

Storm Resources Ltd.
Suite 200, 640 – 5th Avenue S.W.
Calgary, Alberta T2P 3G4



INFORMATION CIRCULAR
for the Annual General Meeting of the Holders of Common Shares
to be held on Thursday, May 14, 2015

THIS INFORMATION CIRCULAR (the “**Circular**”) IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY OR ON BEHALF OF THE MANAGEMENT OF STORM RESOURCES LTD. (the “**Corporation**”) for use at the annual general meeting of the holders (the “**Shareholders**”) of common shares (the “**Common Shares**”) of the Corporation to be held at Calgary Telus Convention Centre, Rooms 108/109 North Building, 136 – 8th Avenue S.E., Calgary, Alberta, Canada on Thursday, May 14, 2015 at 3:30 p.m. (Calgary time), and any and all adjournments or postponements thereof (the “**Meeting**”), for the purposes set forth in the accompanying notice of meeting the (“**Notice of Meeting**”).

Unless otherwise specified, the information contained herein is given as at March 31, 2015.

SOLICITATION OF PROXIES

The solicitation of proxies is made on behalf of the management of the Corporation. Solicitation of proxies by management will be primarily by mail, but may also be in person or by telephone. The cost of solicitation will be borne by the Corporation.

RECORD DATE

The record date for the Meeting is April 2, 2015 (the “**Record Date**”). Any Shareholder of record at the close of business on the Record Date who either personally attends the Meeting or has completed and delivered a form of proxy in the manner and subject to the provisions described below will be entitled to vote or to have his or her Common Shares voted at the Meeting. To the extent that a registered Shareholder has transferred the ownership of any shares subsequent to the Record Date, the transferee of such Common Shares shall not be entitled to vote such Common Shares unless the transferee produces properly endorsed share certificates, or otherwise establishes that they own the Common Shares and requests, not later than 10 days before the Meeting, that their name be included on the shareholder list before the Meeting, in which case the transferee shall be entitled to vote their Common Shares at the Meeting.

COMPLETION OF PROXIES

The form of proxy affords Shareholders or intermediaries an opportunity to specify that the Common Shares registered in their name shall be voted for or against or withheld from voting in respect of fixing the number of directors for the ensuing year; the election of directors; the appointment of the auditor of the Corporation (including in the resolution granting the authority for the directors to fix the remuneration of the auditor); the continuance of the Corporation’s stock option plan; and on certain other matters as specified in the accompanying Notice of Meeting or any other matter which may properly come before the Meeting.

The persons named in the enclosed form of proxy are the President and Chief Executive Officer and the Chief Financial Officer, respectively, of the Corporation.

A REGISTERED SHAREHOLDER OR AN INTERMEDIARY HOLDING COMMON SHARES ON BEHALF OF AN UNREGISTERED SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON, WHO NEED NOT BE THE SHAREHOLDER, TO ATTEND AND ACT ON THEIR BEHALF AT THE MEETING, IN THE PLACE OF THE PERSONS DESIGNATED IN THE FORM OF PROXY FURNISHED BY THE CORPORATION. TO EXERCISE THIS RIGHT, THE SHAREHOLDER OR INTERMEDIARY SHOULD STRIKE OUT THE NAMES OF THE

PERSONS NAMED IN THE FORM OF PROXY AND INSERT THE NAME OF THEIR NOMINEE IN THE BLANK SPACE PROVIDED, OR SUBMIT ANOTHER APPROPRIATE PROXY.

A proxy must be dated and signed by the registered Shareholder, or by his or her attorney authorized in writing or by the intermediary. In the case of a Shareholder that is a corporation, the proxy must be executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation with proof of authority accompanying the proxy.

In order to be effective, the proxy, together with the power of attorney or other authority, if any, under which it was signed or a notarially certified copy thereof, must be mailed so as to be deposited at the office of the Corporation's transfer agent, Alliance Trust Company, 1010, 407 - 2nd Street S.W., Calgary, Alberta, T2P 2Y3, not later than 48 hours preceding the time of the Meeting or deposited with the Chairman of the Meeting on the day of the Meeting prior to the commencement of the Meeting. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution. If a proxy is not dated, it will be deemed to bear the date on which it was mailed to Shareholders by management of the Corporation.

EXERCISE OF DISCRETION BY PROXIES

A Shareholder or intermediary may indicate the manner in which the persons named in the enclosed form of proxy are to vote with respect to any matter by checking the appropriate space. On any poll, those persons will vote or withhold from voting the Common Shares in respect of which they are appointed in accordance with the directions, if any, given in the form of proxy. If the Shareholder or intermediary wishes to confer a discretionary authority with respect to any matter, the space should be left blank. IN SUCH INSTANCE, THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY INTEND TO VOTE THE COMMON SHARES REPRESENTED BY THE PROXY IN FAVOUR OF EACH MOTION.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing of the Circular, management of the Corporation knows of no such amendment, variation or other matter. However, if any other matters which are not now known to management should properly come before the Meeting, the proxies in favour of management nominees will be voted on such matters in accordance with the best judgment of the management nominees.

REVOCAION OF PROXIES

A Shareholder or intermediary who has submitted a proxy may revoke it by instrument in writing executed by the Shareholder or intermediary or his or her attorney authorized in writing, or, if the Shareholder is a corporation, under its corporate seal and executed by a director, officer or attorney thereof duly authorized, and deposited either with the Corporation at its offices as aforesaid at any time prior to the close of business on the second last business day preceding the day of the Meeting, or with the Chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting, and upon such deposit the previous proxy is revoked.

ADVICE TO BENEFICIAL HOLDERS OF SECURITIES

The information set forth in this section is of significant importance to many public Shareholders of the Corporation, as a substantial number of the public Shareholders of the Corporation do not hold Common Shares in their own name. Shareholders who do not hold their Common Shares in their own name (referred to in this Circular 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 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, brokers and nominees are prohibited from voting Common Shares for their clients. The directors and officers of the Corporation do not know for whose benefit the Common Shares registered in the name of CDS &

Co. are held. Therefore, Beneficial Shareholders cannot be recognized at the Meeting for the purposes of voting the Common Shares in person or by way of proxy, except as set forth below.

Applicable regulatory policy requires intermediaries and brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary and 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 instructions from clients to Broadridge Financial Solutions, Inc. ("**BFSI**"). BFSI typically prepares its own proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the proxy forms to BFSI. BFSI then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a proxy from BFSI cannot use that proxy to vote Common Shares directly at the Meeting - the proxy must be returned to BFSI well in advance of the Meeting in order to have the Common Shares voted.**

IF YOU ARE A BENEFICIAL SHAREHOLDER AND WISH TO VOTE IN PERSON AT THE MEETING, PLEASE CONTACT YOUR BROKER OR AGENT WELL IN ADVANCE OF THE MEETING TO DETERMINE HOW YOU CAN DO SO.

NOTICE-AND-ACCESS

The Corporation has elected to use the "notice-and-access" provisions under National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer* (the "**Notice-and-Access Provisions**") for the Meeting. The Notice-and-Access Provisions are a new set of rules developed by the Canadian Securities Administrators that reduce the volume of materials which are mailed to shareholders by allowing a reporting issuer to post an information circular in respect of a meeting of its shareholders and related materials online.

The Corporation will not use procedures known as "stratification" in relation to the use of the Notice-and-Access Provisions, meaning that both registered and Beneficial Shareholders will be mailed a notification of availability of Meeting materials directing them to those websites where they can access the Circular and other relevant information (the "**Notice-and-Access Notification**"). If you receive the Notice-and-Access Notification and would like to receive a paper copy of the Circular and other relevant information, please follow the instructions printed on the Notice-and-Access Notification and the materials will be mailed to you. All materials will be forwarded to Shareholders at the Corporation's expense.

The Corporation anticipates that notice-and-access will directly benefit the Corporation through substantial reductions in postage and printing costs. The Corporation believes that notice-and-access is also environmentally responsible to the extent that it decreases the large volume of paper documents generated by printing proxy-related materials.

Shareholders with questions about notice-and-access can call Alliance Trust Company at 403-237-6111 or toll free at 1-877-537-6111.

In order to receive a paper copy of this Circular and other relevant information, requests by Shareholders may be made up to one year from the date the Circular was filed on System for Electronic Document Analysis and Retrieval ("**SEDAR**") by: (i) mailing a request to the Corporation at Suite 200, 640 – 5th Avenue S.W., Calgary, Alberta, T2P 3G4 Attention: Investor Relations; (ii) calling Alliance Trust Company at 403-237-6111 or toll free at 1-877-537-6111; (iii) by emailing a request to inquiries@alliancetrust.ca; or (iv) online at the following websites: www.stormresourcesltd.com or www.alliancetrust.ca/shareholders/. The Corporation estimates that a Shareholder's request for paper copies of the Circular and other relevant information will need to be received prior to April 28, 2014 in order for such Shareholder to have sufficient time to receive and review the materials requested and return the completed form of proxy by the due date set out under the heading "*Completion of Proxies*" in this Circular.

INTERESTS OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON

Except as disclosed in this Circular, management of the Corporation is not aware of any material interest, direct or indirect, of any director or nominee for director, or senior officer or anyone who has held office as such, since the beginning of the Corporation's last financial year or any associates or affiliates of any of the foregoing in any matter to be acted on at the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Corporation consists of an unlimited number of Common Shares, and an unlimited number of preferred shares, issuable in series. As at March 31, 2015, an aggregate of 111,321,978 Common Shares were issued and outstanding and no preferred shares were issued or outstanding. Shareholders are entitled to one vote for each Common Share held.

Any registered Shareholder at the close of business on the Record Date who either personally attends the Meeting or who completes and delivers a proxy will be entitled to vote or have his or her Common Shares voted at the Meeting. However, a person appointed under the form of proxy will be entitled to vote the Common Shares represented by that form only if the form of proxy is effectively delivered in the manner set out under the heading "*Completion of Proxies*" in this Circular.

To the best of the knowledge of the directors and officers of the Corporation, no person beneficially owns, directly or indirectly, or exercises control or discretion over more than 10% of the voting rights attached to voting securities of the Corporation other than funds managed by Caisse de dépôt et placement du Québec which holds 14,041,000 Common Shares (12.6%) of the Corporation.

MATTERS TO BE ACTED UPON AT THE MEETING

1. Fixing the Number of Directors

It is proposed that the number of directors to be elected at the Meeting to hold office until the next annual meeting or until their successors are elected or appointed, subject to the Articles and By Laws of the Corporation, be fixed at eight. There are presently eight directors of the Corporation, the terms of office of which expire at the Meeting. Each of the current directors is a nominee for election as a director for the ensuing year at the Meeting.

IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE FOR THE RESOLUTION FIXING THE NUMBER OF DIRECTORS FOR THE ENSUING YEAR AT EIGHT, UNLESS OTHERWISE DIRECTED.

2. Election of Directors

Action is to be taken at the Meeting with respect to the election of directors. The board of directors (the "**Board**" or "**Board of Directors**") of the Corporation presently consists of eight members. It is proposed that the under mentioned persons will be nominated at the Meeting.

IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE FOR THE ELECTION OF THE FOLLOWING PERSONS TO THE BOARD OF DIRECTORS UNLESS OTHERWISE DIRECTED. MANAGEMENT DOES NOT CONTEMPLATE THAT ANY OF SUCH NOMINEES WILL BE UNABLE TO SERVE AS A DIRECTOR. HOWEVER, IF FOR ANY REASON ANY OF THE PROPOSED NOMINEES DOES NOT STAND FOR ELECTION OR IS UNABLE TO SERVE AS SUCH, **THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, RESERVE THE RIGHT TO VOTE FOR ANY OTHER NOMINEE IN THEIR SOLE DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN HIS OR HER PROXY THAT HIS OR HER COMMON SHARES ARE TO BE WITHHELD FROM VOTING ON THE ELECTION OF DIRECTORS.**

Each director elected will hold office until the next annual meeting of the Corporation or until his successor is duly elected or appointed, unless his office be earlier vacated in accordance with the Corporation's By Laws. The following information relating to the nominees as directors is based partly on the Corporation's records and partly on information received by the Corporation from said nominees, and sets forth the name and city of residence of each of the persons proposed to be nominated for election as a director, his principal occupation at present, all

other positions and offices in the Corporation held by him, the year in which he was first elected a director, and the number of Common Shares that he has advised are beneficially owned by him, directly or indirectly, or over which control or direction is exercised by him.

Nominees as Directors	Position Presently Held	Director Since	Principal Occupation for Previous Five Years	Common Shares Beneficially Owned or Controlled as of March 31, 2015⁽⁵⁾
Stuart G. Clark ⁽¹⁾ Priddis, Alberta	Chairman and Director	June 8, 2010	Independent businessman.	4,142,125
Brian Lavergne Calgary, Alberta	President, Chief Executive Officer and Director	June 8, 2010	President and Chief Executive Officer of the Corporation.	3,013,474
Matthew J. Brister ⁽²⁾⁽³⁾ Calgary, Alberta	Director	June 8, 2010	January 2014 – Present: Chairman of the Board of Chinook Energy Inc. (“Chinook”); June 2003 – December 2013: Chief Executive Officer and a Director of Chinook.	2,490,588
John A. Brussa Calgary, Alberta	Director	June 8, 2010	Partner at Burnet, Duckworth & Palmer LLP.	492,125
James K. Wilson ⁽¹⁾⁽⁴⁾ Calgary, Alberta	Director	June 8, 2010	October 2010 – Present: Managing Director of Walwil Resources Ltd.; May 2011 to February 2013: Chief Financial Officer, Mako Hydrocarbons Ltd.	121,848
Mark A. Butler ⁽¹⁾⁽²⁾⁽⁴⁾ Calgary, Alberta	Director	June 8, 2010	Business consultant.	484,731
P. Grant Wierzba ⁽²⁾⁽³⁾ Calgary, Alberta	Director	June 8, 2010	January 2014 – Present: Independent businessman; November 2004 – December 2013: Vice President, Operations and a Director of Chinook.	761,799
Gregory G. Turnbull, QC ⁽³⁾ Calgary, Alberta	Director	June 8, 2010	Partner at McCarthy Tétrault LLP.	288,622

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation, Governance and Nomination Committee.
- (3) Member of the Reserves Committee.
- (4) Holds ICD.D director certification from the Institute of Corporate Directors.
- (5) In addition to Common Shares, the directors (other than Mr. Lavergne whose option holdings are disclosed on page 12 hereof) each own options to purchase 105,000 Common Shares, of which: (i) 36,000 options were granted on January 28, 2013, which have an exercise price of \$1.75 per Common Share, vest as to 1/3 on each anniversary of the date of its grant and expire on January 28, 2017; (ii) 34,500 options were granted on March 10, 2014, which have an exercise price of \$4.68 per Common Share, vest as to 1/3 on each anniversary of the date of its grant and expire on March 10, 2018; and (iii) 34,500 options were granted on December 9, 2014, which have an exercise price of \$4.31 per Common Share, vest as to 1/3 on each anniversary of the date of its grant and expire on December 9, 2018.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of management of the Corporation, other than as set forth below, there has been no director or officer, or any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation that is, or within 10 years before the date of this Circular has been, a director or officer of any other issuer that:

- (a) while that person was acting in that capacity was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days; or
- (b) while that person was acting in that capacity was subject to an event that resulted, after the director or executive officer ceased to be a director or executive 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
- (c) while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Gregory G. Turnbull, a director of the Corporation, was a director of Action Energy Inc., a corporation engaged in the exploration, development and production of oil and gas in Western Canada. Action Energy Inc. was placed into receivership on October 28, 2009 by its major creditor and Mr. Turnbull resigned as a director immediately thereafter. In addition, Mr. Turnbull was a director of Sonde Resources Corp., a Canada-based diversified global energy company, which filed for bankruptcy on February 2, 2015. Mr. Turnbull resigned as a director prior to that on March 27, 2014. Mr. Turnbull resigned as a director of Porto Energy Corp. on May 30, 2014 following the decision by Porto Energy Corp's directors and management to wind-down Porto Energy Corp.'s operations due to capital constraints. Porto Energy Corp. has subsequently become subject to cease trade orders for failure to file periodic disclosure (interim financial filings) and such cease trade orders remain in effect.

Mr. John A. Brussa, a director of the Corporation, was formerly a director of Calmena Energy Services Inc., a public oilfield service company, which was placed in receivership on January 20, 2015. Mr. Brussa resigned as a director prior to that on June 30, 2014.

Penalties or Sanctions

To the knowledge of management of the Corporation, no director or officer, or any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the knowledge of management of the Corporation, there has been no director or officer, or any shareholder holding sufficient number of securities of the Corporation to affect materially the control of the Corporation, or a personal holding company of any such person that has, within the 10 years before the date of this Circular, become 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 the assets of the director or officer.

3. Appointment of Auditor

Ernst & Young LLP Chartered Accountants, of Calgary, Alberta, acted as the Corporation's auditor since April 12, 2011. It is proposed that Ernst & Young LLP be appointed as auditor of the Corporation for the ensuing year, until the next annual meeting of the shareholders at remuneration to be fixed by the Board of Directors.

IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE FOR THE APPOINTMENT OF ERNST & YOUNG LLP, CHARTERED ACCOUNTANTS, OF CALGARY, ALBERTA, AS THE AUDITOR OF THE CORPORATION, TO HOLD OFFICE UNTIL THE NEXT ANNUAL MEETING OF THE SHAREHOLDERS, AT A REMUNERATION TO BE FIXED BY THE BOARD OF DIRECTORS, UNLESS OTHERWISE DIRECTED.

4. Annual Approval of the Corporation's Stock Option Plan

The TSX Venture Exchange ("TSXV") requires all listed companies with a 10% rolling stock option plan to obtain annual shareholder approval of such plan. Shareholders will be asked at the Meeting to vote on a resolution to approve, for the ensuing year, the stock option plan originally approved by shareholders on August 16, 2010 and approved in an amended form by the shareholders on May 17, 2012 (as amended, the "**Stock Option Plan**"). See "*Executive Compensation – Stock Option Plan*" in this Circular.

The full text of the Stock Option Plan is available for review at the Corporation's office located at Suite 200, 640 – 5th Avenue S.W., Calgary, Alberta, T2P 3G4, during regular business hours.

The Board believes that the passing of the following resolution is in the best interest of the Corporation and recommends that Shareholders vote in favour of the resolution.

At the Meeting, the Shareholders will be asked to approve the following ordinary resolution:

"BE IT RESOLVED THAT:

1. the 10% rolling incentive stock option plan originally approved by the shareholders on August 16, 2010 and approved in an amended form by the shareholders on May 17, 2012, as described in the management information circular of the Corporation dated March 31, 2015, be and is hereby approved for the ensuing year; and
2. any director or officer of the Corporation be and is hereby authorized and directed, for and on behalf of the Corporation, to do all such acts and things and to execute and deliver under the corporate seal or otherwise all such deeds, documents, instruments and assurances and take such other actions as such director or officer may determine to be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such action."

IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE FOR THE APPROVAL OF THE STOCK OPTION PLAN, UNLESS OTHERWISE DIRECTED.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The objectives of the Corporation's executive compensation policy are to attract and retain individuals of high calibre to serve as officers of the Corporation, to motivate their performance in order to achieve the Corporation's strategic objectives and to align the interests of executive officers with the long term interests of the Corporation's shareholders. Short-term compensation, including base salaries and annual performance bonus, is used to attract and retain employees. Long-term compensation, including the stock option plan and the employee stock savings plan, is used to reward growth in asset value per share. The Corporation's compensation policy is reviewed and examined by the Compensation, Governance and Nomination Committee (the "**Compensation Committee**").

The Compensation Committee considered the implications of the risks associated with the Corporation's compensation policies and practises and did not identify any risks arising from the Corporation's compensation policies and practices that are reasonably likely to have a material adverse effect on the Corporation. See "*Executive Compensation – Compensation Governance*" in this Circular.

The Corporation does not have any written policies which prohibit a named executive officer (as defined below) or director from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the named executive officer or director.

Executive officer compensation consists of essentially four components: (i) base salary; (ii) annual performance bonus; (iii) the Stock Option Plan; and (iv) the employee stock savings plan ("**ESSP**"). Storm's executive compensation philosophy is based on encouraging a higher relative level of share ownership with cash compensation (base salaries and annual performance bonus) targeting the 25th to 50th percentile of Storm's peer group. The companies included in Storm's peer group have similar levels of production (under 10,000 barrels of oil equivalent per day), complexity of operations and do not pay a dividend. For 2014 salaries, the peer group companies were Anderson Energy Inc., Arcan Resources Ltd., Artek Exploration Ltd., BlackPearl Resources Inc., Crocotta Energy Inc., Delphi Energy Corp., Painted Pony Petroleum Ltd., Pinecrest Energy Inc., RMP Energy Inc., Renegade Petroleum Ltd., Rock Energy Inc., Tamarack Valley Energy Ltd. and Yoho Resources Inc.

Each component of the Corporation's executive officer compensation arrangements is briefly described as follows.

Base Salaries

Base salaries of the executive officers of the Corporation are based on the salaries at peer surveyed companies in the oil and gas industry and also from comparative data provided by an independent third party. Generally, base salary compensation targets the 25th to 50th percentile. Typically, base salaries for executive officers are equal to or lower than the average for peer companies while equity ownership, including stock options, is at a higher level.

Retention of named executive officers is a risk considered by the Compensation Committee. The Compensation Committee is of the view that the personal investment of these individuals in the Corporation provides considerable incentive for them to remain as officers of the Corporation.

Annual Performance Bonus

The Compensation Committee recommends specific performance objectives which are approved by the Board and then used along with its experience and judgment in assessing the performance of the executive officers to determine bonuses for the executive officers. The annual performance bonus, if there is one, is paid after year-end results have been reviewed and approved by the Board of Directors.

The annual performance bonus is expected to range from 0% to 60% of an executive officer's base salary. If corporate performance targets are not met, there is no annual performance bonus paid.

The following are the targets set by the Board of Directors on February 28, 2013 which were used in assessing the performance of the executive officers in respect of the 2013 annual performance bonus that was paid in March 2014:

- 15% to 30% year-over-year growth in asset value per share, as measured with the before-tax present value as assessed by InSite Petroleum Consultants Ltd., an independent third-party evaluator, discounted at 10%, after deducting year-end debt and using the previous year's price forecast (30% weighting). The Corporation achieved 31% growth per share for proved developed producing reserves, 41% growth per share for proved reserves and 42% growth per share for proved plus probable reserves.

- 15% to 30% growth in production per share based on comparing fourth quarter average production from the current year to the previous year (30% weighting). The Corporation achieved 20% growth on a per-share basis.
- Expansion of Umbach infrastructure being on time and on budget (30% weighting). Infrastructure expansion was on time with the acquired facility being operational on April 1 and gathering pipeline connections being completed by mid-September. The final cost was 11% higher than budgeted.
- Health, safety and environmental performance measured through safety incidents, lost time accidents and avoidance of spills, leaks and failures (10% weighting). There were no incidents or accidents in 2013.

Deterioration in funds flow, which is non-controllable, can also affect the annual performance bonus.

Stock Option Plan

Key to the Corporation's long-term incentive compensation program is its Stock Option Plan. Directors, key employees and officers, consultants of the Corporation and its subsidiaries (the "**Participants**") are eligible to participate in the Stock Option Plan. As of December 31, 2014, all of the Corporation's employees and directors participated in the Stock Option Plan. Awards are granted at varying levels depending on the individual's level of responsibility within the Corporation. All awards are approved by the Board of Directors.

The Stock Option Plan is intended to reward long-term growth in asset value per share, thereby aligning employee and shareholder interests over the longer term.

Description of Plan

Pursuant to the policies of the TSXV, the Corporation is permitted to maintain a "rolling" stock option plan. On August 16, 2010, the shareholders of the Corporation first approved the Stock Option Plan. On May 17, 2012, the shareholders of the Corporation first approved an amended version of the Stock Option Plan.

Eligibility

The Stock Option Plan provides for the granting of Options to purchase Common Shares to directors, officers, key employees and consultants of the Corporation.

Administration

The Stock Option Plan is administered by the Board of Directors and the Board of Directors may, subject to applicable law, delegate its powers to administer the Stock Option Plan to a committee of the Board of Directors. Options may be granted at the discretion of the Board of Directors, in such number that may be determined at the time of grant, subject to the limits set out in the Stock Option Plan. Previous grants are taken into account when considering new grants.

Exercise Price

The exercise price of Options granted under the Stock Option Plan is fixed by the Board of Directors at the time of grant and is equal to the closing share price on the trading day immediately preceding the date of the grant. The exercise price is intended to be the fair market value of the Common Shares at the date of grant and, subject to the approval of the Board of Directors, the TSXV and the shareholders of the Corporation (where required), the exercise price may be adjusted if necessary to achieve that result. Disinterested Shareholder Approval (as such term is defined in the Stock Option Plan) is required for the reduction of the exercise price of any Options.

Maximum Percentage of Common Shares Reserved

The aggregate number of Common Shares that may be issued pursuant to the exercise of Options awarded under the Stock Option Plan and all other share compensation arrangements of the Corporation is 10% of the Common Shares outstanding from time to time, subject to the following limitations:

1. the aggregate number of Common Shares reserved for issuance to any one person under the Stock Option Plan, together with all other share compensation arrangements of the Corporation, within a 12 month period, must not exceed 5% of the outstanding issue of Common Shares (on a non-diluted basis);
2. the aggregate number of Common Shares reserved for issuance to any one insider (as defined in the Stock Option Plan) and such insider's associates pursuant to the Stock Option Plan, together with all other share compensation arrangements of the Corporation, must not exceed 5% of the outstanding issue of Common Shares;
3. the aggregate number of Common Shares reserved for issuance to insiders pursuant to the Stock Option Plan, together with all other share compensation arrangements of the Corporation, within a 12 month period, must not exceed 10% of the outstanding issue of Common Shares;
4. the aggregate number of Common Shares reserved for issuance to any one participant employed to provide investor relations activities (as defined in the Stock Option Plan) within a 12 month period, must not exceed 2% of the outstanding issue of Common Shares;
5. the aggregate number of Common Shares reserved for issuance to consultants pursuant to the Stock Option Plan, together with all other share compensation arrangements of the Corporation, shall not exceed 2% of the outstanding issue of Common Shares; and
6. the aggregate number of Common Shares reserved for issuance to any single consultant under the Stock Option Plan, together with all other share compensation arrangements of the Corporation, within a 12 month period, shall not exceed 2% of the outstanding issue of Common Shares.

Transferability

The Options are not assignable or transferable by an optionee, except for a limited right of assignment in the event of the death of the optionee.

Term and Vesting

The term of Options granted shall be determined by the Board of Directors in its discretion, to a maximum of four years from the date of the grant of the Option. The vesting period or periods within this period during which an Option or a portion thereof may be exercised shall be determined by the Board of Directors. In the absence of any determination by the Board of Directors as to vesting, and subject to the policies of the TSXV, vesting shall be as to one third on each of the first, second and third anniversaries of the date of grant. Further, the Board of Directors may, in its sole discretion at any time or in the Option agreement in respect of any Options granted, accelerate or provide for the acceleration of, vesting of Options previously granted.

Early Expiration

Unless otherwise provided in an agreement evidencing the grant of Options, Options shall terminate at the earlier of: (i) the close of business 30 days after the optionee ceasing (other than by reason of death or termination with cause) to be at least one of an officer, director, employee in active employment carrying out regular and normal duties, or consultant of the Corporation or a Subsidiary of the Corporation, as the case may be; (ii) the close of business thirty (30) days after the optionee has been provided with written notice of dismissal related to (i) above; and (iii) the expiry date of the Option. If before the expiry of an Option in accordance with the terms thereof a participant ceases to be an employee, officer, director or consultant by reason of the death of the participant, any unvested portion of such Option shall immediately vest. In addition, such Option may, subject to the terms thereof and any other terms of the Stock Option Plan, be exercised by the legal personal representative(s) of the

participant's estate or at any time before 5:00 p.m. (Calgary time) up to six months after the date of death of the participant, or until the expiry date of the Option, if earlier.

Change of Control

In the event of a Change of Control (as defined in the Stock Option Plan) occurring, all Options which have not otherwise vested in accordance with their terms shall immediately vest and be exercisable, notwithstanding the other terms of the Options, for a period of time ending on the earlier of the expiry time of the Option and the thirtieth (30th) day following the Change of Control.

Voluntary Black-out Periods

The Corporation has adopted a policy on trading in the securities of the Corporation which includes self-imposed black-out periods from time to time, preventing officers, directors, employees and consultants, in certain circumstances, from exercising options. For example, these black-out periods are imposed prior to the release of financial statements and when the Corporation is considering various possible transactions or is completing material operations that could, if consummated or successfully completed, have a significant effect on the trading price or value of the Corporation's securities. This policy was adopted as part of the Corporation's approach to responsible governance. However, the imposition of voluntary black-out periods can penalize the Corporation and its insiders and employees where their Options have not been exercised prior to the voluntary black out period and such Options would expire during such period.

Pursuant to the Stock Option Plan, the expiration of the term of any Options that would fall during a voluntary black out period or within 10 Business Days following the termination of a voluntary black out period will be extended for a period of 10 Business Days following the expiry of such black out period such that all optionees will always have a maximum of 10 Business Days following a voluntary black out period to exercise Options. This provision applies to all optionees.

Amendment to Options

The Board of Directors may amend or discontinue the Stock Option Plan at any time without the consent of the participants provided that such amendment shall not alter or impair any Option previously granted under the Stock Option Plan except as permitted by the provisions of the Stock Option Plan and that such amendment or discontinuance has been approved, if required, by the TSXV. However, the Board of Directors of the Corporation is not entitled to amend the amendment provisions of the Stock Option Plan without the approval of the TSXV and Disinterested Shareholder Approval. In addition, the Board of Directors of the Corporation may not amend the Stock Option Plan or any Option previously granted under the Stock Option Plan without the approval of the TSXV and Disinterested Shareholder Approval in the event such amendment would: (i) reduce the exercise price of an Option; (ii) extend the expiry date of an Option other than as contemplated by Article 4.5 of the Stock Option Plan; (iii) permit Options to be transferable or assignable other than for normal estate settlement purposes; or (iv) increase the maximum number of Common Shares that may be issued upon the exercise of Options granted under the Stock Option Plan.

As at March 31, 2015, an aggregate of 11,132,197 Common Shares (10% of the issued and outstanding Common Shares) were available for issuance under the Stock Option Plan. Of this amount, options in respect of 5,956,834 Common Shares have been issued (5.4% of the issued and outstanding Common Shares), of which all were unexercised at March 31, 2015.

As at March 31, 2015, there remained options in respect of 5,175,363 Common Shares which are available for future option grants under the Stock Option Plan.

Employee Stock Savings Plan

The ESSP is designed to encourage employees, including the officers and directors of the Corporation, to invest in Common Shares which results in longer term alignment of employee and shareholder interests. There is a 12-month restriction on the sale of Common Shares acquired under the ESSP.

Under the ESSP, employees of the Corporation are provided with an opportunity to purchase Common Shares, through regular payroll deductions. The ESSP is a voluntary plan open to all eligible employees. All permanent full-time and part-time employees are considered to be eligible employees and are allowed to participate in the ESSP once they have completed a three-month probationary period.

A participant may contribute, by monthly payroll deductions, a maximum of 8% of the participant's regular salary towards the purchase of Common Shares. The Corporation will contribute an additional amount equal to 1.5 times the employee's contribution accumulated during that month, which contribution will be combined with the employee's contribution to purchase Common Shares. In addition, employees may contribute up to 45% of any annual performance bonus paid to them for investment under the ESSP; the Corporation will contribute an additional amount equal to 0.4 times the employee's contribution to acquire Common Shares of the Corporation.

Each director of the Corporation may contribute up to a maximum of 45% of the fee payable to such director for the services rendered as a director of the Corporation for investment under the ESSP. The Corporation will contribute an amount of funds equal to 1.0 times the director's contribution, which contribution will be combined with the director's contribution to acquire Common shares of the Corporation.

Common Shares will be purchased through the facilities TSXV by a trustee within five working days of the trustee receiving the participant's and the Corporation's contributions and written direction from the Corporation.

The Corporation's contributions vest to the respective participant immediately on the contribution being made by the Corporation; however, there is a 12-month restriction on selling Common Shares acquired under the ESSP.

The Corporation is responsible for carrying out the administration of the ESSP and establishes rules from time to time for the administration of the ESSP. The Corporation is responsible for the payment of any fees or charges incurred in the operation of the ESSP, including payments to the administrator, counsel and other agents employed by the Corporation in connection with the operation of the ESSP.

Compensation Governance

The Compensation Committee exercises general responsibility regarding overall employee and executive officer compensation. It determines the total compensation of the Chief Executive Officer, subject to Board approval. The Compensation Committee meets with the Chief Executive Officer to review all other salaries and compensation items, but direct approval of these salaries and compensation items is approved by the Board annually in the overall general and administrative expense budget.

The Compensation Committee is comprised of three members: Mark A. Butler (Chairman), Matthew J. Brister and P. Grant Wierzba. Each of the members of the Compensation Committee is an independent director and is ineligible to participate in any of the Corporation's executive officer compensation programs, other than the Corporation's Stock Option Plan and ESSP. Each has extensive experience as both director and officer with various public companies in the design and implementation of executive and employee compensation plans.

Summary Compensation Table

The following table provides a summary of compensation earned during the period ended December 31, 2014 by the Chief Executive Officer, Chief Financial Officer and the other two executive officers of the Corporation, other than the Chief Executive Officer and Chief Financial Officer, who were serving as executive officers as at December 31, 2014 (collectively, the "**named executive officers**").

Name and principal position	Year	Salary (\$)	Share based awards (\$) ⁽²⁾	Option-based awards (\$) ⁽²⁾	Non-equity incentive plan compensation (\$)				Total compensation (\$)
					Annual incentive plans (\$) ⁽³⁾	Long term incentive plans (\$)	Pension value (\$)	All other compensation (\$) ⁽⁴⁾	
Brian Lavergne ⁽¹⁾	2012	144,250	-	-	-	-	-	12,180	156,430
President and Chief Executive Officer	2013	196,800	-	-	16,800	-	-	26,640	240,240
	2014	208,600	-	-	45,700	-	-	29,600	283,900
Robert S. Tiberio	2012	154,250	-	-	-	-	-	11,760	166,010
Chief Operating Officer	2013	190,800	-	-	16,800	-	-	25,920	233,520
	2014	202,800	-	-	45,700	-	-	32,562	281,062
Donald G. McLean ⁽⁵⁾	2012	123,000	-	-	-	-	-	8,820	131,820
Chief Financial Officer	2013	95,400	-	-	16,800	-	-	11,448	123,648
	2014	141,960	-	-	32,000	-	-	17,035	190,995
John Devlin	2012	154,250	-	-	-	-	-	11,760	166,010
Vice President, Finance	2013	190,800	-	-	16,800	-	-	22,896	230,496
	2014	202,800	-	-	45,700	-	-	24,336	272,836

Notes:

- (1) Mr. Lavergne is an executive director of the Corporation. No amounts were paid to Mr. Lavergne for his role as a director of the Corporation.
- (2) The grant date fair value for the share based and option based awards is the same as the financial statement fair value.
- (3) This represents cash bonuses paid to each of the named executive officers during the respective calendar year for individual and corporate performance relating to the prior year.
- (4) Included are contributions made by the Corporation on behalf of each named executive officer to the ESSP. The ESSP is described under the heading "Executive Compensation – Employee Stock Savings Plan" in this Circular. Perquisites and other personal benefits do not exceed \$15,000 for any of the named executive officers.
- (5) Mr. McLean's salary with respect to the year ended December 31, 2014 reflects an annual salary of \$202,800 which has been prorated at 70%, reflecting a reduced work week.

Incentive Plan Awards

Outstanding option based awards

The following table provides a summary of option based awards outstanding at December 31, 2014.

Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)
Brian Lavergne President and Chief Executive Officer	156,000	1.75	January 28, 2017	372,840
	126,000	4.68	March 10, 2018	-
	126,000	4.31	December 9, 2018	-
Robert S. Tiberio Chief Operating Officer	156,000	1.75	January 28, 2017	372,840
	126,000	4.68	March 10, 2018	-
	160,000	4.31	December 9, 2018	-
Donald G. McLean Chief Financial Officer	78,000	1.75	January 28, 2017	186,420
	89,000	4.68	March 10, 2018	-
	126,000	4.31	December 9, 2018	-

Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)
John Devlin Vice President, Finance	156,000	1.75	January 28, 2017	372,840
	126,000	4.68	March 10, 2018	-
	126,000	4.31	December 9, 2018	-

Note:

(1) Calculated based on the difference between the closing price of \$4.14 per Share on the TSXV on December 31, 2014 and the exercise price of the options, multiplied by the number of Common Shares under option.

Incentive Plan Awards – Value vested or earned during the year

The following table provides a summary of the incentive plan awards earned during the period ended December 31, 2014, by the named executive officers.

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Non-equity incentive plan compensation – Annual Incentive Plans – Value earned during the year (\$)
Brian Lavergne President and Chief Executive Officer	124,280	45,700
Robert S. Tiberio Chief Operating Officer	124,280	45,700
Donald G. McLean Chief Financial Officer	62,140	32,000
John Devlin Vice President, Finance	124,280	45,700

Note:

(1) The dollar value that would have been realized if the options had been exercised based on the difference between the market price per Storm common share at the vesting date and the exercise price.

The Stock Option Plan is described under the heading “*Executive Compensation – Stock Option Plan*” in this Circular. Details regarding the number of securities and exercise prices are described under the heading “*Executive Compensation – Incentive Plan Awards*” in this Circular.

Pension Plan Benefits

The Corporation has no pension or retirement plans for its directors, officers or employees.

Termination and Change of Control Benefits

The Corporation does not have any written employment agreements in respect of the named executive officers.

Director Compensation

There are two components to director compensation: (i) cash fees, paid as compensation for the time commitment; and (ii) stock options, which align the interests of directors and shareholders over the longer term (intended to reward long-term growth in asset value per share). Approximately 75% of director compensation is targeted to be “at risk”.

In 2014, non-executive directors received an annual retainer of \$15,000 payable quarterly, received a per-meeting fee of \$1,000 and were reimbursed for expenses incurred by them in attending directors’ meetings and committee meetings. In addition, the Chairman received an additional \$5,000 and the Chairman of the Audit Committee received an additional \$7,500 for acting in those positions.

The following table provides a summary of compensation the non-executive directors earned during the period ended December 31, 2014.

Name	Fees Paid (\$)	Share-based awards (\$)	Option-based awards (\$)⁽¹⁾	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)⁽²⁾	Total (\$)
Stuart G. Clark	29,000	-	-	-	-	13,050	42,050
Matthew J. Brister	22,000	-	-	-	-	9,900	31,900
John A. Brussa	21,000	-	-	-	-	9,450	30,450
Mark A. Butler	25,000	-	-	-	-	11,250	36,250
P. Grant Wierzba	22,000	-	-	-	-	9,900	31,900
Gregory Turnbull	22,000	-	-	-	-	9,900	31,900
James K. Wilson	31,500	-	-	-	-	14,175	45,675

Note:

- (1) The grant date fair value for the share based and option based awards is the same as the financial statement fair value.
(2) Contributions made by the Corporation on behalf of each director to the ESSP. The ESSP is described under the heading "Executive Compensation – Employee Stock Savings Plan" in this Circular.

The following table provides a summary of option based awards outstanding at December 31, 2014 for non-executive directors.

Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)⁽¹⁾
Stuart G. Clark	36,000	1.75	January 28, 2017	86,040
	34,500	4.68	March 10, 2018	-
	34,500	4.31	December 9, 2018	-
Matthew J. Brister	36,000	1.75	January 28, 2017	86,040
	34,500	4.68	March 10, 2018	-
	34,500	4.31	December 9, 2018	-
John A. Brussa	36,000	1.75	January 28, 2017	86,040
	34,500	4.68	March 10, 2018	-
	34,500	4.31	December 9, 2018	-
Mark A. Butler	36,000	1.75	January 28, 2017	86,040
	34,500	4.68	March 10, 2018	-
	34,500	4.31	December 9, 2018	-
P. Grant Wierzba	36,000	1.75	January 28, 2017	86,040
	34,500	4.68	March 10, 2018	-
	34,500	4.31	December 9, 2018	-

Gregory Turnbull	36,000	1.75	January 28, 2017	86,040
	34,500	4.68	March 10, 2018	-
	34,500	4.31	December 9, 2018	-
James K. Wilson	36,000	1.75	January 28, 2017	86,040
	34,500	4.68	March 10, 2018	-
	34,500	4.31	December 9, 2018	-

Note:

(1) Calculated based on the difference between the closing price of \$4.14 per Share on the TSXV on December 31, 2014 and the exercise price of the options, multiplied by the number of Common Shares under option.

The following table provides a summary of the incentive plan awards earned during the period ended December 31, 2014, by non-executive directors.

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Non-equity incentive plan compensation – Annual Incentive Plans – Value earned during the year (\$)
Stuart G. Clark	28,680	-
Matthew J. Brister	28,680	-
John A. Brussa	28,680	-
Mark A. Butler	28,680	-
P. Grant Wierzba	28,680	-
Gregory Turnbull	28,680	-
James K. Wilson	28,680	-

Note:

(1) The dollar value that would have been realized if the options had been exercised based on the difference between the market price per Storm common share at the vesting date and the exercise price.

The Stock Option Plan is described under the heading “*Executive Compensation – Stock Option Plan*” in this Circular. Details regarding the number of securities and exercise prices are described under the heading “*Director Compensation – Option Based Awards for Non-Executive Directors*” in this Circular.

MANAGEMENT CONTRACTS

The Corporation has not entered into any management contracts.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information with respect to compensation plans under which equity securities are authorized for issuance as at December 31, 2014, aggregated for all compensation plans previously approved by the Shareholders and all compensation plans not previously approved by the Shareholders.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders ⁽¹⁾	5,956,834	\$3.54	5,175,363
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	5,956,834	\$3.54	5,175,363

Notes:

(1) The Corporation has a Stock Option Plan. The Stock Option Plan is described under the heading “*Executive Compensation – Stock Option Plan*” in this Circular.

DIRECTORS’ AND OFFICERS’ LIABILITY INSURANCE

The Corporation has in place a corporate liability insurance policy for its directors and officers through Lloyd’s of London. The coverage is for \$25.0 million and expires on September 30, 2015. The annual premium for the policy is \$34,250.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

As at March 31, 2015, there exists no indebtedness of any of the directors or named executive officers to the Corporation.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed herein and as disclosed in the Corporation’s annual information form dated March 31, 2015 (the “**AIF**”), there are no material interests, direct or indirect, of directors, executive officers of the Corporation or any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares or any known associate or affiliate of such persons, in any transaction since the commencement of the Corporation’s most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries. See “*General Development of the Business – Year Ended 2014*” and “*Material Contracts*” in the AIF.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

National Policy 58-201 – *Corporate Governance Guidelines* (the “**Guidelines**”) came into force on June 30, 2005. These Guidelines address such matters as the constitution and independence of boards of directors, the functions to be performed by boards and their committees, and the relationship between boards of directors, management and shareholders. The Board of Directors and senior management consider good corporate governance to be central to the effective and efficient operation of the Corporation. The recommended disclosure is set out in matrix form and attached to this Circular as Appendix A. Given the history and nature of the Corporation’s development, not all of the recommendations contained in the Guidelines have been followed. Disclosure respecting the Corporation’s approach to corporate governance is set out below and in Appendix A hereto.

MANDATE OF THE BOARD

The Board of Directors is generally responsible for managing the business and affairs of the Corporation. The primary responsibility of the Board is to promote the best interests of the Corporation and its Shareholders. This responsibility includes: (i) approving annual capital expenditure budgets and general and administrative expense budgets and reviewing fundamental operating, financial and other corporate plans, strategies and objectives; (ii) outlining key operating parameters including debt levels and ratios; (iii) evaluating the performance of the

Corporation and senior management; (iv) determining, evaluating and fixing the compensation of executive officers; (v) adopting policies of corporate governance and conduct; (vi) considering risk management matters and hedging policies; (vii) reviewing the process of providing appropriate financial and operational information to Shareholders and the public generally; and (viii) evaluating the overall effectiveness of the Board of Directors. The Board explicitly acknowledges its responsibility for the stewardship of the Corporation. The Board reviews with management matters of strategic planning, business risk identification, succession planning, communications policy and integrity of internal control and management information systems. The Board fulfils its responsibilities through regular meetings. It meets a minimum of four times per year. In addition, the Board meets at such other times as may be required if it is not possible to deal with the Corporation's business at a regularly scheduled meeting.

COMPOSITION OF THE BOARD OF DIRECTORS

The Guidelines recommend that the board of directors of every listed company should be constituted with a majority of individuals who qualify as "independent" directors. An "independent" director is a director who has no direct or indirect material relationship with the issuer. A "material relationship" means a relationship which could, in the view of the issuer's board of directors, reasonably interfere with the exercise of a member's independent judgement. Section 1.4 of Multilateral Instrument 52-110 - *Audit Committees* contains further detail regarding the meaning of "independence" and "material relationship".

Based on these definitions, five of Storm's eight existing directors are independent directors. Mr. Lavergne (President and Chief Executive Officer), Mr. Turnbull and Mr. Brussa are the only board members who are not independent. Mr. Lavergne is not considered independent since he serves as an executive officer of the Corporation. Messrs. Turnbull and Brussa are not considered independent because each is a partner in a law firm that provides legal services, from time to time, to the Corporation. The Chairman of the Board, Mr. Stuart Clark, is an independent director.

BOARD COMMITTEES

The Board of Directors has established the Audit Committee, the Compensation Committee and the Reserves Committee as committees of the Board. Terms of reference for each committee, which delineate the mandate of the committee, the composition of the committee, the frequency of committee meetings and other relevant matters, have been approved and adopted by the Board for each committee.

Audit Committee

The Audit Committee is responsible for reviewing and approving the financial statements and public reports of the Corporation, considering the existence and adequacy of internal and management controls and reviewing and approving material accounting policies and measurements. The Audit Committee is also responsible for reviewing the annual audit and quarterly reviews and communicating directly with the external auditor as to their findings. The Audit Committee's mandate provides for regularly scheduled meetings to review and approve annual audited financial statements and quarterly unaudited financial statements and other reports to shareholders. Additional meetings may be held as warranted with respect to public financing initiatives and other material transactions. The text of the Audit Committee Terms of Reference can be found in Appendix B to this Circular.

The Audit Committee is composed of three directors, James K. Wilson (Chairman), Mark A. Butler and Stuart G. Clark. Each of the members of the Audit Committee is independent and financially literate within the meaning of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"). Mr. Wilson is Managing Director of Walwil Resources Ltd., an oil and gas financial consulting company, and has been a director and officer of a number of public oil and gas companies. Mr. Wilson holds a Bachelor of Commerce degree from the University of Calgary, a Chartered Accountant designation and ICD.D director certification from the Institute of Corporate Directors. Mr. Butler was a director and officer of the Corporation's predecessor company, Storm Exploration Inc., and was the past CEO of WestPac LNG Corporation. Mr. Butler holds a Bachelor of Laws degree from the University of Saskatchewan, a Masters of Business Administration from the University of Calgary, and ICD.D director certification from the Institute of Corporate Directors. Mr. Clark has been a director and chairman of a number of public oil and gas companies and has experience acting as an audit committee member.

The Audit Committee has the authority to pre-approve non-audit services which may be required from time to time.

The aggregate fees billed to the Corporation by Ernst & Young LLP in 2014 for audit services were \$110,200 (2013 - \$87,700). In addition, Ernst & Young LLP billed the Corporation for non-audit services: \$33,100 for non-audit reviews of interim financial statements in 2014 (2013 - \$29,900); \$32,400 for review of prospectuses, information circulars and review of corporate acquisitions in 2014 (2013 - \$111,300); and \$3,500 for tax services in 2014 (2013 - \$4,900). The Audit Committee reviews the annual audit fee and all other fees and considers the issue of auditor independence in the context of all services provided to the Corporation.

The Corporation is relying upon the exemption in section 6.1 of NI 52-110 with respect to compliance with the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

Compensation, Governance and Nomination Committee

The Compensation Committee is currently composed of three directors, Mark A. Butler (Chairman), Matthew J. Brister and P. Grant Wierzba, all of whom are independent directors. The Compensation Committee is responsible for assisting the board in determining the compensation strategies for the Corporation, recommending the forms and amounts of compensation for directors, officers and other employees and assessing the performance of officers in fulfilling their responsibilities and meeting corporate objectives. The Compensation Committee is also responsible for assessing the performance of the Chief Executive Officer. The Compensation Committee holds meetings as warranted with respect to officer appointments or other compensation related matters.

Reserves Committee

The Reserves Committee is currently composed of three directors, Grant Wierzba (Chairman), Matthew Brister and Gregory G. Turnbull, two of whom are independent directors. The Reserves Committee has the responsibility of meeting with the independent engineering firm commissioned to conduct the reserves evaluation on the Corporation's oil and natural gas assets and to discuss the results of such evaluation with each of the independent engineers and management. Specifically, the Reserves Committee's responsibilities include, but are not limited to, a review of management's recommendations for the appointment of independent engineers, review of the independent engineering evaluation reports and consideration of the principal assumptions upon which such reports are based, appraisal of the expertise of the independent engineering firms retained to evaluate the Corporation's reserves, review of the scope and methodology of the independent engineers' evaluations, reviewing any problems experienced by the independent engineers in preparing the reserve evaluation, including any restrictions imposed by management or significant issues on which there was a disagreement with management and a review of reserve additions and revisions and other relevant items included in the independent reserve evaluator's report. The Reserves Committee meets at least once annually or otherwise as circumstances warrant.

OTHER MATTERS COMING BEFORE THE MEETING

Management knows of no other matters to come before the Meeting other than referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, the Common Shares represented by proxy solicited hereby will be voted on such matters in accordance with the best judgment of the person voting such proxy.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on the SEDAR website at www.sedar.com. Additional information regarding the business of the Corporation is contained in the Corporation's annual information form for the fiscal year ended December 31, 2014, and documents incorporated by reference therein, including the Corporation's Management's Discussion & Analysis for the fiscal year ended December 31, 2014. Additional financial information regarding the Corporation is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2014. Copies of these documents, any interim financial statements for periods subsequent to December 31, 2014 and additional copies of this Circular are available on the SEDAR website at www.sedar.com and on the Corporation's website at www.stormresourcesltd.com. In

addition, these documents may also be obtained upon request from the Corporation's Investor Relations Department, Storm Resources Ltd., Suite 200, 640 – 5th Avenue S.W., Calgary, Alberta, T2P 3G4.

DIRECTORS' APPROVAL

The contents and the sending of this Circular have been approved by the Board.

APPENDIX A
STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The board of directors (the “**Board**”) and management (“**Management**”) of Storm Resources Ltd. (the “**Corporation**”) believe in the importance of good corporate governance and its effectiveness in promoting enhanced shareholder value. In disclosing its approach to corporate governance, the Corporation makes particular reference to the guidelines set out in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”). When the Corporation’s corporate governance system differs from these guidelines, an explanation of the differences is provided. The guidelines contained in NI 58-101 are not mandatory.

The Board and Management will continue to monitor the current initiatives of the securities regulatory authorities in Canada with respect to corporate governance in order to ensure that the Corporation’s corporate governance practice complies with all applicable legal requirements.

Management believes that good corporate governance is effective in promoting enhanced shareholder value. Management has the responsibility for the day to day management of the business of the Corporation. The Board retains responsibility for significant matters such as acquisitions and divestitures, major capital expenditures and debt and equity financing transactions.

The Board has ultimate oversight for the Corporation’s strategic planning process and receives regular updates on execution of the Corporation’s business plan.

The Board is responsible for understanding the principal risks associated with the Corporation’s business and it is the responsibility of Management to ensure that the Board and its committees are kept well informed of these changing risks. The Board has adopted policies designed to ensure the good governance of the Corporation. Directors and officers are subject to an insider trading policy. In addition, the Corporation has adopted a disclosure policy requiring the timely dissemination of all material information. Communications with Shareholders are undertaken through a variety of means, including the publication of the Corporation’s year-end report, quarterly reports, annual information form, news releases, and the Corporation’s website. The Corporation’s website, www.stormresourcesltd.com, contains annual and quarterly financial statements and management’s discussion and analysis, news releases, corporate presentations and other information considered helpful to investors.

As a publicly listed company on the TSX Venture Exchange, the Corporation is subject to a variety of corporate governance guidelines and requirements which have been enacted by Canadian Securities Administrators. The Corporation’s corporate governance compliance is as follows:

FORM 58-101 F2
CORPORATE GOVERNANCE DISCLOSURE

Guidelines	Does the Corporation Comply?	Description of Approach
1. Board of Directors	In Part	
(a) Disclose the identity of directors who are independent.		<ul style="list-style-type: none">• The Board has affirmatively determined that a majority of the Board is independent including Messrs. Brister, Clark, Wilson, Wierzba and Butler and have no direct or indirect material relationship with the Corporation which could reasonably be expected to interfere with the exercise of independent judgement and are independent in accordance with NI 58-101. The Compensation, Governance and Nomination Committee (the “Compensation Committee”) and the Board participate in the determination of director independence. The determination is based on information

Guidelines	Does the Corporation Comply?	Description of Approach
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	<ul style="list-style-type: none"> Messrs. Lavergne, Turnbull and Brussa are not independent. Mr. Lavergne is the President and Chief Executive Officer of the Corporation. Mr. Turnbull is a partner of McCarthy Tétrauld LLP, a law firm which provides legal services to the Corporation. Mr. Brussa is Vice Chairman and a partner of Burnet, Duckworth & Palmer LLP, a law firm which provides legal services to the Corporation. 	
(c) Disclose whether or not a majority of directors are independent.	<ul style="list-style-type: none"> A majority of the directors are independent, as the Board has five directors who have been determined to be independent and three directors who are related to the Corporation. 	
(d) Disclose the names of directors who are directors of any other reporting issuer and the name of the reporting issuer.	<ul style="list-style-type: none"> Mr. Wierzba serves as a director of Chinook Energy Inc. Mr. Brister serves as a director of Chinook Energy Inc. Mr. Brussa is a director of Argent Energy Ltd. (Administrator of Argent Energy Trust), Baytex Energy Corp., Cardinal Energy Ltd., Crew Energy Inc., Enseco Energy Services Corp., Just Energy Group Inc., Leucrotta Exploration Inc., Long Run Exploration Ltd., Pinecrest Energy Inc., RMP Energy Inc., TORC Oil & Gas Ltd., Twin Butte Energy Ltd. and Yoho Resources Inc. Mr. Clark serves as a director of Chinook Energy Inc. and Rock Energy Inc. Mr. Turnbull is a director of Crescent Point Energy Corp., Oyster Oil & Gas Ltd. and Marquee Energy Ltd. 	

Guidelines	Does the Corporation Comply?	Description of Approach																																												
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed fiscal year.	<ul style="list-style-type: none"> The independent Directors do not hold regularly scheduled in camera meetings. The Board does, however, hold in camera sessions within regularly scheduled meetings where the subject matter of the Board's discussions warrants such sessions. 																																													
(f) Disclose whether or not the Chairman of the board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities.	<ul style="list-style-type: none"> The Chairman of the Board, Mr. Stuart Clark, is an independent director. His role and responsibilities are to chair all Board and Shareholder meetings, to ensure that the Board reviews and approves the Corporation's corporate strategy as developed by Management, to ensure that the Board receives regular updates on all issues of importance to the Corporation, to work closely with each Committee chair to ensure that each of the Committee's functions are carried out, to communicate with the President and Chief Executive Officer to provide feedback and coaching as required and to work collectively and individually with members of the Board to ensure optimum performance of the Board. 																																													
(g) Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed fiscal year.	<ul style="list-style-type: none"> Each Director's attendance at Board and Committee meetings during 2014 is as follows: 																																													
<table border="1"> <thead> <tr> <th>Name</th> <th>Board</th> <th>Audit</th> <th>Comp</th> <th>Reserve</th> </tr> </thead> <tbody> <tr> <td>Mr. Brister</td> <td>5</td> <td>-</td> <td>2</td> <td>1</td> </tr> <tr> <td>Mr. Brussa</td> <td>5</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Mr. Butler</td> <td>5</td> <td>4</td> <td>2</td> <td>-</td> </tr> <tr> <td>Mr. Clark</td> <td>5</td> <td>4</td> <td>-</td> <td>-</td> </tr> <tr> <td>Mr. Lavergne</td> <td>5</td> <td>-</td> <td>2</td> <td>1</td> </tr> <tr> <td>Mr. Turnbull</td> <td>5</td> <td>-</td> <td>-</td> <td>1</td> </tr> <tr> <td>Mr. Wierzba</td> <td>5</td> <td>-</td> <td>2</td> <td>1</td> </tr> <tr> <td>Mr. Wilson</td> <td>5</td> <td>4</td> <td>-</td> <td>-</td> </tr> </tbody> </table>	Name	Board	Audit	Comp	Reserve	Mr. Brister	5	-	2	1	Mr. Brussa	5	-	-	-	Mr. Butler	5	4	2	-	Mr. Clark	5	4	-	-	Mr. Lavergne	5	-	2	1	Mr. Turnbull	5	-	-	1	Mr. Wierzba	5	-	2	1	Mr. Wilson	5	4	-	-	<ul style="list-style-type: none"> A description of how the Board delineates its roles and responsibilities can be found under the heading "Mandate of the Board" in this Circular.
Name	Board	Audit	Comp	Reserve																																										
Mr. Brister	5	-	2	1																																										
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Mr. Turnbull	5	-	-	1																																										
Mr. Wierzba	5	-	2	1																																										
Mr. Wilson	5	4	-	-																																										
2. Board Mandate	Yes	<ul style="list-style-type: none"> A description of how the Board delineates its roles and responsibilities can be found under the heading "Mandate of the Board" in this Circular. 																																												
(a) Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the board delineates its roles and responsibilities.	<ul style="list-style-type: none"> A description of how the Board delineates its roles and responsibilities can be found under the heading "Mandate of the Board" in this Circular. 																																													

Guidelines	Does the Corporation Comply?	Description of Approach
3. Position Descriptions	In Part	
(a) Disclose whether or not the Board has developed written position descriptions for the Chairman and the Chairman of each Board Committee.		<ul style="list-style-type: none"> The Corporation does not have a formal position description for the Chairman although item 1(f) above sets out his responsibilities. The Board considers the Board's Committee charters, including the position description for each Committee Chairman contained therein, to be sufficiently comprehensive of the roles and responsibilities of each Committee Chairman and of each director who participates on a Committee.
(b) Disclose whether or not the Board and CEO have developed a written position description for the CEO.		<ul style="list-style-type: none"> A formal position description for the CEO has not been developed.
4. Orientation and Continuing Education		
(a) Briefly describe what measures, if any, the Board of Directors takes to orient new Board members regarding:		<ul style="list-style-type: none"> Directors or the Chairman will provide an initial orientation where required for new directors with respect to the role of the Board and its Committees. Management provides an initial orientation for new directors with respect to operations.
(i) the role of the Board, its Directors and the committees of the Board; and		
(ii) the nature and operation of the Company's business.		
(b) Briefly describe what measures, if any, the Board of Directors takes to provide continuing education for its members.		<ul style="list-style-type: none"> Although the Corporation does not currently have any formal ongoing education programs for directors, the services of outside experts may be retained for specific matters.
5. Code of Business Conduct and Ethics	No	
(a) Disclose whether or not the Board has adopted a written code for directors, officers and employees. If the board has adopted a written code;		<ul style="list-style-type: none"> The Corporation has not adopted a written code of conduct for directors, officers and employees. The Corporation believes that the oversight role of the Board, linked to the management practices of the Corporation, ensures that the Corporation carries out its business in an ethical and responsible fashion with due recognition to its obligations to all stakeholders.

Guidelines	Does the Corporation Comply?	Description of Approach
<p>(i) disclose how a person or company may obtain a copy of the code;</p> <p>(ii) disclose how the Board monitors compliance with its code;</p> <p>(iii) provide a cross reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p>		<ul style="list-style-type: none"> The Corporation believes that the recruitment of appropriate officers and employees will also result in the Corporation's business being conducted in a responsible ethical fashion.
6. Nomination of Directors	In Part	
<p>(a) Disclose the process by which the Board identifies new candidates for Board nomination.</p> <p>(b) Disclose whether or not the Board has a nominating committee composed entirely of independent directors.</p> <p>(c) If the Board has a nominating committee, describe its responsibilities, powers and operation.</p>		<ul style="list-style-type: none"> The Board's Compensation Committee has the mandate to recommend candidates for filling vacancies on the Board and considers the governance processes of the Corporation. All three members of the Compensation Committee are independent directors. The members of the Committee are Messrs. Butler, Brister and Wierzba. The responsibilities, powers and operation of the Compensation Committee are described in this Circular under "Statement of Corporate Governance Practice – Board Committees – Compensation Committee".
7. Compensation	Yes	
<p>(a) Disclose who determines compensation.</p> <p>(b) Describe the processes by which the Board determines the compensation for the Company's directors and officers.</p>		<ul style="list-style-type: none"> The Compensation Committee determines compensation. As disclosed in the "Executive Compensation" section, the Compensation Committee obtains the results of a survey of the compensation provided to directors and officers of similar sized Corporations and makes annual recommendations to the Board regarding director and officer compensation. The Committee does not believe that it is possible to remunerate directors for all of the risks and responsibilities assumed.

Guidelines	Does the Corporation Comply?	Description of Approach
(c) Disclose whether or not the board has a compensation committee composed entirely of independent Directors.		<ul style="list-style-type: none"> The Compensation Committee is composed entirely of independent directors.
(d) Describe the responsibilities, powers and operation of the Compensation Committee.		<ul style="list-style-type: none"> The Compensation Committee reviews annually employment and remuneration policies and recommendations. It also reviews the performance of the Chief Executive Officer and other officers as required.
(e) If a compensation consultant or advisor has, at any time since the beginning of the Company's most recently completed fiscal year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform other work for the Corporation, state that fact and briefly describe the nature of the work.		<ul style="list-style-type: none"> N/A.
8. Other Board Committees	Yes	<ul style="list-style-type: none"> The Corporation also has a Reserves Committee. The composition and function of the Reserves Committee are described in this Circular under "Statement of Corporate Governance Practice Board Committees – Reserves Committee".
9. Regular Board Assessments	Yes	<ul style="list-style-type: none"> No formal process exists for assessing the effectiveness of the Board or individual directors and Committees, however, effectiveness is assessed on an ad hoc basis.
(a) Describe the manner in which the Board of Directors regularly assesses its own effectiveness and performance, the effectiveness and performance of each of the committees of the board, and the effectiveness and performance of each board member.		<ul style="list-style-type: none"> No formal process exists for assessing the effectiveness of the Board or individual directors and Committees, however, effectiveness is assessed on an ad hoc basis.

APPENDIX B AUDIT COMMITTEE TERMS OF REFERENCE

I. The Board of Directors' Mandate for the Audit Committee

1. **The Board of Directors** (the "**Board**") has responsibility for the stewardship of Storm Resources Ltd. (the "**Company**"). To discharge that responsibility, the Board is obligated by the *Business Corporations Act* (Alberta) to supervise the management of the business and affairs of the Company. The Board's supervisory function involves Board oversight or monitoring of all significant aspects of the management of the Company's business and affairs.

Public financial reporting and disclosure by the Company are fundamental to the Company's business affairs and to its status as a publicly listed enterprise. The objective of the Board's monitoring of the Company's financial reporting and disclosure is to gain reasonable assurance of the following:

- (a) that the Company complies with all applicable laws, regulations, rules, policies and other requirement of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;
- (b) that the accounting principles, significant judgments and disclosures which underlie or are incorporated in the Company's financial statements are appropriate in the prevailing circumstances;
- (c) that the Company's quarterly and annual financial statements are accurate within a reasonable level of materiality and present fairly the Company's financial position and performance in accordance with generally accepted accounting principles; and
- (d) that appropriate information concerning the financial position and performance of the Company is disseminated to the public in a timely manner in accordance with corporate and securities law and with stock exchange regulations.

The Board is of the view that monitoring of the Company's financial reporting and disclosure policies and procedures cannot be reliably met unless the following activities (the "**Fundamental Activities**") are, in all material respects, conducted effectively:

- (i) the Company's accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of the Company's financial transactions;
- (ii) the internal financial controls are regularly assessed for effectiveness and efficiency;
- (iii) the Company's quarterly and annual financial statements are properly prepared by management to comply with International Financial Reporting Standards ("**IFRS**"); and
- (iv) the Company's quarterly and annual financial statements are reported on by an external auditor appointed by the shareholders of the Company.

To assist the Board in its monitoring of the Company's financial reporting and disclosure and to conform to applicable corporate and securities law, the Board has established the Audit Committee (the "**Committee**") of the Board.

2. Composition of Committee

- (a) The Committee shall be appointed annually by the Board and consist of at least three members from among the directors of the Company, each of whom shall be an independent director (as determined under applicable laws). Officers of the Company, who are also directors, may not serve as members of the Audit Committee;

- (b) The Board shall designate the Chairman of the Committee; and
- (c) In the event of a vacancy arising in the Committee or a loss of independence of any member, the Committee will fill the vacancy within six months or by the following annual shareholders' meeting if sooner.

3. Reliance on Experts

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be entitled to rely in good faith upon:

- (a) financial statements of the Company represented to him by an officer of the Company or in a written report of the external auditor to present fairly the financial position of the Company in accordance with IFRS; and
- (b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

4. Limitations on Committee's Duties

In contributing to the Committee's discharging of its duties under Terms of Reference, each member of the Company shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in these Terms of Reference is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the Committee's duties is monitoring and reviewing to endeavour to gain reasonable assurance (but not to ensure) that the Fundamental Activities are being conducted effectively and that the objectives of the Company's financial reporting are being met and to enable the Committee to report thereon to the Board.

II. Audit Committee Terms of Reference

The Audit Committee's Terms of Reference outlines how the Committee will satisfy the requirements set forth by the Board in its mandate. Terms of Reference reflect the following:

- Operating Principles;
- Operating Procedures; and
- Specific Responsibilities and Duties.

A *Operating Principles*

The Committee shall fulfill its responsibilities within the context of the following principles:

1) Committee Values

The Committee expects the management of the Company to operate in compliance with corporate policies; reflecting laws and regulations governing the Company; and to maintain strong financial reporting and control processes.

2) Communications

The Committee and members of the Committee expect to have direct, open and frank communications throughout the year with management, other Committee Chairmen, the external auditor, and other key Committee advisors or Company staff members as applicable.

3) **Financial Literacy**

All Committee Members should be sufficiently versed in financial matters to read and understand the Company's financial statements and also to understand the Company's accounting practices and policies and the major judgements involved in preparing the financial statements.

4) **Annual Audit Committee Work Plan**

The Committee, in consultation with management and the external auditor, shall develop an annual Committee work plan responsive to the Committee's responsibilities as set out in these Terms of Reference. In addition, the Committee, in consultation with management and the external auditor, shall participate in a process for review of important financial topics that have the potential to impact the Company's financial disclosure.

The work plan will be focused primarily on the annual and interim financial statements of the Company; however, the Committee may at its sole discretion, or the discretion of the Board, review such other matters as may be necessary to satisfy the Committee's Terms of Reference.

5) **Meeting Agenda**

Committee meeting agendas shall be the responsibility of the Chairman of the Committee in consultation with Committee members, senior management and the external auditor.

6) **Committee Expectations and Information Needs**

The Committee shall communicate its expectations to management and the external auditor with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the external auditor at a reasonable time in advance of meeting dates.

7) **External Resources**

To assist the Committee in discharging its responsibilities, the Committee may at its discretion, in addition to the external auditor, at the expense of the Company, retain one or more persons having special expertise, including independent counsel.

8) **In Camera Meetings**

At the discretion of the Committee, the members of the Committee shall meet in private session with the external auditor, with management, and with the Committee members only.

9) **Reporting to the Board**

The Committee, through its Chairman, shall report after each Committee meeting to the Board at the Board's next regular meeting.

10) **Committee Self-Assessment**

The Committee shall annually review, discuss and assess its own performance. In addition, the Committee shall periodically review its role and responsibilities.

11) **The External Auditor**

The Committee expects that, in discharging their responsibilities to the shareholders, the external auditor shall report directly to and be accountable to the Board through the Committee. The external auditor shall report all material issues or potentially material issues, either specific to the Company or to the financial reporting environment in general, to the Committee.

B *Operating Procedures*

- 1) The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Meetings shall be held at the call of the Chairman, upon the request of two (2) members of the Committee or at the request of the external auditor.
- 2) A quorum shall be a majority of the members.
- 3) Unless the Committee otherwise specifies, the Secretary (or his or her deputy) of the Company shall act as Secretary of all meetings of the Committee.
- 4) In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.
- 5) A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Company in a timely fashion.

C *Specific Responsibilities and Duties*

To fulfill its responsibilities and duties, the Committee shall:

Financial Reporting

- 1) Review, prior to public release, the Company's annual and quarterly financial statements with management and the external auditor with a view to gaining reasonable assurance that the statements *(i)* are accurate within reasonable levels of materiality, *(ii)* complete, *(iii)* represent fairly the Company's financial position and performance in accordance with IFRS. The Committee shall report thereon to the Board before such financial statements are approved by the Board;
- 2) Receive from the external auditor reports or their review of the annual and quarterly financial statements;
- 3) Receive from management a copy of the representation letter provided to the external auditor and receive from management any additional representations required by the Committee;
- 4) Review, prior to public release, and, if appropriate, recommend approval to the Board, of news releases and reports to shareholders issued by the Company with respect to the Company's annual and quarterly financial statements;
- 5) Review and, if appropriate, recommend approval to the Board of prospectuses, material change disclosures of a financial nature, management discussion and analysis, annual information forms and similar disclosure documents to be issued by the Company; and
- 6) Review and validate procedures for the receipt, retention and resolution of complaints received by the Company from any party regarding accounting, auditing or internal controls. For greater certainty, the Committee's responsibilities in this area will not include complaints about minor operational issues. (Examples of minor operational issues include late payment of invoices, minor disputes over accounts owing or receivable, revenue and expense allocations and other similar items characteristic of the normal daily operations of the accounting department of an oil and gas company.)

Accounting Policies

- 1) Review with management and the external auditor the appropriateness of the Company's accounting policies, disclosures, reserves, key estimates and judgements, including changes or variations thereto;
- 2) Obtain reasonable assurance that they are in compliance with IFRS from management and external auditor and report thereon to the Board;

- 3) Review with management and the external auditor the apparent degree of conservatism of the Company's underlying accounting policies, key estimates and judgements and provisions along with quality of financial reporting; and
- 4) Participate, if requested, in the resolution of disagreements, between management and the external auditor.

Risk and Uncertainty

- 1) Acknowledging that it is the responsibility of the Board, in consultation with management, to identify the principal business risks facing the Company, determine the Company's tolerance for risk and approve risk management policies, the Committee shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:
 - (a) reviewing with management the Company's tolerance for financial risks;
 - (b) reviewing with management its assessment of the significant financial risks facing the Company;
 - (c) reviewing with management the Company's policies and any proposed changes thereto for managing those significant financial risks; and
 - (d) reviewing with management its plans, processes and programs to manage and control such risks.
- 2) Review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;
- 3) Where relevant, review foreign currency, interest rate and commodity price risk mitigation strategies, including the use of derivative financial instruments;
- 4) Review the adequacy of insurance coverage maintained by the Company; and
- 5) Review regularly with management, the external auditor and the Company's legal counsel, any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Company and the manner in which these matters have been disclosed in the financial statements.

Financial Controls and Control Deviations

- 1) Review the plans of the external auditor to gain reasonable assurance that the evaluation and testing of applicable internal financial controls is comprehensive, coordinated and cost-effective;
- 2) Receive regular reports from management and the external auditor on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto;
- 3) Institute a procedure that will permit any employee, including management employees, to bring to the attention of the Board, under conditions of confidentiality, concerns relating to financial controls and reporting which are material in scope and which cannot be addressed, in the employee's judgment, through existing reporting structures in the Company; and
- 4) Review, and periodically assess the adequacy of controls over financial information disclosed to the public, which is extracted or derived from the Company's financial statements.

Compliance with Laws and Regulations

- 1) Review regular reports from management and others (e.g. external auditor) with respect to the Company's compliance with laws and regulations having a material impact on the financial statements including:

- (a) tax and financial reporting laws and regulations;
 - (b) legal withholding requirements; and
 - (c) other laws and regulations which expose directors to liability.
- 2) Review the filing status of the Company's tax returns and those of its subsidiaries.

Relationship with External Auditor

- 1) Recommend to the Board the nomination of the external auditor;
- 2) Approve the remuneration and the terms of engagement of the external auditor as set forth in the Engagement Letter;
- 3) Review the performance of the external auditor annually or more frequently as required;
- 4) Receive annually from the external auditor an acknowledgement in writing that the shareholders, as represented by the Board and the Committee, are their primary client;
- 5) Receive a report annually from the external auditor with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by the Company;
- 6) Review with the external auditor the scope of the audit, the areas of special emphasis to be addressed in the audit, and the materiality levels which the external auditor proposes to employ;
- 7) Meet with the external auditor in the absence of management to determine, *inter alia*, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditor or the reporting of their findings to the Committee;
- 8) Establish effective communication processes with management and the Company's external auditor to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditor, management and the Committee; and
- 9) Establish a reporting relationship between the external auditor and the Committee such that the external auditor can bring directly to the Committee matters that, in the judgment of the external auditor, merits the Committee's attention. In particular, the external auditor will advise the Committee as to disagreements between management and the external auditor regarding financial reporting and how such disagreements were resolved.

Other Responsibilities

- 1) Approve annually the reasonableness of the expenses of the Chairman of the Board and the Chief Executive Officer;
- 2) After consultation with the Chief Financial Officer and the external auditor, consider at least annually, the quality and sufficiency of the Company's accounting and financial personnel and other resources;
- 3) Approve in advance non-audit services, including tax advisory and tax compliance services, provided by the external auditor. However, the Committee can establish a threshold amount for fees for non-audit services to be provided by the external auditor without advance approval of the Committee. The nature of such services and the associated cost will be provided to the Committee at the next following meeting;
- 4) Investigate any matters that, in the Committee's discretion, fall within the Committee's duties;
- 5) Perform such other functions as may from time to time be assigned to the Committee by the Board;
- 6) Review and update the Terms of Reference on a regular basis for approval by the Board; and

- 7) The Committee will review disclosures regarding the organization and duties of the Audit Committee to be included in any public document, including quarterly and annual reports to shareholders, information circulars and annual information forms.