



**CES ENERGY SOLUTIONS CORP.**

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING  
OF SHAREHOLDERS TO BE HELD ON JUNE 23, 2020**

**AND**

**INFORMATION CIRCULAR AND PROXY STATEMENT**

**MAY 14, 2020**



## NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

To be held on June 23, 2020

**NOTICE IS HEREBY GIVEN THAT** the Annual General and Special Meeting (together with any and all adjournments and postponements thereof, the **"Meeting"**) of the holders (the **"Shareholders"**) of common shares (the **"Common Shares"**) of CES Energy Solutions Corp. (the **"Corporation"** or **"CES"**) will be held on June 23, 2020 at 9:00 a.m. (Calgary time). As a result of concerns relating to the unprecedented health impact of COVID-19, CES will conduct the Meeting in a virtual only format conducted via live audio webcast at <https://web.lumiagm.com/173366706>. **Shareholders will not be able to attend the Meeting in person.**

The Meeting will be held for the following purposes:

1. to receive and consider the audited consolidated comparative financial statements of the Corporation for the year ended December 31, 2019, together with the auditors' report on those financial statements;
2. to fix the number of directors to be elected at the Meeting at six (6) members;
3. to elect persons to serve as directors of the Corporation for the ensuing year;
4. to consider and, if thought fit, pass an ordinary resolution ratifying and approving certain amendments to the Corporation's restricted share unit plan (**"RSU Plan"**), as more fully described in the management information circular and proxy statement of the Corporation dated May 14, 2020 (the **"Information Circular"**);
5. to consider and, if thought fit, pass an ordinary resolution approving unallocated restricted share units (**"RSUs"**) under the RSU Plan, as more fully described in the Information Circular;
6. to consider and, if thought fit, pass a special resolution approving the continuance of the Corporation out of the jurisdiction of Canada under the *Canada Business Corporations Act* and into the jurisdiction of Alberta under the *Business Corporations Act* (Alberta), as more fully described in the Information Circular;
7. to appoint Deloitte LLP as the auditors of the Corporation for the ensuing year and to authorize the board of directors of the Corporation (the **"Board"**) to fix the remuneration of the auditors; and
8. to transact such other business as may properly be brought before the Meeting.

The specific details of the matters proposed to be put before the Meeting are set forth in the Information Circular accompanying this Notice of Meeting. The audited consolidated comparative financial statements of the Corporation for the year ended December 31, 2019, including the auditors' report on those financial statements, have been mailed to Shareholders who have requested the same, in accordance with

applicable securities laws. The financial statements are also available on the internet on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

A Shareholder may attend the Meeting or may be represented at the Meeting by a third party proxy, in either case virtually via audio webcast only. Shareholders attending virtually, they will be able to ask questions and vote, all in real time, provided they are connected to the internet and comply with all of the requirements as set out in the Information Circular.

Shareholders of the Corporation who are unable or do not wish to attend the Meeting virtually are requested to complete, date and sign the enclosed form of proxy or voting instruction form (each referred to as a **"Form of Proxy"**) to appoint a third party proxyholder and return it in the enclosed envelope. Non-registered Shareholders (being Shareholders who hold their Common Shares through brokerage accounts or other intermediaries) who wish to appear attend virtually and vote at the Meeting must appoint themselves as proxy by inserting their name in the blank space provided on the Form of Proxy and returning the Form of Proxy in the envelope provided. In order to be valid and acted upon at the Meeting, the Form of Proxy must be received (either directly or through a Shareholder's broker or other intermediary) by Computershare Investor Services Inc. not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time for holding the Meeting. Further instructions with respect to attending the Meeting virtually or voting by proxy are provided in the Form of Proxy and in the Information Circular accompanying this Notice of Meeting.

Shareholders of record as of the close of business on May 14, 2020 are entitled to receive notice of the Meeting and to vote Common Shares registered in their name at the Meeting. Any transferee or person acquiring Common Shares after such date may, on proof of ownership of such Common Shares, demand not later than 10 days before the Meeting that his or her name be included in the list of persons entitled to attend and vote at the Meeting, in which case the transferee is entitled to vote those Common Shares at the Meeting.

DATED at Calgary, Alberta on May 14, 2020.

**CES ENERGY SOLUTIONS CORP.**

*(signed) "Thomas J. Simons"*

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Thomas J. Simons  
President and Chief Executive Officer



**INFORMATION CIRCULAR AND PROXY STATEMENT**

**For the Annual General and Special Meeting of Shareholders  
to be held on June 23, 2020**

## TABLE OF CONTENTS

<b>PROXIES .....</b>	<b>3</b>
SOLICITATION OF PROXIES .....	3
VOTING AT THE MEETING .....	3
NOTICE AND ACCESS PROCEDURES .....	3
NOTICE TO BENEFICIAL HOLDERS OF COMMON SHARES .....	4
RECORD DATE .....	5
APPOINTMENT AND REVOCATION OF PROXIES .....	5
PERSONS MAKING THE SOLICITATION .....	6
EXERCISE OF DISCRETION BY PROXIES .....	6
QUORUM .....	6
<b>VOTING SHARES AND THE PRINCIPAL HOLDERS THEREOF .....</b>	<b>6</b>
<b>SHAREHOLDER PROPOSALS .....</b>	<b>7</b>
<b>APPROVAL REQUIREMENT .....</b>	<b>7</b>
<b>MATTERS TO BE ACTED UPON AT THE MEETING .....</b>	<b>7</b>
<b>DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES .....</b>	<b>23</b>
GENERAL .....	23
COMPENSATION, CORPORATE GOVERNANCE AND NOMINATING COMMITTEE .....	24
BOARD OF DIRECTORS .....	25
MEETING ATTENDANCE .....	27
BOARD MANDATE .....	27
STRATEGIC PLANNING .....	28
POSITION DESCRIPTIONS .....	28
SUCCESSION PLANNING FOR SENIOR EXECUTIVES AND MANAGEMENT .....	28
RISK MANAGEMENT OVERSIGHT .....	28
RESPONSIBILITY OF CHAIRMAN OF THE BOARD OF DIRECTORS .....	28
ORIENTATION AND CONTINUING EDUCATION .....	29
ETHICAL BUSINESS CONDUCT .....	29
NOMINATION OF DIRECTORS AND DIRECTOR SUCCESSION .....	30
OTHER BOARD COMMITTEES .....	31
BOARD ASSESSMENTS .....	32
DIVERSITY .....	32
<b>SHARE BASED COMPENSATION PLANS .....</b>	<b>33</b>
EXISTING PLANS AND SHARES AUTHORIZED FOR ISSUANCE .....	33
TERMS OF THE RSU PLAN .....	34
TERMS OF THE SRIP (EXPIRED) .....	36
TERMS OF THE DCA .....	38
ANNUAL BURN RATE FOR RSU PLAN, SRIP AND DCA .....	38
<b>EXECUTIVE COMPENSATION .....</b>	<b>39</b>
NAMED EXECUTIVE OFFICERS .....	39
COMPENSATION DISCUSSION AND ANALYSIS .....	39
PERFORMANCE GRAPH .....	51
SUMMARY COMPENSATION TABLE .....	53
OUTSTANDING INCENTIVE RIGHTS AND RSUs AS AT DECEMBER 31, 2019 .....	54
INCENTIVE PLAN AWARDS — VALUE VESTED OR EARNED DURING THE YEAR .....	55
TERMINATION AND CHANGE OF CONTROL BENEFITS .....	55
<b>DIRECTORS' COMPENSATION .....</b>	<b>59</b>
OVERVIEW .....	59

SUMMARY COMPENSATION TABLE .....	61
OUTSTANDING INCENTIVE RIGHTS AND RSUs AS AT DECEMBER 31, 2019 .....	61
INCENTIVE PLAN AWARDS — VALUE VESTED OR EARNED DURING THE YEAR .....	62
NON-EXECUTIVE DIRECTOR SHARE OWNERSHIP REQUIREMENTS .....	63
<b>INDEBTEDNESS OF DIRECTORS AND MANAGEMENT .....</b>	<b>64</b>
<b>INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON .....</b>	<b>64</b>
<b>INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS .....</b>	<b>64</b>
<b>ADDITIONAL INFORMATION.....</b>	<b>64</b>
<b>OTHER MATTERS .....</b>	<b>64</b>
<b>DIRECTORS' APPROVAL .....</b>	<b>64</b>
<b>APPENDIX "A" AMENDED AND RESTATED RESTRICTED SHARE UNIT PLAN.....</b>	<b>65</b>
<b>APPENDIX "B" ARTICLES OF CONTINUANCE.....</b>	<b>80</b>
<b>APPENDIX "C" BY-LAW NUMBER 1 OF THE CORPORATION UNDER THE ABCA .....</b>	<b>85</b>
<b>APPENDIX "D" SECTION 190 OF THE CBCA.....</b>	<b>108</b>
<b>APPENDIX "E" BOARD OF DIRECTORS TERMS OF REFERENCE .....</b>	<b>112</b>

## PROXIES

### Solicitation of Proxies

This Information Circular and Proxy Statement (the “**Information Circular**”) is furnished in connection with the solicitation of proxies by the management (“**Management**”) of CES Energy Solutions Corp., including, where context requires, its predecessors and subsidiaries (the “**Corporation**” or “**CES**”) for use at the Annual General and Special Meeting of the holders (the “**Shareholders**”) of common shares of the Corporation (the “**Common Shares**”) to be held on June 23, 2020 at 9:00 a.m. (Calgary time) (together with all adjournments and postponements thereof, the “**Meeting**”). As a result of concerns relating to the unprecedented health impact of COVID-19, as well as government regulations requiring physical distancing and restricting large gatherings, CES will conduct the meeting virtually via audio webcast at <https://web.lumiagm.com/173366706>. **Shareholders will not be able to attend the Meeting in person.**

The Meeting is being held for the purposes set forth in the accompanying Notice of Annual General and Special Meeting of Shareholders (the “**Notice of Meeting**”) accompanying this Information Circular. Information contained in this Information Circular is given as at May 14, 2020 unless otherwise stated.

### Voting at the Meeting

A Registered Shareholder or a Beneficial Shareholder (each as defined below) who has appointed themselves or a third-party proxyholder to represent them at the meeting, will appear on a list of shareholders prepared by Computershare Trust Company of Canada / Computershare Investor Services Inc. (collectively, “**Computershare**”), the transfer agent and registrar for the meeting. To have their Common Shares voted at the meeting, each Registered Shareholder or proxyholder will be required to enter their control number or username provided by Computershare at <https://web.lumiagm.com/173366706> prior to the start of the meeting. Beneficial Shareholders who appoint themselves as a proxyholder **MUST** register with Computershare at <https://www.computershare.com/CESEnergy> after submitting their voting instruction form in order to receive a username and to be able to vote. **It is important that you are connected to the internet at all times during the meeting in order to vote when balloting commences.**

### Notice and Access Procedures

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

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

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

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

## **Notice to Beneficial Holders of Common Shares**

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

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of securityholders’ meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to Registered Shareholders; however, its purpose is limited to instructing the Registered Shareholder how to vote on behalf of the Beneficial Shareholder.

The majority of brokers now delegate responsibility for obtaining voting instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically mails a scannable “voting instruction form” in lieu of the form of proxy. Beneficial Shareholders are requested to complete and return the voting instruction form to Broadridge by mail, phone or online. Alternatively, Beneficial Shareholders can call a toll-free telephone number or access Broadridge’s dedicated voting website (each as noted on the voting instruction form) to deliver their voting instructions and vote the Common Shares held by them. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. The voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Common Shares voted.

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

**A Beneficial Shareholder receiving a voting instruction form from Broadridge or a form of proxy from an organization other than Broadridge cannot use it to vote Common Shares directly at the Meeting. A Beneficial Shareholder who wishes to participate online and vote at the Meeting must have themselves appointed as proxy by the Registered Shareholder by following the instructions in the voting instruction form or form of proxy. In addition, you must register yourself as your proxyholder at [www.computershare.com/CSEnergy](http://www.computershare.com/CSEnergy).**

After the proxyholder is registered, Computershare will provide the proxyholder with a control number for the Meeting. This control number will allow the proxyholder to log in to the live webcast and vote at the Meeting using the LUMI meeting platform. To vote during the Meeting online via webcast log in at



<https://web.lumiagm.com/173366706>, click on “I have a Control Number”, enter the 13-digit control number provided by Computershare and the password “ces2020” (case sensitive), then click on the “Login” button.

For Beneficial Shareholders in the United States, in order to attend and vote at the virtual Meeting, you must first obtain a valid legal proxy from your broker, bank or other agent and then register in advance to attend the Meeting. Follow the instructions from your broker or bank included with these proxy materials or contact your broker or bank to request a legal proxy form. After first obtaining a valid legal proxy from your broker, bank or other agent, to then register to attend the Meeting you must submit a copy of your legal proxy to Computershare. Requests for registration should be directed to Computershare, Proxy Department, 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1 or via email at [uslegalproxy@computershare.com](mailto:uslegalproxy@computershare.com).

Requests for registration must be labeled as “Legal Proxy” and be received no later than 9:00 am Mountain Standard Time on Friday, June 19, 2020. You will receive a confirmation of your registration by email after we receive your registration materials. You may attend the Meeting and vote your shares at <https://web.lumiagm.com/173366706> during the Meeting. In addition, you must register yourself as a proxyholder at [www.computershare.com/CSEEnergy](http://www.computershare.com/CSEEnergy).

Beneficial Shareholders who do not have a 15-digit control number or username will only be able to attend as a guest which allows them listen to the Meeting however will not be able to vote or submit questions. A Beneficial Shareholder may revoke voting instructions which have been given to an intermediary by carefully following the instructions provided by the intermediary.

If you are using a 15-digit control number to login to the Meeting and you accept the terms and conditions, you will be revoking any and all previously submitted proxies. However, in this case you will be provided the opportunity to vote by ballot on the matters put forth at the Meeting. If you DO NOT wish to revoke all previously submitted proxies, do not accept the terms and conditions, in which case you can only enter the Meeting as a guest. If you are eligible to vote at the Meeting, it is important that you are connected to the internet at all times during the Meeting in order to vote when balloting commences. It is your responsibility to ensure connectivity for the duration of the Meeting.

## **Record Date**

Only Registered Shareholders of record at the close of business on May 14, 2020 (the “**Record Date**”) are entitled to notice of, and to attend and vote at, the Meeting, unless a Registered Shareholder has transferred Common Shares subsequent to that date and the transferee Registered Shareholder establishes ownership to the Common Shares and demands, not later than 10 days before the Meeting, that the transferee’s name be included on the list of shareholders entitled to vote.

## **Appointment and Revocation of Proxies**

Registered Shareholders may vote virtually at the Meeting or they may appoint another person as their proxy to attend and vote in their place. A form of proxy (“**Form of Proxy**”) has been mailed with the Notice of Meeting and this Information Circular to all Registered Shareholders. **The persons named in the Form of Proxy are officers of the Corporation. A Registered Shareholder submitting the Form of Proxy has the right to appoint a person (who does not have to be a Shareholder) to be their representative at the Meeting, other than the persons designated in the Form of Proxy furnished by the Corporation. Such appointment may be exercised by inserting the name of the appointed representative in the blank space provided for that purpose. In addition, a Registered Shareholder must register its proxyholder at [www.computershare.com/CSEEnergy](http://www.computershare.com/CSEEnergy).**

After such registration is complete, Computershare will provide a control number to the Registered Shareholder. This control number will allow the proxyholder to log in to the live webcast and vote at the Meeting using the LUMI meeting platform. Without a control number, the proxyholder will not be able to vote at the Meeting. Computershare will provide the duly appointed proxyholder with a control number provided that the Form of Proxy has been received by Computershare prior to the deadline set out below.

Registered Shareholders that cannot attend the Meeting virtually are requested to complete, sign, date and return the accompanying Form of Proxy in the envelope provided. In any case, the Form of Proxy must be dated and executed by the Registered Shareholder or his or her attorney duly authorized in writing or, if the Registered Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. In order to be effective, the completed Form of Proxy must be deposited at the office of the Corporation's registrar and transfer agent, Computershare, Proxy Department, 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, no later than 9:00 am Mountain Standard Time on Friday, June 19, 2020.

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

### **Persons Making the Solicitation**

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

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

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

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

### **Quorum**

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

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

The Corporation is authorized to issue an unlimited number of Common Shares and as at May 14, 2020, 263,343,152 Common Shares were issued and outstanding. Each matter to be voted on at the Meeting will be conducted by poll or ballot with every Shareholder present or represented by proxy has one vote for each Common Share held.

To the best of the knowledge of Management and the directors of the Corporation, as at May 14, 2020, no Shareholder beneficially owned or controlled or directed, directly or indirectly, Common Shares carrying more than 10% of the votes attached to all of the issued and outstanding Common Shares that may be voted at the Meeting, except as set forth in the table below:

Name	Number of Common Shares	Percentage of Class
EdgePoint Investment Group Inc. <sup>(1)</sup>	51,339,698	19.33
Turtle Creek Asset Management Inc. <sup>(2)</sup>	30,938,400	11.82

**Notes:**

- (1) Based upon a Form 62-103F3 (Required Disclosure by an Eligible Institutional Investor) filed on SEDAR on December 10, 2019, the last publicly available information disclosing the share ownership in the Corporation by EdgePoint investment Group Inc.
- (2) Based upon a Form 62-103F3 (Required Disclosure by an Eligible Institutional Investor) filed on SEDAR on April 9, 2020, the last publicly available information disclosing the share ownership in the Corporation by Turtle Creek Asset Management Inc.

## SHAREHOLDER PROPOSALS

The *Canada Business Corporations Act* (the “**CBCA**”) permits certain eligible Shareholders to submit shareholder proposals to the Corporation for inclusion in a management proxy circular for an annual meeting of shareholders. No Shareholder proposals were submitted for consideration at the upcoming Meeting. The final date by which the Corporation must receive shareholder proposals for the annual meeting of Shareholders to be held in 2021 is January 17, 2021, being the date that is at least 90 days before the anniversary of the Notice of the Meeting of Shareholders sent to Shareholders in connection with the Meeting.

## APPROVAL REQUIREMENT

All of the matters to be considered at the Meeting, other than the election of directors and the approval of the continuance of the Corporation (the “**Continuance**”) from federal jurisdiction under the CBCA to the *Business Corporations Act (Alberta)* (the “**ABCA**”), are ordinary resolutions requiring approval by more than 50% of the votes cast in respect of the resolution by or on behalf of Shareholders present (virtually) or represented by proxy at the Meeting. The Continuance is a special resolution requiring approval by not less than two-thirds (66 2/3%) of the votes cast in respect of the resolution by or on behalf of Shareholders present (virtually) or represented by proxy at the Meeting.

## MATTERS TO BE ACTED UPON AT THE MEETING

### 1. Presentation of Financial Statements

The consolidated comparative financial statements of the Corporation for the year ended December 31, 2019, including the auditors’ report on those financial statements, made available on the internet on the Corporation’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

### 2. Number of Directors

At the Meeting, Shareholders will be asked to fix the number of directors to be elected at the Meeting at six (6) members. **The persons designated in the enclosed Form of Proxy, unless otherwise instructed, intend to vote IN FAVOUR of the recommendation to fix the number of directors at six (6) persons.**

### 3. Election of Directors

The board of directors of the Corporation (the “**Board of Directors**” or the “**Board**”) currently consists of seven (7) directors whose terms will expire at the Meeting. At the Meeting, the Shareholders of record as at May 14, 2020 will be asked to elect six (6) nominees to serve as directors of the Corporation until the next annual general meeting of the Shareholders or until their respective successors have been appointed or elected. **The persons designated in the enclosed Form of Proxy, unless otherwise instructed, intend to vote IN FAVOUR of the election of the nominees listed herein.**

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

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

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

The name, residence, date of appointment as a director of the Corporation or its predecessor, principal occupation and number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised and other information, with respect to each of the six (6) nominees as directors of the Corporation, as at April 29, 2020, is set forth below:

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

Calgary, Alberta, Canada

Age 59

Director since December 9, 2005

Chairman of the Board of Directors

Independent

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

<b><u>Securities Held</u></b>	<b><u>Number</u></b>	<b><u>Value</u><sup>(1)</sup></b>
Common Shares	1,616,176	\$1,810,117 <sup>(2)</sup>
RSUs	70,667	\$79,147
<b>Total Equity Value at Risk</b>		<b>\$1,889,264</b>

**Committee Membership and Meeting Attendance in 2019:**

Chairman of Board of Directors	5/5
Audit Committee	4/4
Compensation and Governance Committee <sup>(3)</sup>	3/3
Compensation Committee <sup>(3)</sup>	4/4

**Mr. Spencer D. Armour, III**

Midland, Texas, United States

Age 66

Director since December 12, 2018

Independent

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

<b><u>Securities Held</u></b>	<b><u>Number</u></b>	<b><u>Value</u></b>
Common Shares	42,338	\$47,419
RSUs	70,667	\$79,147
<b>Total Equity Value at Risk</b>		<b>\$126,566</b>

**Committee Membership and Meeting Attendance in 2019:**

Board of Directors	5/5
Audit Committee	3/3 <sup>(4)</sup>
Compensation and Governance Committee <sup>(3)</sup>	3/3

**Ms. Stella Cosby, ICD.D**

Calgary, Alberta, Canada

Age 62

Director since September 14, 2017

Independent

Ms. Cosby has been the Vice President, People of Cervus Equipment Corporation since July 1, 2014. Prior to joining Cervus, Ms. Cosby was a Senior Director with Agrium Inc. from 2002 to 2014 where she held positions responsible for all aspects of Human Resources. Prior to joining Agrium Inc., Ms. Cosby was Vice President, Human Resources for Manulife Financial and Senior Director, Business Effectiveness for Canadian Pacific Railway. Ms. Cosby has a Bachelor of Arts degree in Sociology, a M.A. in Organizational Systems Renewal and is a certified executive coach. Ms. Cosby holds a Bachelor of Arts in Sociology from Western University and a Master of Arts in Organization Systems Renewal from Antioch University. Ms. Cosby is a graduate of the Institute of Corporate Directors (ICD) Education Program.

<b><u>Securities Held</u></b>	<b><u>Number</u></b>	<b><u>Value</u></b>
Common Shares	101,706	\$113,911
RSUs	70,667	\$79,147
<b>Total Equity Value at Risk</b>		<b>\$193,058</b>

**Committee Membership and Meeting Attendance in 2019:**

Board of Directors	5/5
Compensation Committee <sup>(3)</sup>	4/4
Compensation and Governance Committee <sup>(3)</sup>	3/3
Health, Safety & Environment Committee	4/4

**Mr. John M. Hooks**

Calgary, Alberta, Canada

Age 62

Director since December 9, 2005

Independent

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

<b><u>Securities Held</u></b>	<b><u>Number</u></b>	<b><u>Value</u></b>
Common Shares	819,407	\$917,736
RSUs	70,667	\$79,147
<b>Total Equity Value at Risk</b>		<b>\$996,883</b>

**Committee Membership and Meeting Attendance in 2019:**

Board of Directors	5/5
Compensation Committee (Chair) <sup>(3)</sup>	4/4
Compensation and Governance Committee (Chair) <sup>(3)</sup>	3/3

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

Calgary, Alberta, Canada

Age 69

Director since May 14, 2015

Independent

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

<b><u>Securities Held</u></b>	<b><u>Number</u></b>	<b><u>Value</u></b>
Common Shares	144,536	\$161,880
RSUs	70,667	\$79,147
<b>Total Equity Value at Risk</b>		<b>\$241,028</b>

**Committee Membership and Meeting Attendance in 2019:**

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

**Mr. Thomas J. Simons**

Calgary, Alberta, Canada

Age 51

Director since December 9, 2005

Non-Independent

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

<b><u>Securities Held</u></b>	<b><u>Number</u></b>	<b><u>Value</u></b>
Common Shares	2,837,140	\$3,177,597
RSUs	1,614,751	\$1,808,522
Incentive Rights	150,000	Nil <sup>(5)</sup>
<b>Total Equity Value at Risk</b>		<b>\$4,986,118</b>

**Committee Membership and Meeting Attendance in 2019:**

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

- (1) All values in this table have been determined based on the closing price of the Common Shares on the Toronto Stock Exchange ("TSX") as at April 29, 2020 being \$1.12 per Common Share.
- (2) Includes 974,400 Common Shares held by a family trust, which is neither controlled nor directed by Mr. Kitagawa, but for which Mr. Kitagawa acts as a trustee.
- (3) Effective May 9, 2019, the Compensation Committee and the Corporate Governance and Nominating Committee were combined to form the Compensation and Governance Committee. The attendance for each respective committee reflect the number of meetings that were held before and after May 9, 2019.
- (4) Mr. Armour was appointed to the Audit Committee effective May 9, 2019. There were three Audit Committee meetings held between his appointment and December 31, 2019.
- (5) Value of unexercised Incentive Rights as at April 29, 2020.



### *Cease Trade Orders or Bankruptcies*

Except as set forth below, no proposed director is as at the date hereof, or has been within the last ten (10) years of the date hereof, a director or executive officer of any company (including the Corporation) that, while he was acting in that capacity: (i) was the subject of a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or officer ceased to be a director or officer, in the company being the subject of a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold its assets.

Mr. Scherman was a director of Parallel Energy Inc., the administrator of Parallel Energy Trust (collectively, “**Parallel**”), a Calgary based oil and gas producer. On November 9, 2015, Parallel filed an application for protection under the *Companies’ Creditors Arrangement Act* and voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code. In the Chapter 11 proceedings, the U.S. Bankruptcy Court approved the sale of the assets of Parallel and the sale closed on January 28, 2016. Mr. Scherman resigned from the board of directors of Parallel on March 1, 2016, and subsequently, the Canadian entities of Parallel filed for bankruptcy under the *Bankruptcy and Insolvency Act* on March 3, 2016, which proceedings have subsequently been concluded. In November, 2015, the securities regulators in the Provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, and New Brunswick issued cease trade orders in relation to the securities of Parallel for the failure of Parallel to file financial statements and related management’s discussion and analysis, which cease trade orders continue to be in effect. Parallel’s trust units and debentures were delisted from the TSX on December 11, 2015.

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

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

## **4. Approval of Certain Amendments to Restricted Share Unit Plan**

### *General*

The Corporation currently has a performance based restricted share unit plan (the “**RSU Plan**”) pursuant to which the Corporation may grant restricted share units (“**RSUs**”) to certain eligible persons in respect of their performance. Upon vesting, each RSU is redeemed for one Common Share for no additional consideration.

### *Proposed Amendments*

As a result of a review by the Compensation Committee of the Corporation’s RSU Plan, on May 14, 2020 the Board approved amendments to the RSU Plan and the amendment and restatement thereof, such amendments to become effective as of the date of the Meeting; *provided that* those amendments for which shareholder approval is required shall only become effective upon such approval being obtained. These amendments are described below and the full text of the amended and restated RSU Plan is attached hereto as Appendix “A”.



The terms of the RSU Plan prior to the implementation of any of the contemplated amendments are described in this Information Circular under the heading “*Share Based Compensation Plans – Terms of the RSU Plan*” and the proposed amendments to the RSU Plan are described below.

#### Proposed Amendments Requiring Shareholder Approval

##### *Maximum Grants*

Under the current RSU Plan, the aggregate value of Common Shares reserved for issuance pursuant to RSUs to any one non-employee director in any calendar year under the RSU Plan and under any other security based compensation arrangements is not to exceed \$150,000, of which no more than \$100,000 may be issued in share rights under the Company’s share rights incentive plan or stock options under any stock option plan. The SRIP expired on June 16, 2019 and the Corporation is therefore no longer entitled to grant Incentive Rights thereunder. The Corporation has no other option incentive schemes. As a result, the Corporation proposes to amend the RSU Plan to eliminate the restrictions on the dollar value of share rights or stock options issuable by the Corporation, as it no longer has any capacity to do so. Although this is essentially a housekeeping amendment, by virtue of the provisions of the RSU Plan, any amendment of such provisions requires the approval of shareholders by ordinary resolution.

##### *Black-Out Period*

The RSU Plan does not currently contain any provisions which contemplate expressly the implications of a corporate black-out period on the redemption of vested RSUs. In order to ensure that all redemptions are administered appropriately and in compliance with all applicable laws in circumstances where a black-out period or other trading restriction has been imposed by the Corporation, the Board of Directors proposes to amend the RSU Plan to provide that if a redemption date were to fall on or within a nine (9) business day period following a date on which settlement of an RSU would be prohibited due to a black-out period or other trading restriction, then the redemption date automatically becomes the 10<sup>th</sup> business day following the lifting, termination or removal of such restriction.

##### *Amendment and Termination*

Under the current RSU Plan, the Board of Directors may generally, without the prior approval of Shareholders, suspend, discontinue or amend the RSU Plan or any RSU granted thereunder. However, certain specific amendments do require the approval of Shareholders, including in relation to, among other things, limitations on participation, transferability and issuance prescribed by the RSU Plan, and the amendment of the amendment provisions of the RSU Plan themselves.

The Corporation is proposing to supplement the amendments for which shareholder approval is required by providing that the Corporation may not materially modify the eligibility requirements for participation in the RSU Plan without such shareholder approval.

The Corporation is also proposing to amend the RSU Plan to more clearly articulate the circumstances in which the Corporation can amend the RSU Plan or any RSU granted thereunder without shareholder approval to provide specifically for the right to:

- (a) amend the vesting provisions of the RSU Plan and any RSU;
- (b) amend the RSU Plan, any RSU grant agreement or any RSU as necessary to comply with applicable law or the requirements of the TSX or any other regulatory body having authority over the Corporation, the RSU Plan or the holders of Common Shares;
- (c) make any amendment of a “housekeeping” nature, including, without limitation, to clarify the meaning of an existing provision of the RSU Plan, correct or supplement any provision of the RSU

Plan that is inconsistent with any other provision of the RSU Plan, correct any grammatical or typographical errors or amend the definitions in the RSU Plan regarding administration of the RSU Plan;

- (d) make any amendment respecting the administration of the RSU Plan; and
- (e) make any other amendment that does not require the approval of Shareholders under the RSU Plan.

#### Proposed Amendments Not Requiring Shareholder Approval

In addition to those proposed amendments to the RSU Plan that require Shareholder approval and as set forth above, the Board of Directors has approved a number of other amendments to the RSU Plan as set forth in the attached Appendix "A", the material amendments of those being as follows:

#### *Eligible Persons*

The RSU Plan currently contemplates that directors, officers and employees of the Corporation and its affiliates are eligible to participate in the RSU Plan. However, the Corporation and its affiliates have for many years discharged critical components of their business and affairs through the retention of highly skilled and long-tenured consultants. As such, the Board of Directors has determined that in the interests of greater alignment of their interests with those of the shareholders and to encourage their continued and long-term commitment to the Corporation and its affiliates, as applicable, it would be advisable to amend the RSU Plan to permit their participation as "Eligible Persons".

The RSU Plan also currently imposes a restriction on the total number of RSUs that may be granted to any one Eligible Person under the RSU Plan to no greater than 1% of the issued and outstanding Common Shares (on a non-diluted basis) at the applicable grant date. The Board of Directors has determined that the RSU Plan should be amended to remove such restriction, in deference to the Board of Directors' discretion to determine whether it is appropriate to set a limit on any one individual and, if so, what that limit should be.

The various limitations on the number of RSUs or Common Shares that may be issued to Insiders and their associates under the RSU Plan will remain.

#### *Redemption of Restricted Share Units*

The RSU Plan currently provides that on the death of an Eligible Person the Corporation will redeem all of the vested RSUs credited to such Eligible person and pay the RSU amount to their estate, with all unvested RSUs being forfeited. The Board of Directors has determined that in order to more closely align the Corporation's practices with industry peers and market practice, the RSU Plan will be amended to provide that all unvested RSUs at the time of death of an Eligible person shall immediately vest and be redeemed with other vested RSUs.

#### *Settlement of Restricted Share Units*

The RSU Plan currently contemplates that each Restricted Share Unit entitles the eligible person to receive a newly issued Common Share from treasury on redemption. The Board of Directors has determined that the RSU Plan will be amended to provide the Corporation with greater flexibility with respect to how it settles the RSUs. In that regard, the RSU Plan will continue to provide for settlement in Common Shares issued from treasury as the primary settlement mechanism, but with the option, at the Corporation's sole discretion, to instead settle for either cash in an amount equal to the market value of the Common Shares on the vesting date or in Common Shares acquired on the secondary market rather than from treasury. No outstanding Restricted Share Units will be impacted by the amendment and will continue to settle for Common Shares issued from treasury.

### **Resolution Approving Certain Amendments to the RSU Plan**

At the Meeting, Shareholders will be asked to consider and, if thought fit, pass an ordinary resolution approving certain amendments to the RSU Plan (the “**RSU Amendment Resolution**”). If approval is not obtained, only those proposed amendments to the RSU Plan that do not require shareholder approval will be adopted, at the discretion of the Board. If approval is obtained, all proposed amendments to the RSU Plan and as reflected in the amended and restated RSU Plan attached as Appendix “A” are intended to be adopted, at the discretion of the Board.

The RSU Amendment Resolution will be substantially in the following form:

“BE IT RESOLVED THAT:

1. The following amendments to the RSU Plan be approved:
  - (a) to amend the limitation on the aggregate value of Common Shares that may be reserved for issuance pursuant to RSUs to any one non-employee director in any calendar year under the RSU Plan and under any other security based compensation arrangements to eliminate the requirement that no more than \$100,000 may be issued in share rights under the Company’s share rights incentive plan or stock options under any stock option plan;
  - (b) to amend the RSU Plan to provide that if a redemption date were to fall on or within a nine (9) business day period following a date on which settlement of an RSU would be prohibited due to a black-out period or other trading restriction, then the redemption date automatically becomes the 10<sup>th</sup> business day following the lifting, termination or removal of such restriction; and
  - (c) to amend the amendment provisions of the RSU Plan to: (i) provide that the Corporation may not materially modify the eligibility requirements for participation in the RSU Plan without shareholder approval; and (ii) provide that the Corporation can amend the RSU Plan or any RSU granted thereunder without shareholder approval to provide specifically for the right to:
    - amend the vesting provisions of the RSU Plan and any RSU;
    - amend the RSU Plan, any RSU grant agreement or any RSU as necessary to comply with applicable law or the requirements of the TSX or any other regulatory body having authority over the Corporation, the RSU Plan or the holders of Common Shares;
    - make any amendment of a “housekeeping” nature, including, without limitation, to clarify the meaning of an existing provision of the RSU Plan, correct or supplement any provision of the RSU Plan that is inconsistent with any other provision of the RSU Plan, correct any grammatical or typographical errors or amend the definitions in the RSU Plan regarding administration of the RSU Plan;
    - make any amendment respecting the administration of the RSU Plan; and
    - make any other amendment that does not require the approval of Shareholders under the RSU Plan.
2. Any one director or officer of the Corporation is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed, whether under corporate

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

In order for the RSU Amendment Resolution to be passed, it must be approved by a simple majority of the votes cast by Shareholders who vote virtually or by proxy at the Meeting on such resolution. **The persons designated in the enclosed Form of Proxy, unless otherwise directed, intend to vote IN FAVOUR of the RSU Amendment Resolution.**

## **5. Approval of Unallocated RSUs**

Under the current RSU Plan, among other restrictions, the aggregate number of Common Shares that may be reserved for issuance pursuant to RSUs granted under the RSU Plan, together with any Common Shares reserved for issuance under any other security-based compensation arrangement of the Corporation, cannot exceed 5% of the number of Common Shares outstanding from time to time. When RSUs have been granted pursuant to the RSU Plan, such RSUs are referred to as allocated. RSUs available for grant under the terms of the RSU Plan, but not yet granted, are referred to as unallocated. As at April 29, 2020, 10,540,965 RSUs were allocated and outstanding, representing approximately 4% of the outstanding Common Shares. As at April 29, 2020, a maximum of 2,626,193 RSUs remained unallocated and available for grant under the RSU Plan, which maximum is subject to change based on the number of Incentive Rights (as defined herein) granted. See *“Share Based Compensation Plans – Securities Authorized for Issuance Under Share Based Compensation Plans”* for further information respecting the Corporation’s outstanding and authorized share-based incentives as at December 31, 2019.

Since neither the current or amended RSU Plan fixes a specific aggregate maximum number of Common Shares that may be issued pursuant to RSUs, but instead fixes the maximum number of Common Shares reserved for issuance (based, under the current RSU Plan, on 5% of the outstanding Common Shares from time to time, excluding under the SRIP), the rules of the TSX require that all unallocated RSUs under the RSU Plan be subject to renewal approval by a majority of the Corporation’s directors and Shareholders every three years. The RSU Plan was approved by the Shareholders at a meeting held on June 30, 2011. The unallocated RSUs and certain amendments to the RSU Plan were subsequently approved by the Shareholders at meetings held on June 19, 2014 and June 15, 2017. Accordingly, at the Meeting the Shareholders will be asked to approve, in addition to certain amendments to the RSU Plan, the unallocated RSUs under the amended RSU Plan for another three-year term, expiring on June 15, 2023.

The Board of Directors approved the unallocated RSUs under the amended RSU Plan prior to the date of this Information Circular. Additional information concerning the current RSU Plan is provided elsewhere in this Information Circular under the heading *“Share Based Compensation Plans – Terms of the RSU Plan”*.

### **Resolution Approving Unallocated RSUs and amendments to the RSU Plan**

At the Meeting, Shareholders will be asked to consider and, if thought fit, pass an ordinary resolution approving the unallocated RSUs under the RSU Plan and amendments to the RSU Plan (the **“RSU Resolution”**). If approval is not obtained, all unallocated RSUs will be cancelled and the Corporation will not be permitted to grant any further RSUs under the RSU Plan following the Meeting, but RSUs that have already been granted will remain outstanding. If approval is obtained, the Corporation will continue to be able to grant RSUs under the RSU Plan without further Shareholder approval until June 15, 2023.

The RSU Resolution will be substantially in the following form:

“BE IT RESOLVED THAT:

1. All unallocated restricted share units (“**RSUs**”) under the restricted share unit plan (“**RSU Plan**”) of the Corporation are hereby approved.
2. The Corporation have the ability to continue granting RSUs under the RSU Plan until June 15, 2023, being the date that is three years from the date of this resolution.
3. Any one director or officer of the Corporation is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed, whether under corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.”

In order for the RSU Resolution to be passed, it must be approved by a simple majority of the votes cast by Shareholders who vote virtually or by proxy at the Meeting on such resolution. **The persons designated in the enclosed Form of Proxy, unless otherwise directed, intend to vote IN FAVOUR of the RSU Resolution.**

## **6. Approval of the Continuance of the Corporation**

CES is currently governed by the CBCA. CES intends to apply to continue the Corporation out of the federal jurisdiction of Canada under the CBCA to the provincial jurisdiction of Alberta under the ABCA. A corporation subject to the CBCA may apply under the ABCA for a certificate of continuance under the ABCA (“**Certificate of Continuance**”) if: (a) the continuance to the ABCA is authorized by special resolution of the shareholders of the corporation; and (b) the corporation establishes to the Director under the CBCA that its proposed continuance to the ABCA will not adversely affect the creditors or shareholders of the corporation.

At the Meeting, the Shareholders will be asked to consider, and if deemed advisable, to pass the Continuance Resolution (as defined below) authorizing the Board, in its sole discretion, to file a continuance application with the Registrar of Corporations under the ABCA as required in connection with the Continuance and a form of Articles of Continuance which comply with the provisions of the ABCA. The Continuance will affect certain rights of Shareholders as they currently exist under the CBCA, and Shareholders should consult with their legal advisors regarding the implications of the Continuance which may be of particular importance to them. See “*The Continuance – Certain Corporate Differences between the CBCA and the ABCA*” below for more details. The Board believes that the passing of the Continuance Resolution is in the best interest of and unanimously recommends that Shareholders vote in favour of the Continuance Resolution.

### *Reasons for the Continuance*

The Continuance is being proposed by the Board for corporate and administrative reasons. The Board is of the view that it would be most appropriate to continue the Corporation as an Alberta company since the head office of the Corporation is located in Alberta and most of the members of the Board and management are located in Alberta.

### *Effect of the Continuance*

On the date shown on the Certificate of Continuance, the Corporation will become a corporation under the laws of the Province of Alberta as if it had been incorporated under the ABCA and the CBCA will cease to apply to the Corporation. The Continuance will not result in any change in the business of the Corporation

or its assets, liabilities or net worth, or in the individuals who constitute the Board and management. The Continuance will not create a new entity and is not a reorganization, amalgamation or merger.

As of the effective date of the Continuance, the Corporation's current constating documents under the CBCA will be replaced with the Articles of Continuance and new by-laws under the ABCA. See Appendix "B" and Appendix "C" hereof.

Each previously outstanding Common Share will continue to be a share of the Corporation as a corporation governed by the ABCA.

### ***Certain Corporate Differences between the CBCA and the ABCA***

If the Continuance Resolution is approved by the Shareholders and the Continuance is completed, the Corporation will be governed by the ABCA instead of the CBCA. While the rights of Shareholders under the ABCA are broadly similar to those under the CBCA, there are a number of variations in the rights afforded to Shareholders under the two pieces of legislation.

The following is a summary of certain similarities and differences between the CBCA and the ABCA on matters pertaining to shareholder rights. This summary is not exhaustive and is of a general nature only and is not intended to be, and should not be construed to be, legal advice to Shareholders. Accordingly, Shareholders should consult their own legal advisors with respect to the corporate law consequences of the Continuance.

#### ***Board of Directors***

Under the ABCA, at least one-quarter of a corporation's directors, and at least one-quarter of the members of any committee of directors, must be resident Canadians. Under the CBCA, at least one-quarter of a corporation's directors must be resident Canadians; however, there is no similar requirement for committees of directors.

#### ***Place of Meetings***

The ABCA provides that a meeting of shareholders may be held outside Alberta where the articles so provide or where all shareholders entitled to vote at such a meeting so agree. The CBCA provides that a meeting of shareholders may be held outside Canada if the place is specified in the articles or where all the shareholders entitled to vote at such a meeting so agree.

#### ***Financial Assistance***

The ABCA requires disclosure of financial assistance given by a corporation to: (a) shareholders or directors of the corporation or its affiliates; (b) any of their associates; and (c) to any person for the purpose of or in connection with the purchase of shares of the corporation or an affiliated corporation. The CBCA has no such requirement.

#### ***Shareholder Proposals***

Both the ABCA and the CBCA provide for shareholder proposals. Under the ABCA, a registered holder of shares entitled to vote at an annual meeting of shareholders, or a beneficial owner of shares, may submit a proposal. To be eligible to make a proposal a person must: (a) be a registered holder or beneficial owner of at least one percent of all issued voting shares of the corporation for at least six months with a fair market value of at least \$2,000; (b) have the support of other registered holders or beneficial owners of shares of at least five percent of the issued voting shares of the corporation; (c) provide to the corporation his or her name and address and the names and addresses of those registered holders or beneficial owners of shares who support the proposal; and (d) continue to hold or own the prescribed number of shares up to and including the day of the meeting at which the proposal is to be made.



Under the CBCA, a registered or beneficial owner of shares entitled to be voted at an annual meeting may submit a proposal. To be eligible, the registered or beneficial shareholder must either: (a) have owned for six months not less than one percent of the total number of voting shares or voting shares with a fair market value of at least \$2,000; or (b) have the support of persons who have owned for six months not less than one percent of the total number of voting shares or voting shares with a fair market value of at least \$2,000.

#### *Record Date for Voting*

The ABCA permits a transferee of common shares after the record date for a shareholder meeting, not later than 10 days before the shareholder meeting, to establish a right to vote at the meeting by providing evidence of ownership of common shares and demanding that the transferee's name be placed on the voting list in place of the transferor. The CBCA does not have an equivalent provision.

#### *Rights of Dissent*

Under both the ABCA and the CBCA, shareholders have substantially the same rights of dissent if a corporation resolves to effect certain fundamental changes. Under the ABCA, a dissenting shareholder may send a corporation a written objection to a resolution effecting a fundamental change at or before any meeting of shareholders at which the resolution is to be voted on. Once the resolution is adopted the dissenting shareholder may make application to the court to fix the fair value of his shares. If an application is made to the court, unless the court otherwise orders, the corporation must send an offer to pay to each dissenting shareholder an amount considered by the directors to be the fair value of the shares. Unless the court otherwise orders, the dissenting shareholder may accept the offer to pay from the corporation or wait for an order from the court fixing the fair value of the shares.

The dissent rights under the CBCA apply to the Continuation Resolution (see "*The Continuation – Dissent Rights of the Shareholders to the Continuation*", below). Under the CBCA, the corporation must, within 10 days of the resolution to which the shareholder dissents being adopted, send notice to the dissenting shareholder. The dissenting shareholder, within 20 days of receiving notice from the corporation or, if such notice was not received, within 20 days after learning that the resolution has been adopted, shall send the corporation notice of his demand for payment of the fair value of his shares, the number and class of shares in respect of which the shareholder dissents and his relevant personal information. Within 30 days of this notice, the dissenting shareholder must send the corporation, or its transfer agent, his share certificates. No more than seven days after the later of the day on which the resolution is effective and the day the corporation receives notice from the dissenting shareholder, the corporation must send to the dissenting shareholder an offer to pay. The corporation or the dissenting shareholder may apply to the court to fix a fair value for the shares of the dissenting shareholder.

#### *Sale of Property*

Under both the ABCA and the CBCA, any proposed sale, lease or exchange of all or substantially all of the property of a corporation, other than in the ordinary course of business, must be approved by a special resolution passed by not less than two-thirds of the votes cast by shareholders voting in person or by proxy at a meeting of shareholders. The holder of shares of a class or series of shares of a corporation are entitled to vote separately as a class or series in respect of such a sale, lease or exchange if that class or series is affected by the sale, lease or exchange in a manner different from the shares of another class or series.

#### *Amendments to the Articles of the Corporation*

Under both the ABCA and the CBCA, certain fundamental changes to the articles of a corporation, such as an alteration of any restrictions on the business carried on by the corporation, changes in the name of the corporation, increases or decreases in the authorized capital, the creation of any new classes of shares and changes in the jurisdiction of incorporation, must be approved by a special resolution passed by a majority of not less than two-thirds of the votes cast by shareholders voting in person or by proxy at a meeting of the shareholders of the corporation.

### *Oppression Remedies*

Under the ABCA and the CBCA, a registered or beneficial shareholder, former registered or beneficial shareholder, director, former director, officer or former officer of a corporation or any of its affiliates, or any other person who, in the discretion of a court, is a proper person to seek an oppression remedy, may apply to a court to rectify the matters complained of where in respect of a corporation or any of its affiliates: (a) any act or omission of a corporation or its affiliates effects a result; (b) the business or affairs of a corporation or any of its affiliates are or have been carried on or conducted in a manner; or (c) the powers of a corporation or any of its affiliates are or have been exercised in a manner, that is oppressive or unfairly prejudicial to, or that unfairly disregards the interests of, any securityholder, creditor, director or officer.

### *Shareholders' Derivative Action*

Under the ABCA and the CBCA, a registered or beneficial shareholder, former registered or beneficial shareholder, director, former director, officer or former officer of a corporation or its affiliates who, in the discretion of the court, is a proper person to do so, may apply for the court's leave to: (a) bring a derivative action in the name and on behalf of a corporation or any of its subsidiaries; or (b) intervene in the action to which a corporation or any of its subsidiaries is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of a corporation or the subsidiary.

### *Dissident Proxy Solicitation*

Under both the ABCA and the CBCA, in the case of a solicitation by or on behalf of management of a corporation, a person is not entitled to solicit proxies unless a management proxy circular in prescribed form is made available in the prescribed manner to, among others, all of the shareholders whose proxies are solicited. Similarly, a person (other than management or on behalf of management) (a "**dissident**") is not entitled to solicit proxies unless a dissident's proxy circular in prescribed form and stating the purposes of the solicitation is made available in the prescribed manner to, among others, all of the shareholders whose proxies are solicited.

However, under the CBCA, a dissident may solicit proxies without making available a dissident's proxy circular if the total number of shareholders whose proxies are solicited is 15 or fewer. In contrast, under the ABCA, a dissident is only entitled to solicit proxies without making available a dissident's proxy circular if the total number of shareholders of the corporation entitled to vote at shareholder meetings is 15 or fewer.

### *Dissent Rights of the Shareholders to the Continuance*

**The following description of dissent rights to which dissenting Shareholders are entitled in connection with the Continuance Resolution is not a comprehensive statement of the procedures to be followed by a dissenting Shareholder who seeks payment of the fair value of such dissenting Shareholder's Common Shares and is qualified in its entirety by reference to the full text of Section 190 of the CBCA, which is attached hereto as Appendix "D". A Shareholder who intends to exercise dissent rights should carefully consider and comply with the provisions of Section 190 of the CBCA. Failure to strictly comply with the provisions of Section 190 of the CBCA and to adhere to the procedures established therein may result in the loss of all rights thereunder.**

Under the CBCA, a Registered Shareholder is entitled, in addition to any other right such holder may have, to dissent to the Continuance Resolution and, upon strict compliance with the CBCA, to be paid the fair value of the Common Shares held by such dissenting Shareholder in respect of which such Shareholder dissents, determined as of the close of business on the last business day before the day on which the Continuance Resolution is adopted.

**Only Registered Shareholders may dissent with respect to the Continuance. Persons who are Beneficial Shareholders of Common Shares registered in the name of an intermediary who wish to dissent should be aware that they may only do so through the registered owner of such Common Shares. A Registered Shareholder, such as a broker, who holds Common Shares as nominee for**



**Beneficial Shareholders, some of whom wish to dissent, must exercise dissent rights on behalf of a Beneficial Shareholder with respect to all of the Common Shares held for such Beneficial Shareholder. In such case, the demand for dissent should set forth the number of Common Shares covered by such objection.**

The dissent procedures require that a Registered Shareholder who wishes to dissent must send a written notice of objection to CES Energy Solutions Corp., c/o Stikeman Elliott LLP, 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5, Attention: Keith Chatwin to be received no later than the time of the Meeting or any adjournment or postponement of the Meeting, and must otherwise strictly comply with the dissent procedures described in this Information Circular. Failure to strictly comply with the provisions of Section 190 of the CBCA may result in loss of the dissent right.

Pursuant to the terms of the CBCA, the Corporation shall, within 10 days after the Shareholders approve the Continuance Resolution, send to each dissenting Shareholder that has complied with the requirement of the CBCA, notice that the Continuance Resolution has been approved. Within 20 days of receiving such notice, a dissenting Shareholder shall send to the Corporation a written notice (the “**Continuance Dissent Notice**”) containing: (a) the Shareholder’s name and address; (b) the number and class of Common Shares in respect of which the Shareholder dissents; and (c) a demand for payment of the fair value of such Common Shares. Within 30 days after sending the Continuance Dissent Notice, the Shareholder shall send the Corporation or its transfer agent certificates representing the Common Shares in respect of which the Shareholder dissents. A dissenting Shareholder who fails to send its certificates has no right to make a claim for payment.

Not later than seven days after the later of the day on which the Continuance becomes effective or the day the Corporation receives the Continuance Dissent Notice, the Corporation shall send to each dissenting Shareholder who has sent a Continuance Dissent Notice a written offer to pay for the Common Shares in an amount considered by the directors to be the fair value of the Common Shares, accompanied by a statement showing how the fair value of the Common Shares was determined.

On the dissenting Shareholder sending a Continuance Dissent Notice, the dissenting Shareholder will cease to have any rights as a Shareholder, other than the right to be paid the fair value of such holder’s Common Shares. Until such time as the Corporation makes an offer as set out above, the dissenting Shareholder may withdraw the dissenting Shareholder’s Continuance Dissent Notice, or if the Continuance has not yet become effective, the Corporation may abandon the Continuance, and in either event the dissent and appraisal proceedings in respect of that dissenting Shareholder will be discontinued.

If the Corporation fails to make an offer, or if the offer is rejected by a dissenting Shareholder, the Corporation may, within 50 days after the Continuance becomes effective, apply to a court of competent jurisdiction to fix a fair value for the Common Shares of any dissenting Shareholder. If the Corporation fails to make a court application, a dissenting Shareholder may apply to a court for the same purpose within a further period of 20 days.

A dissenting Shareholder is not required to give security for costs in respect of an application and, except in special circumstances, will not be required to pay the costs of the application or appraisal. On the application, all dissenting Shareholders whose Common Shares have not been purchased by the Corporation shall be joined as parties and are bound by the decision of the court. The Corporation must notify each affected dissenting Shareholder of the date, place and consequences of the application and of their right to appear. The court of competent jurisdiction will make an order fixing the fair value of the Common Shares of all dissenting Shareholders, giving judgment in that amount against the Corporation, and in favour of each dissenting Shareholder. The court of competent jurisdiction may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting Shareholder calculated from the date on which the Continuance becomes effective, until the date of payment.

The Corporation will not make a payment to a dissenting Shareholder under Section 190 of the CBCA if there are reasonable grounds for believing that the Corporation would after the payment be unable to pay its liabilities as they become due, or that the realizable value of the assets of the Corporation would thereby

be less than the aggregate of its liabilities. In such event, the Corporation shall: (a) within seven after the later of the day on which the Continuance becomes effective or the day the Corporation received the Continuance Dissent Notice; (b) within 10 days of the pronouncement of an order of the court fixing the fair value of the Common Shares of all dissenting Shareholders; or (c) within 10 days of the acceptance by a dissenting Shareholder of an offer made by the Corporation, as applicable, notify each dissenting Shareholder that it is unable to lawfully pay its dissenting Shareholders for their Common Shares. In such an event, a dissenting Shareholder may, within 30 days after receipt of such notice, withdraw such dissenting Shareholder's written objection, in which case the Corporation shall be deemed to consent to the withdrawal and such dissenting Shareholder shall be reinstated with full rights as a Shareholder, failing which such dissenting Shareholder retains status as a claimant against the Corporation, to be paid as soon as the Corporation is lawfully entitled to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the Corporation, but in priority to the Shareholders.

### **Resolution Approving the Continuance**

At the Meeting, Shareholders will be asked to consider and, if thought fit, pass a special resolution approving the Continuance, which requires the approval of not less than two-thirds of the votes cast in respect thereof by the Shareholders present virtually or represented by proxy at the Meeting (the "**Continuance Resolution**"). As indicated in the text of the Continuance Resolution below, the Board of Directors may, in its sole discretion, determine that the Corporation not proceed with the Continuance.

The Continuance Resolution will be substantially in the following form:

"BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE HOLDERS OF COMMON SHARES OF CES ENERGY SOLUTIONS CORP. (THE "CORPORATION") THAT:

1. the continuance of the Corporation (the "**Continuance**") into the provincial jurisdiction of Alberta pursuant to the *Business Corporations Act* (Alberta) (the "**ABCA**"), all as more particularly described in the management information circular of the Corporation dated May 14, 2020 (the "**Information Circular**") accompanying the notice of meeting of the Corporation, is hereby authorized and approved;
2. the Corporation is hereby authorized to apply to Industry Canada for authorization to continue the Corporation out of the federal jurisdiction of Canada and into the provincial jurisdiction of Alberta in accordance with Section 188 of the *Canada Business Corporations Act* (the "**CBCA**");
3. the Corporation is hereby authorized to apply to the Registrar of Corporations for the Province of Alberta for a Certificate of Continuance continuing the Corporation under the ABCA as if it had been incorporated thereunder and to file with the Registrar of Corporations for the Province of Alberta, Articles of Continuance and such other documents as may be requested in the form or forms prescribed by the ABCA;
4. upon the Continuance of the Corporation under the ABCA, the Corporation is hereby authorized to make application to Industry Canada for a Certificate of Discontinuance under the CBCA;
5. effective upon the issuance of a Certificate of Continuance by the Registrar of Corporations for the Province of Alberta, the Articles of Continuance in the form attached as Appendix "B" to the Information Circular, be and are hereby adopted and confirmed in substitution for the Articles of the Corporation and all amendments thereto;
6. effective upon the issuance of a Certificate of Continuance by the Registrar of Corporations for the Province of Alberta, and without affecting the validity of any act of the Corporation under its existing by-laws (the "**Existing Bylaws**"), the Existing Bylaws are hereby repealed and replaced with the new Bylaw No. 1 of the Corporation, which complies with the requirements of the ABCA, the full text of which is set forth in Appendix "C" to the Information Circular, which bylaws (the "**New Bylaws**"), together with such changes or amendments thereto as any director or officer of the

Corporation determines appropriate, the conclusive evidence of such determination being the execution of the New Bylaws by a director or officer of the Corporation;

7. notwithstanding that the foregoing resolutions have been passed, the directors of the Corporation are hereby authorized and empowered without further notice to or approval of the shareholders of the Corporation to abandon the application for Continuance of the Corporation out of the federal jurisdiction of Canada without further approval, ratification or confirmation by the shareholders of the Corporation; and
8. any one director or officer of the Corporation is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed, whether under corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.”

**The persons designated in the enclosed Form of Proxy, unless otherwise directed, intend to vote IN FAVOUR of the Continuance Resolution.**

## **7. Appointment of Auditor**

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

Certain information regarding the audit committee of the Board of Directors (the “**Audit Committee**”), including the fees billed by the Corporation’s external auditors during the fiscal periods ended December 31, 2018 and December 31, 2019, which are required to be disclosed in accordance with National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”), is contained in Schedule “A” of the Corporation’s Annual Information Form for the year ended December 31, 2019 dated March 12, 2020. The Corporation’s Annual Information Form is available on the internet on the Corporation’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

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

## **DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES**

### **General**

The Board of Directors is responsible for the governance of the Corporation, considers good corporate governance to be central to the effective operation of the Corporation and is committed to maintaining a high standard of corporate governance. The Corporation’s governance practices (the “**Governance Guidelines**”) are consistent with, and in many cases exceed the governance guidelines set forth in National Policy 58-201 – *Corporate Governance Guidelines* (“**NP 58-201**”) and the audit committee rules set forth in NI 52-110 – *Audit Committees* (“**NI 52-110**”), each of which has been adopted by Canadian securities regulatory authorities. The disclosure set forth herein is responsive to and complies in full with the disclosure requirements set forth in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”), Form 58-101F1 – *Corporate Governance Disclosure*, and the disclosure requirements as set out in the *Canada Business Corporations Act* and its respective regulations.

## **Compensation, Corporate Governance and Nominating Committee**

The Board of Directors established a Compensation and Governance Committee and its Charter and has delegated to it responsibility for assisting the Board of Directors in fulfilling its responsibilities relating to matters of human resources and compensation (including equity compensation), establishing a plan of continuity and development for senior management of the Corporation, maintaining and enhancing the Corporation's corporate governance practices and identifying and recommending qualified individuals for nomination for election to the Board of Directors and for appointment to senior management positions, including the Chief Executive Officer position. The Charter provides that the governance responsibilities of the Compensation and Governance Committee include, but are not limited to, assisting the Board of Directors in:

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

The Board of Directors and the Corporation have devoted significant attention and resources to reviewing the Corporation's corporate governance practices and ensuring that the Corporation's system of corporate governance continually meets or exceeds applicable legal requirements. Of particular note, the Board of Directors adopted its Code of Business Conduct (the "**Code**"), as well as a number of policies including: a clawback policy; an insider trading policy; a disclosure and media policy; a whistleblower policy and a board and management diversity policy. These policies, together with the Board of Directors' Terms of Reference, have been put in place to assist the Corporation in maintaining a high standard of corporate governance. With input from the relevant committees, the Board of Directors also created charters for the Corporation's committees. A copy of the Code is available on the Corporation's website and on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com). Copies of each of the insider trading policy, disclosure and media policy, board and management diversity policy and the Terms of Reference are available on the Corporation's website.

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

Set out below is a description of certain corporate governance practices of the Corporation as required by NI 58-101.

### **Board of Directors**

NP 58-201 recommends that boards of directors be composed of a majority of independent directors and that the chair of a board of directors be an independent director<sup>1</sup>. The Board of Directors of the Corporation is currently comprised of seven (7) directors, six (6) of whom are independent for the purpose of NI 58-101 and NI 52-110. The one (1) non-independent director is Mr. Thomas J. Simons, the President and Chief Executive Officer of the Corporation. The other six (6) directors, including the Chairman of the Board of Directors, Mr. Kyle D. Kitagawa, are all independent. Following the Meeting, the Board of Directors is expected to be comprised of six (6) directors, five (5) of whom are independent.

In determining that each director other than Mr. Simons is independent, the Board of Directors affirmatively determined that each such director has no material relationship with the Corporation that would be reasonably expected to interfere with the exercise of such members' independent judgment, either directly or as a partner, securityholder or officer of an organization that has a relationship with the Corporation. The Board of Directors also determined that each such director has not received any consulting, advisory, or other compensatory fee from the Corporation except in the capacity of a member of the Board of Directors or a committee of the Board of Directors. The table below lists the members of the Board of Directors, their year of appointment and their respective committee memberships as at the date of this Information Circular.

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<sup>1</sup> NI 58 101 states that a director is considered "independent" if he or she has no direct or indirect "material relationship" with the issuer. The definition of "material relationship" includes a relationship that could "in the view of the issuer's Board, be reasonably expected to interfere with the exercise of a member's independent judgment". The Board has completed an assessment of director independence. The assessment included a review of directors' responses to a questionnaire in which each director was required to review and respond to all of the components of the definition of "independent" under NI 58 101 and to disclose any and all current or prior relationships between the director and the Corporation

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

**Note:**

(1) Mr. Carpenter will not stand for re-election at the Meeting.

The Board of Directors currently considers six (6) directors to be appropriate for the size and present stage of development of the Corporation, and sufficient to provide an appropriate mix of background and skills.

The Corporation and the Board of Directors recognize the significant commitment involved in being a member of the Board of Directors. Accordingly, the Corporation's Governance Guidelines require every director to immediately notify the Board of Directors of all potential conflicts of interest. Subsequent to such notification, the Board of Directors or the President and Chief Executive Officer of the Corporation will be responsible for evaluating the potential conflict and will take such actions as are reasonably required to resolve such matters with a view to the best interests of the Corporation. In addition, a director whose principal occupation or professional position materially changes must promptly advise the Chairman of the Board of Directors. Upon such a significant change in a director's principal occupation or upon a director assuming any significant outside commitments, the Compensation and Governance Committee is responsible for reviewing, in light of the Board of Directors' current policies and the Corporation's Governance Guidelines and policies, whether that director should continue as a member of the Board of Directors. If the Compensation and Governance Committee determines that such a director should no longer serve as a member of the Board of Directors, then upon receiving a resignation request from the Chairman, that director would be expected to tender his or her resignation to the Board of Directors for consideration.

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

Director	Public Company Board Membership	Stock Exchange
KYLE D. KITAGAWA	Zargon Oil and Gas Ltd.	TSX
SPENCER D. ARMOUR III	ProPetro Holding Corp.	NYSE
	Viper Energy Partners LP	NASDAQ
RODNEY L. CARPENTER <sup>(1)</sup>	None	N/A
STELLA COSBY	None	N/A
JOHN M. HOOKS	PHX Energy Services Corp.	TSX
PHILIP J. SCHERMAN	Mullen Group Ltd.	TSX
THOMAS J. SIMONS	None	N/A

**Note:**

(1) Mr. Carpenter will not stand for re-election at the Meeting.



## Other Board Memberships and Interlocks

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

## **Meeting Attendance**

The Corporation's Governance Guidelines provide that any director may, at any time, request that a meeting of the Board of Directors or any committee of the Board of Directors be held without representatives of Management and without non-independent directors present or that all or some representatives of Management absent themselves from any particular portion of any meeting of the Board of Directors or committee of the Board of Directors. In addition, the Board of Directors generally schedules time at the end of each meeting to meet without the President and Chief Executive Officer and other Management and without non-independent directors. This is intended to ensure that adequate structures and processes are in place to permit the Board of Directors to function independently of Management. For the period from January 1, 2019 to December 31, 2019, the Board of Directors held five (5) in-camera sessions. In addition, the Audit Committee has held four (4) in-camera sessions, the Compensation and Governance Committee have held one (1) in-camera session, and the HS&E Committee (as defined below) have held one (1) in-camera sessions, without the presence of members of Management and the non-independent directors. During 2019, the Board of Directors and its committees held the following number of meetings:

Director	Board	Audit	Compensation <sup>(1)</sup>	Compensation and Governance <sup>(1)</sup>	Health, Safety and Environment
Kyle D. Kitagawa	5/5 (100%)	4/4 (100%)	4/4 (100%)	3/3 (100%)	-
Spencer D. Armour III	5/5 (100%)	3/3 (100%) <sup>(2)</sup>	-	3/3 (100%)	
Rodney L. Carpenter <sup>(3)</sup>	4/5 (80%)	-	-	-	4/4 (100%)
Stella Cosby	5/5 (100%)		4/4 (100%)	3/3 (100%)	4/4 (100%)
John M. Hooks	5/5 (100%)	-	4/4 (100%)	3/3 (100%)	-
Philip J. Scherman	5/5 (100%)	4/4 (100%)	-	-	-
Thomas J. Simons	5/5 (100%)	-	-	-	-

### **Notes:**

- (1) Effective May 9, 2019, the Compensation Committee and the Corporate Governance and Nominating Committee were combined to form the Compensation and Governance Committee. The attendance for each respective committee reflect the number of meetings that were held before and after May 9, 2019
- (2) Mr. Armour was appointed to the Audit Committee effective May 9, 2019. There were three Audit Committee meetings held between his appointment and December 31, 2019.
- (3) Mr. Carpenter will not stand for re-election at the Meeting.

## **Board Mandate**

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

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

## **Strategic Planning**

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

## **Position Descriptions**

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

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

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

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

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

## **Risk Management Oversight**

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

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

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

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



effectiveness of the Board of Directors. The position of Board Chair and Chief Executive Officer have been separate throughout the history of the Corporation since it went public in March 2006.

### **Orientation and Continuing Education**

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

Each new director on the Board of Directors will, when appointed, be provided with an orientation that is tailored to his or her particular needs and areas of interest. In addition, each new director will be provided with written information about the duties and obligations of directors, and the business and operations of the Corporation. These written materials will include the Board of Directors' Terms of Reference, the Governance Guidelines, the Code, the charters of each respective committee of the Board of Directors, documents from recent meetings of the Board of Directors and other key corporate policies and relevant corporate and Board of Director information. New directors will be expected to review these documents and become familiar with their contents. New members of the Board of Directors will also have the opportunity to meet with Management of the Corporation.

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

### **Ethical Business Conduct**

As disclosed above, the Board of Directors has instituted the Code which sets out in detail the core values and the principles by which the Corporation is governed and addresses topics such as: honest and ethical conduct; conflicts of interest; compliance with applicable laws, rules and regulations; privacy and confidentiality of non-public information; protection; proper use of Corporation assets; accuracy of recording and reporting; fair dealing; political activities and contributions; gifts and entertainment; discrimination and harassment; environment, safety and health; and reporting potential violations of laws, rules, regulations and the Code. It applies to and is annually certified by all employees, officers, consultants, service providers and directors. In addition, the Corporation's business partners and suppliers are expected to conduct their business activities with the Corporation in accordance with applicable laws, rules and regulations and the Code. The Code is available on the Corporation's website and on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com)

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

The Board of Directors and the Audit Committee have also established a Whistleblower Policy to encourage employees, officers and directors to raise concerns regarding any matters, including accounting, internal controls or auditing matters, discrimination, harassment or any other contravention of the Code, applicable laws, rules or regulations. Pursuant to the Whistleblower Policy, anyone may contact the Audit Committee either directly or through the Corporation's confidential Whistleblower hotline and report a complaint regarding the Corporation's accounting, internal controls or auditing matters free from fear of reprisal or contravention.

In addition, in order to ensure independent judgment in considering transactions/agreements in which a director/officer has a material interest, all related party transactions are approved by the independent directors and all payments under related party transactions are approved by the Audit Committee. Since it is not always easy to determine whether a conflict of interest exists, the Code requires that all potential conflicts of interests be reported immediately to a senior officer or the Chair of the Audit Committee.

It is acknowledged that staff and directors may be directors or officers of other entities engaged in the drilling fluid and production chemical business or competing businesses and that such entities may compete directly or indirectly with the Corporation. The Code further states that any staff member or director who is actively engaged in the management of, or who owns an investment of 1% or more of the outstanding securities in, public or private entities must disclose such holding to the President and CEO (in the case of a staff member) or the Board (in the case of a director). In the event that any circumstances should arise as a result of such positions or investments being held, which in the opinion of the President and CEO or Board (as applicable) constitutes a conflict of interest which reasonably affects such person's ability to act with a view to the best interests of the Corporation, the President and CEO or Board will take such actions as are reasonably required to resolve such matters with a view to the best interests of the Corporation. Such actions, may, without limitation, include excluding such staff or directors from certain information or activities of the Corporation.

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

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

The Corporation has not adopted term limits for the directors on the Board or other formalized mechanisms of board renewal. However, the Board may adopt such initiatives in the future. The Compensation and Governance Committee and the Board considers director succession planning on an annual basis, including a review of the qualifications, diversity, skills and experiences of current directors and the skills and experience needs of the Board of Directors, taking into account the Board of Directors' long term succession plans and the need for renewal, as well as diversity in background, experience, and personal skills and qualities on the Board.

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

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

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

## Director Skills Matrix

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

### Note:

(1) Mr. Carpenter will not stand for re-election at the Meeting.

## Other Board Committees

The Board of Directors has an Audit Committee comprised of three (3) independent directors, being Messrs. Philip J. Scherman (Chair), Kyle D. Kitagawa, and Spencer D. Armour (III). Certain information regarding the Audit Committee that is required to be disclosed in accordance with NI 52-110 is contained in Schedule "A" in the Corporation's Annual Information Form for the year ended December 31, 2019. The Corporation's Annual Information Form is available on the internet on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

The Board of Directors has a Health, Safety and Environment Committee (the “**HS&E Committee**”) currently comprised of two (2) independent directors, being Mr. Rodney L. Carpenter (Chair) and Ms. Stella Cosby. With Mr. Carpenter not standing for re-election, effective May 14, 2020, the HS&E Committee will be comprised of two directors, being Ms. Cosby (Chair) and Mr. Armour. The primary function of the HS&E Committee is to assist the Board of Directors in fulfilling its oversight in respect of the development, implementation and monitoring of the Corporation’s health, safety and environmental (“**HSE**”) policies, as well as providing input to the Compensation and Governance Committee with respect to compensation matters relating to HSE metrics.

## **Board Assessments**

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

## **Diversity**

The Corporation has adopted a Board & Management Diversity Policy (the “**Diversity Policy**”) which is intended to set out a framework to promote diversity on both the Board of Directors and in senior leadership and management positions of the Corporation. The objectives of the Diversity Policy are to identify and consider candidates for the Board and management who are highly qualified based on their experience, education, functional expertise, personal skills and qualities and who meet diversity criteria, including gender, age, ethnicity, sexual orientation, indigenous heritage and geographic location of the candidate. The Compensation and Governance Committee will review the Diversity Policy from time to time as necessary and make recommendations on any required changes to the Board for consideration and approval. A copy of the Diversity Policy may be found on the Corporation’s website at <https://www.cesenergysolutions.com/governance>.

Gender diversity is an important component of the Diversity Policy. The Corporation is committed to ensuring that gender diversity is actively pursued both at the Board level and in senior management. The Compensation and Governance Committee seeks to include diverse candidates in any director search and looks at a broad array of organizations in addition to the traditional candidate pool of corporate directors. Due consideration is given to female representation in the director nomination process by identifying female candidates in the selection process in order to promote gender diversity. The Compensation and Governance Committee annually discusses promoting diversity on the Board and in Management in light of the skills required at the time and makes recommendations to the Board.

The Corporation has not adopted a formal target regarding women or other “designated groups”<sup>2</sup> on the Board or in senior management as the Corporation does not believe that quotas or a formulaic approach

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<sup>2</sup> As defined by the *Canada Business Corporations Regulations, 2001*.

necessarily results in the identification or selection of the best candidates. However, the Board may adopt such targets in the future.

Currently, the number and percentage of directors and nominees who are members of the designated groups are:

Designated Group	Current Directors	Nominated Directors
Women	1/7 (14%)	1/6 (17%)
Aboriginal peoples	0/7 (0%)	0/6 (0%)
Persons with disabilities	0/7 (0%)	0/6 (0%)
Members of visible minorities	1/7 (14%)	1/6 (17%)

The number and percentage of senior management of the Corporation and its Canadian divisions and subsidiaries who are members of the designated groups are:

Designated Group	Senior Management (Including Named Executive Officers)
Women	1/10 (10%)
Aboriginal peoples	0/10 (0%)
Persons with disabilities	0/10 (0%)
Members of visible minorities	1/10 (10%)

The above diversity disclosure relies on voluntary self-identification by directors and senior management and therefore represents the information of individuals who have chosen to self-identify. This information has not been independently verified by the Corporation.

## SHARE BASED COMPENSATION PLANS

### Existing Plans and Shares Authorized for Issuance

The Corporation has two share based compensation arrangements pursuant to which Common Shares may be authorized for issuance to eligible participants, being its restricted share unit plan (“**RSU Plan**”) and its director compensation arrangement (“**DCA**”). Previously, the Corporation had a share rights incentive plan (“**SRIP**”), however the Corporation did not put the SRIP forward for renewal at its annual meeting in 2019 and as such, it expired on June 16, 2019. The RSU Plan and DCA are the only compensation arrangements that have been adopted by the Corporation providing for the issuance of securities as compensation going forward. The RSU Plan, SRIP and DCA were all approved by the Shareholders.

Under the RSU Plan, the Corporation may grant RSUs to eligible directors, officers and employees of the Corporation and its subsidiaries. Upon vesting, each RSU is redeemed for one Common Share for no additional consideration. 4,542,907 RSUs were granted under the RSU Plan in 2019, representing approximately 1.7% of the number of Common Shares outstanding as at December 31, 2019. 10,540,965 RSUs were outstanding as at April 29, 2019, representing approximately 4.0% of the number of Common Shares outstanding as at that date.

Under the SRIP, the Corporation could grant incentive rights to purchase Common Shares (“**Incentive Rights**”) to eligible directors, officers, employees and service providers. The SRIP expired on June 16, 2019 and no Incentive Rights were granted under the SRIP in 2019. At April 29, 2020, 9,604,845 legacy Incentive Rights were outstanding with an aggregate value of nil based on the closing price of the Common Shares on the TSX as at April 29, 2020 being \$1.12 per Common Share.

Under the DCA, members of the Board of Directors may elect to receive their annual retainer and other amounts payable for their services on the Board of Directors in the form of Common Shares or cash. A fixed maximum aggregate amount of 600,000 Common Shares are issuable to the directors over the lifetime of the DCA. 23,672 Common Shares were issued to directors under the DCA in 2019, representing 0.01% of the number of Common Shares outstanding as at December 31, 2019. 513,720 Common Shares remain available for issuance under the DCA as at April 29, 2020, representing approximately 0.2% of the number of Common Shares outstanding as at that date.

Additional information concerning the outstanding RSUs and Incentive Rights and the Common Shares available for issuance under the RSU Plan, SRIP and DCA as at December 31, 2019 is set out in the table below.

Plan	Number of Common Shares issuable upon exercise of outstanding RSUs or Incentive Rights	Weighted-average exercise price of outstanding Incentive Rights (\$)	Number of Common Shares remaining available for future issuance under the SRIP, RSU Plan and DCA <sup>(1)</sup>
SRIP	9,787,645	5.88	Nil
RSU Plan	6,411,540	N/A	6,786,275
DCA	-	-	
<b>Equity compensation plans approved by securityholders</b>	16,199,185	N/A	6,786,275
<b>Equity compensation plans not approved by securityholders</b>	Nil	Nil	Nil
<b>Total</b>	16,199,185	<b>N/A</b>	6,786,275

**Note:**

- (1) Under the RSU Plan, the aggregate number of Common Shares which may be issuable upon the redemption of RSUs shall not exceed 5% of the Common Shares of the Corporation, which as at December 31, 2019 equaled 13,197,815 Common Shares. After accounting for the number of RSUs issued and outstanding, as at December 31, 2019, a total of 6,786,275 Common Shares remained available for grant under the RSU Plan. The maximum number of Common Shares available for issuance under the DCA is 600,000, less the number of Common Shares already issued under the DCA.

**Terms of the RSU Plan**

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

At the Meeting, Shareholders will be asked to consider and, if thought fit, pass an ordinary resolution approving the unallocated RSUs and certain amendments to the RSU Plan. The proposed amendments are described above under the heading “*Approval of Certain Amendments to Restricted Share Unit Plan*”.

Under the current RSU Plan, prior to the implementation of the amendments to such RSU Plan, grants of RSUs under the RSU Plan are subject to the following restrictions:

- (a) The aggregate number of Common Shares which may be issuable under the RSU Plan (excluding the SRIP and any other security based compensation arrangement of the Corporation) shall not exceed 5.0% of the issued and outstanding Common Shares as at the date of grant.



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

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

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

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

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

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

representatives of the estate of such Eligible Person. Upon the resignation or termination for cause of an Eligible Person, all RSUs not yet vested at the date that notice of the termination is given will be forfeited.

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

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

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

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

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

### **Terms of the SRIP (Expired)**

The terms of the SRIP required that the Shareholders re-approve the SRIP every three years. The Corporation elected not to put the SRIP forward for renewal at the 2019 annual general meeting and as such, the SRIP expired effective June 16, 2019. While no Incentive Rights under the SRIP were issued in 2019, there remain 9,604,845 Incentive Rights outstanding with an aggregate value of nil based on the closing price of the Common Shares on the TSX as at April 29, 2020 being \$1.12 per Common Share. The terms of the SRIP as set out below represent the relevant terms of the last effective SRIP which was renewed by the Shareholders on June 16, 2016 and which applies to the remaining Incentive Rights outstanding and until their exercise or expiry:

- **Exercise Price** - The original exercise price of the Incentive Rights at the time of grant must have been no less than the closing price of the Common Shares on the TSX on the last business day prior to the approval of the granting of the Incentive Right by the Board of Directors. However, the original exercise price of Incentive Rights may be adjusted downward at the election of the holder by an amount equal to the per share amount of all dividends or distributions declared and paid from the date of grant to the date of exercise (whether paid in cash, in other securities of the Corporation



or in other assets of the Corporation). In certain circumstances, it may be more advantageous to use the original exercise price rather than the downward adjusted exercise price as using the downward adjusted price may increase the tax rate applicable to the exercise of the Incentive Right.

- *Expiry and Vesting* - Under the SRIP, the Board of Directors had the power to determine the time at which an Incentive Right would expire and the time or times when Incentive Rights would have vested and become exercisable. The period during which an Incentive Right is exercisable would generally expire at the end of the fifth calendar year following the year in which the Incentive Right has vested. However, if the original expiry date of an Incentive Right occurs during, or within ten business days of the end of a Corporation-imposed securities trading blackout applicable to a holder of Incentive Rights, then the expiry date is extended to be the tenth business day after the original expiry date of the blackout period. All Incentive Rights granted under the SRIP vest as to one-third on each of the first, second, and third anniversaries of their respective dates of grant and expire on a date that is no later than five years after their respective dates of grant.
- *Transferability and Financial Assistance* - An Incentive Right is personal to the grantee and is non-transferable and non-assignable. The SRIP does not provide for or contemplate the provision of financial assistance to facilitate the exercise of Incentive Rights and the issuance of Common Shares.
- *Adjustments* - Appropriate adjustments as regards Incentive Rights granted, in the number of Common Shares optioned and in the exercise price of the Incentive Rights, shall be made by the Board of Directors to give effect to adjustments in the number of Common Shares resulting from subdivisions, consolidations or reclassifications of the Common Shares, or other relevant changes in the Corporation. The appropriate adjustment in any particular circumstance shall be conclusively determined by the Board of Directors in its sole discretion, subject to approval by the Shareholders and to acceptance by the TSX, respectively, if applicable.
- *Termination* - If the employment or appointment of an Incentive Rights holder with the Corporation is terminated by either party for any reason other than termination for cause or, generally, the voluntary resignation of the holder (provided that a termination of employment by an Incentive Rights holder following a change of control of the Corporation in accordance with the terms of any employment agreement shall not constitute a resignation), in which cases the Incentive Rights expired immediately upon the holder ceasing to provide active services to the Corporation, the Incentive Rights held by such individual must be exercised by an Incentive Rights holder or, if the Incentive Rights Holder is deceased, by the legal representative(s) of the estate of the Incentive Rights Holder within 90 days of the later of the date of notice of such termination or the date on which the holder ceased to actively provide services to the Corporation, but in either case prior to the expiry date of the Incentive Right in accordance with the terms thereof.
- *Reorganization or Sale* - If the Corporation is merged into or amalgamated with any other entity, or the Corporation sells all or substantially all of its assets, and as a result of such a transaction the Shareholders would receive securities of another issuer in substitution for the Common Shares, the Incentive Rights will be modified so that the holder would receive that number of securities of the successor issuer that he or she would have received as a result of the merger, amalgamation or sale if the holder had exercised the Incentive Rights to purchase Common Shares immediately prior to the transaction. Additionally, if a take-over bid (that is not exempt from the take-over bid requirements of the *Securities Act* (Alberta) or Multilateral Instrument 62-104 — *Take-Over Bids and Issuer Bids*) is made for the Common Shares, holders of Incentive Rights have the right to immediately exercise all unexercised Incentive Rights held by such holder, whether vested or not at such time, in order to tender such Common Shares to the take-over bid. If those Common Shares are not tendered to or taken up under the bid, any Common Shares acquired by the holder of the exercised Incentive Rights in connection with the take-over bid are deemed to be cancelled and returned to the Corporation, and the Incentive Rights and the consideration paid by the holder to exercise those Incentive Rights will be returned to the holder.

- *Amendment of SRIP or Incentive Rights* - The Board of Directors may, at any time without the approval of the Shareholders, suspend, discontinue or amend the SRIP or any Incentive Right. However, the Board of Directors may not, without the approval of a majority of the Shareholders, amend the SRIP or an Incentive Right to: (a) increase the number of Common Shares, or the percentage of the issued and outstanding Common Shares, issuable pursuant to the plan; (b) other than as provided for in the exercise price adjustment mechanisms for dividends described above, make any amendment that would reduce the exercise price of an outstanding Incentive Right held by an insider of the Corporation (including a cancellation and reissue of an Incentive Right that constitutes a reduction of the exercise price), or to make any amendment to such exercise price adjustment mechanisms; (c) extend the expiry date of any Incentive Right granted under the SRIP beyond the expiry date of the Incentive Right determined at the date of grant, except as provided for with respect to an expiry date that occurs during a blackout period, as described above; (d) amend the limitations on the maximum number of shares reserved or issued to insiders of the Corporation under the SRIP; or (e) amend the amendment provisions of the SRIP, as described therein, in each case unless the change to the SRIP or an Incentive Right results from the application of provisions in the SRIP relating to mergers, business combinations, take-over bids and anti-dilution provisions.

## Terms of the DCA

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

The DCA has a fixed maximum aggregate amount of 600,000 Common Shares reserved and issuable to the Board of Directors. 513,720 Common Shares remain available for issuance under the DCA as at April 29, 2020, representing approximately 0.2% of the number of Common Shares outstanding as at that date.

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

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

Plan	Year ended December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2019
RSU Plan <sup>(1)</sup>	1.1%	1.6%	1.7%
SRIP	1.2%	0.1%	0.0%
DCA	0.001%	0.004%	0.009%

### Note:

(1) The total number of RSUs granted for each fiscal year was as follows: 2019: 4,542,907; 2018: 4,236,543; and 2017: 2,806,886.

The annual burn rate for the RSU Plan, SRIP and DCA set out above is calculated by (i) dividing the number of securities granted under the RSU Plan, SRIP or DCA, as applicable, during the applicable year by (ii) the weighted average number of securities outstanding for the applicable year. The weighted average number of securities is the number of securities outstanding at the beginning of the period, adjusted by the

number of securities bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the securities are outstanding as a proportion of the total number of days in the period.

## EXECUTIVE COMPENSATION

### Named Executive Officers

The President and Chief Executive Officer (“**CEO**”), the Chief Financial Officer (“**CFO**”) and the three most highly compensated executive officers of the Corporation other than the CEO and CFO constitute the Corporation’s Named Executive Officers for the purposes of this Information Circular (each a “**Named Executive Officer**” or a “**NEO**” and collectively, the “**Named Executive Officers**” or “**NEOs**”). For the period ending December 31, 2019, the Corporation had the following five Named Executive Officers: (a) Thomas J. Simons, President and Chief Executive Officer; (b) Anthony M. Aulicino, Chief Financial Officer; (c) Kenneth E. Zinger, President - Canadian Operations; (d) Vernon J. Disney, President – US Production Chemicals ; and (e) Richard L. Baxter, President – US Drilling Fluids (each of Messrs. Zinger, Disney and Baxter, a “**Division President**” and collectively, the “**Division Presidents**”).

### Compensation Discussion and Analysis

#### *Introduction*

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

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

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

#### *Compensation, Corporate Governance and Nominating Committee*

To assist the Board of Directors in fulfilling its oversight responsibilities with respect to human resource policies and executive management compensation, the Board of Directors has established the Compensation and Governance Committee comprised of four independent directors: Messrs. Hooks (Chair), Kitagawa, Armour and Ms. Stella Cosby. Messrs. Hooks, Kitagawa and Armour have served as executive officers of other corporations and, as such, have experience in decision-making related to compensation policies and practices. In addition, Mr. Hooks has served on the compensation committee of another public issuer. Ms. Cosby serves as Vice President, People at Cervus Equipment Corporation

and has experience in designing, implementing and monitoring pay for performance executive compensation plans. She has also served on the Human Resources and Compensation Committee of Savanna Energy Services Corp.

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

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

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

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

#### *Compensation Consultants*

For 2018 the Compensation Committee<sup>3</sup> did not engage any outside consultant or advisor to assist in determining compensation for any of the Corporation's directors or executive officers. In 2019, the Compensation and Governance Committee retained C.J. Howe & Associates to undertake a review and make recommendations regarding modifications to the compensation program and procedures for the 2019 financial year.

The table below summarizes the fees paid by the Corporation to compensation consultants related to determining compensation and compensation program design for the Corporation's executives ("**Executive**

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<sup>3</sup> In 2018 the Corporation had a separate Compensation Committee and Corporate Governance and Nominating Committee. Effective May 9, 2019, the Board of Directors elected to combine these committees into a single Compensation and Governance Committee.

**Compensation-Related Fees**") and the fees paid by the Corporation to compensation consultants for other services ("**All Other Fees**") for the financial years ended December 31, 2018 and 2019.

	<b>Fees Paid to Compensation Consultant</b>	
	<b>2019</b>	<b>2018</b>
Executive Compensation-Related Fees	\$2,822	nil
All Other Fees	nil	nil

### *Compensation Program Design*

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

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

- the Corporation's compensation program consists of both fixed and variable compensation, with a significant portion of compensation being "at risk" and based on performance;
- under the Corporation's short-term incentive plan for 2019, NEOs may be awarded cash and RSUs if EBITDAC targets of the Corporation recommended by the Compensation Committee and approved by the Board are satisfied. If the EBITDAC targets are satisfied under the short-term incentive plan, the Compensation Committee may then approve the grant of cash and RSUs, and such RSUs granted will vest one year from the date of such grant;
- under the Corporation's short-term incentive plan for 2020, NEOs may be awarded cash if certain metrics relating to the performance of the Corporation over the course of the year are satisfied. These metrics include adjusted EBITDAC, minimizing annual gross capital expenditures ("**Capex**"), minimizing total debt levels, preserving liquidity, and relative performance of the Corporation's Common Shares and 6.375% senior unsecured notes due October 21, 2024 (the "**Notes**") compared to the Corporation's peers. The Compensation and Governance Committee along with the Board will evaluate the performance of the Corporation as it relates to these metrics in the context of market and industry conditions. If these metrics are satisfied, the Board, on the recommendation of the Compensation and Governance Committee will grant a cash award to NEOs upon the conclusion of the 2020 financial year;
- under the Corporation's long-term incentive plan, NEOs may be awarded RSUs if certain performance-based criteria recommended by the Compensation and Governance Committee and approved by the Board are satisfied. If the performance-based criteria are satisfied under the long-term incentive plan, the Board, on the recommendation of the Compensation and Governance Committee may then approve the grant of RSUs. Such RSUs granted will consist of a portion that vest on a one third basis over a three-year period from the date of grant and a portion that cliff-vest on the third anniversary from the date of grant;
- subject to the maximum award amounts established by the Compensation and Governance Committee on an annual basis, the variable compensation under the Corporation's short-term incentive plan and long-term incentive plan are tied to performance-based factors which must be satisfied before any such grants are awarded. These performance measures are intended to align the interests of Shareholders and the Corporation as a whole with the interests of the executives;

- the Corporation has adopted executive officer and non-executive director share ownership guidelines to align the long-term interests of executive officers and non-executive directors and the Shareholders by requiring such persons to maintain significant direct ownership of the Common Shares;
- as described in further detail below under the heading “*Clawback Policy*”, the Corporation has adopted an incentive compensation clawback policy to ensure NEOs must repay the Corporation in the event of the restatement of financial statements as a result of intentional misconduct; and
- NEOs, directors, officers, consultants and employees of the Corporation are not permitted to purchase any financial instrument that is designed to hedge or offset a decrease in market value of the Common Shares. CES’ insider trading policy prohibits speculation in securities of the Corporation, buying the Corporation’s securities on margin, short-selling a security of the Corporation or any other arrangement that results in a gain only if the value of the Corporation’s securities declines in the future, buying a put option and selling a call option. The insider trading policy requires the Corporation to pre-clear certain trades of its securities by executives or other key employees.

#### *Clawback Policy*

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

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

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

#### *Elements of Compensation*

The Corporation’s compensation program for 2019 is comprised of four elements, namely: (a) base salary; (b) performance based short-term incentives (cash and RSUs with a one year vesting period from the date of grant); (c) performance based long-term incentives (RSUs vesting in thirds over a three year period, as well as RSUs with a three year cliff vest, each from the date of grant); and (d) benefits. The Board and the Compensation Committee believe that properly allocating these pay components so that a significant portion of compensation is “at risk” is critical in motivating executives to carry out CES’ strategy and ensuring that the interests of management are aligned with the interests of the Corporation’s shareholders.

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



Under the Corporation's performance based long-term incentive plan for 2019, NEO's are awarded a combination of RSUs that vest in thirds over a three year period as well as RSUs that cliff vest at the end of the three year period from the grant date if the NEO's satisfy certain performance criteria including relative total Shareholder return ("**TSR**"), relative Return on Capital Employed ("**ROCE**"), cost structure optimization, HSE performance, and good governance.

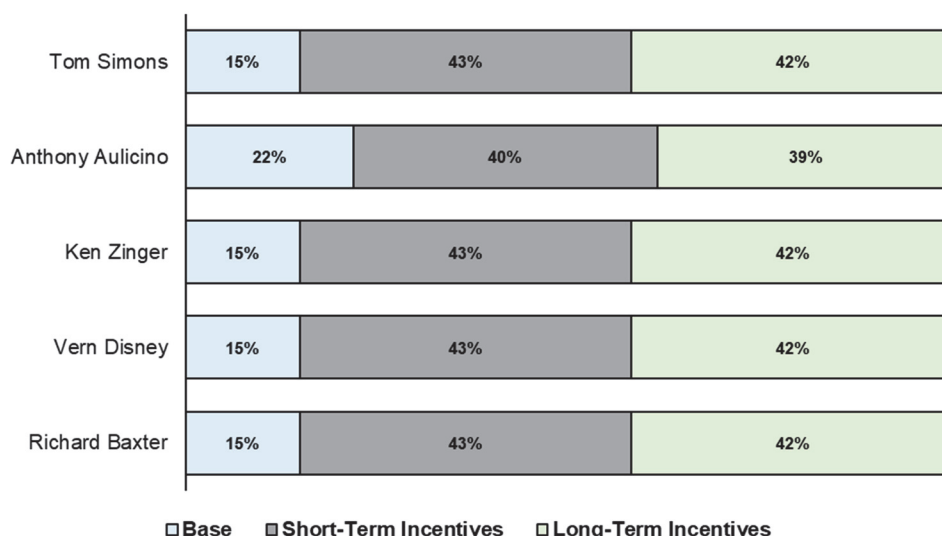
For more information about the Corporation's short-term and long-term incentive plan, including anticipated changes for 2020, see "*Short-Term Incentive Plan*" and "*Long-Term Incentive Plan*" below.

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

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



The following chart outlines the total direct compensation break-down amongst the above-noted compensation categories for the year ended December 31, 2019.



#### *Peer Group Comparisons*

The Compensation and Governance Committee, with input from Management, identified a compensation peer group to assist in the evaluation of the appropriate overall level and form of employee compensation. The peer group consists of similarly sized peers within the broader Canadian oilfield services industry. For the purposes of 2019, the peer group included:

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

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

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

### 2019 Performance Peer Group

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

For 2020, the Compensation and Governance Committee modified both the Compensation Peer Group and the Performance Peer Group to add Apergy Corporation to the list of companies used to evaluate compensation and relative financial performance of the Corporation.

#### *Overall Compensation*

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

#### *Base Salaries*

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

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

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

In response to deteriorating market conditions as a result of COVID-19 and related market disruptions, the Corporation instituted wage reductions for staff across Canada and the United States, including for the

CEO, CFO and NEOs. For any short-term or long-term incentive plan awards in respect of performance in 2020, the reduced amounts below will be used for the purposes of calculating the applicable award (each, a **“Deemed Salary”**). While no further adjustments are contemplated at this time, the Compensation and Governance Committee along with the Board will continue to evaluate market conditions and will use its experience and judgment to determine whether additional changes are warranted.

Name and Position	2019 Base Salary	Reduction	2020 Deemed Salary
<b>Thomas J. Simons</b> President & Chief Executive Officer	\$500,000	15.0%	\$425,000
<b>Anthony M. Aulicino</b> Chief Financial Officer	\$400,000	12.5%	\$350,000
<b>Kenneth E. Zinger</b> President, Canadian Operations	\$400,000	12.5%	\$350,000
<b>Richard L. Baxter</b> President, US Drilling Fluids	\$400,000	12.5%	\$350,000
<b>Vernon J. Disney</b> President, US Production Chemicals	\$400,000	12.5%	\$350,000

### *Short-Term Incentive Plan*

The Corporation maintains a short-term incentive plan for NEOs as part of its compensation program. For 2019, each NEO is eligible for an award on an annual basis under the short-term incentive plan if the Corporation: (a) achieves the EBITDAC Targets for the financial year set on an annual basis by the Board, on the recommendation of the Compensation and Governance Committee, and (b) satisfies the Corporate and Division Performance Metrics. For greater certainty, **“EBITDAC”** means net income before interest, taxes, depreciation and amortization, finance costs, other income (loss) and stock-based compensation, which are not reflective of underlying operations.

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

Annual EBITDAC (\$MM) for 2019	Annual Award under Short-Term Incentive Plan (Expressed as a % of Base Salary with 75% EBITDAC Target weighting applied) <sup>(1)</sup>
less than 125	0
125	94
142.5	131
160	169
180	263
200 or more	356

### **Notes:**

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

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

For the financial year ended December 31, 2019, the Corporation achieved \$164.2 million in EBITDAC resulting in an effective EBITDAC multiplier of 1.88 times base salary. In addition, the Compensation and Governance Committee determined that the Corporate and Division Performance Metrics exceeded anticipated performance levels resulting in a Corporate and Division Performance Metric multiplier of 1.03 times base salary. As a result, the combined short-term incentive plan multiplier for 2019 was 2.914 for each NEO, payable two thirds in cash and the remaining third in RSUs which vest one year after the date of grant, as reflected by the amounts paid under the heading "*Summary Compensation Table*" below.

In light of the significant macro-economic uncertainty as well as the uncertainty specific to the oil and gas industry, the Compensation and Governance Committee and the Board have adjusted the Corporation's performance based short-term incentive plan for 2020 to concentrate on metrics focused on protecting the balance sheet of the Corporation as well as the relative performance of the Corporation compared to its peers. These metrics include: (a) maximizing adjusted EBITDAC in the context of current industry conditions, (b) minimizing Capex with a view to maintaining the Corporation's assets in good working and safe condition while minimizing expansionary Capex, (c) balance sheet management to minimize and, to the extent possible, reduce Total Debt of the Corporation, (d) preserving access to liquidity, and (e) relative performance of the Corporation's Common Shares and Notes relative to its peers. The Compensation and Governance Committee believes that shifting to a more qualitative approach to short-term compensation during these times of extreme uncertainty will ensure that the overall near-term goals of the Corporation's compensation program are achieved.

For 2020, the target multiplier for the short-term incentive plan award has been reduced from 2.25 to 2.0 times and will be paid entirely in cash. The maximum multiplier that may be achieved under the short-term incentive plan will be 2.25 times or 225% of an NEO's Deemed Salary, compared to 4.72 times or 472% of an NEO's base salary for 2019.

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

#### *Long-Term Incentive Plan*

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

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

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

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

**Notes:**

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

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

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

**Notes:**

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

- **Cost Structure Optimization**, particularly in the areas of: (a) capital and operating expenses; (b) human capital; and (c) third party service providers. The Compensation and Governance Committee and the Board consider NEOs' efforts to manage the Corporation's capital programs, general and administrative expenses, and field operating costs, within the framework of other corporate objectives, such as, corporate growth, risk management, and effective management of the Corporation's human capital and relationships with third party service providers;
- **HSE Performance**, including NEOs' achievements regarding: (a) accident mitigation and reduction; and (b) compliance with environmental and legal requirements; and
- **Good Governance**, as determined by, among other things: (a) asset management processes; (b) external rating agency rankings and surveys; (c) internal controls; (d) adherence to good governance practices; (e) legislative compliance; and (f) risk mitigation.

The following chart outlines the weighting of each of the above criteria for 2019 along with the corresponding vesting schedule in respect of RSUs granted under the long-term incentive plan:

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

For 2019, the targeted long-term incentive award for each NEO is 225% of base salary with actual awards ranging from zero to a maximum of 2.0 times the targeted award percentage (or a maximum of 450% of an NEO's base salary).

For 2020, cost structure optimization has been removed as one of the performance criteria, with (1) TSR, (2) ROCE, (3) HSE performance and (4) good governance weighted equally at 25% each. In addition, the Compensation and Governance Committee will include specific metrics relating to Total Recordable Incident Rate ("**TRIR**") and Lost Time Frequency Rate ("**LTF**") to measure HSE Performance. TRIR is an industry standard metric which measures the frequency of recordable incidents (fatalities, lost time, restricted or modified duties, or medical treatment), and LTF provides context regarding the relative severity of recordable incidents. TRIR will represent 75% of the HSE Performance metric, and LTF will represent the remaining 25%. Both TRIR and LTF will be calculated as weighted averages as it relates to CES' divisions and subsidiaries.

The TRIR required to achieve 100% of the TRIR component of HSE Performance will be less than or equal to 1.55 recordable incidents per 200,000 hours worked. A TRIR above 2.00 will result in 0% of the TRIR component being paid, and a TRIR below 1.15 will result in a maximum of 200% of the TRIR component being paid.

The LTF required to achieve 100% of the LTF component of HSE Performance metric will be a rate of less than or equal to 0.25 measured by the number of injuries which resulted in an employee being unable to perform their duties on the day or shift following the date of incident per 200,000 hours worked. An LTF above 0.8 will result in 0% of the LTF component being paid, and an LTF below 0.2 will result in a maximum of 200% of the LTF component being paid.

Linear scaling will be used to calculate the TRIR and LTF multiplier between 0% and each respective maximum multiplier.

For 2020, RSUs awarded to the NEOs by the Board, on the recommendation of the Compensation and Governance Committee, relating to TSR and ROCE will cliff-vest on December 31, 2023 and at the time of the grant it will be determined that such RSUs will be settled in cash upon vesting. By settling the TSR and ROCE portion of the RSUs in cash, the Corporation will reduce the dilutive effect of the grant of RSUs while ensuring proper alignment between the NEOs and Shareholders as a result of the three-year cliff vesting period. All other RSUs granted under the long-term incentive plan shall vest on a one third basis over a three-year period ending on December 31, 2023 and are anticipated to be settled in shares upon vesting.

Similar to the short-term incentive plan award target, for 2020 the target multiplier for the long-term incentive plan award has been reduced from 2.25 to 2.0 in response to industry conditions. Unless otherwise determined by the Compensation and Governance Committee and the Board, the actual awards may range from zero to a maximum of 2.0 times the targeted award percentage (or a maximum of 400% of an NEO's Deemed Salary).



The Compensation and Governance Committee and the Board do not consider previous grants when considering new grants. If the Compensation and Governance Committee and the Board are satisfied that the performance criteria set out above under the long-term incentive plan are met, the Board will approve the award of RSUs to the NEOs. For clarity, under the long-term incentive plan, the performance criteria set out above must first be achieved prior to Board approval of the award of RSUs.

### *Benefits*

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

### *Compensation of the President and Chief Executive Officer*

Mr. Simons' annual compensation, long-term compensation and other compensation are disclosed below under "*Summary Compensation Table*".

All Common Shares acquired by Mr. Simons upon the exercise of RSUs granted after December 31, 2019 will be subject to a post-exercise holding period expiring upon the earlier of: (a) one year from the acquisition date of such Common Shares; or (b) the date when the CEO's share ownership requirements are met. As a founder of the Corporation, Mr. Simons currently significantly exceeds the amount of ownership required under the Corporation's share ownership requirements. See "*Executive Share Ownership Requirements*".

### *Executive Share Ownership Requirements*

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

The table below summarizes the minimum ownership requirements by level:

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

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

SHARE OWNERSHIP GUIDELINES		SHARE OWNERSHIP OF NEOs AT DECEMBER 31, 2019						
NAME	MULTIPLE OF BASE SALARY		DIRECTLY HELD COMMON SHARES (\$) <sup>(1)</sup>	SHARE UNITS (\$) <sup>(2)</sup>	TOTAL OWNERSHIP (\$)		TOTAL OWNERSHIP MULTIPLE OF SALARY	REQUIREMENT MET (✓) OR VALUE (\$) REQUIRED TO MEET REQUIREMENT
Thomas J. Simons	6		5,768,642	1,447,047	7,215,689		14.4	✓
Anthony M. Aulicino	5		211,413	318,342	529,755		1.3	\$1,470,245 <sup>(3)</sup>
Kenneth E. Zinger	3		3,365,235	1,157,640	4,522,875		11.3	✓
Richard L. Baxter	3		522,258	1,042,437	1,564,695		3.9	✓
Vernon J. Disney	3		5,561,130	921,364	6,482,494		16.2	✓

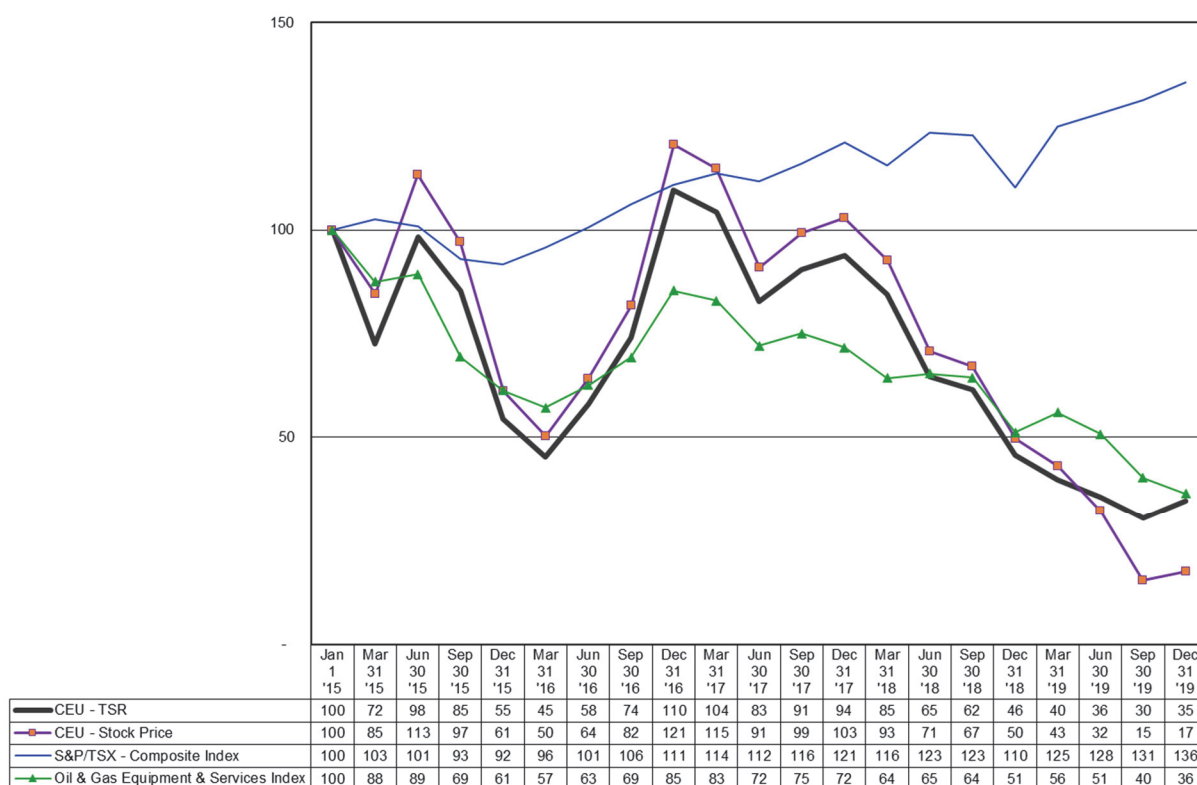
**Notes:**

- (1) Based on the closing price on the TSX of the Common Shares of \$2.33 on December 31, 2019.
- (2) "Share Units" includes RSUs and Incentive Rights.
- (3) Mr. Aulicino began his employment with the Corporation as Chief Financial Officer on October 1, 2018 and has three years from this date to satisfy minimum share ownership requirements.

**Performance Graph**

The following graph illustrates changes from January 1, 2015 to December 31, 2019 in the cumulative Shareholder return, assuming an initial \$100 investment in the Common Shares with all cash distributions reinvested at the payment date of such distributions, compared to the cumulative return of the S&P/TSX Composite Index and the Oil & Gas Equipment & Services Index.

## Performance and Shareholder Return



The trend shown in the above graph does not necessarily correspond to CES' compensation to its NEOs for the period ended December 31, 2019 or for any prior fiscal periods. The Corporation's executive compensation is reviewed annually and is set by the Board of Directors upon the recommendation of the Compensation and Governance Committee. In connection with its determination of appropriate levels of compensation, the Compensation and Governance Committee and the Board consider a number of factors, all of which are discussed above under "*Executive Compensation – Compensation Discussion and Analysis*" in the 2019 Information Circular.

For 2019, the Compensation Committee and the Board have incorporated relative TSR as a component of the Corporation's long-term incentive plan which is further discussed under the heading "*Executive Compensation – Compensation Discussion and Analysis – Long Term Incentive Plan*".

The trading price of the Common Shares on the TSX is subject to fluctuation based on several factors, many of which are outside the control of the Corporation. These include, but are not limited to, fluctuations and volatility in commodity price markets for oil and natural gas and natural gas liquids, input costs relating to products used in connection with the Corporation's services, global economic conditions, changes in government, environmental policies, legislation and royalty regimes, and other factors, some of which are disclosed and discussed under the heading "*Risk Factors*" in the Corporation's Annual Information Form for the year ended December 31, 2019.

## Summary Compensation Table

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

Name and Position	Year	Salary (\$)	Share-Based Awards <sup>(1)</sup> (\$)	Option and Incentive Right Based Awards <sup>(2)</sup> (\$)	Non-equity incentive plan compensation <sup>(3)</sup> (\$)	All Other Compensation <sup>(4)</sup> (\$)	Total Compensation (\$)
<b>Thomas J. Simons</b> <sup>(5)</sup> President & Chief Executive Officer	2019	500,000	1,908,432	Nil	971,290	117,056	3,496,778
	2018	500,000	1,361,765	Nil	1,073,530	24,180	2,959,475
	2017	500,000	1,898,861	Nil	1,697,722	23,531	4,120,114
<b>Anthony M. Aulicino</b> <sup>(6)</sup> Chief Financial Officer	2019	400,000	954,216	Nil	485,645	24,806	1,864,667
	2018	100,000	650,221	Nil	134,191	368,838 <sup>(7)</sup>	1,253,250
	2017	Nil	Nil	Nil	Nil	Nil	Nil
<b>Kenneth E. Zinger</b> President, Canadian Operations	2019	400,000	1,526,747	Nil	777,032	18,431	2,722,210
	2018	400,000	1,089,412	Nil	858,824	24,180	2,372,416
	2017	400,000	1,519,089	Nil	1,358,178	23,678	3,300,945
<b>Richard L. Baxter</b> President, US Drilling Fluids	2019	400,000	1,526,747	Nil	777,032	10,478	2,714,257
	2018	400,000	1,089,412	Nil	858,824	12,425	2,360,661
	2017	363,608	1,379,153	192,199	Nil	67,275	2,002,235
<b>Vernon J. Disney</b> <sup>(8)</sup> President, US Production Chemicals	2019	400,000	1,526,747	Nil	777,032	40,885	2,744,664
	2018	400,000	1,089,412	Nil	858,824	29,463	2,377,699
	2017	272,773	Nil	Nil	Nil	31,419	304,192

### Notes:

- (1) Consists of RSUs granted under the RSU Plan in respect of services performed in the referenced financial year, which grants are made following the end of the referenced year. See "*Share Based Compensation Plans*" for a description of the terms of the RSU Plan. Amounts represent the fair value based on the five day volume weighted average trading price of the Common Shares on the TSX on the day immediately preceding the date the Board of Directors approved the grant of RSUs. For share-based awards granted in respect of 2019 performance, the Board of Directors approved the grant of RSUs on March 12, 2020 using a five-day volume weighted average trading price of \$1.4168.
- (2) Consists of SRIPs granted under the SRIP in respect of services performed in the referenced financial year, which grants are made following the end of the referenced year. See "*Share Based Compensation Plans*" for a description of the terms of the SRIP.
- (3) Represents the cash bonus awards paid to the Named Executive Officers. Bonuses declared for the respective fiscal year were paid in the following calendar year.
- (4) Represents all other employer-paid employee benefits.
- (5) Mr. Simons is a director of the Corporation but was not compensated by the Corporation for his services in his capacity as a director during the most recently completed financial year, other than reimbursement for out-of-pocket expenses for attending meetings of the Board of Directors.
- (6) Mr. Aulicino began his employment with the Corporation as Chief Financial Officer on October 1, 2018. Mr. Aulicino received a contingent compensation award to offset the incentives forfeited at his previous employer and to align his efforts to the interests of shareholders. The incentives consisted of a \$720,000 cash payment to be paid over three years, for which \$360,000 was paid in 2018, and 109,092 RSUs granted under the RSU plan. The RSUs vest as to one third on each of the first, second and third anniversaries of the date of the grant, as determined by the Board of Directors.
- (7) Amounts include the cash payment of \$360,000 described in (6) above.

- (8) Mr. Disney began his employment with the Corporation on August 1, 2016 as Executive Vice President of Catalyst Oilfield Services 2016, LLC. On August 15, 2018, Mr. Disney was appointed as President, US Production Chemicals.

### Outstanding Incentive Rights and RSUs as at December 31, 2019

The following tables set forth all outstanding awards held by the Named Executive Officers as at December 31, 2019 under the SRIP and RSU Plan.

Name	SRIP-based Awards				Share-based Awards		
	Number of securities underlying unexercised Incentive Rights (#)	Incentive Right exercise price (\$)	Incentive Right expiration date	Value of unexercised in-the-money Incentive Rights <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested <sup>(2)</sup> (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Thomas J. Simons	150,000	3.10	15-Mar-21	Nil	621,050	1,447,047	Nil
Anthony M. Aulicino	Nil	Nil	Nil	Nil	136,628	318,342	Nil
Kenneth E. Zinger	150,000	3.10	15-Mar-21	Nil	496,841	1,157,640	Nil
Richard L. Baxter	135,000	6.92	20-May-20	Nil	447,398	1,042,437	Nil
	60,000	3.10	15-Mar-21	Nil			
	45,000	4.48	21-Sep-21	Nil			
	90,000	5.61	15-Aug-22	Nil			
Vernon J. Disney	Nil	Nil	Nil	Nil	395,435	925,364	Nil

**Notes:**

- (1) The value of the unexercised in-the-money Incentive Rights as at December 31, 2019 has been determined based on the closing price of the Common Shares on the TSX on December 31, 2019 of \$2.33 per Common Share being less than the exercise price of such Incentive Rights.
- (2) The value of the unvested RSUs as at December 31, 2019 has been determined based on the closing price of the Common Shares on the TSX on December 31, 2019 of \$2.33 per Common Share.

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

The following table sets forth for each Named Executive Officer: (i) the value of Incentive Rights vested during the year ended December 31, 2019; and (ii) the value of RSUs vested and redeemed during the year ended December 31, 2019. The value of vested Incentive Rights is calculated based on the difference between the closing price of the Common Shares on the vesting dates and the exercise price of the Incentive Rights. The value of the RSUs vested and redeemed is based on the five-day volume weighted average trading price of the Common Shares on the TSX prior to the date of redemption.

Name	SRIP-based awards- Value vested during the year (\$)	Share-based awards-Value vested during the year (\$)
Thomas J. Simons	Nil	625,448
Anthony M. Aulicino	Nil	74,739
Kenneth E. Zinger	Nil	500,358
Richard L. Baxter	Nil	600,275
Vernon J. Disney	Nil	Nil

## Termination and Change of Control Benefits

### *Executive Employment Agreements*

#### General

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

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



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

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

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

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

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

#### *Termination for Good Reason*

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

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

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

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

#### *Death or Permanent Disability*

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

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

#### *Estimated Payments*

The following table sets forth the estimated incremental payments under the Executive Employment Agreements that would have been required to have been made to the Named Executive Officers had a Named Executive Officer either been terminated without just cause or if a Named Executive Officer would have been entitled to terminate his or her employment within 180 days of a Change of Control and for a

Change of Control Reason, as described above and in each case had such events occurred on December 31, 2019.

**Estimated Incremental Payments as of December 31, 2019  
Termination Without Cause or Termination Following a Change of Control**

<b>Name</b>	<b>(\$)</b>
Thomas J. Simons	5,381,384
Anthony M. Aulicino	2,630,341
Kenneth E. Zinger	4,192,287
Richard L. Baxter	3,840,265
Vernon J. Disney	3,850,338

The following table sets forth the estimated incremental payments under the Executive Employment Agreements that would have been required to have been made to the Named Executive Officers if a Named Executive Officer would have been entitled to terminate his or her employment for Good Reason, had such events occurred on December 31, 2019.

**Estimated Incremental Payments as of December 31, 2019  
Termination for Good Reason**

<b>Name</b>	<b>(\$)</b>
Thomas J. Simons	5,381,384
Anthony M. Aulicino	2,630,341
Kenneth E. Zinger	4,192,287
Richard L. Baxter	3,840,265
Vernon J. Disney	3,850,338

***SRIP and RSU Plan***

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

The following table provides details of the value of accelerated Incentive Rights and RSUs held by the Named Executive Officers as at December 31, 2019 assuming the occurrence of the noted triggering event as at December 31, 2019. The value of the accelerated Incentive Rights has been calculated based on the difference between the exercise price of the Incentive Rights and the closing price of the Common Shares on the TSX on December 31, 2019 of \$2.33. The value of the accelerated RSUs has been calculated by multiplying the number of RSUs held by the Named Executive Officer by the closing price of the Common Shares on the TSX on December 31, 2019 of \$2.33.

Name	Triggering Event	Value of Accelerated Incentive Rights (\$)	Value of Accelerated RSUs (\$)
Thomas J. Simons	Termination Without Cause or Change of Control	Nil	1,447,047
	Termination for Good Reason	Nil	1,447,047
	Termination for Cause and Voluntary Resignation	Nil	Nil
	Termination on Death or Permanent Disability	Nil	Nil
Anthony M. Aulicino	Termination Without Cause or Change of Control	Nil	318,342
	Termination for Good Reason	Nil	318,342
	Termination for Cause and Voluntary Resignation	Nil	Nil
	Termination on Death or Permanent Disability	Nil	Nil
Kenneth E. Zinger	Termination Without Cause or Change of Control	Nil	1,157,640
	Termination for Good Reason	Nil	1,157,640
	Termination for Cause and Voluntary Resignation	Nil	Nil
	Termination on Death or Permanent Disability	Nil	Nil
Richard L. Baxter	Termination Without Cause or Change of Control	Nil	1,042,437
	Termination for Good Reason	Nil	1,042,437
	Termination for Cause and Voluntary Resignation	Nil	Nil
	Termination on Death or Permanent Disability	Nil	Nil
Vernon J. Disney	Termination Without Cause or Change of Control	Nil	921,364
	Termination for Good Reason	Nil	921,364
	Termination for Cause and Voluntary Resignation	Nil	Nil
	Termination on Death or Permanent Disability	Nil	Nil

## DIRECTORS' COMPENSATION

### Overview

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

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

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

During the year ended December 31, 2019, the retainers and meeting fees paid in cash for the directors of the Corporation were as follows:

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

In response to deteriorating market conditions as a result of COVID-19 and related market disruptions, the Corporation instituted retainer reductions for members of the Board. Effective May 1, 2020, Board retainers were reduced by 12.5%.

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

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

## Summary Compensation Table

The following table summarizes the compensation paid, payable, awarded or granted for 2019 to each of the non-management directors of the Corporation in 2019.

Name <sup>(1)</sup>	Fees earned <sup>(2)</sup> (\$)	SRIP-based awards	Share-based awards <sup>(3)</sup> (\$)	All other compensation (\$)	Total (\$)
Kyle D. Kitagawa	108,000	Nil	150,000	Nil	258,000
Spencer D. Armour III <sup>(4)</sup>	50,000	Nil	24,999	Nil	74,999
Rodney L. Carpenter <sup>(5)</sup>	52,000	Nil	100,000	Nil	152,000
Stella Cosby <sup>(6)</sup>	54,000	Nil	100,000	Nil	154,000
John M. Hooks <sup>(7)</sup>	57,500	Nil	100,000	Nil	157,500
Philip J. Scherman	62,500	Nil	100,000	Nil	162,500

### Notes:

- (1) Mr. Simons does not receive compensation for serving as a director.
- (2) Represents all fees awarded, earned, paid, or payable in cash for services as a director, including annual retainer fees, committee, chair and all meeting fees, including fees paid in the form of Common Shares pursuant to the DCA.
- (3) Mr. Kitagawa was granted 53,415 RSUs, Mr. Armour was granted 8,902 RSUs, and each of Messrs. Carpenter, Hooks, Scherman and Ms. Cosby were granted 35,610 RSUs respectively on April 1, 2019. The above referenced Share-Based Award amounts represents the fair value based on the five day volume weighted average trading price of the Common Shares on the TSX on the day immediately preceding the date the Board of Directors approved the grant of RSUs, being \$2.808. The grant of RSU awards made to the respective Directors vest quarterly on the first of July, October, January, and April, as determined by the Board of Directors.
- (4) Mr. Armour received his director fees in U.S. dollars. The amount set out above has been converted to Canadian Dollars using the average exchange rate for 2019 provided by the Bank of Canada.
- (5) Mr. Carpenter will not stand for re-election at the Meeting.
- (6) Ms. Cosby received \$28,080 of her 2019 directors' compensation in Common Shares paid pursuant to the DCA.
- (7) Mr. Hooks received \$29,900 of his 2019 directors' compensation in Common Shares paid pursuant to the DCA.

## Outstanding Incentive Rights and RSUs as at December 31, 2019

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



The following table sets forth all outstanding awards held by the non-management directors of the Corporation as at December 31, 2019 under the SRIP and RSU Plan.

Name	SRIP-based Awards				Share-based Awards		
	Number of Common Shares underlying unexercised Incentive Rights (#)	Incentive Rights exercise price (\$)	Incentive Rights expiration date	Value of unexercised in-the-money Incentive Rights (\$)	Number of Shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested <sup>(1)</sup> (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Kyle D. Kitagawa	Nil	Nil	Nil	Nil	27,223	63,430	Nil
Spencer D. Armour III	Nil	Nil	Nil	Nil	4,536	10,569	Nil
Rodney L. Carpenter <sup>(2)</sup>	Nil	Nil	Nil	Nil	18,148	42,285	Nil
Stella Cosby	Nil	Nil	Nil	Nil	18,148	42,285	Nil
John M. Hooks	Nil	Nil	Nil	Nil	18,148	42,285	Nil
Philip J. Scherman	Nil	Nil	Nil	Nil	18,148	42,285	Nil

**Notes:**

- (1) The value of the unvested RSUs as at December 31, 2019 has been determined based on the closing price of the Common Shares on the TSX on December 31, 2019 of \$2.33 per Common Share.
- (2) Mr. Carpenter will not stand for re-election at the Meeting.

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

The following table sets forth for each non-management director: (i) the value of Incentive Rights vested during the year ended December 31, 2019; and (ii) the value of RSUs vested and redeemed during the year ended December 31, 2019. The value of vested Incentive Rights is calculated based on the difference between the closing price of the Common Shares on the vesting dates and the exercise price of the Incentive Rights. The value of the RSUs vested and redeemed is based on the five-day volume weighted average trading price of the Common Shares on the TSX prior to the date of redemption.

Name	SRIP-based awards-Value vested during the year (\$)	Share-based awards-Value vested during the year (\$)	Non-equity incentive plan compensation- Value earned during the year (\$)
Kyle D. Kitagawa	Nil	132,272	Nil
Spencer D. Armour III	Nil	75,493	Nil
Rodney L. Carpenter <sup>(1)</sup>	Nil	88,185	Nil
Stella Cosby	Nil	118,439	Nil
John M. Hooks	Nil	88,185	Nil
Philip J. Scherman	Nil	88,185	Nil

**Note:**

(1) Mr. Carpenter will not stand for re-election at the Meeting.

### Non-Executive Director Share Ownership Requirements

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

The table below shows the Common Shares, RSUs and Incentive Rights each non-executive director of the Corporation held as of December 31, 2019:

Director	Total Compensation in 2018 (\$)	Number of Common Shares	Number of RSUs	Number of Incentive Rights	Total number of Common Shares, RSUs and Incentive Rights	Total value of Common Shares, RSUs and Incentive Rights <sup>(1)</sup> (\$)	Guideline met (✓) or value (\$) required to meet guideline
Kyle D. Kitagawa	108,000	1,608,862	27,223	Nil	1,636,085	3,812,078	✓
Spencer D. Armour III <sup>(2)</sup>	50,000	40,045	4,536	Nil	44,581	103,874	✓
Rodney L. Carpenter <sup>(3)</sup>	52,000	5,902,111	18,148	Nil	5,920,259	13,794,203	✓
Stella Cosby	54,000	80,962	18,148	Nil	99,110	230,926	✓
John M. Hooks	57,500	1,307,232	18,148	Nil	1,325,380	3,088,135	✓
Philip J. Scherman	62,500	135,358	18,148	Nil	153,506	357,669	✓

**Notes:**

- (1) The value of the RSUs and Incentive Rights as at December 31, 2019 have been determined based on the closing price of the Common Shares on the TSX on December 31, 2019 of \$2.33 per Common Share.
- (2) Mr. Armour received his director fees in U.S. dollars. The amount set out above has been converted to Canadian Dollars using the average exchange rate for 2019 provided by the Bank of Canada.
- (3) Mr. Carpenter will not stand for re-election at the Meeting.

## **INDEBTEDNESS OF DIRECTORS AND MANAGEMENT**

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

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

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

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

To the knowledge of the Board of Directors and Management, no directors or executive officers of the Corporation, or associate or affiliate of any of the foregoing, has had an interest, direct or indirect, in any material transaction of the Corporation since January 1, 2019 or in any proposed transaction that has materially affected or would materially affect the Corporation, other than as disclosed in the Corporation's consolidated financial statements for the year ended December 31, 2019 or the Corporation's Annual Information Form, each of which is available on the internet on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on the internet on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com). Financial information relating to the Corporation is provided in the Corporation's audited consolidated financial statements and management's discussion and analysis for the financial year ended December 31, 2019. Shareholders may contact the Corporation to request copies of the Corporation's financial statements and management's discussion and analysis at Suite 1400, 332 6 Avenue SW, Calgary, AB T2P 0B2, Attention: Mr. Anthony M. Aulicino, Chief Financial Officer.

## **OTHER MATTERS**

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

## **DIRECTORS' APPROVAL**

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

## APPENDIX “A”

### AMENDED AND RESTATED RESTRICTED SHARE UNIT PLAN

#### CES ENERGY SOLUTIONS CORP. RESTRICTED SHARE UNIT PLAN

### ARTICLE 1 INTRODUCTION

#### 1.1 Purposes

The purposes of this Plan are to:

- (a) promote a greater alignment of interests between directors, employees and Consultants of the Company and its Affiliates and shareholders;
- (b) assist the Company and its Affiliates to attract and retain individuals with experience and ability to serve as directors, key employees and Consultants; and
- (c) allow the Eligible Persons to participate in the long-term success of the Company.

#### 1.2 Definitions

As used in this Plan, the following terms have the following meanings:

- (a) **“Affiliate”** has the meaning ascribed thereto in the *Securities Act* (Alberta), as amended;
- (b) **“Applicable Law”** means any applicable provision of law, domestic or foreign, including, without limitation, applicable employment standards legislation (if applicable to an Eligible Person) and applicable securities legislation, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder, and the TSX Rules;
- (c) **“Board”** means the Board of Directors of the Company, as constituted from time to time;
- (d) **“Cause”** means, if not defined in an Eligible Person’s written agreement with the Company or its Affiliates, any act, omission or course of conduct recognized as cause for dismissal under Applicable Law, including, without limitation, embezzlement, theft, fraud, willful failure to follow any lawful directive of the Company and willful misconduct detrimental to the interests of the Company;
- (e) **“Change of Control”** means:
  - (i) a sale, lease or other disposition of all or substantially all of the assets of the Company; or
  - (ii) any transaction or series of related transactions, including without limitation a reorganization of the Company, an amalgamation of the Company, an arrangement involving the Company, a take-over bid (as that term is defined in National Instrument 62-104 *Take Over Bids and Issuer Bids*) for all of the Common Shares, whether or not the Company is a party thereto, after giving effect to which in excess of fifty percent (50%) of the Company’s voting power is owned directly, or indirectly through one or more entities, by any person and its

Affiliates or associates;

- (f) **"Change of Control Date"** means the date on which any Change of Control becomes effective;
- (g) **"Code"** means the U.S. Internal Revenue Code of 1986, as amended;
- (h) **"Committee"** means the Board, or such other committee of the Board designated by the Board from time to time;
- (i) **"Common Shares"** means the common shares of the Company;
- (j) **"Company"** means CES Energy Solutions Corp.;
- (k) **"Consultant"** means an individual, other than an employee, executive officer or director of the Company or of an Affiliate, that, for a period of 12 months or more:
  - (i) is engaged to provide services to the Company or an Affiliate, other than services provided in relation to a distribution of the Company's securities;
  - (ii) provides the services under a written contract with the Company or an Affiliate; and
  - (iii) spends or will spend a significant amount of time and attention on the affairs and business of the Company or an Affiliate;

and includes, for an individual consultant, a corporation of which the individual consultant is an employee or shareholder, and a partnership of which the individual consultant is an employee or partner;

- (l) **"Dividend Equivalents"** means a bookkeeping entry whereby each Restricted Share Unit is credited with the equivalent amount of the dividends paid on a Common Share in accordance with Section 3.6;
- (m) **"Eligible Person"** has the meaning given thereto in Section **Error! Reference source not found.**;
- (n) **"Fair Market Value"** has the meaning given thereto in Section **Error! Reference source not found.**;
- (o) **"Grant Date"** means any date determined from time to time by the Committee as a date on which a grant of Restricted Share Units will be made to one or more Eligible Persons under this Plan;
- (p) **"Insider"** means (i) an insider of the Company, as defined under subsection 1(aa) of the Securities Act (Alberta); and (ii) an associate (as defined under subsection 1(c) of the Securities Act (Alberta)) of any person who is an insider by virtue of (i);
- (q) **"Market Value"** of a Common Share, on a particular date, means the volume weighted average trading price (or if no trading price, the average of the last bid and asked prices) of the Common Shares on the TSX (or, if the Common Shares are not then listed and posted for trading on the TSX, on such stock exchange on which the Common Shares are then listed and posted for trading as may be selected for such purpose by the Board acting reasonably) for the five (5) trading days on which the Common Shares traded immediately preceding such date. In the event that the Common Shares are not listed and posted for trading on any stock exchange at the time such calculation is to be made,

the Market Value of a Common Share shall be determined by the Board in its sole discretion acting reasonably;

- (r) **“Non-Employee Director”** means a director of the Company who is not an officer or employee of the Company or an Affiliate;
- (s) **“Permanent Disability”** shall be defined in the same manner as such term or a similar term is defined in the long-term disability policy maintained by the Company or an Affiliate thereof in which the Eligible Person participates as of the Eligible Person’s Termination Date, unless the Board determines otherwise in its discretion and sets forth an alternative definition in the applicable Restricted Share Unit Grant Agreement;
- (t) **“Plan”** means this CES Energy Solutions Corp. Restricted Share Unit Plan as amended from time to time;
- (u) **“Redemption Date”** means the earliest of: (i) December 31 of the third year following the year in respect of which the Restricted Share Units were awarded; (ii) the Eligible Person’s Termination Date; (iii) the date determined in accordance with the provisions of Section 3.8 on a Change of Control; or (iv) the date determined by the Board in its sole discretion;
- (v) **“Restricted Share Unit”** means a unit equivalent in value to a Common Share, created by means of a bookkeeping entry in the books of the Company in accordance with Article 3, that, subject to the terms of the Plan, entitle an Eligible Person to receive a newly issued Common Share, or at the election of the Company either an amount of cash equal to the Market Value of a Common Share or a Common Share acquired on a public exchange, in the future unless such Restricted Share Unit expires prior to being redeemed;
- (w) **“Restricted Share Unit Account”** has the meaning given thereto in Section 3.4;
- (x) **“Restricted Share Unit Grant Agreement”** has the meaning given thereto in Section 2.5;
- (y) **“Security Based Compensation Arrangement”** means any share rights incentive plan, share option, share option plan, employee share purchase plan in existence from time to time where the Company provides any financial assistance or matching mechanism, stock appreciation right or any other compensation or incentive mechanism involving the issuance or potential issuance of securities from the Company’s treasury, including a purchase of Common Shares from treasury which is financially assisted by the Company by way of a loan guarantee or otherwise, but for greater certainty does not involve compensation arrangements which do not involve the issuance or potential issuance of securities from the Company’s treasury;
- (z) **“Service Year”** has the meaning given thereto in Section 3.2;
- (aa) **“Termination Date”** means the Eligible Person’s last day of active employment or engagement whether that day is selected by agreement with the Eligible Person, unilaterally by the Company or otherwise. Unless required by applicable employment standards legislation or written agreement between an Eligible Person, active employment or engagement does not include any period of notice or any period of deemed employment or fee/salary continuation;
- (bb) **“TSX”** means the Toronto Stock Exchange;
- (cc) **“Vested Restricted Share Unit”** means any Restricted Share Unit which has vested in

accordance with the terms of the Plan and/or the terms of any applicable Restricted Share Unit Grant Agreement; and

(dd) “**Vesting Date**” has the meaning given thereto in Section 3.3.

### **1.3 Effective Date of Plan**

The Plan shall be effective as of June 30, 2011, as amended effective as of June 19, 2014, amended and restated effective as of June 15, 2017, and amended and restated effective as of **[XX]**, 2020.

## **ARTICLE 2 ELIGIBILITY AND PARTICIPATION**

### **2.1 Eligibility**

This Plan applies to those directors, employees and Consultants of the Company and its Affiliates whom the Committee designates as eligible for the grant of Restricted Share Units pursuant to Section 3.1 (the “**Eligible Person**”). The Committee shall make such a designation prior to each Grant Date.

### **2.2 Rights Under the Plan**

Subject to Article 5 and Article 6, an Eligible Person who has been granted Restricted Share Units shall continue to have rights in respect of such Restricted Share Units until such Restricted Share Units have been redeemed for Common Shares in accordance with this Plan.

### **2.3 Copy of Plan**

The Company shall provide each Eligible Person with a copy of this Plan following the initial grant of Restricted Share Units to such Eligible Person and shall provide each Eligible Person with a copy of all amendments to this Plan.

### **2.4 Limitation on Rights**

Nothing in this Plan shall confer on any director, employee or Consultant any right to be designated as an Eligible Person or to be granted Restricted Share Units. There is no obligation for uniformity of treatment of Eligible Persons or any group of directors, employees or Eligible Persons, whether based on salary or compensation, grade or level or organizational position or level or otherwise. A grant of Restricted Share Units to an Eligible Person on one or more Grant Dates shall not be construed to create a right to a grant of Restricted Share Units on a subsequent Grant Date.

### **2.5 Grant Agreements**

Each grant of Restricted Share Units shall be evidenced by a written agreement executed by the Eligible Person in substantially the form attached hereto as Schedule “A” (the “**Restricted Share Unit Grant Agreement**”). An Eligible Person will not be entitled to any grant of Restricted Share Units or any benefit of this Plan unless the Eligible Person agrees with the Company to be bound by the provisions of the Plan. By entering into an agreement described in this Section 2.5, each Eligible Person shall be deemed conclusively to have accepted and consented to all terms of this Plan and all bona fide actions or decisions made by the Committee. Such terms and consent shall also apply to and be binding on the legal representative, beneficiaries, heirs and successors of each Eligible Person.

### **2.6 Maximum Grants**

Notwithstanding any provision herein:



- (a) the aggregate number of Common Shares which may be issuable upon the redemption of all Restricted Share Units under the Plan shall not exceed 5 % of the issued and outstanding Common Shares of the Company as at the Grant Date. If a Restricted Share Unit expires, is forfeited or is cancelled for any reason, the Common Share(s) subject to that Restricted Share Unit shall again be available for grant under the Plan and all other Security Based Compensation Arrangements, subject to any required prior approval of the TSX. Any Common Shares subject to a Restricted Share Unit which has been redeemed, shall again be available for grants under the Plan, and under all other Security Based Compensation Arrangements;
- (b) the maximum number of Common Shares issuable to Insiders and their associates at any time pursuant to the redemption of Restricted Share Units granted under this Plan shall not exceed 2.5% of the Common Shares issued and outstanding from time to time (calculated on a non-diluted basis);
- (c) the maximum number of Common Shares that may be issued to Insiders and their associates within any one-year period pursuant to the redemption of Restricted Share Units granted under this Plan shall not exceed 2.5% of the Common Shares issued and outstanding from time to time (calculated on a non-diluted basis);
- (d) the maximum number of Restricted Share Units which may be issued to any one Insider and such Insider's associates under the Plan within a one year period shall be 1% of the Common Shares outstanding at the time of the issuance (on a non-diluted basis);
- (e) any Restricted Share Unit granted pursuant to the Plan, or securities issued under any other Share Compensation Arrangement, prior to the Eligible Person becoming an Insider, shall be excluded for the purposes of the limits set out in Section 2.6(b), (c) and (d) above;
- (f) the aggregate number of Common Shares reserved for issuance at any time pursuant to Restricted Share Units granted to Non-Employee Directors under the Plan may not exceed 0.5% of the outstanding Common Shares (on a non-diluted basis) and the aggregate number of Common Shares reserved for issuance to all Non-Employee Directors under all Security Based Compensation Arrangements, including the Plan, may not exceed 1.0% of the outstanding Common Shares (on a non-diluted basis); and
- (g) the aggregate value of Common Shares reserved for issuance pursuant to Restricted Share Units granted to any one Non-Employee Director in any calendar year under the Plan and under any other Security Based Compensation Arrangements shall not exceed \$150,000.

### **ARTICLE 3 RESTRICTED SHARE UNITS**

#### **3.1 Grant of Restricted Share Units**

Immediately prior to each Grant Date, the Committee shall, in its sole discretion, designate Eligible Persons and determine the number of Restricted Share Units to be granted to each Eligible Person, provided that no Restricted Share Unit shall be granted if such grant would require shareholder approval under the rules of the TSX until such grant has been approved by shareholders of the Company.

#### **3.2 Service Year**

For greater certainty, notwithstanding any other provision herein, the granting of Restricted Share Units to any Eligible Person under the Plan in any calendar year shall either: (i) be awarded solely in respect of performance of such Eligible Person in the same calendar year as that including the Grant Date; or (ii) in

respect of performance of such Eligible Person for the preceding calendar (in each case, the “**Service Year**”). In all cases, the Restricted Share Units shall be in addition to, and not in substitution for or in lieu of, ordinary salary and wages received by such Eligible Person in respect of his or her services to his or her employer. For certainty and clarity, unless otherwise agreed to between an Eligible Person and the Company, the vesting of any Restricted Share Unit shall commence upon the Grant Date.

### **3.3 Vesting Date**

The Restricted Share Units granted pursuant to Section 3.1, together with any Restricted Share Units credited to the Eligible Person’s account pursuant to Section **Error! Reference source not found.**, shall vest in accordance with the terms of the Restricted Share Unit Grant Agreement entered into in respect of such Restricted Share Units. Each date on which a Restricted Share Unit vests shall be referred to as the “**Vesting Date**”.

### **3.4 Crediting of Restricted Share Units**

All Restricted Share Units to be credited to an Eligible Person will be credited to an account maintained for the Eligible Person on the books of the Company (a “**Restricted Share Unit Account**”). Restricted Share Units shall be credited to the Restricted Share Unit Account on the Grant Date.

### **3.5 Fractions**

Notwithstanding any other provision of this Plan, where the determination of the number of Restricted Share Units which have vested on any particular Vesting Date would result in a fractional Restricted Share Unit, the number of Restricted Share Units credited to the Eligible Person shall be rounded down to the next whole number of Restricted Share Units. No fractional Common Shares shall be issued under the Plan nor shall cash be paid at any time in lieu of any such fractional Common Shares.

### **3.6 Credits for Dividends**

An Eligible Person’s account shall be credited with Dividend Equivalents in the form of additional Restricted Share Units on each dividend payment date in respect of which ordinary course cash dividends are paid on Common Shares. Such Dividend Equivalents shall be computed by dividing:

- (a) the amount obtained by multiplying the amount of the dividend declared and paid per Common Share by the number of Restricted Share Units recorded in the Eligible Person’s Restricted Share Unit Account on the date for the payment of such dividend, by
- (b) the Market Value of a Common Share as at the dividend payment date, rounded to the nearest one-thousandth of a Restricted Share Unit.

### **3.7 Capital Adjustments**

In the event of the declaration of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off, or other distribution (other than normal cash dividends) of the Company’s assets to its shareholders, or any other change in the capital of the Company affecting Common Shares, the Committee will make such proportionate adjustments, if any, as the Committee, in its sole discretion may deem appropriate to reflect such change (for the purpose of preserving the value of the Restricted Share Units), with respect to: (i) the number or kind of shares or other securities reserved for issuance pursuant to this Plan; and (ii) the number or kind of shares or other securities subject to Restricted Share Units. However, no amount will be paid to, or in respect of, an Eligible Person under the Plan or pursuant to any other arrangement, and no Restricted Share Units will be granted to such Eligible Person to compensate for a downward fluctuation in the price of Common Shares, nor will any other form of benefit be conferred upon, or in respect of, an Eligible Person for such purpose.

### **3.8 Offer for Common Shares - Change of Control**

Notwithstanding anything else herein to the contrary, in the event of a Change of Control, the Company shall redeem 100% of the Restricted Share Units granted to the Eligible Persons and outstanding under the Plan, whether or not vested, for Fair Market Value payable in cash, as soon as reasonably practicable, but no later than thirty (30) days following the Redemption Date. For the purposes of this Section 3.8 (i) the Redemption Date shall be the date on which the Change of Control becomes effective, and (ii) the “**Fair Market Value**” of a Restricted Share Unit shall be the greater of (i) the Market Value of the Common Shares for the period ending on the Business Day immediately preceding the Redemption Date, and (ii) the price at which Common Shares are taken up under the Change of Control, as applicable.

## **ARTICLE 4 REDEMPTION OF RESTRICTED SHARE UNITS**

### **4.1 Redemption of Restricted Share Units**

Subject to the remaining provisions of this Article 4, on the Redemption Date for each Vested Restricted Share Unit, the Company shall redeem all such Vested Restricted Share Units by issuing to the applicable Eligible Person(s) Common Shares from the Company’s treasury in respect of the Restricted Share Units, each Vested Restricted Share Unit being redeemed for one Common Share, or at the election of the Company, either:

- (a) cash in an amount equal to the Market Value of a Common Share on the Vesting Date;  
or
- (b) a Common Share acquired by the Company through a broker on a public exchange, provided that if the Company elects to arrange for the purchase of a Common Share by a broker on behalf of the Eligible Person, the Company shall contribute to the broker an amount of cash sufficient, together with any reasonable brokerage fees or commission fees related thereto, to purchase the whole Common Share to which the Eligible Person is entitled and the broker shall purchase such Common Share on behalf of such Eligible Person on the public exchange,

*provided that*, for greater certainty, no such determination shall be made during a black-out period as contemplated by Section 6.3.

### **4.2 Final Deadline for Redemption**

Notwithstanding any other provision of the Plan, all Common Shares to be issued to, or amounts payable to, or in respect of, an Eligible Person in respect of a Restricted Share Unit shall be issued and/or paid within three years following the end of the Service Year in respect of which the Restricted Share Unit was granted.

### **4.3 Taxes and Other Source Deductions**

As a condition of and prior to participation in the Plan, each Eligible Person authorizes the Company to withhold from any amount otherwise payable to him or her any amounts required by any taxing authority to be withheld for taxes of any kind as a consequence of his or her participation in the Plan. The Company shall also have the right in its sole discretion to satisfy any such liability for withholding or other required deduction amounts by requiring the Eligible Person to complete a sale in respect of such number of Common Shares, which have been issued and would otherwise be delivered to the Eligible Person under the Plan, and any amount payable from such sale will first be paid to the Company to satisfy any liability for withholding. The Company may require an Eligible Person, as a condition of participation in the Plan, to pay or reimburse the Company for any cost incurred by the Company as a result of the participation by the Eligible Person in the Plan.

Each Eligible Person, any beneficiary or the Eligible Person's estate, as the case may be, is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or for the account of such Eligible Person in connection with the Plan (including any taxes and penalties under any Applicable Law), and the Company shall not have any obligation to indemnify or otherwise hold such Eligible Person, beneficiary or estate harmless from any or all of such taxes and penalties.

#### **4.4 Effect of Redemption**

Upon the issuance of the Common Shares to an Eligible Person upon the redemption of Vested Restricted Share Units in accordance with section 4.1, the Vested Restricted Share Units shall be cancelled and struck from the books of the Company and such Eligible Person shall have no further rights, title or interest with respect to any Restricted Share Unit that has been redeemed.

### **ARTICLE 5 EVENTS AFFECTING ENTITLEMENT**

#### **5.1 Resignation**

If an Eligible Person resigns from employment with the Company or its Affiliates before the Vesting Date of the Eligible Person's Restricted Share Units, the Eligible Person shall forfeit all rights, title and interest in the Restricted Share Units for which the Vesting Date is on or after the earlier of: (i) the date of delivery of the notice of resignation; and (ii) the effective date of the resignation.

#### **5.2 Retirement or Permanent Disability**

If an Eligible Person's employment with the Company or its Affiliates ceases as a result of such Eligible Person's Board approved retirement or Permanent Disability, any unvested Restricted Share Units held by such Eligible Person shall continue to vest according to the vesting schedule set out in the applicable Restricted Share Unit Grant Agreement based.

#### **5.3 Termination for Cause**

If an Eligible Person's employment with the Company or its Affiliates is terminated for Cause before the Vesting Date of the Eligible Person's Restricted Share Units, the Eligible Person shall forfeit all rights, title and interest in the Restricted Share Units for which the Vesting Date is on or after the date notice of termination is delivered to the Eligible Person.

#### **5.4 Death of Eligible Person Prior to Redemption**

If an Eligible Person's employment with the Company or its Affiliates ceases as a result of the death of the Eligible Person, any unvested Restricted Share Units held by such Eligible Person shall vest on the Eligible Person's Termination Date and the Company shall redeem all such Vested Restricted Share Units credited to the account of such Eligible Person under the Plan in accordance with Section 4.1 with any Common Shares issuable upon such redemption being issued to the legal representatives of the estate of such Eligible Person.

#### **5.5 Other Termination**

Notwithstanding Subsection 3.3, if an Eligible Person's employment with the Company or its Affiliates ceases, for reasons other than as set out in Sections 5.1, 5.2, 5.3 and 5.4, before the Vesting Date of the Eligible Person's Restricted Share Units, any unvested Restricted Share Units held by such Eligible Person shall vest *pro-rata* on the Eligible Person's Termination Date based on the number of completed months of active service or employment between the Grant Date and the Vesting Date of such Restricted Share Units. Such Vested Restricted Share Units will be payable in cash based on the Market Value of the Common

Shares for the period ending on the date such Eligible Person's employment ceased with the Company.

Without limiting the generality of the foregoing, except as required by applicable employment standards legislation or written agreement between an Eligible Person and the Company or its Affiliates, no period of notice or payment in lieu of notice that follows an Eligible Person's last day of actual and active employment or engagement shall be deemed to extend an Eligible Person's period of employment or engagement for the purpose of determining his or her rights or entitlements under the Plan. An Eligible Person shall have no entitlement to damages or other compensation arising from or related to not receiving any awards which would have vested or accrued to an Eligible Person after the date of cessation of employment or if working notice of termination had been given. However, nothing herein is intended to limit any statutory entitlements or termination and such statutory entitlements shall, if required, apply despite this language to the contrary.

## **5.6 No Grants Following Last Day of Active Employment**

In the event of termination of any Eligible Person's employment with the Company or its Affiliates, such Eligible Person shall not be granted any Restricted Share Units pursuant to Section 3.1 or any Restricted Share Units in respect of Dividend Equivalents pursuant to Section **Error! Reference source not found.** after the last day of active employment of such Eligible Person. Without limiting the generality of the foregoing and of Section 2.4, notwithstanding any other provision hereof, and notwithstanding any provision of any employment agreement between any Eligible Person and the Company, no Eligible Person will have any right to be awarded additional Restricted Share Units, and shall not be awarded any Restricted Share Units, pursuant to Section 3.1 after the last day of active employment of such Eligible Person on which such Eligible Person actually performs the duties of the Eligible Person's position, whether or not such Eligible Person receives a lump sum payment of salary or other compensation in lieu of notice of termination, or continues to receive payment of salary, benefits or other remuneration for any period following such last day of active employment. Notwithstanding any other provision hereof, or any provision of any employment agreement between the Company or its Affiliates and the Eligible Person, in no event will any Eligible Person have any right to damages in respect of any loss of any right to be awarded Restricted Share Units pursuant to Section 3.1 after the last day of active employment of such Eligible Person and no severance allowance, or termination settlement of any kind in respect of any Eligible Person will include or reflect any claim for such loss of right and no Eligible Person will have any right to assert, claim, seek or obtain, and shall not assert, claim, seek or obtain, any judgment or award which includes or reflects any such right or claim for such loss of right.

## **ARTICLE 6 ADMINISTRATION**

### **6.1 Transferability of Restricted Share Units**

Rights respecting Restricted Share Units shall not be transferable or assignable other than by will or the laws of descent and distribution.

### **6.2 Administration of the Plan**

The Committee shall, in its sole and absolute discretion, but subject to applicable corporate, securities and tax law requirements: (i) interpret and administer the Plan; (ii) establish, amend and rescind any rules and regulations relating to the Plan; and (iii) make any other determinations that the Committee deems necessary or advisable for the administration and operation of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems, in its sole and absolute discretion, necessary or desirable. Any decision of the Committee with respect to the administration and interpretation of the Plan shall be conclusive and binding on the Eligible Person and his or her legal representative. The Board may establish policies respecting minimum ownership of Common Shares of the Company by Eligible Persons and the ability to elect Restricted Shares Units to satisfy any such policy.

### **6.3 Black-Out Period**

Notwithstanding any other provision of the Plan, if the Redemption Date of a Vested Restricted Share Unit falls on, or within the nine (9) business days immediately following a date upon which the settlement of such Vested Restricted Share Unit is prohibited due to a black-out period or other trading restriction imposed by the Company, then the Redemption Date of such Vested Restricted Share Unit shall be automatically extended to the tenth (10<sup>th</sup>) business day following the date of the relevant black-out period or other trading restriction imposed by the Company is lifted, terminated or removed.

### **6.4 Records**

The Company will maintain records indicating the number of Restricted Share Units credited to an Eligible Person under the Plan from time to time and the Grant Dates of such Restricted Share Units. Such records shall be conclusive as to all matters involved in the administration of this Plan.

### **6.5 Statements**

The Company shall furnish annual statements to each Eligible Person indicating the number of Restricted Share Units credited to the Eligible Person and the Grant Dates of the Restricted Share Units and such other information that the Company considers relevant to the Eligible Person.

### **6.6 Legal Compliance**

The Company shall ensure compliance with all Applicable Laws and legal requirements, including all applicable corporate and securities laws and regulations of any country, and any political subdivisions thereof, and the by-laws and regulations of any stock exchanges or other organized market on which the Common Shares may from time to time be listed or posed and any applicable provisions of the *Income Tax Act* (Canada), as amended or income tax legislation of any other jurisdiction.

## **ARTICLE 7 AMENDMENT AND TERMINATION**

### **7.1 Amendment**

- (a) Subject to Section 7.1(b) and (c) below and any applicable rules of the TSX, the Board may from time to time, in its absolute discretion and without the prior approval of holders of the Common Shares and other voting securities of the Company, suspend, discontinue or make the following amendments to this Plan or any Restricted Share Unit granted pursuant to this Plan:
  - (i) amend the vesting provisions of this Plan and any Restricted Share Unit;
  - (ii) amend this Plan, any Restricted Share Unit Grant Agreement or any Restricted Share Unit as necessary to comply with applicable law or the requirements of the TSX or any other regulatory body having authority over the Company, this Plan or the holders of Common Shares;
  - (iii) any amendment of a “housekeeping” nature, including, without limitation, to clarify the meaning of an existing provision of this Plan, correct or supplement any provision of this Plan that is inconsistent with any other provision of this Plan, correct any grammatical or typographical errors or amend the definitions in this Plan regarding administration of this Plan;
  - (iv) any amendment respecting the administration of this Plan; and
  - (v) any other amendment that does not require the approval of Shareholders under Section 7.1(b).



- (b) Notwithstanding Section 7.1(a) above, the Board may not, without the approval of the holders of a majority of the Common Shares and other voting securities of the Company present and voting in person or by proxy at a meeting of shareholders of the Company, amend the Plan or any Restricted Share Unit granted pursuant thereto to:
- (i) increase the number of Common Shares, or the percentage of the issued and outstanding Common Shares, issuable pursuant to the Plan;
  - (ii) extend the Redemption Date of any Restricted Share Unit granted under the Plan beyond the Redemption Date of the Restricted Share Unit determined at the date of grant in accordance with the Plan;
  - (iii) materially modify the eligibility requirements for participation in this Plan;
  - (iv) amend the limitations on the maximum number of Common Shares reserved or issued to Insiders under Sections 2.6(b), 2.6(c) and 2.6(d) of this Plan;
  - (v) amend the limitations under Sections 2.6(f) and 2.6(g) of this Plan with respect to Restricted Share Units that may be granted to Non-Employee Directors;
  - (vi) amend the restriction under Section 6.1 to permit an Eligible Person to transfer any Restricted Share Units to a new beneficial holder other than for estate settlement purposes; or
  - (vii) amend the amendment provisions of this Plan under this Section 7.1, unless the change to the Plan or a Restricted Share Unit granted pursuant thereto results from the application of Section 3.8 hereof.
- (c) Unless a holder of Restricted Share Unit(s) otherwise agrees, the Board may not suspend, discontinue or amend the Plan or amend any outstanding Restricted Share Unit(s) in a manner that would alter or impair any Restricted Share Unit(s) previously granted to an Eligible Person under the Plan, and any such suspension, discontinuance or amendment of the Plan or amendment to any Restricted Share Unit(s) shall apply only in respect of Restricted Share Units granted on or after the date of such suspension, discontinuance or amendment. No suspension, discontinuance or amendment of the Plan or amendment to any Restricted Share Unit(s) may contravene the requirements of the TSX or any securities commission or regulatory body to which the Plan, the Restricted Share Unit(s) or the Company is now or may hereafter be subject.

## **7.2 Termination**

If this Plan is terminated, the provisions of this Plan and any administrative guidelines, and other rules adopted by the Board and in force at the time of this Plan, will continue in effect as long as a Restricted Share Unit or any rights pursuant thereto remain outstanding. However, notwithstanding the termination of the Plan, the Board may make any amendments to the Plan or the Restricted Share Units it would be entitled to make if the Plan were still in effect.



## **ARTICLE 8 GENERAL**

### **8.1 No Shareholder Rights**

This Plan shall not be interpreted to create any entitlement of any Eligible Person to any Common Shares, or to the dividends payable pursuant thereto, except as expressly provided herein. A holder of Restricted Share Units shall not have rights as a shareholder of the Company with respect to any Common Shares which may be issuable pursuant to the Restricted Share Units so held, whether voting, right on liquidation or otherwise.

### **8.2 No Right to Employment**

Neither participation in the Plan nor any action taken under the Plan shall give or be deemed to give any Eligible Person a right to continue as an employee and shall not interfere with the right of the Company to terminate the employment or service of any Eligible Person at any time.

### **8.3 Right to Funds**

Neither the establishment of this Plan nor the granting of Restricted Share Units under this Plan shall be deemed to create a trust. To the extent any individual holds any rights under the Plan, such rights (unless otherwise determined by the Board) shall be no greater than the rights of an unsecured general creditor of the Company.

### **8.4 Reorganization of the Company**

The existence of any Restricted Share Units shall not affect in any way the right or power of the Company or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, or any amalgamation, combination, merger or consolidation involving the Company or to create or issue any bonds, debentures, shares or other securities of the Company or the rights and conditions attaching thereto or to effect the dissolution or liquidation of the Company or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

### **8.5 Successors and Assigns**

The Plan shall be binding on all successors and assigns of the Company and each Eligible Person, including without limitation, the legal representative of an Eligible Person, or any receiver or trustee in bankruptcy or representative of the creditors of the Company or an Eligible Person.

### **8.6 Governing Law**

The Plan shall be governed by, and interpreted in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein.

### **8.7 Interpretation**

In this Plan words importing the singular meaning shall include the plural and vice versa, and the words importing the masculine shall include the feminine and neuter genders.

### **8.8 Compliance with Employment Standards Legislation**

9.

10. In the event that the minimum standards set out in the applicable employment standards legislation (as may be amended from time to time) are more favourable to an Eligible Person (who is an employee of the Company or its Affiliates) in any respect than a term or provision provided for in this Agreement, such

Eligible Person and the Company agree that the statutory provisions will apply in respect of that term or provision.

#### **8.9 Severability**

The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision and any invalid or unenforceable provision shall be severed from this Plan.

#### **8.10 Code Section 409A**

The payments hereunder in redemption of the Restricted Share Units are intended to be exempt from the provisions of Section 409A of the Code, as all such payments will be made no later than the 15th day of the third month after the later of (i) the first calendar year in which the Eligible Person's right to the payment is no longer subject to substantial risk of forfeiture or (ii) the first taxable year of the Company in which the Eligible Person's right to payment is no longer subject to substantial risk of forfeiture. Notwithstanding the foregoing, neither the Company nor its Affiliates, nor any of their officers, directors, employees or representatives shall be liable to the Eligible Person for any interest, taxes or penalties resulting from non-compliance with Section 409A of the Code.

## SCHEDULE A

### TO THE RESTRICTED SHARE UNIT PLAN RESTRICTED SHARE UNIT GRANT AGREEMENT

This Restricted Share Unit Grant Agreement is made as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ between the undersigned "**Eligible Person**" (the "**Eligible Person**"), being an employee, director or Consultant of CES Energy Solutions Corp., (the "**Company**") or, \_\_\_\_\_, an affiliate of the Company (the "**Affiliate**"), as the case may be, named or designated pursuant to the terms of the Restricted Share Unit Plan of CES Energy Solutions Corp. (which Plan, as the same may from time to time be modified, supplemented or amended and in effect is herein referred to as the "**Plan**"), and the Company.

In consideration of the grant of Restricted Share Units made to the Eligible Person pursuant to the Plan (the receipt and sufficiency of which are hereby acknowledged), the Eligible Person hereby agrees and confirms that:

1. The Eligible Person has received a copy of the Plan and has read, understands and agrees to be bound by the provisions of the Plan.
2. The Eligible Person accepts and consents to and shall be deemed conclusively to have accepted and consented to, and agreed to be bound by, the provisions and all terms of the Plan and all bona fide actions or decisions made by the Board, the Committee, or any person to whom the Committee may delegate administrative duties and powers in relation to the Plan, which terms and consent shall also apply to and be binding on the legal representatives, beneficiaries and successors of the undersigned.
3. On \_\_\_\_\_, 20\_\_\_\_, the Eligible Person was granted Restricted Share Units, which grant is evidenced by this Agreement.
4. This Restricted Share Unit Grant Agreement shall be considered as part of and an amendment to the employment agreement between the Eligible Person and the Company or the Affiliate, as the case may be, and the Eligible Person hereby agrees that the Eligible Person will not make any claim under that employment agreement for any rights or entitlement under the Plan or damages in lieu thereof except as expressly provided in the Plan.
5. The Eligible Person's participation in the trade and acceptance of the Restricted Share Units is voluntary and he or she has not been induced to participate in the Plan by expectation of engagement, appointment, employment, continued engagement, continued appointment or continued employment, as applicable, with the Company or its Affiliates
6. The Restricted Share Units are subject to the following vesting criteria:

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This Agreement shall be determined in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.

Words used herein which are defined in the Plan shall have the respective meanings ascribed to them in the Plan.

IN WITNESS WHEREOF, CES Energy Solutions Corp. has executed and delivered this Agreement, and the Eligible Person has signed, sealed and delivered this Agreement, as of the date first above written.

**CES ENERGY SOLUTIONS CORP.**

Per: \_\_\_\_\_

**ELIGIBLE PERSON**

\_\_\_\_\_  
Signed

\_\_\_\_\_  
Print Name

## APPENDIX "B"

### ARTICLES OF CONTINUANCE



#### Articles of Continuance

*Business Corporations Act*  
Section 188

This information is collected in accordance with the *Business Corporations Act*. It is required to convert an extra-provincial corporation to an Alberta corporation for the purpose of issuance of a certificate of continuance. Collection is authorized under s. 33(a) of the *Freedom of Information and Protection of Privacy Act*. Questions about the collection can be directed to Service Alberta Contact Centre staff at [cr@gov.ab.ca](mailto:cr@gov.ab.ca) or 780-427-7013 (toll-free 310-0000 within Alberta).

**1. Name of Corporation**

CES Energy Solutions Corp.

**2. The classes of shares, and any maximum number of shares that the corporation is authorized to issue:**

Refer to "Share Structure" attachment.

**3. Restrictions on share transfers** (if there are no restrictions, enter "NONE"):

None

**4. Number, or minimum and maximum number of directors:**

Minimum 3 - Maximum 15

**5. If the corporation is restricted FROM carrying on a certain business or restricted TO carrying on a certain business, specify the restrictions** (if there are no restrictions, enter "NONE"):

None

**6. Other rules or provisions** (if there are no rules or provisions, enter "NONE"):

Refer to "Other Rules or Provisions" attachment.

**7. If a change of name is effected, indicate previous name:**

**8. Current Extra-Provincial Registration** (if applicable):

Corporation's Name on Alberta Extra-Provincial Registration	Alberta Corporate Access Number
CES Energy Solutions Corp.	2115168615

**9. Current Jurisdiction Information**

Name (if different from the corporation's name as stated above)	Registration Number in Current Jurisdiction
	211800-9
Jurisdiction	Date of Formation in Current Jurisdiction (yyyy-mm-dd)
Canada	1986-11-13

**10. Authorized Representative/Authorized Signing Authority for the Corporation**

_____ Last Name, First Name, Middle Name (optional)	_____ Relationship to Corporation
_____ Telephone Number (optional)	_____ Email Address (optional)
_____ Date of submission (yyyy-mm-dd)	_____ Signature

**SHARE STRUCTURE**  
**Attached to and Forming Part of**  
**the Articles of CES Energy Solutions Corp. (the "Corporation")**

The Corporation is authorized to issue an unlimited number of Common Shares.

**COMMON SHARES**

1. The unlimited number of Common Shares shall have attached thereto the following rights, privileges, restrictions and conditions:
  - (a) The holders of Common Shares shall be entitled to notice of, to attend and to one vote per share held at any meeting of the shareholders of the Corporation (other than meetings of a class or series of shares of the Corporation other than the Common Shares as such);
  - (b) The holders of Common Shares shall be entitled to receive dividends as and when declared by the Board of Directors of the Corporation on the Common Shares as a class, subject to prior satisfaction of all preferential rights to dividends attached to shares of other classes of shares of the Corporation ranking in priority to the Common Shares in respect of dividends; and
  - (c) The holders of Common Shares shall be entitled in the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, and subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of the Corporation ranking in priority to the Common Shares in respect of return of capital on dissolution, to share rateably, together with the holders of shares of any other class of shares of the Corporation ranking equally with the Common Shares in respect of return of capital on dissolution, in such assets of the Corporation as are available for distribution.
2. If the directors of the Corporation declare a dividend on the Common Shares payable in whole or in part in fully paid and non-assessable Common Shares (the portion of the dividend payable in Common Shares being herein referred to as a "stock dividend"), the following provisions shall apply:
  - (a) unless otherwise determined by the directors of the Corporation in respect of a particular stock dividend: (i) the number of Common Shares (which shall include any fractional Common Shares) to be issued in satisfaction of the stock dividend shall be determined by dividing (A) the dollar amount of the particular stock dividend, by (B) the "Average Market Price" of a Common Share on the Toronto Stock Exchange (the "TSX"), with the "Average Market Price" calculated by dividing the total value of Common Shares traded on the TSX by the total volume of Common Shares traded on the TSX over the five trading day period immediately prior to the payment date of the applicable stock dividend on the Common Shares; and (ii) the value of a Common Share to be issued for the purposes of each stock dividend declared by the directors of the Corporation shall be deemed to be the Average Market Price of a Common Share;
  - (b) to the extent that any stock dividend paid on the Common Shares represents one or more whole Common Shares payable to a registered holder of Common Shares, such whole Common Shares shall be registered in the name of such holder. Common Shares representing in the aggregate all of the fractions amounting to less than one whole Common Share which might otherwise have been payable to registered holders of Common Shares by reason of such stock dividend shall be issued to the transfer agent

for the Common Shares as the agent of such registered holders of Common Shares. The transfer agent shall credit to an account for each such registered holder all fractions of a Common Share amounting to less than one whole share issued by the Corporation by way of stock dividends in respect of the Common Shares registered in the name of such holder. From time to time, when the fractional interests in a Common Share held by the transfer agent for the account of any registered holder of Common Shares are equal to or exceed in the aggregate one additional whole Common Share, the transfer agent shall cause such additional whole Common Share to be registered in the name of such registered holder and thereupon only the excess fractional interest, if any, will continue to be held by the transfer agent for the account of such registered holder. The Common Shares held by the transfer agent representing fractional interests shall not be voted;

- (c) if at any time the Corporation shall have reason to believe that tax should be withheld and remitted to a taxation authority in respect of any stock dividend paid or payable to a shareholder in Common Shares, the Corporation shall have the right to sell, or to require its transfer agent in each case as agent of such shareholder, to sell all or any part of the Common Shares or any fraction thereof so issued to such holder in payment of that stock dividend or one or more subsequent stock dividends through the facilities of the TSX or other stock exchange on which the Common Shares are listed for trading, and to cause the transfer agent to remit the cash proceeds from such sale to such taxation authority (rather than such holder) in payment of such tax to be withheld. This right of sale may be exercised by notice given by the Corporation to such holder and to the Corporation or the transfer agent stating the name of the holder, the number of Common Shares to be sold and the amount of the tax which the Corporation has reason to believe should be withheld. Upon receipt of such notice the transfer agent shall, unless a certificate or other evidence of registered ownership for the Common Shares has at the relevant time been issued in the name of the holder, sell the Common Shares as aforementioned and the Corporation or the transfer agent as applicable, shall be deemed for all purposes to be the duly authorized agent of the holder with full authority on behalf of such holder to effect the sale of such Common Shares and deliver the proceeds therefrom to the applicable taxation authority on behalf of the Corporation. Any balance of the cash sale proceeds not remitted by the Corporation in payment of the tax to be withheld shall be payable to the holder whose Common Shares were so sold by the transfer agent;
- (d) if at any time the Corporation shall have reason to believe that the payment of a stock dividend to any holder thereof who is resident in or otherwise subject to the laws of a jurisdiction outside Canada might contravene the laws or regulations of such jurisdiction, or could subject the Corporation to any penalty thereunder or any legal or regulatory requirements not otherwise applicable to the Corporation, the Corporation shall have the right to sell, or to require its transfer agent in each case, as agent of such shareholder, to sell through the facilities of the TSX or other stock exchange on which the Common Shares are listed for trading, the Common Shares or any fraction thereof so issued and to cause the transfer agent to pay the cash proceeds from such sale to such holder. The right of sale shall be exercised in the manner provided in subparagraph (c) above except that in the notice there shall be stated, instead of the amount of the tax to be withheld, the nature of the law or regulation which might be contravened or which might subject the Corporation to any penalty or legal or regulatory requirement. Upon receipt of the notice, the Corporation or the transfer agent shall, unless a certificate or other evidence of registered ownership for the Common Shares has at the relevant time been issued in the name of the holder, sell the Common Shares as aforementioned and the Corporation or the transfer agent, as applicable shall be deemed for all purposes to be the duly authorized agent of the holder with full authority on behalf of such holder to effect the sale of such Common Shares and to deliver the proceeds therefrom to such holder;
- (e) upon any registered holder of Common Shares ceasing to be a registered holder of one or more Common Shares, such holder shall be entitled to receive from the transfer agent,



and the transfer agent shall pay as soon as practicable to such holder, an amount in cash equal to the proportion of the value of one Common Share that is represented by the fraction less than one whole Common Share at that time held by the transfer agent for the account of such holder, and, for the purpose of determining such value, each Common Share shall be deemed to have the value equal to the Average Market Price in respect of the last stock dividend paid by the Corporation prior to the date of such payment; and

- (f) for the purposes of the foregoing: (i) the calculation of a fraction of a Common Share payable to a shareholder by way of a stock dividend and the calculation of the Average Market Price shall be computed to six decimal places, and shall be rounded to the nearest sixth decimal place; and (ii) neither the Corporation nor its transfer agent shall have any obligation to register any Common Share in the name of a person, to deliver a certificate or other document representing Common Shares registered in the name of a shareholder or to make a cash payment for fractions of a Common Share, unless all applicable laws and regulations to which the Corporation and/or the transfer agent are, or as a result of such action may become, subject, shall have been complied with to their reasonable satisfaction.

**OTHER RULES OR PROVISIONS**  
**Attached to and Forming Part of**  
**the Articles of CES Energy Solutions Corp. (the "Corporation")**

1. Subject to the *Business Corporations Act* (Alberta), the directors may, between annual general meetings, appoint one or more additional directors of the Corporation to serve until the next annual general meeting, but the number of the additional directors shall not at any time exceed one third of the number of directors who held office at the expiration of the last annual meeting of the Corporation.
2. Shareholders meetings may be held anywhere inside or outside of Alberta that the directors determine by resolution from time to time.

## APPENDIX “C”

### BY-LAW NUMBER 1 OF THE CORPORATION UNDER THE ABCA

#### BY-LAW NO. 1 GENERAL BY-LAW

A by-law relating generally to the conduct of the business and affairs of

#### CES ENERGY SOLUTIONS CORP.

(hereinafter called the “**Corporation**”).

IT IS HEREBY ENACTED as a by-law of the Corporation as follows:

#### DIVISION 1 INTERPRETATION

##### 1.1 Definitions

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

- (a) “**Act**” means the *Business Corporations Act* of Alberta, as from time to time amended and every statute that may be substituted therefore and, in the case of such substitution, any references in the by-laws of the Corporation to provisions of the Act shall be read as references to the substituted provisions therefor in the new statute or status;
- (b) “**appoint**” includes “**elect**” and vice versa;
- (c) “**articles**” means the articles of incorporation or continuance of the Corporation, as from time to time amended or restated;
- (d) “**board**” means the board of directors of the Corporation;
- (e) “**business day**” means a day which is not a non-business day;
- (f) “**by-laws**” means this by-law and all other by-laws of the Corporation from time to time in force and effect;
- (g) “**meeting of shareholders**” includes an annual and a special meeting of shareholders;
- (h) “**non-business day**” means Saturday, Sunday and any other day that is a holiday as from time to time defined in *The Interpretation Act* of Alberta;
- (i) “**Regulations**” means the regulations under the Act as published or from time to time amended and every regulation that may be substituted therefore and, in the case of such substitution, any references in the by-laws of the Corporation to provisions of the Regulations shall be read as references to the substituted provisions therefore in the new regulations;
- (j) “**signing officer**” means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by virtue of section 3.1 of this by-law or by a resolution passed pursuant thereto; and

- (k) **“special meeting of shareholders”** means a meeting of any particular class or classes of shareholders and a meeting of all shareholders entitled to vote at any annual meeting of shareholders at which special business is to be transacted.

Save as aforesaid, all terms which are contained in the by-laws of the Corporation and which are defined in the Act or the Regulations shall, unless the context otherwise specifies or requires, have the meanings given to such terms in the Act or the Regulations. Words importing the singular number include the plural and vice versa; the masculine shall include the feminine; and the word “person” shall include an individual, partnership, association, body corporate, body politic, trustee, executor, administrator and legal representative.

Headings used in the by-laws are inserted for reference purposes only and are not to be considered or taken into account in construing the terms or provisions thereof or to be deemed in any way to clarify, modify or explain the effect of any such terms or provisions.

## **DIVISION 2 BANKING AND SECURITIES**

### **2.1 Banking Arrangements**

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

### **2.2 Voting Rights in Other Bodies Corporate**

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

## **DIVISION 3 EXECUTION OF INSTRUMENTS**

### **3.1 Authorized Signing Officers**

The chair, the president, a vice president or any director, together with the secretary, the treasurer, assistant secretary, assistant treasurer or any other director, shall have authority to sign in the name and on behalf of the Corporation all instruments in writing and any instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The board of directors shall have power from time to time by resolution to appoint any other officer or officers or any person or persons on behalf of the Corporation either to sign instruments in writing generally or to sign specific instruments in writing. Any signing officer may affix the corporate seal to any instrument requiring the same. The term **“instruments in writing”** as used herein shall, without limiting the generality thereof, include contracts, documents, powers of attorney, deeds, mortgages, hypothecs, charges, conveyances, transfers and assignments of property (real or personal, immovable or movable), agreements, tenders, releases, receipts and discharges for the payment of money or other obligations, conveyances, transfers and assignments of shares, stocks, bonds, debentures or other securities, instruments of proxy and all paper writing.

### 3.2 Cheques, Drafts and Notes

Cheques on bank accounts, drafts drawn or accepted by the Corporation, promissory notes given by it, acceptances, bills of exchange, orders for the payment of money and other instruments of a like nature may be made, signed, drawn, accepted or endorsed, as the case may be, by such officer or officers, person or persons as the directors may by resolution from time to time name for that purpose. Cheques, promissory notes, bills of exchange, orders for the payment of money and other negotiable paper may be endorsed for deposit to the credit of any one of the Corporation's bank accounts by such officer or officers, person or persons, as the directors may by resolution from time to time name for that purpose, or they may be endorsed for such deposit by means of a stamp bearing the Corporation's name.

## DIVISION 4 DIRECTORS

### 4.1 Number

The board shall consist of such number of directors as is fixed by the articles or where the articles specify a variable number, shall consist of such number of directors as is not less than the minimum nor more than the maximum number of directors provided in the articles and as shall be fixed from time to time by resolution of the shareholders.

### 4.2 Nomination of Directors

Subject only to the Act, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which a special meeting was called was the election of directors, (a) by or at the direction of the board or an authorized officer of the Corporation, including pursuant to a notice of meeting of shareholders, (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act or a requisition of the shareholders made in accordance with the provisions of the Act or (c) by any person (a **"Nominating Shareholder"**) (i) who, at the close of business on the date of the giving of the notice provided for below in this Section 4.2 and on the record date for the receipt of notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting, or who beneficially owns shares that are entitled to be voted at such meeting and (ii) who complies with the notice procedures set forth below in this Section 4.2:

- (a) In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, such person must have given timely notice thereof in proper written form (the **"Notice"**) to the secretary of the Corporation at the principal executive offices of the Corporation, in accordance with this Section 4.2.
- (b) To be timely, a Notice to the secretary of the Corporation must be given:
  - (i) in the case of an annual meeting of shareholders, not less than 30 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is called for a date that is less than 50 days after the date (the **"Notice Date"**) on which the first public announcement of the date of the meeting was made, the Notice must be given by the Nominating Shareholder not later than the close of business on the tenth (10th) day following the Notice Date; and
  - (ii) in the case of a special meeting of shareholders (that is not also an annual meeting of shareholders), the Notice must be given by the Nominating Shareholder not later than the close of business on the fifteenth (15th) day following the Notice Date for such special meeting of shareholders.

To the extent that the applicable annual meeting or special meeting of shareholders is adjourned or postponed, the time periods for the giving of a Nominating Shareholder's notice set forth above shall be based on the new adjourned or postponed date of the annual meeting or special meeting of shareholders and not based on the original date of such meeting.

- (c) To be in proper written form, the Notice to the secretary of the Corporation must set forth:
  - (i) as to each person who the Nominating Shareholder proposes to nominate for election as a director (a **"Proposed Nominee"**):
    - (A) the name, age, business address and residential address of the Proposed Nominee;
    - (B) the principal occupation, business or employment of the Proposed Nominee for the most recent five years and the name and principal business of any company in which any such employment is carried on;
    - (C) whether the Proposed Nominee is a "resident Canadian" (as such term is defined in the Act);
    - (D) the number of securities of each class of voting securities of the Corporation or any of its subsidiaries that are beneficially owned, or controlled or directed, directly or indirectly, by the Proposed Nominee as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice;
    - (E) a description of any relationship, agreement, arrangement or understanding (financial, compensation, indemnity related or otherwise) between the Nominating Shareholder and the Proposed Nominee, or any associates or affiliates of, or any person or entity acting jointly or in concert with, the Nominating Shareholder or the Proposed Nominee, in connection with the Proposed Nominee's nomination and election as a director;
    - (F) the Proposed Nominee's written consent to being named as a nominee for election to the board and to serve as a director of the Corporation, if elected; and
    - (G) any other information relating to the Proposed Nominee that would be required to be disclosed in a dissident proxy circular or other filings required to be made in connection with the solicitation of proxies for election of directors pursuant to the Act or applicable securities laws; and
  - (ii) as to the Nominating Shareholder:
    - (A) the name, business address and residential address of the Nominating Shareholder;
    - (B) the number of securities of each class of voting securities of the Corporation or any of its subsidiaries that are beneficially owned, or controlled or directed, directly or indirectly, by the Nominating Shareholder or any other person with whom such person is acting jointly or in concert with respect to the Corporation or any of its securities, as of the record date for the meeting of shareholders (if such date shall then have been

made publicly available and shall have occurred) and as of the date of such notice;

- (C) the Nominating Shareholder's interests in, or rights or obligations associated with, an agreement, arrangement or understanding, the purpose or effect of which is to alter, directly or indirectly, the Nominating Shareholder's economic interest in a security of the Corporation or the Nominating Shareholder's economic exposure to the Corporation;
  - (D) a description of any proxy, contract, agreement, arrangement or understanding pursuant to which such Nominating Shareholder, or any of its associates or affiliates, or any person acting jointly or in concert with any such person, has any interests, rights or obligations relating to the voting of any securities of the Corporation or the nomination of directors to the board;
  - (E) a representation as to whether the Nominating Shareholder intends to deliver a proxy circular and/or form of proxy to any shareholder of the Corporation in connection with such nomination or otherwise solicit proxies or votes from shareholders of the Corporation in support of such nomination; and
  - (F) any other information relating to the Nominating Shareholder that would be required to be made in a dissident proxy circular or other filings required to be made in connection with the solicitation of proxies for election of directors pursuant to the Act or applicable securities laws.
- (d) The Corporation may require any Proposed Nominee to furnish such other information and documents as may reasonably be required by the Corporation to determine the eligibility of such Proposed Nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence and/or qualifications, or lack thereof, of such Proposed Nominee.
- (e) No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Section 4.2; provided, however, that nothing herein shall be deemed to preclude discussions by a shareholder (as distinct from seeking to nominate directors) at a meeting of shareholders, on any matter in respect of which such shareholder would have been entitled to submit a proposal pursuant to the provisions of the Act. The chair of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such nomination is invalid due to its non-compliance with this Section 4.2.
- (f) For purposes of this Section 4.2, (i) "**public announcement**" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com); and (ii) "**applicable securities laws**" means the securities legislation in those provinces and territories of Canada to which the Corporation is subject, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commissions and similar regulatory authorities of each of the relevant provinces and territories of Canada.
- (g) Notice given to the secretary of the Corporation pursuant to this Section 4.2 may only be given by personal delivery, facsimile transmission or by email (at such email address as



stipulated from time to time by the secretary of the Corporation for the purposes of such Notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the secretary at the address of the principal executive offices of the Corporation; provided that if such delivery or electronic communication is made on a day which is not a business day, or later than 5:00 pm (Calgary time) on a day which is a business day, then such a delivery or electronic communication shall be deemed to have been made on the next following business day.

- (h) Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement or provision in this Section 4.2.

#### 4.3 Election and Term

Subject to the articles or a unanimous shareholder agreement, the election of directors shall take place at each annual meeting of shareholders and all of the directors then in office shall retire but, if qualified, shall be eligible for re-election. The number of directors to be elected at any such meeting shall, subject to the articles or a unanimous shareholder agreement, be the number of directors then in office, or the number of directors whose terms of office expire at the meeting, as the case may be, except that, if cumulative voting is not required by the articles and the articles otherwise permit, the shareholders may resolve to elect some other number of directors. Where the shareholders adopt an amendment to the articles to increase the number or minimum number of directors, the shareholders may, at the meeting at which they adopt the amendment, elect the additional number of directors authorized by the amendment. If an election of directors is not held at the proper time, the incumbent directors shall continue in office until their successors are elected. If the articles so provide and subject to the Act, the board may, between annual general meetings, appoint one or more additional directors to serve until the next annual general meeting.

#### 4.4 Removal of Directors

Subject to the Act and the articles, the shareholders may by ordinary resolution passed at a special meeting remove any director from office, provided that where the holders of any class or series of shares have an exclusive right to elect one or more directors, a director so elected may only be removed by an ordinary resolution at a meeting of the shareholders of that class or series. A vacancy created by the removal of a director may be filled at the meeting of the shareholders at which the director is removed. However, if the articles provide for cumulative voting, no director shall be removed pursuant to this section where the votes cast against the resolution for his removal would, if cumulatively voted at an election of the full board, be sufficient to elect one or more directors.

#### 4.5 Consent

A person who is elected or appointed a director is not a director unless:

- (a) he was present at the meeting when he was elected or appointed and did not refuse to act as a director, or
- (b) if he was not present at the meeting when he was elected or appointed:
  - (i) he consented in writing to act as a director before his election or appointment or within ten (10) days after it, or
  - (ii) he has acted as a director pursuant to the election or appointment.

#### 4.6 Vacation of Office

A director of the Corporation ceases to hold office when:

- (a) he dies or resigns;
- (b) he is removed in accordance with section 109 of the Act; or
- (c) he becomes disqualified under subsection 105(1) of the Act.

#### 4.7 Committee of Directors

The directors may appoint from among their number a managing director, who must be a resident Canadian, or a committee of directors, however designated, of which at least 25% of the members must be resident Canadians, and subject to section 115 of the Act may delegate to the managing director or such committee any of the powers of the directors. A committee may be comprised of one director.

#### 4.8 Transaction of Business of Committee

Subject to the provisions of this by-law with respect to participation in a meeting by telephone, the powers of a committee of directors may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all of the members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at any place in or outside Alberta and may be called by any one member of the committee giving notice in accordance with the by-laws governing the calling of meetings of the board.

#### 4.9 Procedure

Unless otherwise determined herein or by the board, each committee shall have the power to fix its quorum at not less than a majority of its members, to elect its chair and to regulate its procedure.

#### 4.10 Remuneration and Expenses

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

#### 4.11 Vacancies

Subject to the Act, a quorum of the board may fill a vacancy among the directors, except a vacancy resulting from an increase in the number or minimum number of directors or from a failure to elect the number or minimum number of directors required by the articles. If there is not a quorum of directors, or if there has been a failure to elect the number or minimum number of directors required by the articles, the directors then in office shall forthwith call a special meeting of shareholders to fill the vacancy and, if they fail to call a meeting or if there are no directors then in office, the meeting may be called by any shareholder.

#### 4.12 Action by the Board

Subject to any unanimous shareholder agreement, the board shall manage or supervises the management of the business and affairs of the Corporation. Notwithstanding a vacancy among the directors, a quorum of directors may exercise all the powers of the directors. If the Corporation has only one director, that director may constitute a meeting.

## **DIVISION 5 MEETING OF DIRECTORS**

### **5.1 Place of Meeting**

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

### **5.2 Notice of Meeting**

Unless the board has made regulations otherwise, meetings of the board may be summoned on 48 hours' notice, given verbally or in writing, and whether by means of telephone, fax, email or other electronic means in accordance with the provisions of *Electronic Transactions Act* (Alberta) or any other means of written communication. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified, including any proposal to:

- (a) submit to the shareholders any question or matter requiring approval of the shareholders;
- (b) fill a vacancy among the directors or in the office of auditor;
- (c) issue securities, except in the manner and on the terms authorized by the board;
- (d) declare dividends;
- (e) purchase, redeem or otherwise acquire shares issued by the Corporation, except in the manner and on the terms authorized by the board;
- (f) pay a commission referred to in section 42 of the Act;
- (g) approve a management proxy circular referred to in Part 12 of the Act;
- (h) approve any financial statements referred to in section 155 of the Act; or
- (i) adopt, amend or repeal by-laws;

provided, however, that a director may in any manner, and either before or after the meeting, waive notice of a meeting and attendance of a director at a meeting of the board shall constitute a waiver of notice of the meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

For the first meeting of the board to be held immediately following an election of directors no notice of such meeting shall be necessary, and for a meeting of the board at which a director is to be appointed to fill a vacancy in the board, no notice of such meeting shall be necessary to the newly elected or appointed director or directors in order to legally constitute the meeting, provided, in each case, that a quorum of the directors is present.

### **5.3 Adjourned Meeting**

Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.

### **5.4 Calling of the Meetings**

Meetings of the board shall be held from time to time at such time and at such place as the board, the chair of the board, the president or any two directors may determine. Should more than one of the above-named

call a meeting at or for substantially the same time, there shall be only one meeting held and such meeting shall occur at the time and place determined by, in order of priority, the board, any two directors, the chair, or the president.

#### 5.5 Regular Meetings

The board may, from time to time, appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, and forthwith to each director subsequently elected or appointed, but no other notice shall be required for any such regular meeting except where the Act or this by-law requires the purpose thereof or the business to be transacted thereat to be specified.

#### 5.6 Chair

The chair of any meeting of the board shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: chair of the board or president (if also a director) If no such officer is present, the directors present shall choose one of their number to be chair.

#### 5.7 Quorum

Subject to the following section 5.8, the quorum for the transaction of business at any meeting of the board shall consist of a majority of the directors holding office or such greater number of directors as the board may from time to time determine.

#### 5.8 25% Canadian Representation at Meetings

Directors shall not transact business at a meeting of directors unless at least 25% of the directors present are resident Canadians. Notwithstanding the foregoing, directors may transact business at a meeting of directors when less than 25% of the directors present are resident Canadians if:

- (a) a resident Canadian director who is unable to be present approves in writing or by telephone or other communications facilities the business transacted at the meeting; and
- (b) the number of resident Canadian directors present at the meeting, together with any resident Canadian director who gives his approval under clause (a), totals at least 25% of the directors present at the meeting.

#### 5.9 Voting

Questions arising at any meeting of the board shall be decided by a majority of votes, and in the event of any equality of votes, the chair of the meeting shall not be entitled to a second or casting vote.

#### 5.10 Meeting by Telephone

A director may participate in a meeting of the board or a committee of the board by means of such telephone or other communication facilities as to permit all persons participating in the meeting to hear each other, and a director participating in such meeting by such means is deemed to be present at the meeting.

#### 5.11 Resolution in Lieu of Meeting

Notwithstanding any of the foregoing provisions of this by-law, a resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board or a committee of directors is as valid as if it had been passed at a meeting of the board or committee of directors, as the case may be. A copy of every such resolution shall be kept with the minutes of the proceedings of the directors or committee of

directors. Any such resolution in writing is effective for all purposes at such time as the resolution states regardless of when the resolution is signed and may be signed in counterpart.

#### 5.12 Amendments to the Act

It is hereby affirmed that the intention of sections 4.7, 5.8 and 7.3 as they relate to Canadian representation is to comply with the minimum requirements of the Act and in the event that such minimum requirements shall be amended, deleted or replaced such that no, or lesser, requirements with respect to Canadian representation are then in force, such sections shall be deemed to be correspondingly amended, deleted or replaced without any further act of the directors or shareholders of the Corporation.

### **DIVISION 6 PROTECTION OF DIRECTORS, OFFICERS AND OTHERS**

#### 6.1 Conflict of Interest

A director or officer shall not be disqualified from his office, or be required to vacate his office, by reason only that he is a party to, or is a director or officer or has a material interest in any person who is a party to, a material contract or material transaction or proposed material contract or proposed material transaction with the Corporation. Such a director or officer shall, however, disclose the nature and extent of his interest in the contract at the time and in the manner provided by the Act. Subject to the provisions of the Act, a director shall not by reason only of his office be accountable to the Corporation or to its shareholders for any profit or gain realized from such a contract or transaction, and such contract or transaction shall not be void or voidable by reason only of the director's interest therein, provided that the required declaration and disclosure of interest is properly made, the contract or transaction is approved by the directors or shareholders, if necessary, and it was fair and reasonable to the Corporation at the time it was approved and, if required by the Act, the director refrains from voting as a director on the contract or transaction.

#### 6.2 Indemnity

Subject to section 124 of the Act, the Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and the director or officer's heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by such director or officer in respect of any civil, criminal or administrative action or proceeding to which the director or officer is made a party by reason of being or having been a director or officer of the Corporation or body corporate, if:

- (a) the director or officer acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the director or officer had reasonable grounds for believing that the director's or officer's conduct was lawful.

The Corporation shall also indemnify such persons in such other circumstances as the Act permits or requires. Nothing herein contained shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this section 6.2.

#### 6.3 Insurance

The Corporation may purchase and maintain insurance for the benefit of any person referred to in section 6.2 against any liability incurred by such person:

- (a) in such person's capacity as a director or officer of the Corporation, except where the liability relates to such person's failure to act honestly and in good faith with a view to the best interests of the Corporation; or
- (b) in such person's capacity as a director or officer of the another body corporate where such person acts or acted in that capacity at the Corporation's request, except where the liability relates to such person's failure to act honestly and in good faith with a view to the best interests of the body corporate.

## **DIVISION 7 OFFICERS**

### **7.1 Election or Appointment**

Subject to any unanimous shareholder agreement, the board may, from time to time, appoint a chair of the board, a president, one or more vice-presidents, a secretary, a treasurer and such other officers as the board may determine, including one or more assistants to any of the officers so appointed. The board may specify the duties of and, in accordance with this by-law and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Except for a managing director and a chair of the board who must be directors, an officer may, but need not be, a director and one person may hold more than one office.

### **7.2 Chair of the Board**

The chair of the board shall, when present, preside at all meetings of the board and at all meetings of shareholders.

If no managing director is appointed, the board may assign to the chair of the board any of the powers and duties that, by any provision of this by-law, are assigned to the managing director; and he shall, subject to the provisions of the Act, have such other powers and duties as the board may specify. During the absence or disability of the chair of the board, his duties shall be performed and his powers exercised by the managing director, if any, or by the president.

### **7.3 Managing Director**

The managing director, if any, shall be a resident Canadian and shall have, subject to the authority of the board, general supervision of the business and affairs of the Corporation; and he shall, subject to the provisions of the Act, have such other powers and duties as the board may specify.

### **7.4 President**

The president shall, subject to the authority of the board and the managing director, if any, have such powers and duties as the board may specify and unless the directors otherwise determine, shall be the chief executive officer of the Corporation and have general supervision of its business and affairs. During the absence or disability of the managing director, or if no managing director has been appointed, the president shall also have the powers and duties of that office; provided, however, that unless he is a director he shall not preside as chair at any meeting of the board or of a committee of directors.

### **7.5 Vice-President**

During the absence or disability of the president, president's duties shall be performed and powers exercised by the vice-president or, if there is more than one, by the vice-president designated from time to time by the board or the president; provided, however, that a vice-president who is not a director shall not preside as chair at any meeting of the board or of a committee of directors. A vice-president shall have such other powers and duties as the board or the president may prescribe.

## 7.6 Secretary

The secretary shall attend and be the secretary of all meetings of the board, shareholders and committees of directors and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; the secretary shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the board; the secretary shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and the secretary shall have such other powers and duties as the board or the president, if any, may specify.

## 7.7 Treasurer

The treasurer shall keep proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; the treasurer shall render to the board whenever required an account of all the treasurer's transactions and of the financial position of the Corporation and the treasurer shall have such other powers and duties as the board or president, if any, may specify.

## 7.8 Powers and Duties of Other Officers

The powers and duties of all other officers shall be such as the terms of their engagement call for or as the board or the president may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the chief executive officer, if any, or the president otherwise directs.

## 7.9 Variation of Powers and Duties

The board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

## 7.10 Vacancies

If the office of any officer of the Corporation shall be or become vacant by reason of death, resignation, disqualification or otherwise, the board may appoint a person to fill such vacancy.

## 7.11 Remuneration and Removal

The remuneration of all officers appointed by the board shall be determined from time to time by resolution of the board. The fact that any officer or employee is a director or shareholder of the Corporation shall not disqualify him from receiving such remuneration as may be determined. All officers shall be subject to removal by resolution of the board at any time, with or without cause, notwithstanding any agreement to the contrary, provided however that this right of removal shall not limit in any way such officer's right to damages by virtue of such agreement or any other rights resulting from such removal in law or equity.

## 7.12 Agents and Attorneys

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

## 7.13 Conflict of Interest

An officer shall disclose his interest in any material contract or proposed material contract with the Corporation in accordance with section 6.1.



#### 7.14 Fidelity Bonds

The board may require such officers, employees and agent of the Corporation as the board deems advisable to furnish bonds for the faithful discharge of their powers and duties, in such forms and with such surety as the board may from time to time determine.

### **DIVISION 8 SHAREHOLDERS' MEETINGS**

#### 8.1 Annual Meetings

Subject to the Act, the annual meeting of shareholders shall be held at such time and on such day in each year and at such place or places within Alberta as the board may from time to time determine or at any place or places outside Alberta if all of the shareholders entitled to vote at that meeting so agree, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing auditors if required by the Act or the articles, and for the transaction of such other business as may properly be brought before the meeting.

#### 8.2 Special Meetings

The board shall have the power to call a special meeting of shareholders at any time and to be held at such time and at such place or places within Alberta as the board may from time to time determine or at any place or places outside Alberta if all of the shareholders entitled to vote at that meeting so agree.

#### 8.3 Record Date for Notice

The board may fix in advance a date, preceding the date of any meeting of shareholders by not more than fifty (50) days and not less than twenty-one (21) days, as a record date for the determination of shareholders entitled to notice of or to vote at the meeting. If no record date is fixed, the record date for the determination of the shareholders entitled to receive notice of the meeting shall be the close of business on the date immediately preceding the day on which the notice is given or, if no notice is given, the day on which the meeting is held.

#### 8.4 Notice of Meeting

Notice of the time and place of each meeting of shareholders shall be sent not less than twenty-one (21) days and not more than fifty (50) days before the meeting to each shareholder entitled to vote at the meeting, each director and the auditor of the Corporation. Such notice may be sent by electronic means in accordance with the *Electronic Transactions Act* (Alberta) or by mail addressed to, or may be delivered personally to, the shareholder, at his latest address as shown in the records of the Corporation or its transfer agent, to the director, at his latest address as shown in the records of the Corporation or in the last notice filed pursuant to section 106 or 113 of the Act, or to the auditor, at his most recent address as shown in the records of the Corporation. A notice of meeting of shareholders sent by mail to a shareholder, director or auditor in accordance with the above is deemed to be served on the day on which it was deposited in the mail. A notice of a meeting is not required to be sent to shareholders who are not registered on the records of the Corporation or its transfer agent on the record date as determined according to section 8.3 hereof. Notice of a meeting of shareholders at which special business is to be transacted shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special resolution to be submitted to the meeting. A special meeting and an annual meeting may be convened by one and the same notice and it shall not be an objection to the notice that it only convenes the second meeting contingently on any resolution being passed by the requisite majority at the first meeting.

## 8.5 Right to Vote

Subject to the provisions of the Act as to authorized representatives of any other body corporate, at any meeting of shareholders in respect of which the Corporation has prepared the list referred to in section 8.6 hereof, every person who is named in such list shall be entitled to vote the shares shown thereon opposite his name except to the extent that such person has transferred any of his shares after the record date set pursuant to section 8.3 hereof, or, if no record date is fixed, after the date on which the list referred to in section 8.6 is prepared, and the transferee, upon producing properly endorsed certificates evidencing such shares or otherwise establishing that he owns such shares, demands not later than ten (10) days before the meeting that his name be included to vote the transferred shares at the meeting. In the absence of a list prepared as aforesaid in respect of a meeting of shareholders, every person shall be entitled to vote at the meeting who at the close of business on the record date, or if no record date is set, at the close of business on the date preceding the date notice is sent, is entered in the securities' register as the holder of one or more shares carrying the right to vote at such meeting.

## 8.6 List of Shareholders Entitled to Notice

For every meeting of shareholders the Corporation shall prepare no later than 10 days after the record date a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order, and showing the number of shares held by each shareholder. If a record date for the meeting is fixed pursuant to section 8.3 hereof by the board, the shareholders listed shall be those registered at the close of business on the record date. If no record date is fixed by the board, the shareholders listed shall be those listed at the close of business on the last business day immediately preceding the day on which notice of a meeting is given, or where no such notice is given, the day on which the meeting is held. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Corporation or at the place where its central securities' register is maintained and at the place where the meeting is held.

## 8.7 Meetings Without Notice

A meeting of shareholders may be held without notice at any time and place permitted by the Act:

- (a) if all the shareholders entitled to vote thereat are present in person or represented by proxy or if those not present or represented by proxy waive notice of or otherwise consent to such meeting being held; and
- (b) if the auditors and the directors are present or waive notice of or otherwise consent to such meeting being held.

At such meetings any business may be transacted which the Corporation at a meeting of shareholders may transact. If the meeting is held at a place outside Canada, shareholders not present or represented by proxy, but who have waived notice of or otherwise consented to such meeting, shall also be deemed to have consented to a meeting being held at such place.

## 8.8 Waiver of Notice

A shareholder and any other person entitled to attend a meeting of shareholders may in any manner waive notice of a meeting of shareholders and attendance of any such person at a meeting of shareholders shall constitute a waiver of notice of the meeting except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

#### 8.9 Chair, Secretary and Scrutineers

The chair of the board or, in his absence, the president, if such an officer has been elected or appointed and is present, or otherwise a vice-president who is a shareholder of the Corporation shall be chair of any meeting of shareholders. If no such officer is present within fifteen (15) minutes from the time fixed for holding the meeting, or declines to be chair of the meeting, the persons present and entitled to vote shall choose one of their number to be chair. If the secretary of the Corporation is absent, the chair shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chair with the consent of the meeting.

#### 8.10 Persons Entitled to be Present

The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditors of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

#### 8.11 Quorum

A quorum at any meeting of shareholders (unless a greater number of persons are required to be present or a greater number of shares are required to be represented by the Act or by the articles or by any other by-law) shall be persons present not being less than two (2) in number and holding or representing not less than five (5%) per cent of the shares entitled to be voted at the meeting. If a quorum is present at the opening of any meeting of shareholders, the shareholders present or represented may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of the meeting of shareholders, the shareholders present or represented may adjourn the meeting to a fixed time and place but may not transact any other business.

#### 8.12 Participation in Meeting by Telephone

A shareholder or any other person entitled to attend a meeting may participate in a meeting of shareholders by means of such telephone or other communication facilities as permit all persons participating in the meeting to hear each other, and a person participating in such a meeting by such means is deemed to be present at the meeting.

#### 8.13 Proxyholders and Representatives

Votes at meetings of the shareholders may be given either personally or by proxy; or, in the case of a shareholder who is a body corporate or association, by an individual authorized by a resolution of the board of governing body of the body corporate or association to represent it at a meeting of shareholders of the Corporation, upon producing a certified copy of such resolution or otherwise establishing his authority to vote to the satisfaction of the secretary or the chair.

A proxy shall be executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and is valid only at the meeting in respect of which it is given or any adjournment of that meeting. A person appointed by proxy need not be a shareholder.

#### 8.14 Executors and Others

An executor, administrator, committee of a mentally incompetent person, guardian or trustee and, where a corporation is such executor, administrator, committee, guardian or trustee of a testator, intestate, mentally incompetent person, ward or cestui que trust, any duly appointed representative of such corporation, upon filing with the secretary of the meeting sufficient proof of the person's appointment, shall represent the

shares in the person's or its hands at all meetings of shareholders of the Corporation and may vote accordingly as a shareholder in the same manner and to the same extent as the shareholder of record. If there be more than one executor, administrator, committee, guardian or trustee, the provisions of this by law respecting joint shareholders shall apply.

#### 8.15 Time for Deposit of Proxies

The board may specify in a notice calling a meeting of shareholders a time, preceding the time of such meeting by not more than forty-eight (48) hours exclusive of Saturdays and holidays, before which time proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or, if no such time having been specified in such notice, it has been received by the secretary of the Corporation or by the chair of the meeting or any adjournment thereof prior to the time of voting.

#### 8.16 Joint Shareholders

If two or more persons hold shares jointly, any one of them present in person or duly represented at a meeting of shareholder may, in the absence of the other or others, vote the shares; but if two or more of those persons are present in person or represented and vote, they shall vote as one the shares jointly held by them.

#### 8.17 Votes to Govern

Except as otherwise required by the Act, all questions proposed for the consideration of shareholders at a meeting of shareholders shall be determined by a majority of the votes cast.

#### 8.18 Show of Hands

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

#### 8.19 Ballots

On any question proposed for consideration at a meeting of shareholders, a shareholder, proxyholder or other person entitled to vote may demand and the chair may require that a ballot be taken either before or upon the declaration of the result of any vote by show of hands. If a ballot is demanded on the election of a chair or on the question of an adjournment it shall be taken forthwith without an adjournment. A ballot demanded or required on any other question shall be taken in such manner as the chair shall direct, or as provided by the electronic, telephonic or other communication facility through which votes may be cast. A demand or requirement for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares that he is entitled to vote at the meeting upon the question, to the number of votes as provided for by the articles or, in the absence of such provision in the articles, to one vote for each share he is entitled to vote. The result of the ballot so taken shall be the decision of the shareholders upon the question. The demand or requirement for a ballot shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the ballot has been demanded or required.

## 8.20 Adjournment

The chair at a meeting of shareholders may, with the consent of the meeting and subject to such conditions as the meeting may decide, adjourn the meeting from time to time and from place to place. If a meeting of shareholders is adjourned for less than thirty (30) days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the time of the adjournment. Subject to the Act, if a meeting of shareholders is adjourned by one or more adjournments for an aggregate of thirty (30) days or more, notice of the adjourned meeting shall be given in the same manner as notice for an original meeting but, unless the meeting is adjourned by one or more adjournments for an aggregate of more than ninety (90) days, subsection 149(1) of the Act does not apply.

## 8.21 Resolution in Lieu of a Meeting

A resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders; and a resolution in writing dealing with all matters required to be dealt with at a meeting of shareholders and signed by all the shareholders entitled to vote at such meeting, satisfies all the requirements of the Act relating to meetings of shareholders. A copy of every such resolution in writing shall be kept with minutes of the meetings of shareholders. Any such resolution in writing is effective for all purposes at such time as the resolution states regardless of when the resolution is signed and may be signed in counterpart.

## 8.22 Electronic Meetings and Voting

If the directors or shareholders call a meeting of shareholders, the directors or shareholders, as the case may be, may determine that the meeting of shareholders shall be held entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, and any vote at that meeting of shareholders shall be held entirely by means of that communication facility. A meeting of shareholders may also be held at which some, but not all, persons entitled to attend may participate and vote by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, if the Corporation makes one available. A person participating in a meeting by such means is deemed to be present at the meeting. Any vote at a meeting of shareholders may be also held entirely by means of a telephonic, electronic or other communication facility, if the Corporation makes one available, even if none of the persons entitled to attend otherwise participates in the meeting by means of a communication facility. For the purpose of voting, a communication facility that is made available by the Corporation must enable the votes to be gathered in a manner that permits their subsequent verification and permits the tallied votes to be presented to the Corporation without it being possible for the Corporation to identify how each shareholder or group of shareholders voted.

## 8.23 Only One Shareholder

Where the Corporation has only one shareholder or only one holder of any class or series of shares, the shareholder present in person or duly represented constitutes a meeting.

# **DIVISION 9 SHARES**

## 9.1 Issue

Subject to the Act and the articles of the Corporation, shares of the Corporation may be issued at such times and to such persons and for such consideration as the directors may determine, provided that no shares may be issued until it is fully paid as provided in the said Act.

## 9.2 Commissions

The directors may authorize the Corporation to pay a reasonable commission to any person in consideration of the person purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares.

## 9.3 Non-Recognition of Trusts

Subject to the Act, the Corporation may treat the registered holder of any share as the person exclusively entitled to vote, to receive notices, to receive any dividend or other payment in respect of the share, and otherwise to exercise all the rights and powers of an owner of the share.

## 9.4 Certificates

The shareholder is entitled at his option to a share certificate that complies with the Act or a non-transferable written acknowledgement of his right to obtain a share certificate from the Corporation in respect of the securities of the Corporation held by him. Share certificates and acknowledgements of a shareholders' right to a share certificate, respectively, shall be in such form as described by the Act and as the board shall from time to time approve, subject to the provisions of the Act and to the requirements of any stock exchange on which shares of the Corporation may be listed. Unless otherwise determined by the directors, share certificates shall be signed by the chair, the president, or a vice president or a director and by the secretary or an assistant secretary and need not be under the corporate seal and certificates for shares in respect of which a transfer agent and/or registrar has been appointed shall not be valid unless countersigned on behalf of such transfer agent and/or registrar. Share certificates shall be signed manually, or signatures shall be printed or otherwise mechanically reproduced on the certificate, and shall include the signature of at least one director or officer of the Corporation or by or on behalf of a registrar, transfer agent or branch transfer agent of the Corporation. If a share certificate contains a printed or mechanically reproduced signature of a person, the Corporation may issue the share certificate, even though the person has ceased to be a director or an officer of the Corporation, and the share certificate is as valid as if the person were a director or an officer at the date of its issue.

## 9.5 Replacement of Share Certificates

The board or any officer or agent designated by the board may in its or his discretion direct the issuance of a new share certificate or other such certificate in lieu of and upon cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, destroyed or wrongfully taken on payment of such reasonable fee and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

## 9.6 Joint Holders

The Corporation is not required to issue more than one share certificate in respect of a share held jointly by several persons, and delivery of a certificate to one of several joint holders is sufficient delivery to all. Any one of such holders may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such certificate.

## 9.7 Direct Registration System

Subject to Section 9.4, a registered shareholder may have his holdings of shares of the Corporation evidenced by an electronic, book-based, direct registration system or other non-certificated entry or position on the register of shareholders to be kept by the Corporation in place of a physical share certificate pursuant to such a registration system that may be adopted by the Corporation, in conjunction with its transfer agent. This by-law shall be read such that a registered holder of shares of the Corporation pursuant to any such electronic, book-based, direct registration service or other non-certificated entry or position shall be entitled



to all of the same benefits, rights, entitlements and shall incur the same duties and obligations as a registered holder of shares evidenced by a physical share certificate. The Corporation and its transfer agent may adopt such policies and procedures and require such documents and evidence as they may determine necessary or desirable in order to facilitate the adoption and maintenance of a share registration system by electronic, book-based, direct registration system or other non-certificated means.

## **DIVISION 10 TRANSFER OF SECURITIES**

### **10.1 Registration of Transfer**

If a share in registered form is presented for registration of transfer, the Corporation shall register the transfer if:

- (a) the share is endorsed by an appropriate person, as defined in section 64 of the Act;
- (b) reasonable assurance is given that the endorsement is genuine and effective;
- (c) the Corporation has no duty to enquire into adverse claims or has discharged any such duty;
- (d) any applicable law relating to the collection of taxes has been complied with;
- (e) the transfer is rightful or is to a bona fide purchaser; and
- (f) any fee referred to in section 48(2) of the Act has been paid.

### **10.2 Transfer Agents and Registrar**

The board may from time to time by resolution appoint or remove one or more trust corporations as its agent or agents to maintain a central securities' register or registers, and an agent or agents to maintain a branch securities' register or registers. Agents so appointed may be designated as transfer agent or registrar according to their functions, and a person may be appointed and designated with functions as both registrar and transfer or branch transfer agent. Registration of the issuance or transfer of a security in the central securities' register or in a branch securities' register is complete and valid registration for all purposes.

### **10.3 Securities' Registers**

A central securities' register of the Corporation shall be kept at its registered office or at any other place inside or outside Alberta designated by the board to record the shares and other securities issued by the Corporation in registered form, showing with respect to each class or series of shares and other securities:

- (a) the names, alphabetically arranged, and the latest known address of each person who is or has been a holder;
- (b) the number of shares or other securities held by each holder; and
- (c) the date and particulars of the issuance and transfer of each share or other security.

A branch securities' register or registers may be kept either in or outside Alberta at such place or places as the board may determine. A branch securities' register shall only contain particulars of securities issued or transferred at that branch. Particulars of each issue or transfer of a security registered in a branch securities' register shall also be kept in the corresponding central securities' register.



#### 10.4 Deceased Shareholders

In the event of the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the securities' register in respect thereof or to make any dividend or other payments in respect thereof except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.

### **DIVISION 11 DIVIDENDS AND RIGHTS**

#### 11.1 Dividends

Subject to the Act, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interest in the Corporation. Dividends may be paid in money or property or by issuing fully-paid shares of the Corporation.

#### 11.2 Dividend Cheques

A dividend payable in money shall be paid by cheque to the order of each registered holder of shares of the class or series in respect of which it has been declared and shall be mailed by prepaid ordinary mail to such registered holder at his address recorded in the Corporation's securities' register or registers or such address as such holder otherwise directs. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

#### 11.3 Non-Receipt of Cheques

In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

#### 11.4 Unclaimed Dividends

No dividend shall bear interest against the Corporation. Any dividend unclaimed after a period of six (6) years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

#### 11.5 Record Date for Dividends and Rights

The board may fix in advance a date, preceding by not more than fifty (50) days the date for the payment of any dividend, as a record date for the determination of the persons entitled to receive payment of such dividend, provided that, unless waived as provided for in the Act, notice of any such record date is given, not less than seven (7) days before such record date, by newspaper advertisement in the manner provided in the Act and by written notice to each stock exchange in Canada, if any, on which the Corporation's shares are listed for trading. Where no record date is fixed in advance as aforesaid, the record date for the determination of the persons entitled to receive payment of any dividend shall be at the close of business on the day on which the resolution relating to such dividend is passed by the board.

## **DIVISION 12 INFORMATION AVAILABLE TO SHAREHOLDERS**

### **12.1 Confidential Information**

Except as provided by the Act, no shareholders shall be entitled to obtain information respecting any details or conduct of the Corporation's business which in the opinion of the directors it would be inexpedient in the interests of the Corporation to communicate to the public.

### **12.2 Conditions of Access to Information**

The directors may from time to time, subject to rights conferred by the Act, determine whether and to what extent and at what time and place and under what conditions or regulations the documents, books and registers and accounting records of the Corporation or any of them shall be open to the inspection of shareholders and no shareholders shall have any right to inspect any document or book or register or account record of the Corporation except as conferred by statute or authorized by the board or by a resolution of the shareholders.

### **12.3 Registered Office and Separate Records Office**

The registered office of the Corporation shall be at a place within Alberta and at such location therein as the board may from time to time determine. The records office will be at the registered office or at such location, if any, within Alberta, as the board may from time to time determine.

## **DIVISION 13 NOTICES**

### **13.1 Method of Giving Notices**

A notice or document required by the Act, the Regulations, the articles or the by-laws to be sent to a shareholders or director of the Corporation may be sent by electronic means in accordance with the provisions of the *Electronic Transactions Act* (Alberta) or by prepaid mail addressed to, or may be delivered personally to:

- (a) the shareholder at his latest address as shown in the records of the Corporation or its transfer agent; and
- (b) the director at his latest address as shown in the records of the Corporation or in the last notice filed under section 106 or 113.

A notice or document sent by mail in accordance with the foregoing to a shareholders or director of the Corporation is deemed to be received by him at the time it would be delivered in the ordinary course of mail unless there are reasonable grounds for believing that the shareholders or director did not receive the notice or document at the time or at all.

### **13.2 Notice to Joint Shareholders**

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

### **13.3 Electronic Delivery**

Provided the addressee has consented in writing or electronically in accordance with the Act and the Regulations, the Corporation may satisfy the requirement to send any notice or document referred to in section 13.1 by creating and providing an electronic document in compliance with the Act and the

Regulations. An electronic document is deemed to have been received when it enters the information system designated by the addressee or, if the document is posted on or made available through a generally accessible electronic source, when the addressee receives notice in writing of the availability and location of that electronic document, or, if such notice is sent electronically, when it enters the information system designated by the addressee.

#### 13.4 Persons Entitled by Death or Operation of Law

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

#### 13.5 Non-Receipt of Notices

If a notice or document is sent to a shareholder in accordance with section 13.1 and the notice or document is returned on two (2) consecutive occasions because the shareholder cannot be found, the Corporation is not required to send any further notice or documents to the shareholder until the shareholder informs the Corporation in writing of his new address; provided always, that in the event of the return of a notice of a shareholders' meeting mailed to a shareholder in accordance with section 13.1 the notice shall be deemed to be received by the shareholder on the date deposited in the mail notwithstanding its return.

#### 13.6 Computation of Time

In computing the time when a notice or document must be given or sent under any provision requiring a specified number of days' notice of any meeting or other event, the day on which the notice or document is given or sent shall be excluded and the day on which the meeting or other event occurs shall be included.

#### 13.7 Omissions and Errors

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

#### 13.8 Proof of Service

A certificate of the secretary or other duly authorized officer of the Corporation, or of any agent of the Corporation, as to facts in relation to the mailing or delivery or sending of any notice or document to any shareholder or director of the Corporation or to any other person or publication of any such notice or document, shall be conclusive evidence thereof and shall be binding on every shareholder or director or other person as the case may be.

#### 13.9 Signature on Notices

Unless otherwise specifically provided, the signature to any notice or document given by the Corporation, if not in electronic form, may be printed or otherwise mechanically reproduced thereon or partly printed or otherwise mechanically reproduced thereon.

#### 13.10 Waiver of Notice

If a notice or document is required by the Act or the Regulations, the articles, the by-laws or otherwise to be sent, the sending of the notice or document may be waived or the time for the notice or document may

be waived or abridged at any time with the consent in writing of the person entitled to receive it. The consent of a person entitled to waive the requirement for the sending of a notice or document or to waive or abridge the time for the notice or the document may be sent by electronic means in accordance with the provisions of the *Electronic Transactions Act* (Alberta).

#### **DIVISION 14 MISCELLANEOUS**

##### **14.1 Severability**

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

This By-Law No. 1 was made by resolution of the directors of the Corporation as of \_\_\_\_\_, 20\_\_\_\_.

This By-Law No. 1 was confirmed by ordinary resolution of the shareholders of the Corporation as of \_\_\_\_\_, 20\_\_\_\_.

**CES Energy Solutions Corp.**

By: \_\_\_\_\_  
Name:  
Title:

## **APPENDIX “D”**

### **SECTION 190 OF THE CBCA**

#### **Right to dissent**

**190 (1)** Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
- (b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;
- (c) amalgamate otherwise than under section 184;
- (d) be continued under section 188;
- (e) sell, lease or exchange all or substantially all its property under subsection 189(3); or
- (f) carry out a going-private transaction or a squeeze-out transaction.

#### **Further right**

**(2)** A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

#### **If one class of shares**

**(2.1)** The right to dissent described in subsection (2) applies even if there is only one class of shares.

#### **Payment for shares**

**(3)** In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

#### **No partial dissent**

**(4)** A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

#### **Objection**

**(5)** A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

#### **Notice of resolution**

**(6)** The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been

adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

### **Demand for payment**

(7) A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and
- (c) a demand for payment of the fair value of such shares.

### **Share certificate**

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

### **Forfeiture**

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

### **Endorsing certificate**

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

### **Suspension of rights**

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

- (a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),
- (b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or
- (c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

### **Offer to pay**

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

- (a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

### **Same terms**

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

### **Payment**

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

### **Corporation may apply to court**

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

### **Shareholder application to court**

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

### **Venue**

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

### **No security for costs**

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

### **Parties**

(19) On an application to a court under subsection (15) or (16),

- (a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and
- (b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

### **Powers of court**

(20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

### **Appraisers**

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

### **Final order**

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

### **Interest**



**(23)** A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

**Notice that subsection (26) applies**

**(24)** If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

**Effect where subsection (26) applies**

**(25)** If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

**(a)** withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or

**(b)** retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

**Limitation**

**(26)** A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

**(a)** the corporation is or would after the payment be unable to pay its liabilities as they become due; or

**(b)** the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

R.S., 1985, c. C-44, s. 190; 1994, c. 24, s. 23; 2001, c. 14, ss. 94, 134(F), 135(E); 2011, c. 21, s. 60(F)

## APPENDIX “E”

### BOARD OF DIRECTORS TERMS OF REFERENCE

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

#### 1. Composition and Operation

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

#### 2. Responsibilities

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

#### 3. Specific Duties

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

##### (a) Legal Requirements

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

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

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

(b) Independence

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

(c) Strategy Determination

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

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

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

(d) Managing Risk

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

(e) Appointment and Assessment of Senior Management

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

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

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

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

(g) Reporting and Communication

The Board is responsible for:

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

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

(h) Financial Reporting and Management

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

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

(i) Monitoring and Acting

The Board is responsible for:

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

- (v) reviewing and considering for approval all material amendments or departures proposed by management from established strategy, capital and operating budgets or matters of policy; and
- (vi) taking action when the Corporation's performance falls short of its goals and objectives or when other special circumstances warrant.

(j) Outside Consultants or Advisors

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

(k) Review of the Board Terms of Reference

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

(l) Other

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