sessions) to speak to, or be informed as to, such matters as the Board of Directors may deem necessary.

The Board of Directors has adopted a written code of business conduct and ethics (the “**Code of Conduct**”) for all directors, officers, employees, consultants and representatives of the Corporation to promote integrity and deter wrongdoing. The Board of Directors and the Audit Committee have adopted a “whistle-blower” procedures policy as a means of receiving and handling complaints regarding questionable accounting, internal control and audit matters. The Board of Directors has established an Audit Committee, a Compensation Committee and a Corporate Governance and Nomination Committee and has adopted, and shall annually review and re-assess the adequacy of the mandates of such committees.

Measures to Encourage Ethical Business Conduct

The Corporation has put the Code of Conduct in place for its directors, officers, and employees. A copy of the Code of Conduct is provided to each director, officer and employee of the Corporation and is available upon request to any Shareholder. Compliance with the Code of Conduct is monitored by the Board of Directors as a whole. Employees of the Corporation are encouraged to promptly report to the Board of Directors any violation of the Code of Conduct or any law, rule or regulation that has been or is likely to be committed by the employee or someone else who is a representative of the Corporation.

In addition, the Corporation has a Whistleblower Policy which addresses the Corporation's continuing commitment to integrity and ethical behaviour. The Whistleblower Policy established procedures that allow employees of the Corporation to confidentially and anonymously submit their concerns to the Chair of the Audit Committee regarding questionable ethical, moral, accounting, internal accounting controls, or auditing matters, without fear of retaliation.

The Code of Conduct requires disclosure to the Board of Directors of any transactions or agreements in respect of which any director or executive officer of the Corporation has a material interest and the extent and nature of that interest. Any director with a conflict of interest or who is capable of being perceived as being in conflict of interest with respect to the Corporation must abstain from discussion and voting by the Board of Directors or any committee of the Board of Directors on any motion to recommend or approve the relevant agreement or transaction. The Board of Directors itself must comply with conflict of interest provisions of the ABCA in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest. The Board of Directors provides leadership, supervision and support for the employees of the Corporation to uphold the principles articulated in the Code of Conduct.

Director Term Limits and Other Mechanisms of Board Renewal

The Corporation has not adopted term limits for directors or other mechanisms of board renewal. The Board of Directors does not believe that fixed term limits or mandatory retirement ages are in the best interest of the Corporation.

Majority Voting Policy

On March 15, 2017, the Board amended its Majority Voting Policy as required by the policies of the TSX. Pursuant to the Majority Voting Policy, each director of the Corporation must be elected by a majority

(50%+1 vote) of the votes cast with respect to his or her election other than at contested meetings, where "votes cast" means the majority of any "for" or "withheld" votes cast with respect to a director's election, excluding any failures to vote, defective votes or broker non-votes with respect to that director's election. "contested meeting" is a meeting at which the number of directors nominated for election is greater than the number of seats available on the Board

If a nominee for election as director does not receive the vote of at least a majority of the votes cast at any uncontested meeting for the election of directors at which a quorum has been confirmed, the director, duly elected in accordance with the requirements of the ABCA and the Corporation's Articles, shall nonetheless immediately tender his or her resignation from the Board to the Board following said election.

Each director nominated for election or re-election to the Board shall acknowledge in writing his or her agreement to be bound by the Majority Voting Policy.

Following receipt of a resignation submitted pursuant to the Majority Voting Policy, and in any event, within 90 days after the shareholder meeting, the Board shall determine whether or not to accept the offer of resignation through a process managed by the Corporate Governance and Nominating Committee. The Board shall accept the resignation absent exceptional circumstances. In considering whether or not to accept the resignation, the Board will consider factors that may be provided as guidance by the TSX and all factors deemed relevant by the Board including, without limitation, the stated reasons why shareholders withheld votes from the election of that nominee, the length of service and the qualifications of the director whose resignation has been submitted, such director's contributions to the Corporation, and the Corporation's legal obligations under applicable laws.

A director who tenders his or her resignation pursuant to the Majority Voting Policy shall not be permitted to participate in any meeting of the Board at which his or her resignation is to be considered, but will be counted for the purpose of determining whether the Board has a quorum if required in the event that a sufficient number of the Board members did not receive a majority of the votes cast in the same election.

The Corporation must promptly issue a news release with the Board's decision, a copy of which must be provided to the TSX.

If a director's resignation is not accepted by the Board, such director will continue to serve until the next annual meeting and until his or her successor is duly elected, or his or her earlier resignation or removal, as provided for in the Corporation's Articles, or the director shall otherwise serve for such shorter time and under such other conditions as determined by the Board, considering all of the relevant facts and circumstances. If a resignation is accepted, the Board may in accordance with the provisions of the Corporation's Articles, appoint a new director to fill any vacancy created by the resignation.

Policies Regarding the Representation of Women on the Board of Directors and Management

The Board of Directors has not adopted any policies that address the identification and nomination of women directors. The Board of Directors believes that it is in the best interests of the Corporation to make nominations of directors on the basis of skills, knowledge, experience, character and the requirements of the Board of Directors and management at the time. The Corporation is committed to a meritocracy and believes that considering the broadest group of individuals who have the skills, knowledge, experience and character required to provide the leadership needed to achieve the Corporation's business objectives, without reference to their age or gender is in the best interests of the Corporation. The level of representation of women on the Board of Directors is not considered in identifying and nominating candidates for election or re-election to the Board of Directors. The Corporation has not imposed quotas or targets regarding the representation of women on the Board of Directors and in executive officer positions. There are currently no women serving on the Board of Directors and no women serving in executive officer positions at the Corporation.

Audit Committee

The Audit Committee is comprised of Messrs. Bowerman (Chair), Weir, Morton and Mackenzie, all of whom are independent and all of whom are financially literate. The full text of the Audit Committee Charter, as well as the required relevant disclosure in relation to its composition and other matters are included in the Corporation's Annual Information Form dated March 15, 2017, which is available on the SEDAR website at www.sedar.com. The members of the Audit Committee also have significant experience and expertise in the oil and gas exploration and development industry. The Audit Committee anticipates meeting four times in 2017, on a quarterly basis, to fulfill its mandate.

In respect of the Audit Committee functions, the Board of Directors has developed written terms of reference outlining its roles and responsibilities and which provide appropriate guidance to the committee's members as to their duties. These terms of reference are reviewed annually by the Audit Committee and the Board of Directors. The Audit Committee reviews the annual and interim financial statements of the Corporation and makes recommendations to the Board of Directors with respect to such statements. The Audit Committee also reviews the nature and scope of the annual audit as proposed by the auditors and management, and the adequacy of internal accounting control procedures and systems within the Corporation. The Audit Committee is responsible for ensuring that management has implemented an effective system of internal control and has oversight responsibility for management reporting on internal control.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee is responsible for annually re-assessing and reviewing the Code of Conduct and management's monitoring of compliance with the Code of Conduct, the adequacy of the mandates of each of the committees of the Board of Directors and the Board of Directors mandate, the member composition of each of the committees of the Board of Directors, identifying any areas where the directors or management could make a better collective contribution to overseeing the affairs of the Corporation and encouragement of a process of continuous improvement in the Board of Directors execution of its responsibilities.

The Corporate Governance and Nominating Committee, in consultation with the Chief Executive Officer, is responsible for:

- (a) reviewing on a periodic basis the size and composition of the Board of Directors and ensuring that an appropriate number of independent directors sit on the Board of Directors;
- (b) recommending nominations for election to the Board of Directors at the annual meeting of shareholders, taking into account the number required to carry out the Board of Directors' duties effectively; and
- (c) recommending suitable candidates for nominees for election or appointment as directors, and recommending the criteria governing the overall composition of the Board of Directors and governing the desirable individual characteristics for directors,

and in making such recommendations, the Corporate Governance and Nominating Committee considers:

- (a) the appropriate size of the Board of Directors with a view to facilitating effective decision-making;
- (b) the needs of the Corporation and its stage of development and the competencies and skills that the Board of Directors considers to be necessary for the Corporation and the Board of Directors, as a whole, to possess;

- (c) the competencies and skills that the Board of Directors considers each existing director to possess;
- (d) the competencies and skills each new nominee will bring to the boardroom; and
- (e) whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board of Directors.

The Corporate Governance and Nominating Committee is comprised of the Board of Directors in its entirety. The Corporate Governance and Nominating Committee anticipates meeting once annually to fulfil its mandate.

Compensation Committee

The Compensation Committee is comprised of Messrs. Bowerman (Chair), Weir, Morton and Mackenzie, all of whom are independent. The Compensation Committee is responsible for reviewing annually (and other times if necessary) and making recommendations to the Board of Directors regarding:

- (a) compensation and remuneration policies, practices and philosophy for the Corporation's officers and directors; and
- (b) the CEO's recommendations for proposed salaries, stock options, bonuses or other incentive compensation plans for officer and director compensation.

In making its recommendations, the Compensation Committee considers the recommendations and insight of the CEO and considers, among other things, the performance of the person, comparative surveys of similar size Canadian oil and gas companies and the relative performance of the Corporation and the person on an aggregate and per share basis over relevant periods.

The Compensation Committee is provided with all compensation materials, including comparative surveys, in advance of the meetings in order to carefully consider management's recommendation and get independent advice if desired.

All of the members of the Compensation Committee are independent and have direct experience that is relevant to their responsibilities regarding executive compensation of the Corporation. Messrs. Bowerman, MacKenzie and Weir have acted as executive officers and directors of other oil and gas and service companies. As a result, the Compensation Committee has knowledge of typical day-to-day responsibilities and challenges faced by the Corporation's management team, and first-hand knowledge regarding executive compensation policies and practices in the public oil and gas sector, all of which are beneficial in the context of its review of the Corporation's compensation policies and practices.

Assessments

The Board of Directors intends to make annual assessments regarding the effectiveness of the Board of Directors, committees and individual directors in fulfilling their respective responsibilities.

Meetings of the Board of Directors and Audit Committee during 2016

	<u>Gordon Bowerman</u>	<u>Robert Weir</u>	<u>Frederick (Ted) Morton</u>	<u>Neil MacKenzie</u>	<u>James Evaskevich</u>
Board of Directors	5/5	5/5	5/5	5/5	5/5
Audit Committee	4/4	4/4	4/4	4/4	N/A

MANAGEMENT CONTRACTS

Management functions of the Corporation are performed by the directors and executive officers of the Corporation and are not to any substantial degree performed by any other person or corporation, except certain executive officers that are retained through their private corporations.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

No current or former executive officer, director or employee of the Corporation, nor any of their respective associates or affiliates, is or at any time since the beginning of the most recently completed financial year has been, indebted to the Corporation or any of its subsidiaries. In addition, none of such person's indebtedness to another entity is or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement of understanding provided by the Corporation or any of its subsidiaries.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth in this Information Circular, the management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer of the Corporation or of any associate or affiliate of any director or executive officer, in any matter to be acted upon at the Meeting.

OTHER MATTERS TO BE ACTED UPON

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

DIRECTOR APPROVAL

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

ADDITIONAL INFORMATION

Financial information is provided in the Corporation's audited financial statements and accompanying managements' discussion and analysis (“MD&A”) for the year ended December 31, 2016.

Under NI 51-102, any person or company who wishes to receive annual and/or interim financial statements from the Corporation may deliver a written request for such material to the Corporation or the Corporation's

agent, together with a signed statement that the person or company is the owner of securities of the Corporation. Shareholders who wish to receive annual and/or interim financial statements are encouraged to send the enclosed mail card, together with the completed form of proxy, in the addressed envelope provided to Computershare, 8th Floor Proxy Department, 100 University Avenue, Toronto, Ontario, M5J 2Y1. The Corporation will maintain a supplemental mailing list of persons or companies wishing to receive annual and/or interim financial statements.

Additional information relating to the Corporation is available on the SEDAR website at www.sedar.com.

SCHEDULE "A"

YANGARRA RESOURCES LTD.

INCENTIVE STOCK OPTION PLAN

ARTICLE 1 INTERPRETATION

1.1 Supersedes Prior Option Plans

This Plan supersedes and replaces all prior option plans of Yangarra Resources Ltd. and all options to acquire Common Shares granted under any such prior option plans shall henceforth be Options governed by and subject to the provisions of this Plan.

1.2 Purpose of Plan

The purpose of the Plan is (i) to encourage and develop the interest of Optionees in the growth and development of the Corporation by providing such persons with the opportunity to acquire a proprietary interest in the Corporation, thereby more closely aligning the personal interests of such Optionees to that of the shareholders of the Corporation and (ii) to better enable the Corporation and its subsidiaries to compensate, attract, retain and motivate persons of desired experience and ability.

1.3 Definitions

In this Plan, unless there is something in the subject or context inconsistent therewith, the following terms shall have the following meanings:

- (a) "Act" means the *Securities Act* (Alberta), as amended;
- (b) "Board of Directors" means the board of directors of the Corporation;
- (c) "Common Share" means a common share in the capital of the Corporation as constituted on the effective date of this Plan and, after any adjustments pursuant to Section 6.1 hereof, means the shares or other securities or property which, as a result of such adjustments and all prior adjustments pursuant to Section 6.1 hereof, the holders of Options are then entitled to receive on the exercise thereof;
- (d) "Consultant" has the meaning ascribed thereto in Multilateral Instrument 45-105 Trades to Employees, Senior Officers, Directors and Consultants;
- (e) "Convertible Securities" means securities issued by the Corporation which entitle the holder to acquire Common Shares;
- (f) "Corporation" means Yangarra Resources Ltd. and any successor or continuing corporation resulting from any form of corporate reorganization;
- (g) "Current Market Price" means the closing trading price per Common Share on the Exchange on the date preceding the date of the computation, or if such Common Shares are not listed on any stock exchange at a price determined by the Board of Directors. If no trades are reported on the Exchange on such trading day, the trade occurring on the last day on which a trade took place preceding the relevant date will be used in the computation;

- (h) “*Exchange*” means, at any time, the TSX Exchange if the Common Shares are listed and posted for trading thereon at such time or, otherwise, any other stock exchange upon which the Common Shares are listed and posted for trading at such time;
- (i) “*Exercise Price*” means the price at which a Common Share may be purchased pursuant to the exercise of a Vested Option;
- (j) “*Expiry Date*” means the date upon which an Option expires and is of no further force or effect, as may be adjusted pursuant to Article 6 hereof;
- (k) “*Option*” means a right to purchase one Common Share that is granted pursuant to this Plan;
- (l) “*Option Agreement*” means an agreement between the Corporation and a Participant pursuant to which an Option is granted to such Participant;
- (m) “*Optionee*” means a Participant to whom an Option has been granted pursuant to this Plan;
- (n) “*Participant*” means, at any time, a person who at such time is at least one of a director, officer or employee of the Corporation or one of its subsidiaries (or a corporation wholly-owned by such person or together with such person's spouse and/or children) or a Consultant;
- (o) “*Plan*” means the stock option plan, as amended from time to time;
- (p) “*Unvested Option*” means, at any time, an Option that is not exercisable at such time;
- (q) “*Vesting Date*” means the date upon which an Unvested Option vests so as to become a Vested Option; and
- (r) “*Vested Option*” means, at any time, an Option that is exercisable at such time.

1.4 Number and Gender

In this Plan, unless there is something in the subject or context inconsistent therewith, words importing the singular number include the plural, and vice versa, and words importing the masculine gender include the feminine and neuter genders, and vice versa.

1.5 No Effect on Employment or Retainer

Participation in this Plan by a Participant is entirely voluntary and does not affect the Participant's employment or continued retainer by, or other engagement with, the Corporation or its subsidiaries. Neither this Plan nor the granting to a Participant of an Option hereunder of itself gives such Participant any right to continue to be a director, officer, employee or Consultant of the Corporation or any of its subsidiaries.

None of the terms and conditions governing an Option shall be affected by any change in the terms of the Optionee's employment by or engagement with the Corporation so long as the Optionee continues to be a Participant. The terms of this Plan or any Option Agreement shall not affect in any manner whatsoever the terms or validity of any employment agreement to which the Corporation or any of its subsidiaries is a party.

1.6 No Rights as Shareholder

An Optionee has no rights whatsoever as a shareholder in respect of a Common Share to which such Optionee is entitled upon the valid exercise of a Vested Option unless and until such Optionee has validly exercised such Option and paid the Exercise Price and such Common Share has been issued to such Optionee.

1.7 No Assurance of Value

The Corporation does not assure a profit or protect against a loss upon the exercise of any Option or the subsequent sale of any Common Share acquired thereby. The Corporation assumes no responsibility relating to any tax liability of the Optionee by reason of any transaction entered into pursuant to this Plan.

1.8 No Limitations on Board of Directors

Nothing contained in this Plan shall or shall be deemed to restrict or in any way limit the rights and powers of the Board of Directors in relation to any allotment and issuance of any securities of the Corporation that are not reserved for issuance hereunder, subject to the regulations of the Exchange.

1.9 No Inconsistencies with Exchange Rules

This Plan is subject to the rules and regulations of the Exchange and any other exchange facility through which the Common Shares may be traded. To the extent that any provision of this Plan conflicts with any such rules and regulations, such rules and regulations shall govern and this Plan shall be deemed to be amended to be consistent therewith, and the Board of Directors of the Corporation be and is hereby authorized and empowered to do all such acts and things and to restate the Plan in accordance with any such deemed amendments without any further action or approval of the shareholders of the Corporation.

ARTICLE 2 ADMINISTRATION OF PLAN

2.1 Board of Directors Responsible

This Plan shall be administered by the Board of Directors. However, the Board of Directors may delegate to a committee thereof or to one or more officers of the Corporation the responsibility for administering the Plan or any portion thereof. Any reference in this Plan to the Board of Directors shall include a reference to such a committee or officer(s), as the case may be.

2.2 Decisions Final and Binding

All decisions and interpretations by the Board of Directors respecting this Plan or Options granted hereunder, including decisions as to adjustments in accordance with Section 6.1, shall, absent bad faith, be final and binding on the Corporation, all Optionees and Participants and their respective successors.

2.3 Regulatory Approvals

The administration of this Plan, including the grant or exercise of any Options pursuant hereto, is subject to receipt by the Corporation of all approvals, advance rulings, exemptions or registrations required or desired under applicable laws and regulations, including all approvals or registrations required by the Exchange or any other exchange facility through which the Common Shares may, from time to time, be traded.

2.4 Maintenance of Records

The Corporation will maintain all records relating to the administration of this Plan as may be necessary or advisable. Upon written request from an Optionee, the Corporation will furnish to that Optionee a statement indicating the number of Options held on such Optionee's behalf.

2.5 Amendments to and Termination of Plan

The Board of Directors may at any time, but subject always to the receipt of required regulatory approvals, alter, amend or revise the terms and conditions of this Plan or of any outstanding Options or suspend, discontinue or terminate this Plan or any portion hereof, all provided that, without the prior written consent of an Optionee, no such action shall adversely affect any Options previously granted to such Optionee and in respect of which the conditions of Section 4.3 hereof have been satisfied. Specifically, the Board of Directors shall not require the approval of the Shareholders of the Corporation for the following types of amendments:

- (a) amendments of a “housekeeping” nature;
- (b) a change to the vesting provisions of the Plan;
- (c) a change to the termination provisions of the Plan which does not entail an extension beyond the original Expiry Date; and
- (d) the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Plan reserve.

The exercise price of any individual option may not be reduced without prior approval of a majority of disinterested shareholders of the Corporation who vote on such amendment if the Optionee is an Insider of the Corporation at the time of the proposed amendment.

Upon the suspension, discontinuance or termination of this Plan or any portion hereof, any Option granted prior thereto and in respect of which the conditions in Section 4.3 hereof have been satisfied shall remain exercisable in accordance with its terms as specified herein and in the Option Agreement.

ARTICLE 3 RESERVATION AND ISSUANCE OF COMMON SHARES

3.1 Interpretation

In this Article 3, the following terms shall have the following meanings:

- (a) “*Associate*” has the meaning assigned by the Act;
- (b) “*Available Option Shares*” means the number of Common Shares within the Plan Limit which are available at any time for the grant of Options as set forth in Section 3.2;
- (c) “*Insider*” means (i) an insider (as defined in the Act) of the Corporation and (ii) any Associate of any person who is an insider of the Corporation by virtue of sub-paragraph (i);
- (d) “*Outstanding Common Shares*” means, at any time, the number of Common Shares issued and outstanding on a non-diluted basis at such time; and

- (e) “*Plan Limit*” means, at any time, the aggregate number of Common Shares that may be issued or reserved for issuance pursuant to this Plan (as provided in Section 3.2 and subject to adjustment as set forth in Section 3.2).

3.2 Common Shares Subject to Options

The number of authorized but unissued Common Shares that may be issued upon the exercise of Options granted under the Plan at any time plus the number of Common Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Corporation shall not exceed 10% of the issued and outstanding Common Shares on a non-diluted basis at any time, and such aggregate number of Common Shares shall automatically increase or decrease as the number of issued and outstanding Common Shares changes (including as a result of Option exercises). The Options granted under the Plan, together with all of the Corporation's other previously established stock option plans or grants, shall not result at any time in:

- (a) the number of Common Shares reserved for issuance pursuant to Options granted to Insiders exceeding 10% of the issued and outstanding Common Shares;
- (b) the grant to Insiders within a 12 month period, of a number of Options exceeding 10% of the outstanding Common Shares; or
- (c) the grant to any one (1) Optionee within a 12 month period, of a number of Options exceeding 5% of the issued and outstanding Common Shares.

Subject to the Exchange Company Manual, the aggregate number of Common Shares reserved for issuance to any one (1) Optionee under Options granted in any 12 month period shall not exceed 5% of the issued and outstanding Common Shares determined at the date of grant (or 2% of the issued and outstanding Common Shares in the case of an Optionee who is a Consultant or an Employee conducting Investor Relations Activities (as such terms are defined in the Exchange Company Manual).

In the event that the Corporation grants Options to employees, consulting, or management company employees, the Corporation shall represent that the Optionee is a bona fide employee or consultant of the Corporation, or an individual employed by a company providing management services for the Corporation, services which are required for the ongoing successful business operations of the Corporation.

Appropriate adjustments shall be made as set forth in Section 6 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 the Plan.

ARTICLE 4 GRANT OF OPTIONS

4.1 Discretionary Grants of Options

The Board of Directors may from time to time and in its discretion grant a specified number of Options to any one or more Participants. At the time of grant, the Board of Directors shall fix the following terms in respect of each grant of Options to each Participant:

- (a) the Exercise Price(s) thereof;

- (b) the Vesting Date(s) applicable thereto; and
- (c) the Expiry Date(s) thereof.

The Board of Directors may also fix such other terms and conditions of the Option Agreement, not inconsistent with this Plan, as the Board of Directors in its discretion may determine.

4.2 Limitations on Terms of Options

The terms fixed by the Board of Directors in respect of a grant of Options shall be subject to the following conditions:

- (a) the Expiry Date of an Option shall be no later than five (5) years from the date of grant of such Option;
- (b) the Option shall not be assignable or transferable and shall be exercisable only by the Optionee or such Optionee's estate; and
- (c) the Exercise Price of any Option will be fixed by the Board of Directors when such Option is granted and will be no lower than the Current Market Price.

4.3 Conditions Precedent to Effectiveness of Options

The grant of an Option to a Participant is conditional and is of no force and effect until the following conditions shall have been satisfied:

- (a) all regulatory approvals have been obtained; and
- (b) an Option Agreement has been duly executed by the Corporation and delivered to such Participant.

4.4 Execution and Delivery of Option Agreement

An Option Agreement shall be in such form as the Board of Directors may from time to time approve. An Option Agreement may be executed and delivered for and on behalf of the Corporation by either the President or a Vice-President of the Corporation or such other officer of the Corporation who may be identified for such purpose by the Board of Directors.

ARTICLE 5 EXERCISE OF OPTIONS

5.1 Exercise of Vested Options

Subject to Section 5.5 hereof, a Vested Option may be exercised by delivery from the Optionee to the Corporation, at its principal business office in Calgary, Alberta, of a written notice of exercise ("Exercise Notice"), in a form acceptable to the Board of Directors, that specifies the number of Common Shares with respect to which such Vested Option is being exercised, together with payment in full of the Exercise Price for the Common Shares that are being purchased pursuant to such exercise.

5.2 Conditions Precedent to Issuance of Common Shares Upon Exercise

If at any time the Board of Directors determines that any registration, qualification, consent, approval or undertaking is necessary under applicable law or regulatory requirement as a condition of the issuance of any Common Shares upon the exercise of Vested Options, then the issuance of such Common

Shares shall not be made unless and until such registration, qualification, consent, approval or undertaking has been obtained free of any condition not acceptable to the Board of Directors.

5.3 Issuance of Common Shares Upon Exercise

Upon the exercise of Vested Options, the Corporation shall deliver or cause to be delivered to the Optionee a certificate registered in the name of such Optionee or designee representing the number of Common Shares to which the Optionee is entitled upon such exercise. Such certificate may have a legend reflecting any restrictions on resale under applicable law.

Common Shares issued upon the exercise of Vested Options shall be validly issued as fully paid and non-assessable. The issuance of such Common Shares shall not require further approval of the Board of Directors and shall be deemed to have occurred on the date that the related Options were exercised.

5.4 Restrictions on Resale of Common Shares

Any trade of the Optionee in any Common Shares issued to such Optionee pursuant to the exercise of Vested Options, including any sale or disposition for valuable consideration, and any transfer, pledge or encumbrance of such Common Shares, is subject to such regulatory approvals and other restrictions under applicable securities laws as may be applicable at the time of such trade. Accordingly, the Corporation makes no representation as to the ability of any Optionee to trade in the Common Shares so acquired upon the exercise of Vested Options.

5.5 Prohibition on Exercise of Vested Options

Notwithstanding any other provision of this Plan or any Option Agreement, no Common Share shall be issued upon the exercise of a Vested Option where such issuance would result in a violation of Article 3.

ARTICLE 6 ADJUSTMENTS TO TERMS OF OPTION AGREEMENTS

6.1 Alteration in Common Shares

In the event of:

- (a) any subdivision or change of the Common Shares of the Corporation into a greater number of Common Shares, the Corporation shall deliver, at the time of any exercise thereafter of an Option, such additional number of Common Shares as would have resulted from such subdivision or change;
- (b) any consolidation or change of the Common Shares of the Corporation into a lesser number of Common Shares, the Corporation shall deliver, at the time of any exercise thereafter of an Option, such lesser number of Common Shares as would have resulted from such consolidation or change;
- (c) any reclassification of the Common Shares of the Corporation 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, an Optionee shall be entitled to receive, and shall accept, in lieu of the number of Common Shares to which such Optionee was theretofore entitled under exercise

of an 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.

6.2 Vesting on Death

In the event of an Optionee's death, all of the Unvested Options granted to the Optionee will vest on the day immediately preceding the date of such Optionee's death and the Optionee's estate will have the right, for a period of 180 days thereafter, to exercise all of the unexercised Options. Options not exercised within the said 180 day period will automatically terminate.

6.3 Vesting on Disability

In the event an Optionee becomes entitled to long-term disability payments pursuant to the Corporation's disability insurance program (or if not a participant in such program, would have been entitled to such payments if the Optionee had been a participant in such program), all of the Unvested Options held by the Optionee will vest on the day immediately preceding the day on which the Optionee becomes entitled to long-term disability payments and the Optionee will have the right, for a period of 180 days thereafter, to exercise all of the Options unexercised. Options not exercised within the said 180 day period will automatically terminate.

6.4 Vesting on Retirement

If an Optionee retires pursuant to a retirement policy approved by the Board of Directors, all of the Unvested Options held by the Optionee will vest on the day immediately preceding the date of such Optionee's retirement and the Optionee will have the right, for a period of 30 days thereafter, to exercise all of the unexercised Options. Options not exercised within the said 30 day period will automatically terminate.

6.5 Exercised on Resignation or Termination

If an Optionee resigns from the Corporation or is terminated by the Corporation (with or without cause), or in the case of a Consultant Optionee, their contract with the Corporation expires, such Optionee's Unvested Options will immediately terminate and be of no further force and effect provided, however, the resigning or terminated Optionee may, subject to the Expiry Date, for a period of 30 days from the date of resignation or termination exercise such Optionee's Vested Options not previously exercised on the date of resignation or termination.

6.6 Vesting on Change of Control

If the Board of Directors so determines, all of the Unvested Options held by an Optionee will vest and become Vested Options preceding an event which would result in a Change of Control (as hereinafter defined) and the Optionee will have the right, for such period as the directors may specify, to exercise all of such Optionee's unexercised Options. Options not exercised within the said period will terminate.

For the purposes of this clause, "Change of Control" of the Corporation will include and be interpreted as including the following events and circumstances:

- (a) the purchase or acquisition of Common Shares or Convertible Securities by a Person (as hereinafter defined) which results in the Person beneficially owning, or exercising control or direction over, Common Shares or Convertible Securities such that, assuming only the conversion of Convertible Securities beneficially owned or over which control or direction is exercised by the Person, the Person would beneficially own, or exercise control or

direction over, Common Shares carrying the right to cast more than 50% of the votes attaching to all Common Shares which may be cast to elect directors of the Corporation; or

- (b) approval by the shareholders of the Corporation of: (i) an amalgamation, arrangement, merger or other consolidation or combination of the Corporation with another corporation pursuant to which the shareholders of the Corporation immediately thereafter do not own shares of the successor or continuing corporation which would entitle them to cast more than 50% of the votes attaching to all shares in the capital of the successor or continuing corporation which may be cast to elect directors of that corporation; (ii) the liquidation, dissolution or winding-up of the Corporation; or (iii) the sale, lease or other disposition of all or substantially all of the assets of the Corporation.

For the purposes of this clause, "Person" means: (a) an individual; (b) a partnership; (c) a corporation, an incorporated association, an incorporated syndicate or any other incorporated organization; (d) an unincorporated association, an unincorporated syndicate or any other unincorporated organization; (e) a trust; (f) a trustee, an executor, an administrator or any other legal representative; or (g) Her Majesty in right of Canada or any province thereof. Where any two or more Persons acting jointly or in concert or are Persons associated or affiliated with each other, within the meaning of the *Business Corporations Act* (Alberta), then the Common Shares and Convertible Securities acquired by each of them will be included in the calculation of a Change of Control.

For the purposes of determining when a Change of Control occurs by Persons acting jointly or in concert, Change of Control will be deemed to occur when the Persons first attempt to act, or in fact act, jointly or in concert.

For the purposes of determining who has made an acquisition referred to in this clause, it will be construed and interpreted as being the beneficial owner.

In the event that the Board of Directors decides that there has been a Change of Control and determines to accelerate the vesting of Options, the Optionee or such Optionee's legal representatives will be given written notice by the Corporation of the Change of Control and acceleration of options in accordance with the provisions of this Plan and the period to exercise Options will commence on the day notice is given.

ARTICLE 7 GENERAL

7.1 Governing Law

This Plan and each Option granted under this Plan shall be governed by and construed in accordance with the laws of the Province of Alberta and any Option Agreement entered into pursuant to this Plan shall be treated in all respects as an Alberta contract.

7.2 Enurement

This Plan and any Option Agreement entered into pursuant hereto shall enure to the benefit of and be binding upon the Corporation, its successors and assigns. The interest of any Optionee hereunder or under any Option Agreement is not transferable or alienable by the Optionee either by assignment or in any other manner and, during such Optionee's lifetime, is vested only in such Optionee, but, subject to the terms hereof and of the Option Agreement, shall enure to the benefit of and be binding upon such Optionee's legal personal representatives.

7.3 Conflict

In the event of a conflict between the terms of this Plan and an Option Agreement, the terms of this Plan shall prevail.

7.4 Waiver

No waiver by the Corporation of any term of this Plan or any breach thereof by an Optionee is effective or binding on the Corporation unless it is expressed in writing and any waiver so expressed does not limit or affect its rights with respect to any other or future breach.

7.5 Time is of the Essence

Time is of the essence of this Agreement.