



**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF  
ESSENTIAL ENERGY SERVICES LTD. SHAREHOLDERS**

**to be held May 9, 2019**

**and**

**INFORMATION CIRCULAR**

**March 6, 2019**

*The deadline for the receipt of proxies for the Meeting is 10:00 a.m. (Calgary time) on May 7, 2019*

## ESSENTIAL ENERGY SERVICES LTD.

### NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS OF ESSENTIAL ENERGY SERVICES LTD. TO BE HELD MAY 9, 2019

**NOTICE IS HEREBY GIVEN** that an annual general and special meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of common shares (“**Shares**”) of Essential Energy Services Ltd. (“**Essential**” or the “**Company**”) will be held at the Livingston Club Conference Centre, Plus 15, 222 – 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, on May 9, 2019 at 10:00 a.m. (Calgary time) for the following purposes:

- (a) to receive the consolidated audited financial statements of Essential for the year ended December 31, 2018 and the auditors’ report thereon;
- (b) to fix the number of directors of Essential to be elected at the Meeting at six;
- (c) to elect the directors of Essential;
- (d) to appoint the auditors of Essential and to authorize the directors to fix their remuneration as such;
- (e) to consider and, if thought advisable, to pass, with or without variation, an ordinary resolution, the full text of which is set forth in the accompanying management information circular dated March 6, 2019 (the “**Circular**”), to approve all unallocated options under the share option plan of Essential, all as more particularly described in the Circular;
- (f) to consider and, if thought advisable, to approve, with or without variation, an ordinary resolution, the full text of which is set forth in the Circular, confirming the adoption of the amended and restated by-law, all as more particularly described in the Circular; and
- (g) to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

Specific details of the matters to be put before the Meeting are set forth in the Circular.

The record date (the “**Record Date**”) for determination of Shareholders entitled to receive notice of and to vote at the Meeting is March 21, 2019. Only Shareholders whose names are entered in the Company’s register of Shares at the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting provided that, to the extent a Shareholder transfers the ownership of any of his or her Shares after the Record Date and the transferee of those Shares establishes that he or she owns such Shares and requests, at least 10 days before the Meeting, to be included in the list of Shareholders eligible to vote at the Meeting, such transferee will be entitled to vote those Shares at the Meeting. Each Share entitled to be voted at the Meeting will entitle the holder to one vote at the Meeting.

**Registered Shareholders may vote in person at the Meeting or any adjournment thereof, or they may appoint another person, who need not be a Shareholder, as their proxy to attend and vote in their place. Registered Shareholders who are unable to attend the Meeting or any adjournment thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment thereof. To be effective, the proxy must be received by Computershare Trust Company of Canada, 8th floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 (Attention: Proxy Department) not later than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, prior to the time set for the Meeting or any adjournment thereof. Shareholders that are not registered Shareholders, such as Shareholders that hold their Shares in an account with an intermediary, such as a broker or financial institution, should review the Circular accompanying this notice for voting information.**

Dated at the City of Calgary, in the Province of Alberta, this 6th day of March 2019.

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

(signed) "*Garnet K. Amundson*"

Garnet K. Amundson, President and Chief Executive Officer  
Essential Energy Services Ltd.

## INFORMATION CIRCULAR FOR THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 9, 2019

This Management Information Circular (the “Circular”) is furnished in connection with the solicitation of proxies by and on behalf of the management of Essential Energy Services Ltd. (“Essential” or the “Company” or the “Corporation”) for use at the annual general and special meeting (the “Meeting”) of the holders of common shares (“Shareholders”) of Essential to be held at 10:00 a.m. (Calgary time) on May 9, 2019 at the Livingston Club Conference Centre, Plus 15, 222 – 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, and at any adjournment(s) thereof, for the purposes set forth in the accompanying notice of annual general and special meeting of Shareholders (“Notice of Meeting”). No person has been authorized to give any information or make any representation in connection with any matters to be considered at the Meeting other than those contained in this Circular and, if given or made, any such information or representation must not be relied upon as having been authorized. Information contained in this Circular is given as at March 6, 2019 unless otherwise stated and all dollar amounts are expressed in Canadian dollars.

### SOLICITATION OF PROXIES

#### Persons Making the Solicitation

**Management of Essential is soliciting proxies from Shareholders for the Meeting.** The costs incurred in the preparation and mailing of the form of proxy, Notice of Meeting and this Circular will be borne by Essential. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors, officers and employees of Essential, who will not be specifically remunerated therefore.

#### Record Date

The record date (the “**Record Date**”) for determination of Shareholders entitled to receive notice of and to vote at the Meeting is March 21, 2019. Only Shareholders of record as at the Record Date are entitled to receive notice of the Meeting and to vote their common shares (“**Shares**”) at the Meeting provided that, to the extent a Shareholder transfers the ownership of any of his or her Shares after the Record Date and the transferee of those Shares establishes that he or she owns such Shares and requests, at least 10 days before the Meeting, to be included in the list of Shareholders eligible to vote at the Meeting, such transferee will be entitled to vote those Shares at the Meeting.

#### Appointment of Proxies and Proxy Voting

A Shareholder whose name appears on Essential’s records as a Shareholder (a “**Registered Shareholder**”) may vote in person at the Meeting or they may appoint another person, who does not have to be a Shareholder, as their proxy to attend and vote in their place. The persons named in the enclosed form of proxy are directors and/or officers of Essential.

**Each Registered Shareholder submitting a proxy has the right to appoint a proxyholder other than the persons designated in the form of proxy furnished by Essential, who need not be a Shareholder to attend and act for the Registered Shareholder and on the Registered Shareholder’s behalf at the Meeting. To exercise such right, the names of the persons designated by management should be crossed out and the name of the Registered Shareholder’s appointee should be legibly printed in the blank space provided in the enclosed form of proxy or by submitting another appropriate form of proxy.**

In order to be effective and used at the Meeting, the completed form of proxy must be sent so as to be deposited at the offices of Essential’s transfer agent, Computershare Trust Company of Canada, 8th floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 (Attention: Proxy Department) not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, before the time set for the holding of the Meeting or any adjournment(s) thereof. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution. The completed form of proxy shall be in writing and shall be executed by the Registered Shareholder or his or her attorney authorized in writing or, if the Registered Shareholder is a corporation, under its corporate seal or by a director, officer or attorney thereof duly authorized.

Registered Shareholders may also use the internet at [www.investorvote.com](http://www.investorvote.com) to vote their Shares at the Meeting. The website may also be used to appoint a proxy holder to attend and vote at the Meeting on the Registered Shareholder's behalf and convey voting instructions.

### Revocability of Proxies

A Registered Shareholder who has submitted a proxy for the Meeting may revoke it by attending the Meeting personally and registering with the scrutineers prior to commencement of the Meeting as a Shareholder personally present at the Meeting and voting in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Registered Shareholder or his or her attorney authorized in writing or, if the Registered Shareholder is a corporation, under its corporate seal and by a director, officer or attorney thereof duly authorized, and deposited either: (i) at the offices of Essential's transfer agent, Computershare Trust Company of Canada, 8th floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 (Attention: Proxy Department) not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, before the time set for the holding of the Meeting or any adjournment(s) thereof; (ii) at the head office of Essential at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used; or (iii) with the chairman of the Meeting on the day of the Meeting, or any adjournment thereof.

### Exercise of Discretion by Proxy Holders

All Shares represented at the Meeting by properly completed forms of proxy will be voted or withheld from voting in accordance with the specifications of the Registered Shareholder contained in the proxy. **In the absence of such specification, such Shares will be voted in favour of the matters set forth in the Circular.** All Shares represented at the Meeting will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called. 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 or any adjournment(s) thereof. At the time of printing this Circular, management of Essential knows of no such amendments, variations or other matters to come before the Meeting.

### Advice to Beneficial Holders of Shares

**The information set forth in this section is of significant importance to many Shareholders of Essential, as a substantial number of Shareholders do not hold their Shares in their own name.** Shareholders who do not hold their 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 Essential as the registered holders of Shares can be recognized and acted upon at the Meeting. If Shares are held in an account with an intermediary such as a broker or a financial institution, then in almost all cases those Shares will not be registered in the Beneficial Shareholder's name on the records of Essential. Such Shares will more likely be registered under the name of the intermediary or its agent. In Canada, the vast majority of such Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc. ("**CDS**"), which acts as nominee for many Canadian brokerage firms). Such Shares can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, the intermediary and its agents and nominees are prohibited from voting such Shares for their clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Shares are communicated to the appropriate person.** Essential does not know for whose benefit the Shares registered in the name of CDS & Co. are held. The majority of Shares held in the United States are registered in the name of Cede & Co., the nominee for the Depository Trust Company, which is the United States equivalent of CDS.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholder meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to its clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker or other intermediary or agent is similar or identical to the form of proxy provided to Registered Shareholders; however, its purpose is limited to instructing the Registered Shareholder (the broker or other intermediary or agent) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically mails a scannable voting instruction form (the "**Voting Instruction Form**") in lieu of the form of proxy provided by Essential and asks

Beneficial Shareholders to complete and return the Voting Instruction Form to Broadridge. Alternatively, the Beneficial Shareholder can call a toll-free telephone number (1-800-474-7493) or access Broadridge's dedicated voting website at [www.proxyvote.com](http://www.proxyvote.com) to deliver their voting instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the Meeting. Meeting materials may also be provided electronically and Beneficial Shareholders should follow the instructions provided for how to vote their Shares. **A Beneficial Shareholder receiving a Voting Instruction Form cannot use that Voting Instruction Form to vote Shares directly at the Meeting as the Voting Instruction Form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Shares voted.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Shares registered in the name of its broker or other intermediary, the Beneficial Shareholder may attend the Meeting as proxyholder for the Registered Shareholder and vote the Shares in that capacity. If the Beneficial Shareholder wishes to attend the Meeting and vote its own Shares, it must do so as proxyholder for the Registered Shareholder. To do this, the Beneficial Shareholder should enter its own name in the blank space on the form of proxy provided and return the same to its broker or other intermediary (or the agent of such broker or other intermediary) in accordance with the instructions provided by such broker, intermediary or agent well in advance of the Meeting.

### Notice-and-Access Regime

Essential has elected to use the "notice-and-access" provisions ("**Notice-and-Access**") under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**") for the Meeting in respect of the delivery of meeting materials, the annual financial statements and related management's discussion and analysis (the "**Annual Materials**").

Under the Notice-and-Access regime, reporting issuers are permitted to deliver the Annual Materials by posting them on SEDAR as well as a website other than SEDAR and sending a notice package to each Shareholder receiving the Annual Materials under this regime. The notice package must include: (i) the relevant form of proxy or voting instruction form; (ii) basic information about the Meeting and the matters to be voted on; (iii) instructions on how to obtain a paper copy of the Annual Materials; and (iv) a plain-language explanation of how the Notice-and-Access system operates and how the Annual Materials can be accessed online (collectively, the "**Notice Package**"). Notice-and-Access substantially reduces the quantity of material that must be printed and mailed to Shareholders by allowing for the posting of Annual Materials online, thus reducing costs and the environmental impact.

Essential has adopted Notice-and-Access in respect of the delivery of the Annual Materials to Beneficial Shareholders (i.e. Shareholders who hold their Shares in the name of a broker or other intermediary or agent) but not in respect of the delivery of the Annual Materials to Registered Shareholders (i.e. Shareholders whose name appears on Essential's records as a holder of Shares). Accordingly, Essential will send the Notice Package to Beneficial Shareholders.

Notwithstanding the Notice-and-Access regime, under the *Business Corporations Act* (Alberta) (the "**Act**"), Essential is required to (i) deliver a paper copy of its annual financial statements and related management's discussion and analysis to a Registered Shareholder unless such Registered Shareholder has informed Essential in writing that they do not want a copy of the annual financial statements and related management's discussion and analysis or provides written consent to electronic delivery; and (ii) deliver a paper copy of the Circular to a Registered Shareholder unless such Registered Shareholder provides written consent to electronic delivery. In order to comply with the Act, Essential will mail paper copies of the Circular and meeting materials to Registered Shareholders that have not consented to electronic delivery together with a solicitation for consent from Registered Shareholders to electronic delivery in future years. Registered Shareholders that consented to electronic delivery will receive instructions via email on where to access the Circular and meeting materials on Essential's website at [www.essentialenergy.ca](http://www.essentialenergy.ca). A paper copy of Essential's annual financial statements and related management's discussion and analysis for the most recently completed financial year will be mailed to Registered Shareholders who have not informed Essential in writing that they do not want to receive a copy of such items or who have not consented to electronic delivery. This will be sent together with a solicitation for consent from Registered Shareholders to electronic delivery in future years. Registered Shareholders that consented to electronic delivery will receive instructions via email on where to access Essential's annual financial statements and related management's discussion and analysis for the most recently completed financial year on Essential's website.

Essential will not send its proxy-related meeting materials directly to non-objecting beneficial owners under NI 54-101. Essential intends to pay for proximate intermediaries to forward the proxy-related materials and voting instruction form to objecting beneficial owners under NI 54-101.

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

Management of Essential is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or nominee for director, executive officer, or anyone who has held office as such since the commencement of the last completed fiscal year of the Company, or of any associate or affiliate of any of the foregoing individuals, in any matter to be acted on at the Meeting, except as set forth in this Circular.

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

Essential is authorized to issue an unlimited number of Shares. As at March 6, 2019, an aggregate of 141,856,813 Shares were issued and outstanding. Shareholders are entitled to one vote for each Share held.

As of the date hereof, to the knowledge of the directors and executive officers of the Corporation, no person or company beneficially owns, or controls or directs, directly or indirectly, Shares carrying 10% or more of the voting rights attached to all of the issued and outstanding Shares, except as outlined below:

<b>Name</b>	<b>Number of Shares</b>	<b>Percent Outstanding <sup>(1)</sup></b>
EdgePoint Investment Group Inc.	15,345,200	10.8%

*Note:*

(1) *Calculated based on the number of issued and outstanding Shares of the Corporation on March 6, 2019.*

### **APPROVAL REQUIREMENTS**

All of the matters to be considered at the Meeting are ordinary resolutions requiring approval by more than 50% of the votes cast in respect of the resolution by or on behalf of Shareholders present in person or represented by proxy at the Meeting.

## MATTERS TO BE ACTED UPON AT THE MEETING

### Item 1 - Presentation of Financial Statements

Essential will present to Shareholders the consolidated audited financial statements of Essential for the year ended December 31, 2018 and the auditors' report thereon. The financial statements for the year ended December 31, 2018 have been approved by the board of directors of the Company (the "**Board of Directors**" or the "**Board**") and no formal action will be taken at the Meeting to approve the financial statements.

### Item 2 - Fixing the Number of Directors

Shareholders will be asked to fix the number of directors of Essential at six. There are presently six directors of Essential, each of whom will stand for re-election at the Meeting. See "Item 3 - Election of Directors". At the Meeting it is proposed that Shareholders approve an ordinary resolution to fix the number of directors to be elected at the Meeting at six.

### Item 3 - Election of Directors

Shareholders will be asked to elect the proposed directors set forth below to hold office until the next annual meeting of Shareholders or until their successors are elected or appointed. There are presently six directors of Essential, each of whom will retire from office at the Meeting and each of whom are proposed for re-election at the Meeting.

Voting for the election of directors will be conducted on an individual, and not on a "slate", basis. Management of Essential recommends that Shareholders vote "for" each of the appointments. The persons named in the enclosed proxy intend to vote "for" the election of each of the nominees unless the Shareholder specifies authority to vote "withhold".

The Board of Directors has a majority voting policy such that if a nominee for director receives a greater number of "withhold" votes than "for" votes, the director shall promptly, following the certification of the Shareholder vote, submit his resignation to the Board of Directors. The Compensation and Governance Committee ("**C&G Committee**") shall consider the offer of resignation and recommend to the Board of Directors whether it should accept such resignation. The director will not participate in any deliberations on his resignation. The Board of Directors is required to act on the recommendation within 90 days of the Shareholder vote and will publicly disclose its decision. If such resignation is accepted by the Board of Directors, the Board of Directors may fill the vacancy created.

The name of each nominee and their relevant information is set out below. Also included is Share ownership and Share-based awards and Share option-based awards outstanding at December 31, 2018 for the nominee directors. Share-based awards include awards under the Deferred Share Unit ("**DSU**") Plan and the Restricted Share Unit ("**RSU**") Plan. Share option-based awards include the option to purchase Shares ("**Share Options**") under the Company's share option plan (the "**Share Option Plan**"). Non-employee directors are excluded from participation in the Share Option Plan and as such, Share Options may not be granted to non-employee directors.



<b>Garnet K. Amundson</b> Age: 57 Calgary, Alberta, Canada Director since April 2008 <sup>(1)</sup>	Mr. Amundson is the President, Chief Executive Officer and a Director of Essential, and has been, since 2008. He has led Essential and its predecessors through an initial public offering, two public company merger transactions with the acquisitions of Builders Energy Services in 2008 and Technicoil Corporation in 2011, the acquisition and integration of numerous private oilfield service companies and multiple oilfield service-line business dispositions. Prior to his role at Essential, Mr. Amundson’s business experience included managerial and officer roles at various levels of seniority with multi-national oil and gas producers, an international fertilizer company and a national accounting firm. He holds the Chartered Professional Accountant (CPA, CA) designation.				
	<b>Board/Committee Memberships</b>		<b>Attendance at Meetings during 2018</b>		
	Board of Directors		8 of 8	100%	
	Health, Safety and Environment Committee		4 of 4	100%	
	<b>Other Public Company Board Memberships</b>				
	None				
<b>Securities Held</b>					
<b>Shares</b>	<b>DSUs</b>	<b>RSUs</b>	<b>Total Value <sup>(2)</sup></b>	<b>Share Options</b>	<b>Meets Share Ownership Requirements <sup>(3)</sup></b>
948,249	1,675,769	680,554	\$991,372	1,680,000	n/a

<b>James A. Banister</b> Age: 74 Calgary, Alberta, Canada Director since April 2008 <sup>(1)</sup>	Mr. Banister is an independent businessman. He is the President and Chief Executive Officer of BanCor Inc., a private investment company since 1997. Mr. Banister has been an independent businessman since 1985 and has served as a director on the boards of a variety of public and private companies. Mr. Banister has a Diploma in Business Administration.				
	<b>Board/Committee Memberships</b>		<b>Attendance at Meetings during 2018</b>		
	Board of Directors		8 of 8	100%	
	C&G Committee		4 of 4	100%	
	<b>Other Public Company Board Memberships</b>				
None					
<b>Securities Held</b>					
<b>Shares</b>	<b>DSUs</b>	<b>RSUs</b>	<b>Total Value <sup>(2)</sup></b>	<b>Share Options <sup>(4)</sup></b>	<b>Meets Share Ownership Requirements <sup>(3)</sup></b>
1,071,230	472,842	nil	\$463,222	nil	Yes

<b>Michael J. Black</b> Age: 59 Calgary, Alberta, Canada Director since June 2012	Mr. Black is a senior energy partner in the office of the international law firm of Fasken Martineau DuMoulin LLP, since 2010. He has significant experience in all aspects of the energy sector, including upstream, midstream and the services sector, providing counsel to numerous domestic and international energy companies. Mr. Black holds the ICD.D designation from the Institute of Corporate Directors.				
	<b>Board/Committee Memberships</b>		<b>Attendance at Meetings during 2018</b>		
	Board of Directors		8 of 8	100%	
	Health, Safety and Environment Committee		4 of 4	100%	
	<b>Other Public Company Board Memberships</b>				
Viridium Pacific Group Ltd. (TSXV:VIR)					
<b>Securities Held</b>					
<b>Shares</b>	<b>DSUs</b>	<b>RSUs</b>	<b>Total Value <sup>(2)</sup></b>	<b>Share Options <sup>(4)</sup></b>	<b>Meets Share Ownership Requirements <sup>(3)</sup></b>
53,875	328,228	nil	\$114,631	nil	Yes

<b>Robert T. German</b> Age: 59 Calgary, Alberta, Canada Director since May 2011	Mr. German is the Vice President, Finance at Oculus Transport Ltd., a private oilfield hauling company, since 2015. Prior thereto, Mr. German was with Horizon North Logistics as the President and Chief Executive Officer and Director (2010 to 2014). Mr. German has over 30 years of experience and holds the Chartered Professional Accountant (CPA, CA) designation.				
	<b>Board/Committee Memberships</b>			<b>Attendance at Meetings during 2018</b>	
	Board of Directors			8 of 8	100%
	Audit Committee			5 of 5	100%
	Health, Safety and Environment Committee			4 of 4	100%
	<b>Other Public Company Board Memberships</b>				
None					
<b>Securities Held</b>					
<b>Shares</b>	<b>DSUs</b>	<b>RSUs</b>	<b>Total Value <sup>(2)</sup></b>	<b>Share Options <sup>(4)</sup></b>	<b>Meets Share Ownership Requirements <sup>(3)</sup></b>
42,000	345,878	nil	\$116,363	nil	Yes

<b>Nicholas G. Kirton</b> Age: 74 Calgary, Alberta, Canada Director since May 2009 <sup>(1)</sup>	Mr. Kirton is an independent businessman and formerly a partner with KPMG LLP, until 2004. Mr. Kirton has been a director of a number of publicly traded companies. He holds the Chartered Professional Accountant (CPA, CA) designation and is a Fellow of the Chartered Professional Accountants. Mr. Kirton holds the ICD.D designation from the Institute of Corporate Directors.				
	<b>Board/Committee Memberships</b>			<b>Attendance at Meetings during 2018</b>	
	Board of Directors			8 of 8	100%
	Audit Committee			5 of 5	100%
	C&G Committee			4 of 4	100%
	<b>Other Public Company Board Memberships</b>				
The Green Organic Dutchman Holdings Ltd. (TSX: TGOD)					
<b>Securities Held</b>					
<b>Shares</b>	<b>DSUs</b>	<b>RSUs</b>	<b>Total Value <sup>(2)</sup></b>	<b>Share Options <sup>(4)</sup></b>	<b>Meets Share Ownership Requirements <sup>(3)</sup></b>
235,500	328,228	nil	\$169,118	nil	Yes

<b>Robert B. Michaleski</b> Age: 65 Calgary, Alberta, Canada Director since June 2013	Mr. Michaleski is an independent businessman. He is a retired senior executive after spending the majority of his career at Pembina Pipeline Corporation. He was the Chief Executive Officer (2000 to 2013) and President (2000 to 2012). Mr. Michaleski holds the Chartered Professional Accountant (CPA, CA) designation.				
	<b>Board/Committee Memberships</b>			<b>Attendance at Meetings during 2018</b>	
	Board of Directors			8 of 8	100%
	Audit Committee			5 of 5	100%
	C&G Committee			4 of 4	100%
	<b>Other Public Company Board Memberships</b>				
Pembina Pipeline Corporation (TSX: PPL) Vermillion Energy Inc. (TSX:VET)					
<b>Securities Held</b>					
<b>Shares</b>	<b>DSUs</b>	<b>RSUs</b>	<b>Total Value <sup>(2)</sup></b>	<b>Share Options <sup>(4)</sup></b>	<b>Meets Share Ownership Requirements <sup>(3)</sup></b>
160,000	351,761	nil	\$153,528	nil	Yes

## Notes:

- (1) The periods of service of the director on the Board of Directors and its committees may include service as a director of Essential Energy Services Operating Corp., the manager of Essential Energy Services Trust, the predecessor of Essential, prior to its conversion to a corporation.
- (2) Based on the December 31, 2018, Share price of \$0.30 and includes the number of Shares, DSUs and if applicable, the number of RSUs.
- (3) Share ownership requirements apply to non-employee directors and are discussed below under "Share Ownership Guidelines".
- (4) Non-employee directors are excluded from the Share Option Plan and as such, Share Options may not be granted to non-employee directors.

**Board Skill Set Matrix**

The following table reflects the diverse and broad skill set of the nominee directors.

	<b>G. Amundson</b>	<b>J. Banister</b>	<b>M. Black</b>	<b>R. German</b>	<b>N. Kirtton</b>	<b>R. Michaleski</b>
<b>Business</b> – executive or board experience in the oil and gas services industry or oil and gas exploration and production sector.	√	√	√	√	√	√
<b>Corporate Governance</b> – deep understanding of corporate governance through experience as an executive or board member of public and private organizations.	√	√	√	√	√	√
<b>Financial</b> – executive experience in public financial accounting and reporting; corporate finance including debt and equity and capital markets; familiarity with internal financial controls and procedures.	√			√	√	√
<b>Legal</b> – experience as a legal practitioner.			√			
<b>Compensation</b> – executive or board compensation committee participation with an understanding of executive compensation programs and succession planning.	√	√	√	√	√	√
<b>Strategic Growth</b> – executive or board experience related to strategic planning and strategy execution.	√	√	√	√	√	√
<b>HSE</b> – experience and/or understanding of the health, safety, environmental challenges facing Essential and its responsibility to protect the environment and ensure safe and healthy operations for its employees, customers and stakeholders.	√	√	√	√	√	√

### ***Share Ownership Guidelines***

The Board of Directors has guidelines for minimum share ownership requirements for non-employee directors. Within a three year time frame, starting from the latter of March 2012 or appointment to the Board of Directors, each non-employee director is expected to own a minimum of three times the annual retainer received, based on the greater of the cost of the Shares when purchased or the market value of the Shares at time of measure. Upon assessment in the fourth quarter of 2018, each director met the minimum ownership requirement.

### ***Voting Recommendation***

It is the intention of the management designees, if named as proxyholder, to vote for the election of the above mentioned 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 proxyholder, reserve the right to vote for any other nominee at their discretion.

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

No proposed director is, or was within the last 10 years prior to March 6, 2019, a director, chief executive officer (“CEO”) or chief financial officer of any company (including Essential) that: (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under Canadian securities legislation that lasted for a period of more than 30 consecutive days that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under Canadian securities legislation that lasted for a period of more than 30 consecutive days that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as outlined below, no proposed director: (i) is, or was within the last 10 years prior to March 6, 2019, a director or executive officer of any company (including Essential) that, while that person was acting in that capacity, or within a year of the 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; or (ii) has within the last 10 years prior to March 6, 2019, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director.

- Until January 28, 2016, Michael J. Black was a director of High North Resources Ltd. (“**High North**”). On January 28, 2016, High North consented to an application by its principal lender to place High North into receivership and appoint PricewaterhouseCoopers Inc. as receiver. The directors and management of High North all resigned on January 28, 2016.

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

### ***Shareholder Engagement***

Management typically meets, either in person or via telephone, with its largest known institutional Shareholders on an annual basis, at a minimum. Management welcomes more frequent dialogue, when requested by the Shareholder. When items of significant concern are raised by Shareholders, management ensures these items are brought to the attention of the Board of Directors. In addition, management regularly engages with the investment community through quarterly conference calls open to all investors, the investment community and media; attendance at investor-focused conferences; and availability to meet, as requested, with Shareholders and potential Shareholders.

**Governance Scorecard**

<b>Board Composition and Policies</b>	
Number of independent directors <sup>(1)</sup>	4 of 6 (67%)
Every meeting has an in-camera session without the employee director (see page 46)	Yes
Share ownership policy for directors (see page 13)	Yes
Formal Board assessment process (see page 52)	Yes
Director attendance at 100% of the Board / committee meetings <sup>(2)</sup> (see page 47)	Yes
Directors that are on an excessive number of other public company boards (see page 46)	None
<b>Governance</b>	
Fully independent chair of the Board (see page 47)	Yes
Fully independent Audit and Compensation & Governance Committees (includes Board nominations) (see page 46 and 47)	Yes
Separate Board Chair and Chief Executive Officer	Yes
Anti-hedging policy (see page 29)	Yes
Directors elected individually (not by slate)	Yes
Majority voting policy (see page 8)	Yes
Board succession planning (see page 50)	Yes
Regular engagement with Shareholders (see page 13)	Yes
<b>Audit</b>	
Percentage of Audit Committee members that are financial experts <sup>(3)</sup>	100%

**Notes:**

- (1) Mr. Amundson, by virtue of his role as President & Chief Executive Officer of Essential is considered non-independent. Mr. Black, by virtue of his position as a partner of one of the law firms that provides legal services to Essential, is considered non-independent. See "Corporate Governance Disclosure – Board of Directors" for further discussion of this matter.
- (2) Each of the Board members had 100% attendance at all Board and committee meetings (for the committees they are a member of).
- (3) All of the Board members are financially literate, four of the six Board members are financial experts (CPA, CA designated) and each of the Audit Committee members are financial experts (CPA, CA designated).

**Item 4 - Appointment of Auditors**

Shareholders will be asked to consider and, if thought advisable, pass an ordinary resolution to appoint KPMG LLP ("KPMG"), Chartered Accountants, Calgary, Alberta, to serve as auditors of Essential until the next annual meeting of Shareholders and to authorize the Board of Directors to fix their remuneration as such. KPMG have been the auditors of Essential since March 21, 2018.

Certain information regarding the Audit Committee, including the fees paid to Essential's auditors in the last fiscal year, that is required to be disclosed in accordance with National Instrument 52-110 - *Audit Committees* ("NI 52-110") of the Canadian Securities Administrators is contained in the current Annual Information Form dated March 6, 2019 and is incorporated by reference herein. The current Annual Information Form is available on Essential's SEDAR profile at [www.sedar.com](http://www.sedar.com). The Annual Information Form is also available to Shareholders, free of charge, upon

request at Essential Energy Services Ltd., Livingston Place West, 1100, 250 - 2<sup>nd</sup> Street S.W., Calgary, Alberta T2P 0C1, attention: Corporate Secretary, by telephone at (403) 513-7272 or by email at [service@essentialenergy.ca](mailto:service@essentialenergy.ca).

The Audit Committee formally reviews and evaluates the performance of the external auditors annually. Every five years, a comprehensive review is completed and in the interim years an auditor evaluation questionnaire is used. When completed, the comprehensive review evaluates the external auditor's performance and independence and has been carried out under guidance published by Chartered Professional Accountants of Canada, the Institute of Corporate Directors and the Canadian Public Accountability Board. The review focuses on the following key factors affecting audit quality: independence, objectivity and professional skepticism of the external auditor; quality of the external auditor's engagement team; and quality of the communications and interactions between the Audit Committee and the external auditor. In the interim years, an auditor evaluation questionnaire is used. This is a formal, but not comprehensive, assessment.

In March 2019, the Audit Committee conducted a review of KPMG using an auditor evaluation questionnaire. The questionnaire evaluated KPMG in terms of the quality of services provided, independence and various other aspects of the services they provided. The results of the assessment are reviewed with the external auditors. The Audit Committee concluded to recommend the re-appointment of KPMG as auditors until the next annual meeting.

### **Item 5 – Approval of Unallocated Share Options**

Essential has a Share Option Plan designed to provide officers and employees of, and consultants to, the Company and its subsidiaries (collectively, the “**Optionees**”) with a long-term equity-based performance incentive. Under the Share Option Plan, the Board of Directors or a committee of the Board of Directors appointed from time to time (if appointed, such committee is referred to as the “**Committee**”) may grant Share Options to Optionees. Non-employee members of the Board of Directors are not allowed to participate in the Share Option Plan.

In accordance with the rules of the Toronto Stock Exchange (the “**TSX**”), all unallocated options, rights or other entitlements under all security-based compensation arrangements must be approved by a majority of the Company's directors and Shareholders. A summary of the Share Option Plan can be found under the heading “Equity Compensation Plans - Share Option Plan”. A copy of the Share Option Plan can be found at Essential's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Unallocated Share Options were last approved by Shareholders on May 10, 2016. At the Meeting the Company will be seeking Shareholder approval of the unallocated Share Options under the Share Option Plan as at May 9, 2019.

The number of unallocated Share Options is calculated by subtracting the number of Share Options outstanding at any given time, from the number that represents 6% of the issued and outstanding Shares at that time.

As of March 6, 2019, the Company had 5,888,249 allocated Share Options representing approximately 4.2% of the issued and outstanding Shares at that time, leaving a total of 2,623,160 unallocated Share Options available for future grant representing approximately 1.8% of the issued and outstanding Shares.

**In the event that approval by Shareholders in respect of the unallocated Share Options under the Share Option Plan is not obtained at the Meeting, then Share Options which have not been allocated as of May 8, 2019 will not be available for grant and no further Share Options will be granted under the Share Option Plan. In addition, previously granted Share Options which are subsequently cancelled or terminated will not be available for re-grant.**

If the resolution approving unallocated Share Options is passed, the Company will not be required to seek re-approval of the unallocated Share Options under the Share Option Plan until May 9, 2022, under the rules of the TSX. Regardless of whether or not the resolution ratifying and confirming unallocated Share Options is passed, all Share Options granted prior to May 8, 2019 will be unaffected. The Board of Directors has unanimously approved, subject to regulatory and Shareholder approval, all unallocated Share Options that are issuable under the Share Option Plan.

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to pass the following ordinary resolution:

“BE IT RESOLVED THAT all unallocated options issuable under the Share Option Plan of Essential Energy Services Ltd. as at May 9, 2019 be and are hereby approved and Essential Energy Services Ltd. is authorized to grant any unallocated options under the Share Option Plan until May 9, 2022, which is the date that is three years from the date of the Shareholder meeting at which Shareholder approval is being sought.”

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by Shareholders who voted in person or by proxy at the Meeting.

It is the intention of the management designees, if named as proxyholder, to vote for the above resolution unless otherwise directed.

## **Item 6 – Confirmation of Amended and Restated By-Law No. 1 of the Corporation**

### ***General***

At the Meeting, Shareholders will be asked to confirm the Corporation’s Amended and Restated By-law No. 1 (“**Amended and Restated By-Law**”), which includes (i) the addition of an advance notice requirement relating to the nomination of directors (the “**Advance Notice Requirement**”), (ii) corporate governance amendments, (iii) articulating the roles of the Corporation’s directors and officers, (iv) modernizing the by-laws to contemplate electronic, book-based or other non-certificated registered positions, the electronic funds transfer of dividends, and other minor amendments of an administrative or clerical nature, all as described in further detail below.

The Amended and Restated By-Law was approved by the Board of Directors and became effective as of March 6, 2019. The Amended and Restated By-Law is attached to this Circular as Appendix “B”. Pursuant to the requirements of the *Business Corporations Act* (Alberta) (“**ABCA**”), the adoption of the Amended and Restated By-Law must be submitted to Shareholders for confirmation. If approved by ordinary resolution, the Amended and Restated By-Law will remain in full force and effect after the Meeting. If not, it will terminate at the end of the Meeting and the Corporation’s previous By-law No. 1 will again become effective.

### ***Description of Key Differences Between the Previous By-Law and the Amended and Restated By-Law***

The following summarizes the key difference between the previous By-law No. 1 and the Amended and Restated By-Law and is qualified in its entirety by the text of the Amended and Restated By-Law, which is attached to the Circular as Appendix “B”. Shareholders should review the Amended and Restated By-Law in its entirety.

### **Advance Notice Requirement**

The Amended and Restated By-Law includes an Advance Notice Requirement for Shareholders who wish to nominate their own directors at an annual or special Shareholders’ meeting. The Advance Notice Requirement was adopted to facilitate an orderly and efficient director nomination process by ensuring that all Shareholders receive adequate notice of director nominations and sufficient information in respect of all nominees so that the proposed nominees’ qualifications and suitability as directors can be evaluated and an informed vote cast for the election of directors. To be valid under the Advance Notice Requirement, a Shareholder must give valid notice to the Corporation as follows:

- Annual Meeting: notice must be received not less than 30 days prior to the date of an annual meeting of Shareholders, provided, however, that if the meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the meeting was made, notice must be received not later than the 10<sup>th</sup> day following the date of the first public announcement;
- Special Meeting: for a special meeting (that is not also an annual meeting), notice must be received not later than the 15<sup>th</sup> day following the day that the first public announcement of the special meeting was made; and
- Notice and Access Delivery: if Notice-and-Access is used for delivery of proxy related materials, notice must be received not less than 40 days prior to the date of the meeting, provided that if the meeting is to be held on a date that is less than 50 days after the date of the first public announcement of the date of the meeting:



- for an annual meeting, notice must be received not later than the 10<sup>th</sup> day following the date of the first public announcement; and
- for a special meeting that is not also an annual meeting, notice must be received not later than the 15<sup>th</sup> day following the date of the first public announcement.

The Amended and Restated By-Law sets out the information that must be included in or that must accompany the nominating shareholder's notice. The Board of Directors may, in its sole discretion, waive any provision under the Advance Notice Requirement.

Further, the Amended and Restated By-Law clarifies that:

- no business may be transacted at an annual meeting of Shareholders unless it is: specified in the Corporation's notice of meeting given by or at the discretion of the Corporation's Board of Directors; otherwise properly brought before the annual meeting of Shareholders by or at the discretion of the Corporation's Board of Directors; or that is properly brought before the annual meeting of Shareholders by any Shareholder in accordance with the requirements of the ABCA, subject to the Advance Notice Requirement; and
- no business may be transacted at a special meeting of Shareholders unless it is specified in the Corporation's notice of meeting, subject to the Advance Notice Requirement.

### **Corporate Governance**

With respect to corporate governance matters, the Amended and Restated By-Law:

- increases the Corporation's quorum requirements for Shareholder meetings from 5% to 25% of the Shares entitled to vote at the meeting; and
- removes the second or casting vote of the chair of the Corporation's Board of Directors in the event of a deadlock at a meeting of the Board of Directors.

### **Directors and Officers**

With respect to the roles of the Corporation's directors and officers, the Amended and Restated By-Law:

- confirms that the election of directors shall take place annually and all of the directors shall retire but, if qualified, be eligible for re-election;
- removes the concept of a "managing director", as the Corporation does not have a "managing director"; and
- clarifies certain provisions including the calling of Board meetings, the process for determining the chair at a meeting of Shareholders or a Board meeting, nominating directors for election at an annual meeting of Shareholders, and the appointment and hierarchy of officers.

### **Modernization and Administrative Changes**

The Amended and Restated By-Law contains a number of additional minor amendments of an administrative or clerical nature, most of which are updates intended to ensure that the Amended and Restated By-Law remains consistent with current practice among Canadian public companies. In particular, the Amended and Restated By-Law:

- contemplates the payment of dividends by electronic funds transfer, which is consistent with common business practices;
- confirms that a Registered Shareholder choosing to have his or her holdings evidenced by an electronic, book-based, direct registration service or other non-certificated entry or position on the register of Shareholders in place of a physical Share certificate shall be entitled to all of the same benefits, rights and

entitlements, and shall incur the same duties and obligations as a registered holder of Shares evidenced by a physical Share certificate; and

- provides for the holding of Board meetings and, under certain conditions, participation at Shareholder meetings and giving of notice, by electronic means.

### ***Shareholder Approval***

At the Meeting, Shareholders will be asked to consider the following ordinary resolution confirming the adoption of the Amended and Restated By-Law:

“BE IT RESOLVED THAT:

1. The Amended and Restated By-Law, adopted by the Corporation’s Board of Directors on March 6, 2019, in substantially the form set out in Appendix “B” to the Circular, is hereby ratified, confirmed and approved as a by-law of the Corporation.
2. Any one officer or director of the Corporation is authorized, on behalf of the Corporation, to execute and deliver or file such documents and do all things as such person may determine to be necessary or advisable to give effect to this resolution.”

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by Shareholders who voted in person or by proxy at the Meeting.

It is the intention of the management designees, if named as proxyholder, to vote for the above resolution unless otherwise directed.

### **Item 7 – Other Business**

The directors and officers of Essential are not aware of any matters, other than those indicated above, which may be submitted to the Meeting for action. However, if any other matters should properly be brought before the Meeting, the enclosed proxy confers discretionary authority to vote on such other matters according to the best judgment of the person holding the proxy at the Meeting.

## **EQUITY COMPENSATION PLANS**

### **Share Option Plan**

Essential’s Share Option Plan is designed to provide Optionees with a long-term equity-based performance incentive. Under the Share Option Plan, the Board of Directors or the Committee may grant Share Options to Optionees. On May 10, 2016 the Shareholders approved the unallocated Share Options under the Share Option Plan and provided authorization for Essential to grant any unallocated options under the Share Option Plan until May 10, 2019.

The Board of Directors approved an amended and restated Share Option Plan on March 6, 2019. The Share Option Plan was reviewed and approved by the TSX. The change from the previous plan included decreasing the following thresholds from 9% to 6%:

- The maximum number of Shares issuable on exercise of the Share Options and pursuant to all other security-based compensation arrangements of the Company shall be limited, in the aggregate, to 6% of the issued and outstanding Shares; and
- The number of Shares issuable pursuant to the Share Options granted under the Share Option Plan or any other security-based compensation arrangements of the Company: (i) issuable to insiders at any time may not exceed 6% of the issued and outstanding Shares; and (ii) issued to insiders within any one-year period may not exceed 6% of the issued and outstanding Shares.

The amendments do not require Shareholder approval, as per the terms of the Share Option Plan.

The Share Option Plan is the only security-based compensation arrangement that Essential has.

A copy of the Share Option Plan can be found at Essential's SEDAR profile at [www.sedar.com](http://www.sedar.com). The terms of the Share Option Plan are summarized as follows:

*Purpose:* The Share Option Plan is intended to afford persons who provide services to the Company an opportunity to acquire a proprietary interest in the Company by permitting them to purchase Shares and to aid in attracting as well as retaining and encouraging the continued involvement of such persons with the Company. The Share Option Plan permits the granting of Share Options to Optionees which includes officers, employees of, and consultants to the Company and its subsidiaries. "Non-employee directors", as such term is defined in the Share Option Plan, are not eligible to receive Share Options.

*Limitations:* The maximum number of Shares issuable on exercise of the Share Options and pursuant to all other security-based compensation arrangements of the Company shall be limited, in the aggregate, to 6% of the issued and outstanding Shares. The number of Shares issuable pursuant to the Share Options granted under the Share Option Plan or any other security-based compensation arrangements of the Company: (i) issuable to insiders at any time may not exceed 6% of the issued and outstanding Shares; and (ii) issued to insiders within any one-year period may not exceed 6% of the issued and outstanding Shares. The Share Options granted under the Share Option Plan are personal to the Optionee and are not assignable, except in the case of death of an Optionee.

*Term and Vesting:* The Share Options will have a term not to exceed five years and, subject to the terms of the Share Option Plan, will vest in such manner as determined by the Committee. If a Share Option is set to expire within any "Black Out Period" (as such term is defined in the Share Option Plan) or within 10 business days following the end of a Black Out Period, the expiry date of the Share Option shall, without any further action, be extended to the date that is 10 business days following the end of such Black Out Period. The Black Out Period is self-imposed by the Company.

*Exercise of Options:* The exercise price of any Share Options granted will be determined by the Committee at the time of grant, provided that the exercise price shall not be less than the volume weighted average trading price of the Shares on the TSX (or such other stock exchange on which the Shares may be listed and if the Shares are listed on more than one stock exchange, such stock exchange as may be designated by the Committee) for the five trading days immediately preceding the date of grant.

The Share Option Plan provides Optionees with an election, if permitted by the Committee, for a cashless exercise ("**Cashless Exercise**") of an Optionee's vested and exercisable Share Options. If an Optionee elects a Cashless Exercise the Optionee shall surrender its Share Options in exchange for the issuance by the Company of that number of Shares with a dollar value equal to the number that is the sum of the market price (calculated as at the date of exercise) less the exercise price of such Share Option (as defined in the Share Option Plan), multiplied by the number of Shares subject to the Share Options to be exercised.

*Termination of Options:* If an Optionee ceases to be an officer or employee of, or consultant to the Company or a subsidiary of the Company for any reason, the Optionee shall, unless otherwise provided in the Share Option agreement or otherwise determined by the Committee, have a period not in excess of 90 days (12 months in the case of death), after ceasing to be an officer or employee of, or consultant to the Company or its subsidiaries to exercise the Share Options held to the extent that the Optionee was entitled to exercise the Share Options at the date of such cessation and to the extent the initial expiry date of the Option is not exceeded. Notwithstanding the foregoing, in the case of the death of an Optionee, all unvested Share Options shall immediately vest. In the event that an Optionee is terminated "For Cause" (as such term is defined in the Share Option Plan), all unvested Share Options and any Share Options that have not yet been exercised, shall be cancelled as of the Optionee's date of termination.

*Change of Control or Take-Over Proposal:* In the case of a "Change of Control" or "Take-Over Proposal" (as such terms are defined in the Share Option Plan) the Committee shall have the authority to take all necessary steps so as to ensure the preservation of economic interests of the Optionees, including ensuring that the Company or any successor entity will provide each Optionee with new or replacement or amended Share Options which will continue to vest and

be exercisable following the Change of Control or Take-Over Proposal on similar terms and conditions as provided for in the Share Option Plan or causing all or a portion of the outstanding Share Options to become vested prior to the Change of Control or Take-Over Proposal, or any combination thereof. If the Optionee's employment is terminated by the Company or a subsidiary as a result of constructive dismissal within six months following a Change of Control or Take-Over Proposal, all of the Optionee's unvested Share Options shall vest as of the date of termination and be exercisable in accordance with the Share Option Plan.

*Amendment Provisions:* Without the prior approval of the Shareholders, as may be required by the TSX or such other exchange as the Shares may be listed on, the Committee may not:

- (i) make any amendment to the Share Option Plan to increase the maximum number or percentage of Shares issuable on exercise of outstanding Share Options at any time;
- (ii) reduce the exercise price of any outstanding Share Options (including the reissue of a Share Option within 90 days of cancellation);
- (iii) extend the expiry date of an outstanding Share Option beyond the original expiry date of such Share Option;
- (iv) remove or increase the maximum limit on the number of securities that may be issued to insiders;
- (v) make amendments to eligible participants that may permit the introduction or reintroduction of non-employee directors on a discretionary basis or amendments that increase the limits previously imposed on non-employee director participation;
- (vi) make any amendment to the Share Option Plan to permit an Optionee to transfer or assign the Share Options other than for normal estate settlement purposes; or
- (vii) amend the amendment provisions in the Share Option Plan.

Subject to the restrictions set out above, the Committee may amend, suspend or discontinue the Share Option Plan and the Share Options granted thereunder without Shareholder approval provided that any amendment to the Share Option Plan that requires approval of any stock exchange on which the Shares are listed for trading may not be made without approval of such stock exchange. In addition, no amendment to the Share Option Plan or the Share Options granted pursuant to the Share Option Plan may be made without the consent of the Optionee, if it adversely alters or impairs in an adverse manner any Share Option previously granted to such Optionee.

### **Restricted Share Unit Plan**

Essential has an RSU Plan that is intended as a compensation tool for the Company to recognize the contribution of officers, employees and consultants (the "**Participants**") to the growth of the Company, to provide a longer-term incentive element in the Company's overall compensation package and to retain and attract Participants. Essential believes it is important to align the interests of the Participants with Shareholder interests. The Board of Directors or the Committee shall have absolute discretion to approve the Participants entitled to participate in the RSU Plan and the number of RSUs to be awarded to each Participant. The RSU Plan does not provide for the grant of RSUs to non-employee directors.

On December 9, 2015, the Board of Directors approved amendments to the previous RSU Plan (the "**2013 RSU Plan**") so that all awards granted on or after December 9, 2015 under the revised RSU Plan (the "**2016 RSU Plan**") could only be settled by payment of cash and could not be settled through the issuance of Shares from treasury or with Shares acquired by the Corporation on the TSX. This amendment was approved by the TSX. Any RSUs granted under the 2013 RSU Plan could be settled with a cash payment to the Participant, issuance of Shares from treasury, or by Shares acquired on the market. Any RSUs granted under the 2016 RSU Plan can only be settled with a cash payment to the Participant. At December 31, 2018 there were no RSUs outstanding that had been issued under the 2013 RSU Plan. All the RSUs outstanding at December 31, 2018 can only be settled with cash.

Any references in this Circular to the “**RSU Plan**” are to the current version of the plan and are meant to capture the commonalities of the 2013 RSU Plan and the 2016 RSU Plan. Where differentiation exists and is relevant, reference to the specific 2013 RSU Plan or the 2016 RSU Plan is made.

The terms of the RSU Plan are summarized as follows:

*Vesting:* The vesting provisions of any RSUs granted under the RSU Plan will be subject to the sole discretion of the Committee and may be based on (i) a Participant’s continued employment with, or services to, the Company or a subsidiary of the Company, and/or (ii) any criteria established by the Committee in order to measure the Company’s or a Participant’s performance over time. The vesting dates with respect to each grant of RSUs shall be determined by the Committee.

*Limitations:* Under the 2013 RSU Plan, the maximum number of Shares that were issuable pursuant to the RSUs granted or any other security based compensation arrangements of the Company: (i) issuable at any time could not exceed 9% of the issued and outstanding Shares; (ii) issuable to insiders at any time could not exceed 9% of the issued and outstanding Shares; and (iii) issued to insiders within any one year period could not exceed 9% of the issued and outstanding Shares. At December 31, 2018, there were no RSUs outstanding that had been issued under the 2013 RSU Plan. Therefore, these measures are no longer relevant. As any RSUs granted under the 2016 RSU Plan can only be settled with cash, those RSUs are not relevant for the above measures.

The RSUs granted under the RSU Plan represent an entitlement held directly by the Participant and are not assignable, except in the case of death of a Participant.

*Term:* The term of RSUs shall be determined by the Committee provided it shall not exceed December 31 of the third calendar year following the year of the Participant’s service in respect of which the RSUs were granted. Subject to the terms of the RSU Plan, RSUs will vest in such manner as determined by the Committee.

*Dividends:* Should the Company issue dividends, the Participant’s RSU account will be credited with additional RSUs in respect of such dividends paid by the Company.

*Settlement of RSUs:* Under the 2013 RSU Plan, the Company could elect to redeem RSUs by (i) cash payment to the Participant, (ii) the issuance of Shares from treasury, or (iii) through a broker designated by the Participant to acquire Shares equal to that number of whole RSUs that have vested. Under the 2016 RSU Plan, the Company may only redeem RSUs by cash payment to the Participant.

The value of each RSU will be equal to the volume weighted average trading price of the Shares on the TSX (or such other stock exchange on which the Shares may be listed and if the Shares are listed on more than one stock exchange, such stock exchange as may be designated by the Board of Directors) for the five trading days immediately preceding the vesting date, less any applicable withholding taxes. Under the 2013 RSU Plan, an election to issue Shares or acquire Shares in the market pursuant to the 2013 RSU Plan could not be made during a “Black-Out Period” (as such term is defined in the 2013 RSU Plan). The Black-Out Period is self-imposed by the Company. If an election would otherwise be required to be made within a Black-Out Period, the deadline for making such election will be extended to the 10<sup>th</sup> business day following expiry of the Black-Out Period. If the Black-Out Period continues to and includes December 31 of a calendar year, no election to issue Shares may be made by the Company. The foregoing extension shall not be considered an extension of the term of the RSUs that requires Shareholder approval.

*Termination of RSUs:* If a Participant is terminated “For Cause” (as such term is defined in the RSU Plan) or resigns, all unvested RSUs and any vested RSUs that have not been paid shall be cancelled. If a Participant ceases to be an officer or employee of, or consultant to the Company or its subsidiaries for any other reason, except in the case of death of the Participant, subject to any resolution passed by the Committee, any RSUs which have not become vested RSUs within a period of 90 days succeeding such Participant ceasing to be an officer or employee of, or consultant to the Company shall be cancelled and of no further effect. In the case of the death of a Participant, all unvested RSUs shall immediately vest and be paid to the Participant’s designated beneficiary as soon as possible following 90 days from the date of the Participant’s death, or such earlier or later date as may be agreed to with the beneficiary.

*Change of Control or Take-Over Proposal:* In the case of a Change of Control or Take-Over Proposal (as such terms are defined in the RSU Plan), the Committee shall have the authority to take all necessary steps so as to ensure the preservation of the economic interests of the Participants in, and to prevent the dilution or enlargement of, any RSUs, including, without limitation, ensuring that the RSUs become vested prior to such Change of Control or Take-Over Proposal or ensuring the Participant is provided with new or replacement or amended RSUs which will continue to vest following such event, merger, amalgamation or certain other transactions or a take-over bid, or any combination thereof. If the employment of a Participant is terminated by the Company or its subsidiaries or by the Participant as a result of Constructive Dismissal (as defined in the RSU Plan) within six months following a Change of Control or Take-Over Proposal, all unvested RSUs credited to the Participant shall become vested as of the Participant's termination date and the Participant shall be entitled to payments (in cash or Shares for RSUs that were issued under the 2013 RSU Plan or in cash for RSUs issued under the 2016 RSU Plan) in accordance with the terms of the RSU Plan.

*Amendment Provisions:* For RSUs that were issued under the 2013 RSU Plan, without the prior approval of Shareholders, as may be required by the TSX or such other exchange as the Shares may be listed on, the Committee could not:

- (i) make any amendment to the 2013 RSU Plan to increase the number or percentage of Shares issuable on exercise of outstanding RSUs at any time;
- (ii) extend the expiry date of an outstanding RSU beyond the original expiry date of such RSU;
- (iii) remove or increase the maximum limit on the number of securities that may be issued to insiders;
- (iv) make amendments to eligible Participants that may permit the participation of non-employee directors in the 2013 RSU Plan;
- (v) make any amendment to the 2013 RSU Plan to permit a Participant to transfer or assign the RSUs other than for normal estate settlement purposes; or
- (vi) amend the restrictions on amendments that are provided in the 2013 RSU Plan.

Subject to the restrictions set out above, the Committee may amend, suspend or discontinue the RSU Plan and the RSUs granted thereunder without Shareholder approval provided that any amendment to the RSU Plan that requires approval of any stock exchange on which the Shares are listed for trading may not be made without approval of such stock exchange. In addition, no amendment to the RSU Plan or the RSUs granted pursuant to the RSU Plan may be made without the consent of the applicable Participant, if it adversely alters or impairs in an adverse manner any RSU previously granted to such Participant.

## Shares Authorized for Issuance Under Equity Compensation Plans

The following tables that set forth information with respect to Essential's long-term incentive plans ("LTIP") solely relate to Essential's Share Option Plan at December 31, 2018:

Plan Category	Number of Shares to be issued upon exercise of outstanding Share Options at December 31, 2018	Weighted-average exercise price of outstanding Share Options	Number of Shares remaining available for future issuance under equity compensation plans <sup>(1)</sup>
Equity compensation plans approved by Shareholders:			
Share Option Plan	5,821,249	\$0.99	2,690,159
Equity compensation plans not approved by Shareholders	n/a	n/a	n/a
Total	5,821,249	\$0.99	2,690,159

Note:

(1) The maximum number of Shares that could be issued by the Company on the exercise of Share Options at December 31, 2018 was 9% of issued and outstanding Shares. On March 6, 2019, the Board of Directors approved changes to the Share Option Plan that reduced the threshold to 6% of issued and outstanding Shares. This table reflects the new 6% threshold as at December 31, 2018.

The following table reflects the new 6% threshold as at December 31, 2018:

	Maximum Awards Issuable at December 31, 2018		Outstanding Awards at December 31, 2018		Remaining Awards at December 31, 2018	
	% of		% of		% of	
	Number <sup>(1)</sup>	Shares <sup>(2)</sup>	Number	Shares <sup>(2)</sup>	Number	Shares <sup>(2)</sup>
Equity compensation plans approved by Shareholders:						
Share Option Plan	8,511,408	6.0%	5,821,249	4.1%	2,690,159	1.9%

Notes:

(1) The maximum number of Shares that could be issued by the Company on the exercise of Share Options at December 31, 2018 was 9% of issued and outstanding Shares. On March 6, 2019, the Board of Directors approved changes to the Share Option Plan that reduced the threshold to 6% of issued and outstanding Shares. This table reflects the new 6% threshold as at December 31, 2018.

(2) Calculated as a percentage of 141,856,813 Shares outstanding at December 31, 2018.

## Share Option Burn Rate

Essential's burn rate for each of the last three years is calculated as follows:

	2018	2017	2016
Equity compensation plans approved by Shareholders:			
Share Option Plan grants	Nil	1,315,000	2,841,249
Weighted average shares outstanding	141,856,813	141,856,813	129,382,314
Burn rate	0.0%	0.9%	2.2%

## EXECUTIVE COMPENSATION

In this section the term EBITDAS is used and references to EBITDAS for specific years are denoted with footnote reference “(a)”. EBITDAS does not have a standardized meaning prescribed by International Financial Reporting Standards (“IFRS”) and may not be comparable to similar measures presented by other companies. Refer to footnote “Non-IFRS Measure” for the calculation and reconciliation of EBITDAS to an IFRS measure.

### Mandate and Composition of the C&G Committee

The C&G Committee of the Board of Directors provides oversight of Essential’s executive compensation program. The purpose of the C&G Committee is to assist the Board of Directors in fulfilling its oversight obligations relating to human resources, compensation and governance matters with a view toward making recommendations to the Board of Directors as appropriate. Such matters are set out in the Mandate of the C&G Committee (the “**Mandate**”) and include the compensation philosophy, compensation for the executive team, bonus and benefit plans, and succession planning. Matters related to compensation of the Named Executive Officers (“**NEOs**”) are recommended by the C&G Committee to the Board of Directors for approval.

The C&G Committee is composed of three directors. As set out in the Mandate, a majority of the members must be independent. The Board of Directors appoints the Chairman of the C&G Committee.

The C&G Committee may retain legal, compensation, accounting, financial or other consultants or advisors to advise the C&G Committee at the Company's expense and shall have sole authority to retain and terminate any such consultants or advisors and to approve any such consultants or advisors’ fees and terms.

The members of the C&G Committee are:

	<u>Independent <sup>(1)</sup></u>	<u>Experience Relevant for Executive Compensation</u>
Robert Michaleski, Chair	Yes	14 years as the Chief Executive Officer of a publicly traded entity representing management on executive compensation matters.
James Banister	Yes	Over 25 years of experience managing executive compensation in oilfield service companies; specifically, with small market capitalization companies in the past 22 years.
Nicholas Kirton	Yes	In the past 14 years has sat on the compensation committee of four public companies, including Essential. Holds the ICD.D (Institute of Corporate Directors) certification which includes education regarding executive compensation.

*Note:*

*(1) Independent for the purposes of section 1.4 of NI 52-110.*

The C&G Committee has not engaged a compensation consultant since 2015. In the period from 2012 to 2015, Lane Caputo Compensation Inc. was engaged to provide a strategy for Essential’s compensation structure for the executive and the Board of Directors. This included consideration of the various pay elements to align them with market practices and Essential’s compensation philosophy and to develop a strategy regarding Essential’s LTIP arrangements.

Cost reductions in 2015 and 2016, driven by the industry downturn, resulted in a significant reduction in cash compensation for the NEOs in 2015 and 2016 and the C&G Committee determined that the retention of a compensation consultant was not necessary. See “Oilfield Services Challenges and Compensation Realities during the Prolonged Industry Downturn”. In 2017, as Essential started to move out of the industry downturn, the C&G Committee largely reverted to the 2014 compensation philosophy and processes with adjustments where deemed appropriate. This practice continued in 2018.



## Compensation Discussion and Analysis

This section describes Essential's NEO compensation philosophy and objectives and provides an overview of the process that the C&G Committee undertakes in deciding how to compensate the NEOs.

### *Compensation Philosophy, Objectives and Components*

Essential's NEO compensation program is designed to align the interests of NEOs with the interests of Shareholders, link NEO compensation to Essential's strategic business objectives and attract and retain high-performing NEOs in a competitive market for talent. Essential's philosophy is to compensate NEOs in consideration of the following:

- business performance;
- health, safety and environment performance; and
- achievement of individual annual qualitative and quantitative goals.

Essential's NEO compensation program is generally consistent with its senior management and employee programs in relative terms. Where certain programs, such as certain perquisites, are only provided to NEOs or senior management, they reflect competitive practice and particular business needs.

The NEOs of the Company for the year ended December 31, 2018 were:

<u>Name</u>	<u>Position</u>
Garnet Amundson	President and CEO
Eldon Heck	Vice President, Downhole Tools & Rentals
Jeff Newman <sup>(1)</sup>	Senior Vice President, Business Development
Allan Mowbray <sup>(1)</sup>	Vice President, Finance and Chief Financial Officer
Karen Perasalo	Vice President, Investor Relations & Corporate Secretary

*Note:*

*(1) As announced on February 11, 2019, Mr. Mowbray resigned from Essential effective March 8, 2019, and Mr. Newman will be appointed Vice President, Finance and Chief Financial Officer, effective March 8, 2019.*

### *NEO Compensation Strategy*

Essential's NEO compensation program typically includes four components: salary, annual bonus plan ("ABP"), LTIP and benefits. LTIP includes Share Options, RSUs and DSUs. Essential does not have a target ratio for each of the four individual components but the C&G Committee does consider the relative ratio of each element of pay. These elements also vary in size and proportion each year depending on cash availability of the Company and the individual's performance.

Fixed compensation components, such as salary, are typically positioned at market median levels, while variable components, such as annual bonus and LTIP, are structured to provide the opportunity for above-market total compensation for high levels of corporate and individual performance.

Fixed compensation has been reduced during recent industry downturns and variable compensation was altered or eliminated. See "Oilfield Services Challenges and Compensation Realities during the Prolonged Industry Downturn".

<u>Type of Compensation</u>	<u>Component</u>	<u>Objective</u>	<u>Form</u>	<u>Performance Period</u>
Fixed Compensation	Salary <sup>(1)</sup>	Compensates NEOs for performing day-to-day responsibilities	Cash	Ongoing
Variable Compensation	Short-term incentive (ABP)	Rewards accomplishment of annual business, safety and individual goals	Cash	One year
	Medium-term incentive (LTIP)	Aligns compensation with medium-term corporate performance and the interests of shareholders	RSUs (time and/or performance-vested)	One to three years
	Long-term incentive (LTIP)	Aligns compensation with long-term corporate performance and the interests of shareholders	DSUs (time-vested)	Indefinite <sup>(2)</sup>
			Share Options	One to five years
Other Compensation <sup>(3)</sup>	Savings plan	Assist with saving including establishing investment in Essential's Shares	Match/supplement NEO savings plan contributions	Ongoing
	Benefits	Provide market competitive benefits	Life and accidental death and dismemberment insurance, disability insurance, health, vision and dental coverage	Ongoing
	Perquisites	Market competitive perquisites that vary based on seniority	Taxable allowances or perquisites	Ongoing

*Notes:*

*(1) While salary is considered a "fixed" component, NEOs are subject to downside risk. In 2015 and 2016 the NEOs accepted salary rollbacks. In 2017 and 2018 NEO salaries were partially restored. Since 2014, NEO salaries remained below 2014 levels. In 2019, the NEOs agreed to another voluntary salary rollback.*

*(2) Cash payment is not received until the NEO departs the organization.*

*(3) Essential does not have a pension plan.*

### **Compensation Approval Process**

In 2014 and prior years, the C&G Committee considered peer data, for similar positions within the peer group when determining an NEO's salary, annual bonus and LTIP grant. In 2017, given the rollbacks and compensation reductions for 2015 and 2016, the C&G Committee reviewed peer data but placed greater emphasis on reinstating programs from 2014 and considering internal relativity, scope of responsibility, individual contribution and performance. This practice continued into 2018.

The C&G Committee reviews the various compensation components both individually and in total, to ensure they align with the program objectives. The C&G Committee then recommends all NEO compensation components to the Board of Directors for their approval. Typically, this process begins in the fall with any LTIP grants occurring in January and ABP payments typically occurring in March or April based on performance from the previous year. Salaries are typically reviewed in June after peer information circular documents are available.

Adjustments to this process are discussed under “Oilfield Services Challenges and Compensation Realities during the Prolonged Industry Downturn”.

### ***Oilfield Services Challenges and Compensation Realities during the Prolonged Industry Downturn***

Near the end of 2014, the Canadian oilfield services sector entered a cyclical downturn that significantly impacted corporate earnings in 2015 and 2016. While activity saw some improvement in 2017 and 2018, the level of activity in the Western Canadian Sedimentary Basin (“WCSB”) has not returned to levels experienced in the 2011 to 2014 timeframe. This has had an impact on compensation decisions.

#### **2015 and 2016**

The rapid and significant decline in the price of oil starting in mid-2014 and the persistently low price of natural gas negatively impacted the cash flow and capital spending budgets of Canadian exploration & production (“E&P”) companies. These E&P companies are Essential’s customers and Essential experienced reduced demand and significant price reductions for its services. A number of steps were taken early in 2015 by Essential that negatively, and significantly, impacted NEO, employee and Board of Director compensation. As the downturn continued into 2016, incremental steps to reduce compensation were taken in early 2016. During this time, as a result of demands from customers to reduce the price of Essential’s services, and further weakening in oilfield services activity, the following steps were taken, among other cost reduction measures throughout the organization, to minimize cash flow losses and avoid accumulation of incremental debt:

- *Salary:* All salaried employees were subject to a salary rollback, effective March 2015. The NEOs agreed to a voluntary 20% salary rollback effective March 2015. In 2016, most salaried employees were subject to a further salary rollback effective March 2016 and most of the NEOs accepted a further salary rollback of up to 10%.
- *Annual Bonus Plan:* The ABP was suspended in 2015 and 2016 for NEOs and employees. Suspension of the ABP was a significant compensation reduction for NEOs. There were no bonuses accrued or paid to NEOs or employees for 2015 or 2016 under the ABP.
- *LTIP:* With NEO cash compensation (salary and ABP) significantly reduced (i.e. salary rollbacks and nil ABP payments) in 2015 and 2016 the C&G Committee awarded incremental LTIP grants to NEOs. In June 2015, incremental performance-vesting RSUs were granted (“**Special RSUs**”) to NEOs and select employees. In June 2016, the C&G Committee implemented a shortfall model whereby 2014 Total Compensation (calculated as: salary plus ABP plus LTIP grants) data for a NEO was used as the basis to determine 2015 Total Compensation. The difference between 2015 Total Compensation (excluding the Special RSU grant) and a specific portion of 2014 Total Compensation was considered shortfall (“**2015 Shortfall**”) and was granted in LTIP in June 2016. This was in addition to regular 2016 LTIP grants in January 2016. It increased considerably the proportion of “at-risk” NEO compensation.

These measures resulted in a significant decrease in cash compensation for NEOs in 2015 and 2016 compared to previous years. There was a shift from cash compensation to LTIP (at-risk) compensation for NEOs to preserve Essential’s cash flow and avoid debt accumulation.

The Board of Directors accepted a 20% rollback on their retainer and meeting fees effective March 2015 and an additional 10% rollback effective July 2016. See “Director Compensation”.

#### **2017**

Activity and demand for Canadian oilfield services started improving in 2017. Essential hired employees, experienced increased demand for its equipment and services and generated EBITDAS<sup>(a)</sup> of \$18.6 million. The C&G Committee determined it was necessary to reverse most of the compensation rollbacks for NEOs and employees to attract and retain employees. The following actions were taken:

- *Salary:* Salaries were fully reinstated for most employees and partially reinstated for NEOs. For 2017, the CEO had a 7% salary rollback in place, the other NEOs had a 4 to 7% rollback in place. NEO salaries remained below 2014 salary levels.
- *Annual Bonus Plan:* The ABP was reinstated for achievements in 2017.
- *Long-Term Incentive Plan:* Similar to the 2015 Shortfall process, the difference between 2016 Total Compensation and a specific portion of the 2014 Total Compensation was considered the shortfall (“**2016 Shortfall**”) and was granted in incremental LTIP grants in January 2017, in addition to regular 2017 LTIP grants.

The Board of Directors’ retainers and meeting fees were partially reinstated in mid-2017. At December 31, 2017 these fees remained rolled back by 20%.

## **2018**

Activity and demand for Canadian oilfield services in 2018 was similar to 2017. Essential generated EBITDAS<sup>(a)</sup> of \$19.7 million. Compensation decisions for NEOs were similar to 2017:

- *Salary:* Salaries for NEOs remained unchanged relative to 2017. In 2018, the CEO continued to have a 7% salary rollback in place, the other NEOs had a 4 to 7% rollback in place. NEO salaries remained below 2014 salary levels.
- *Annual Bonus Plan:* The ABP was in place for achievements in 2018.
- *Long-Term Incentive Plan:* In January 2018 there were no LTIP shortfall grants from prior years. The LTIP grant was determined based on the value of the regular 2017 LTIP grant.

The Board of Directors’ retainers and meeting fees were fully reinstated in mid-2018 to 2014 levels.

## **The Outlook for 2019**

Increased concern began to arise in the Canadian oil and gas industry in the fall of 2018. The industry continued to deal with export capacity issues, the price of WTI oil fell from US \$75/barrel (“**bbl**”) at the beginning of October 2018 to US \$45/bbl at the end of December 2018. The price differential for Canadian oil reached levels up to US \$50/bbl and Canadian natural gas continued to sell for a significant discount to the U.S. benchmark. This created significant concern for E&P spending and oilfield service activity in 2019. At the end of December 2018, Essential began preparing for another anticipated decrease in activity in 2019. Effective early January 2019, NEOs once again accepted a voluntary salary rollback of up to 20% (relative to their 2014 base salary). Most other employee salaries were rolled back between 5% to 10%. The 2019 ABP was suspended and will be revisited in mid-2019.

The Board of Directors’ retainers and meeting fees were once again rolled-back by 20% at the beginning of January 2019.

## **Challenges with Timing of Peer Data**

The delayed nature of receipt and review of peer compensation data via company information circulars (e.g. information for 2018 compensation is not available until spring 2019), can be problematic in a cyclical industry. The C&G Committee recognizes the requirement to, at times, make NEO compensation decisions without the benefit of peer information. For example, at the beginning of the downturn in late 2014, and again at the end of 2018, it was quickly recognized that NEO compensation needed to be rolled-back to set an example for other cost cutting measures and to conserve cash and avoid debt accumulation. That decision needed to be made quickly and without the benefit of peer data (due to the delayed nature of peer data). Conversely, when market conditions began to improve in 2017, for retention and attraction purposes, the C&G Committee recognized the need to quickly reinstate, in whole or in part, compensation practices where possible.

### ***Risk and Compensation***

The C&G Committee considers the risks associated with Essential's compensation policies and practices and the impact of individual compensation and any potential correlation with the amount of risk that an NEO may take. It is believed that through the following policies and practices, the ability for an NEO to take excessive risk has been reduced:

- The C&G Committee reviews the design parameters of the components of compensation and the potential rewards to be paid out. The C&G Committee considers not only financial and operational accomplishments of the Company but also the process by which those accomplishments were achieved.
- Total compensation for NEOs consists of: salary, ABP, LTIP and benefits. At the NEO level, a significant percentage of total compensation is tied to LTIP. Share Options are vested over three years and exercisable up to five years from the date of grant. RSUs typically vest over a three-year period and expire at the end of three years. The RSUs issued to NEOs can be time-vested and/or performance-vested RSUs. DSUs may vest after one year or immediately, however, they cannot be exercised until the NEO leaves the organization.
- The performance of the President and Chief Executive Officer is reviewed "in camera" by the C&G Committee and the Board of Directors to ensure his actions align with the risk tolerance of the Company.

The Board of Directors has a policy that prohibits the Board of Directors and executives 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 Shares or other securities of the Corporation held directly, or indirectly, by a director or an executive.

### ***Peer Group / Benchmark Review***

The peer group is considered by the C&G Committee annually based on the following criteria: market capitalization, revenue, earnings, number of employees and the requirement that the peer company be a drilling or oilfield services company that is publicly traded in Canada and headquartered in Canada. The peer group for 2018 data analysis (analysis of 2017 data in 2018) included:

Akita Drilling Ltd.	STEP Energy Services Ltd.
Cathedral Energy Services Ltd.	Strad Energy Services Ltd.
CWC Energy Services Corp.	Total Energy Services Inc.
PHX Energy Services Corp.	Western Energy Services Corp.
Source Energy Services Ltd.	

The peer group is typically analyzed for the following compensation elements: salary, bonus and the estimated value of equity-based incentives. The C&G Committee acknowledges that during the downturn, business performance, debt levels and financial conditions faced by some peers can dictate decisions and outcomes that may not be relevant to Essential's compensation practices.

### ***Salary***

Prior to the downturn, salary was based on relevant market information and an NEO's experience, performance and scope of responsibility. For a fully competent NEO in a given position, Essential targeted salary at the median of the peer group. A high performing, long-serving, NEO could have salary exceeding the peer group median. Since the beginning of 2015, when salaries were initially reduced, little consideration has been given to peer data since there has been no contemplation for salary increases since 2014.

2015 and 2016: NEOs agreed to a voluntary 20% salary rollback effective March 2015 and, for most NEOs, up to a further 10% reduction, effective March 2016. These decisions were made without regard to peer group information to preserve cash flow and avoid the accumulation of debt.

2017: As activity and earnings improved, salaries were partially reinstated for NEOs. In 2017, the CEO had a 7% salary rollback in place (relative to his 2014 salary), the other NEOs had a 4-7% salary rollback in place.

2018: NEO salaries in 2018 were unchanged from 2017. NEO salaries remained below 2014 salaries.

2019: Effective early January 2019, NEOs accepted a voluntary salary rollback of up to 20% (relative to their 2014 base salary).

### ***Annual Bonus Plan***

Essential's ABP program targets annual NEO cash compensation (calculated as: salary plus target ABP) at or above the median of the peer group for target levels of performance. Thresholds are set for each NEO for the percentage of salary that could be earned for minimum (nil), threshold, target and maximum achievement of each category of performance. The percentage of salary is higher for the CEO than the other NEOs. The Board of Directors has the discretion to reward above ABP parameters for exceptional business performance or when an individual has made an exceptional contribution. The Board of Directors also has the discretion to pay zero or below ABP parameters if the Company has insufficient cash flow to support ABP payments, for poor business performance or when individual performance has been unsatisfactory. This was evident for 2015 and 2016 when the NEOs agreed to accept no cash bonuses under the ABP due to reduced operating cash flow and to avoid accumulation of debt.

The ABP was reinstated in 2017. During the prolonged downturn, peer companies reacted with compensation adjustments in different ways and at different times. Peer group analysis became challenging. See "Oilfield Services Challenges and Compensation Realities during the Prolonged Industry Downturn – Challenges with Timing of Peer Data." In 2017, Essential retained its previous scorecard approach and used thresholds similar to those used in 2014 for each NEO.

Essential's ABP scorecard approach links bonus awards with business results and individual performance. The specific categories and methodology were modified slightly in 2018 and a corporate performance factor was introduced. The performance factor relates directly to EBITDAS, as defined under "Non-IFRS Measure" and is considered along with the following quantitative and qualitative criteria:

- (a) Assessment of the execution of an effective HSE program, fostering a safety conscious culture and improving statistical safety records, as measured against targets for total recordable incident frequency ("TRIF") that are set typically late in the previous year. TRIF measures the number of total recordable injuries in the exposure period as a percentage of workforce hours; and
- (b) Achievement of individual annual qualitative and quantitative performance goals. Specific and measurable individual goals are set annually, and the NEO is evaluated against those goals.
- (c) Individual performance as evaluated annually through a performance management process.

For each of the three categories, actual performance results are compared against predetermined criteria to determine if performance warrants a minimum (nil), threshold, target or maximum award, or somewhere in between. In the case of significant underperformance, any category can be assigned a zero. The categories are weighted relative to one another and a performance factor is then applied to the sum to determine an individual's ABP payment.

The performance factor is determined based on EBITDAS compared to pre-determined thresholds and is approved by the Board of Directors. For ABP determination purposes, the EBITDAS is considered prior to ABP expense.

The use of a performance factor allows for separation of individual performance from Essential's ability to pay.

The target value of NEO ABP awards, as a percentage of the NEO's base salary, increases as the scope of responsibility increases so that the percentage of at-risk versus cash compensation correlates with increased responsibilities.

The Board of Directors approves the total Company ABP pool and individual NEO ABP awards each year. The Board of Directors can exercise discretion when determining a NEO's ABP award.

The oilfield service sector is very cyclical in nature. As a result, the annual payout of ABP awards fluctuate in relation to Company performance and the condition of the oil and gas industry in the WCSB. The ABP does not constitute a promise to pay. The ABP may, from time to time, be changed, altered, modified, suspended or revoked at the discretion of the Board of Directors.

The ABP payment for the Vice President, Downhole Tools & Rentals is subject to a different scorecard methodology that is based on relative weighting of revenue, EBITDAS and safety metrics for the business he is responsible for.

2015 and 2016: The ABP was suspended for NEOs and no bonuses were awarded to NEOs under the ABP program. Through incremental LTIP grants related to the 2015 Shortfall and 2016 Shortfall, there was a shift in compensation from cash compensation to LTIP (at-risk) in an effort to preserve Essential's cash flow and avoid debt accumulation. See "Oilfield Services Challenges and Compensation Realities during the Prolonged Industry Downturn".

2017: The ABP program was reinstated and ABP awards were paid for 2017 performance.

2018: The ABP program remained active. Based on evaluation of results compared to specified benchmarks, for NEOs, HSE was ranked as "target" and the performance factor was ranked modestly below "target" by the Board of Directors. Achievement of individual goals and individual performance was factored into each NEO's ABP determination.

### ***Long Term Incentive Plans***

In 2014 and prior years, the number of Share Options, RSUs and/or DSUs granted annually to each NEO were at the median of the peer group such that, when combined with other elements of compensation, Total Compensation (salary plus target ABP plus LTIP) could achieve the 75<sup>th</sup> percentile of the peer group when Share price performance warrants, or above in the case of superior Share price performance. Superior or inferior Share price performance cannot be predicted at the time of grant and is only known at the time of exercise of Share Options, RSUs or DSUs. For this reason, LTIP compensation is considered "at-risk" compensation. RSUs may have time-vested and/or performance-vested criteria. NEOs also have the option to receive a portion or all of their ABP payment in DSUs, solely at the option of the NEO.

In determining the number of Share Options, RSUs and/or DSUs to grant each year, the C&G Committee considers the plan's parameters and their potential dilutive impact on Shareholders. Market information, positional responsibility, performance and attraction and retention considerations determine the extent that Share Options, RSUs and/or DSUs are used to compensate NEOs.

In 2015 and 2016, with cash compensation (salary and ABP) significantly reduced for NEOs (salary reduced and nil payments under the ABP), the C&G Committee awarded LTIP grants to NEOs related to the 2015 Shortfall and the 2016 Shortfall. In June 2015, Special RSUs were also granted to NEOs. 2016 LTIP grants included a regular grant for 2016 and a 2015 Shortfall grant. 2017 LTIP grants included a regular grant and a 2016 Shortfall grant. See "Oilfield Services Challenges and Compensation Realities during the Prolonged Industry Downturn – 2015 and 2016". 2018 LTIP grants were based on the value of the regular grant in 2017. There was no shortfall grant in 2018.

### **Share Option Plan**

The Company's Share Option Plan provides Optionees with a long-term equity-based incentive to align the interests of management with the interests of Shareholders. As Essential's Share price rises, Share Option grants increase in value. Share Options have recently been primarily granted to NEOs. There were no Share Options granted to NEOs in 2018.

The Share Option Plan is described in detail under the heading "Equity Compensation Plans – Share Option Plan". More information regarding Share Options granted to NEOs is available in the table under the heading "Outstanding Option-Based Awards and Share-Based Awards".

### RSU Plan

The RSU Plan provides a long-term incentive to retain and attract employees and align the interest of management with the interests of Shareholders. It consists of time-vested and/or performance-vested components. The performance-vested component, when used, requires the achievement of specific milestones within the Company's business plan over a one to three-year timeline. RSUs granted under the 2013 RSU Plan (which includes RSU grants from 2013 up until December 9, 2015) had the flexibility to settle in cash or Shares, as determined by the C&G Committee. RSUs granted under the 2016 RSU Plan can only be settled with cash. This applies to all RSUs granted on or after December 9, 2015. At December 31, 2018, there were no RSUs outstanding that had been issued under the 2013 RSU Plan. The 2013 RSU Plan and the 2016 RSU Plan are described in detail under the heading "Equity Compensation Plans – Restricted Share Unit Plan".

The time and performance vesting provisions of RSUs are subject to the discretion of the C&G Committee and may be based on (i) a Participant's continued employment with the Company, or (ii) any criteria established by the C&G Committee in order to measure the Company's performance over time. Historical RSU grants have ranged from 100% performance-vested to 100% time-vested with varying proportions in between. In setting the vesting-criteria for a particular grant, the C&G Committee considers other elements of compensation, level in the organization and objectives of the grant. The C&G Committee has the discretion to evaluate performance vesting criteria against actual results and conclude on vesting over the life of the grant.

While previous performance vesting-criteria for RSUs included metrics such as utilization, business unit revenue, HSE performance and EBITDAS, the C&G Committee has gravitated toward using EBITDAS as the performance-vesting criterion for recent grants that included performance vesting criteria as reliable industry utilization data is not available for Essential's business lines and HSE performance is already used for ABP purposes. Since Essential does not provide earnings guidance, it does not disclose the specific EBITDAS benchmarks for future vest periods.

More information regarding RSUs granted to NEOs is available in the table under the heading "Outstanding Option-Based Awards and Share-Based Awards". The values presented in the table are theoretical values for RSUs at December 31, 2018, not the value that may ultimately be realized by the NEO.

### Deferred Share Unit Plan

The DSU plan ("**DSU Plan**") provides non-employee members of the Board of Directors ("**Eligible Directors**") and NEOs (collectively the "**DSU Participants**") an opportunity to participate in the long-term success of the Company and to align the interests of the DSU Participants with the interests of Shareholders. Participation in the DSU Plan is currently restricted to Eligible Directors and NEOs, as approved by the C&G Committee.

A DSU is a phantom unit granted to a DSU Participant, the value of which on any particular date is equal to the market price (as defined in the DSU Plan and calculated as at the redemption date) of a Share. A DSU gives the DSU Participant a right of redemption in the form of a lump sum cash payment after the DSU Participant ceases to be an Eligible Director, executive or employee of the Company.

An Eligible Director may participate in the DSU Plan in the following ways:

- Automatic DSU Retainer - the C&G Committee may determine that a certain percentage of the annual retainer payable to Eligible Directors will automatically be satisfied in the form of DSUs.
- Electable DSU - an Eligible Director may elect to receive all, or a portion of, their retainer or meeting fees that would otherwise be payable as compensation for services to be performed after the date of the election in the form of DSUs.
- Discretionary DSU - the C&G Committee may grant discretionary DSUs to an Eligible Director in respect of the services the Eligible Director renders to the Company as a member of the Board of Directors.



A NEO may participate in the DSU Plan in the following ways:

- Discretionary DSU - the C&G Committee may grant discretionary DSUs to a NEO as a portion of their LTIP grant.
- ABP Election - a NEO may elect to receive all, or a portion, of their ABP in the form of DSUs rather than cash.

Subject to certain exceptions, DSUs granted on a discretionary basis typically only become fully vested one calendar year from the grant date, unless otherwise determined by the C&G Committee. Automatic and electable DSUs become fully vested when earned.

DSUs are redeemed within 15 days of the DSU Participant ceasing to be an Eligible Director or employee, except in the case of death, or other unique circumstances where a longer time period for redemption may be allowed.

More information regarding DSUs granted to NEOs is available in the table under the heading “Outstanding Option-Based Awards and Share-Based Awards”. The values presented in the table are theoretical values for DSUs at December 31, 2018, not the value that may ultimately be realized by the NEO.

More information regarding DSUs granted to Eligible Directors is available in the table under the heading “Directors’ Outstanding Option-Based Awards and Share-Based Awards”. The values presented in the table are theoretical values for DSUs at December 31, 2018, not the value that may ultimately be realized by the Eligible Director.

### ***Employee Benefits***

Essential’s employee group health benefits and savings plans support the health and well-being of its employees and NEOs. Essential does not have a pension plan or provide any pension benefits to its employees or NEOs. The plans are reviewed periodically to ensure they remain market competitive and continue to meet these objectives.

#### **Group Health Benefits Plan**

Essential’s group health benefits plan is designed to protect the health of its employees and that of their dependents and provide certain coverage in the event of disability or death. The Company believes that, relative to industry peers, the group plan is an industry-competitive plan for the oilfield services sector. The group plan provides employees with accidental death and dismemberment insurance, disability insurance as well as extended health, vision and dental coverage.

#### **Employee Savings Plan**

All employees may contribute to the Employee Savings Plan, through payroll deduction, up to a pre-determined percentage of their base salary, to purchase either Shares or contribute to a group investment account, or a combination of both. The contributions may be to a registered or a non-registered account, or a combination of both. Essential matches employee contributions in the form of Shares and/or by contributions to the group account to a prescribed maximum.

## Compensation Granted Versus Compensation Realized

The “Summary Compensation Table for Named Executive Officers” (“SCT”) herein sets out compensation that was *granted* to the NEOs with calculations based on the requirements outlined in Form 51-102F6 – Statement of Executive Compensation. The total value granted for Share-based awards and Share Option-based awards was not actually realized (i.e. that value was not received) by the NEOs. In the following table, in the line titled “CEO Realized Compensation”, the granted values for Share-based awards and Share Option-based awards as presented in the SCT have been replaced with the value that was actually *realized* (i.e. received) on the exercise of Share-based awards and Share Option-based awards in each year. The actual compensation realized by the CEO in 2018 was \$1.2 million compared to the \$1.3 million value granted, as presented in the SCT. Over the five-year period, the granted value was \$2.5 million higher than the realized value. The trend in CEO total compensation is generally representative of the trend in NEO total compensation.

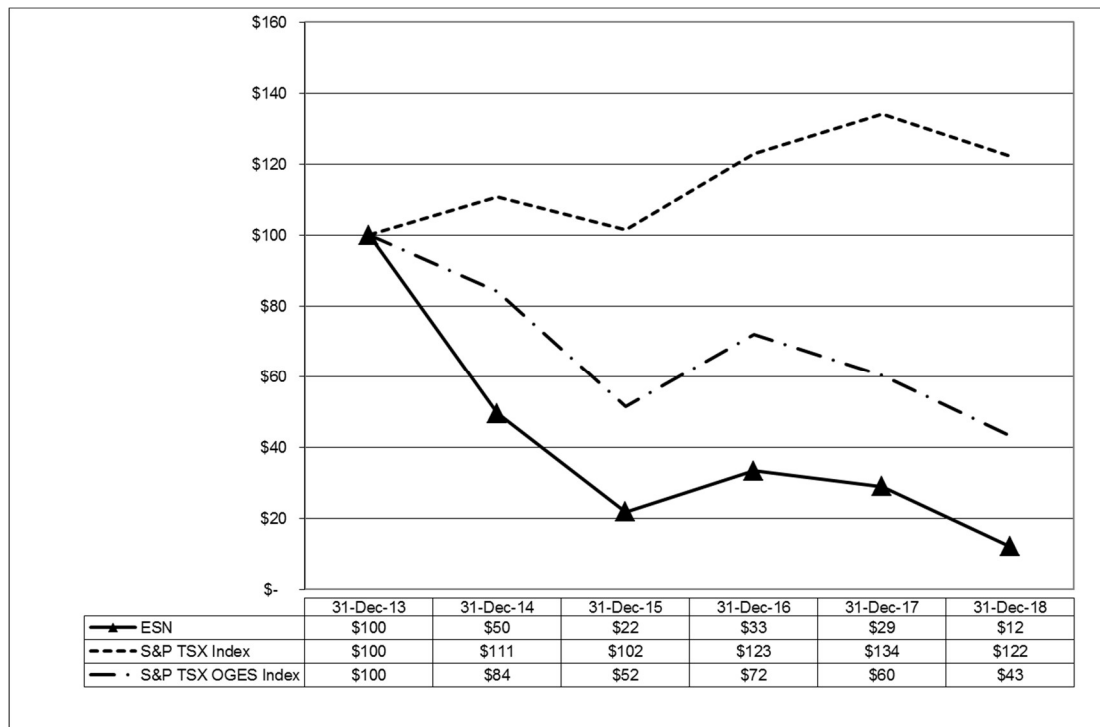
(millions)	2014	2015	2016	2017	2018	Total
CEO Granted Compensation (per SCT) <sup>(1)</sup>	\$1.3	\$0.9	\$1.4	\$1.9	\$1.3	\$6.8
CEO Realized Compensation <sup>(2)</sup>	\$1.1	\$0.4	\$0.6	\$1.0	\$1.2	\$4.3

Notes:

- (1) *CEO Granted Compensation: as presented in the section “SCT” as Total Compensation in this and prior year information circulars. This includes the granted (theoretical) values for Share-based awards and Share Option-based awards.*
- (2) *CEO Realized Compensation: calculated using the CEO Granted Compensation and for each year replaces the granted (theoretical) value at the time of grant for Share-based awards and Share Option-based awards with the value actually realized (i.e. received) in each year upon the exercise of Share-based awards and Share Option-based awards. There were Share Option-based awards exercised in 2014 and RSUs exercised in 2015, 2016, 2017 and 2018.*

## Performance Graph

The following graph illustrates the cumulative total shareholder return for \$100 invested in Essential, effective December 31, 2013 compared to the S&P TSX Composite Total Return Index (the “**Index**”) for the applicable period, assuming all distributions and dividends are reinvested, and compared to the S&P TSX Composite Oil and Gas Equipment & Services Index (the “**OGES Index**”).

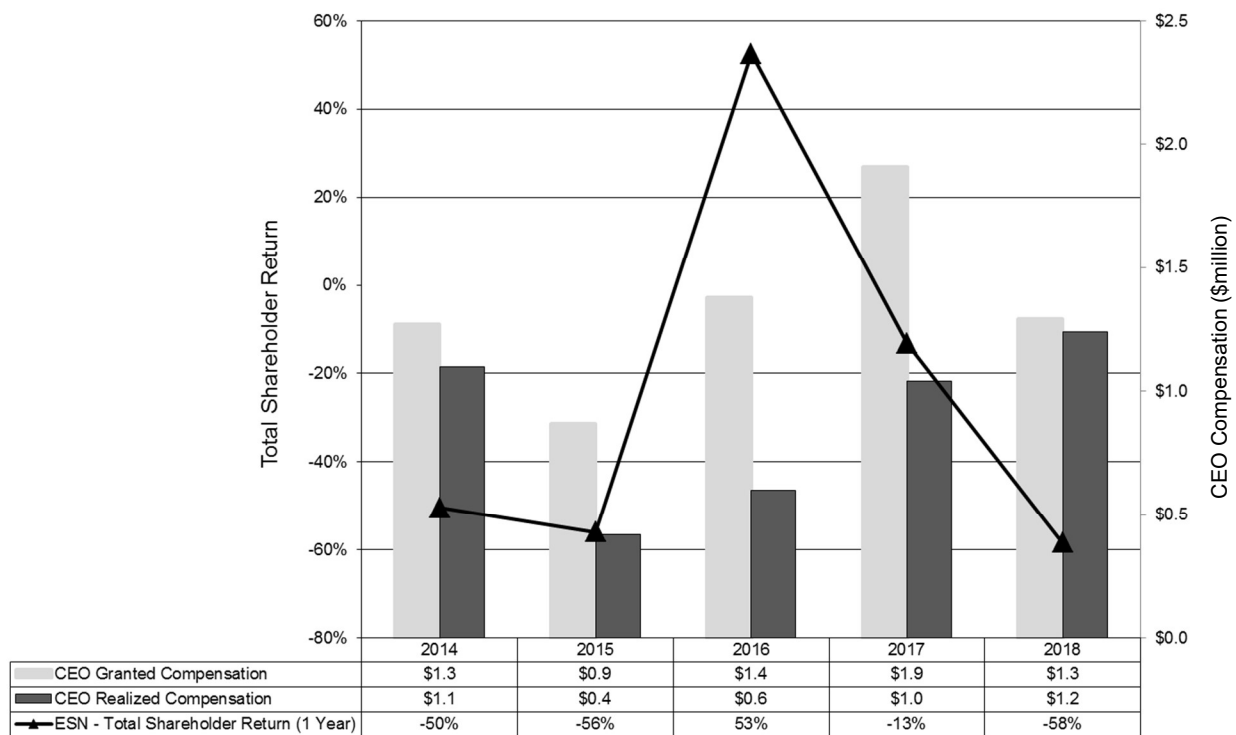


Essential underperformed the Index and the OGES Index since the end of 2013. While Essential's Share price followed the trend of the OGES Index over the five year time period, the Share price underperformance relative to the OGES Index may be attributed to Essential's relatively small market capitalization and low trading liquidity.

In 2014, the Share price started to decrease and continued to decrease through to the end of 2015. This was primarily due to the significant decline in oil price, the low natural gas price and the negative impact on oilfield service activity and service pricing. The Share price decline was not unique to Essential and was experienced by other Canadian oilfield service companies over the same period, as evidenced by the OGES Index. The Share price improved in the latter part of 2016 as the outlook for the oilfield services sector started to improve. However, after peaking in January 2017, the Share price softened, and was fairly volatile throughout 2017. The Share price experienced a significant decrease in 2018, ending well below the previous year. As discussed in the section "Oilfield Services Challenges and Compensation Realities during the Prolonged Industry Downturn – The Outlook for 2019", increased concern began to arise, once again, in the Canadian oil and gas industry in the fall of 2018 as the industry continued to deal with export capacity issues. E&P companies and oilfield service companies struggled to maintain investor confidence. Essential's Share price reached historic lows, despite having a strong balance sheet, with debt to EBITDAS at December 31, 2018 of 1.04x, as measured for bank covenant purposes.

### Compensation Relative to Share Price and EBITDAS

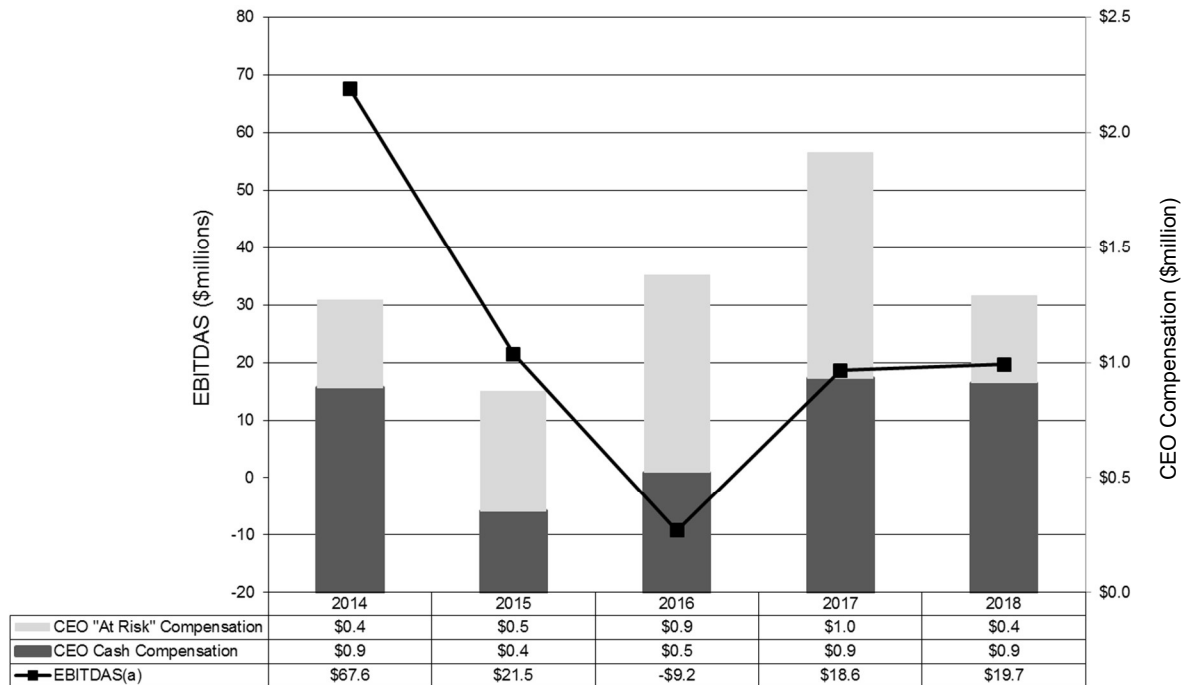
The following graph shows the five-year trend in Essential's total Shareholder return versus CEO Granted Compensation and CEO Realized Compensation.



CEO total compensation is generally representative of the trend in NEO total compensation. In the graph above, total compensation is reflected on a granted and a realized basis, with the differences discussed under "Compensation Granted Versus Compensation Realized". There are some general similarities reflected in the chart in the first few years: as the Share price decreased, so did compensation and as the Share price increased in 2016, so did compensation. There was a divergence in 2017 with the Share price decreasing but compensation increasing. However, in 2017, while the Share price decreased, EBITDAS increased significantly compared to the prior year. In 2018, the Share price decreased, CEO Granted Compensation decreased but CEO Realized Compensation increased.

As discussed in “Oilfield Services Challenges and Compensation Realities during the Prolonged Industry Downturn”, granted compensation in 2016 and 2017 includes 2015 Shortfall and 2016 Shortfall grants, respectively.

The following graph demonstrates that compensation, and more specifically cash compensation, is more closely aligned with EBITDAS than Share price. Cash compensation in the following graph includes salary, annual incentive plans (annual bonus) and all other compensation from the SCT. “At Risk” compensation includes Share-based awards and Share Option-based awards from the SCT.



In this graph, CEO Cash Compensation plus CEO “At Risk” Compensation is equal to CEO Granted Compensation, or CEO Total Compensation in the SCT.

An NEO’s cash compensation is based on business performance (as measured by EBITDAS), HSE metrics and the individual’s performance. Salary and annual bonus do not take Share price performance into consideration. This graph reflects a similar trend between EBITDAS and cash compensation in all years, except 2016.

EBITDAS was not restated in 2014 and 2015 to reflect the sale of the service rig business as discontinued operations. The service rig business was sold in December 2016.

## Summary Compensation Table for Named Executive Officers

The following table sets forth for each of Essential's three most recently completed financial years information concerning the total compensation granted to the NEOs. As discussed under "Oilfield Services Challenges and Compensation Realities during the Prolonged Industry Downturn", shortfall compensation, in the form of incremental LTIP grants, was introduced to acknowledge reduced cash compensation in 2015 and 2016 as a result of the industry downturn. This increased considerably the proportion of "at-risk" NEO compensation.

2018 Share-based and Share Option-based awards in the table below only include a regular grant. There was no shortfall grant in 2018. 2017 Share-based and Share Option-based awards include a regular grant for 2017 and a 2016 Shortfall grant. 2016 Share-based and Share Option-based awards include a regular grant for 2016 and a 2015 Shortfall grant.

As discussed in "Oilfield Services Challenges and Compensation Realities during the Prolonged Downturn – The Outlook for 2019", NEO salaries were rolled-back by up to 20%, relative to 2014 salaries, at the beginning of January 2019.

Name and Principal Position	Year	Salary <sup>(1)</sup> (\$)	Share-based awards <sup>(2)</sup> (\$)	Option-based awards <sup>(3)</sup> (\$)	Non-equity incentive plan compensation <sup>(3)</sup> (\$)		Pension value (\$)	All other compensation <sup>(5)</sup> (\$)	Total compensation (\$)
					Annual incentive plans <sup>(4)</sup>	Long-term incentive plans			
Garnet Amundson <sup>(6)</sup> <i>President &amp; Chief Executive Officer</i>	2018	\$372,205	\$379,200	Nil	\$495,000	n/a	n/a	\$44,665	\$1,291,070
	2017	\$372,205	\$830,250	\$152,023	\$515,000	n/a	n/a	\$44,665	\$1,914,143
	2016	\$296,615	\$727,200	\$128,800	Nil	n/a	n/a	\$226,025	\$1,378,640
Eldon Heck <sup>(7)</sup> <i>VP, Downhole Tools &amp; Rentals</i>	2018	\$223,462	\$158,000	Nil	\$490,000	n/a	n/a	\$6,704	\$878,166
	2017	\$223,462	\$356,400	\$65,153	\$500,000	n/a	n/a	\$6,704	\$1,151,719
Jeff Newman <i>Senior VP, Business Development</i>	2018	\$246,712	\$158,000	Nil	\$210,000	n/a	n/a	\$66,505	\$681,217
	2017	\$246,712	\$372,600	\$68,494	\$230,000	n/a	n/a	\$41,286	\$959,092
	2016	\$203,231	\$325,500	\$68,300	Nil	n/a	n/a	\$175,842	\$772,873
Allan Mowbray <sup>(8)</sup> <i>VP, Finance &amp; Chief Financial Officer</i>	2018	\$228,000	\$158,000	Nil	\$185,000	n/a	n/a	\$27,360	\$598,360
	2017	\$226,391	\$275,400	\$95,223	\$195,000	n/a	n/a	\$27,167	\$819,181
	2016	\$193,769	\$234,100	\$47,300	Nil	n/a	n/a	\$87,733	\$562,902
Karen Perasalo <sup>(9)</sup> <i>VP, Investor Relations &amp; Corporate Secretary</i>	2018	\$226,594	\$158,000	Nil	\$205,000	n/a	n/a	\$27,191	\$616,785
	2017	\$226,594	\$315,900	\$58,471	\$215,000	n/a	n/a	\$15,608	\$831,573
Don Webster <sup>(10)</sup> <i>Former Chief Operating Officer</i>	2016	\$226,431	\$389,600	\$78,800	Nil	n/a	n/a	\$23,347	\$718,178
Kevin Job <sup>(11)</sup> <i>Former Senior VP, Corporate</i>	2016	\$204,308	\$325,500	\$68,300	Nil	n/a	n/a	\$613,419	\$1,211,527

### Notes:

- (1) 2016 salary reflects an incremental rollback of up to 10% effective April 4, 2016 in addition to the 20% rollback effective March 16, 2015. 2017 and 2018 salaries reflect partial reversal of the rollback; salary in 2018 continued to be rolled back by up to 7% for NEOs.
- (2) This is related to RSUs and DSUs and reflects the grant date fair value which is the theoretical expected value calculated at the date of grant by multiplying the number of RSUs and DSUs granted by the closing price of Shares on the date of grant. Share prices on date of grants:
  - 2018: January 10, 2018 - \$0.79
  - 2017: January 10, 2017 - \$0.81
  - 2016: January 7, 2016 - \$0.52; June 30, 2016 - \$0.65

These values may differ from the actual value at the time the awards vest. The calculated value does not distinguish between time-vested and performance-vested grants. The fair value of the award on the grant date is not different from the fair value if determined in accordance with IFRS 2 Share-based Payment. As discussed in the commentary above this table, in addition to regular annual grants, 2017 includes a 2016 Shortfall grant; and 2016 includes a 2015 Shortfall grant.
- (3) This is related to Share Options and reflects the estimated fair value under the Black-Scholes pricing model of Share Options granted in the year. Share Options vest as to one third in each of the first, second and third year anniversaries of the date of grant. The Black-Scholes pricing model is used as it is a generally accepted pricing model. The assumptions for each year are:

	2018 Option Grant	2017 Option Grant	2016 Option Grant
Share price	n/a	\$0.83	\$0.55 - \$0.61
Exercise price <sup>(a)</sup>	n/a	\$0.83	\$0.55 - \$0.61
Risk-free interest rate	n/a	0.9% - 1.0%	0.5% - 0.6%
Expected volatility	n/a	48.8% - 50.1%	43.9% - 48.9%
Expected term	n/a	3.9 - 4.7 years	3.6 - 4.5 years
Expected forfeiture rate	n/a	8.2% - 16.1%	6.6% - 15.8%
Dividend yield	n/a	Nil	0 - 2.3%
Fair value per option issued	n/a	\$0.32 - \$0.35	\$0.15 - \$0.24

<sup>(a)</sup> As per the Share Option Plan, the exercise price is the volume weighted average trading price of the Shares on the TSX for the five trading days immediately preceding the date of grant. The fair value of the award on the grant date is not different from the fair value if determined in accordance with IFRS 2 Share-based payment.

- (4) Reflects the value of awards earned in each year under Essential's ABP. ABP payments are typically paid to the executives in March or April of the following calendar year to reward business performance of the prior fiscal year. There were no payments under the ABP in 2015 and 2016 due to the industry downturn.
- (5) For 2018 and 2017 Mr. Amundson, Mr. Heck, Mr. Mowbray and Ms. Perlaso: includes amounts contributed by the Company on their behalf, subsequent to their individual contribution, pursuant to the Employee Savings Plan ("**Employee Savings Plan Contribution**"). For each, the total value of all other perquisites not generally available to employees did not exceed \$50,000 or 10% of total salary.  
For 2018 Mr. Newman: includes Employee Savings Plan Contribution: \$29,605; vehicle allowance: \$20,400 and other perquisites, less than 25% of total perquisites.  
For 2017 Mr. Newman: includes Employee Savings Plan Contribution: \$14,651; vehicle allowance: \$19,616 and other perquisites, less than 25% of total perquisites.  
For 2016 Mr. Amundson: includes amounts for a project-based bonus ("**Project Bonus**"): \$150,000; Employee Savings Plan Contribution: \$35,594 and a payout of unused vacation pay ("**Vacation Payout**"): \$40,431. The total value of all other perquisites not generally available to employees did not exceed \$50,000 or 10% of total salary.  
For 2016 Mr. Newman: includes Project Bonus: \$100,000; Employee Savings Plan Contribution: \$9,618; Vacation Payout: \$35,769; vehicle allowance: \$20,400 and other perquisites, less than 25% of total perquisites.  
For 2016 Mr. Mowbray: includes Project Bonus: \$40,000; Employee Savings Plan Contribution: \$23,252; Vacation Payout: \$24,481. The total value of all other perquisites not generally available to employees did not exceed \$50,000 or 10% of total salary.  
For 2016 Mr. Webster: includes Employee Savings Plan Contribution: \$11,819; Vacation Payout: \$11,528. The total value of all other perquisites not generally available to employees did not exceed \$50,000 or 10% of total salary.  
For 2016 Mr. Job: includes Employee Savings Plan Contribution: \$24,517; Vacation Payout: \$23,077; buy-down of executive contract \$535,000<sup>(11)</sup>; vehicle allowance: \$20,400 and other perquisites, less than 25% of total perquisites.  
Total salary for each year was considered on a pre-rollback basis.
- (6) Mr. Amundson does not receive compensation for his role as a member of the Board of Directors. After departure of the Chief Operating Officer ("**COO**") in November 2016, Mr. Amundson undertook the COO duties in addition to his President and CEO duties.
- (7) Mr. Heck was promoted to Vice President, Downhole Tools & Rentals on December 12, 2017 and considered a NEO commencing 2017.
- (8) As announced on February 11, 2019, Mr. Mowbray resigned from Essential effective March 8, 2019.
- (9) Ms. Perlaso was considered a NEO commencing in 2017 following the departure in 2016 of Mr. Webster and Mr. Job.
- (10) Mr. Webster resigned from Essential effective November 23, 2016.
- (11) Mr. Job ceased to be the Senior Vice President, Corporate effective December 30, 2016.

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

The following table outlines for each NEO all Share Option-based awards and Share-based awards (RSU and DSU) outstanding as at December 31, 2018.

Name	Option-Based Awards				Share-Based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested <sup>(2)</sup> (#)	Market or payout value of Share-based awards that have not vested <sup>(3)</sup> (\$)	Market or payout value of vested Share-based awards not paid out or distributed <sup>(4)</sup> (\$)
Garnet Amundson	115,000 80,000 350,000 430,000 250,000 455,000	\$2.90 \$1.46 \$1.12 \$0.55 \$0.61 \$0.83	Jan 8, 2019 Jan 14, 2020 Jun 11, 2020 Jan 7, 2021 Jun 30, 2021 Jan 10, 2022	Nil Nil Nil Nil Nil Nil	800,554	\$240,166	\$466,731
Eldon Heck	55,000 55,000 125,000 180,000 260,417 195,000	\$2.90 \$1.46 \$1.12 \$0.55 \$0.61 \$0.83	Jan 8, 2019 Jan 14, 2020 Jun 11, 2020 Jan 7, 2021 Jun 30, 2021 Jan 10, 2022	Nil Nil Nil Nil Nil Nil	546,355	\$163,907	\$39,000
Jeff Newman	55,000 55,000 200,000 255,000 114,583 205,000	\$2.90 \$1.46 \$1.12 \$0.55 \$0.61 \$0.83	Jan 8, 2019 Jan 14, 2020 Jun 11, 2020 Jan 7, 2021 Jun 30, 2021 Jan 10, 2022	Nil Nil Nil Nil Nil Nil	376,898	\$113,069	\$195,231
Allan Mowbray	55,000 55,000 125,000 180,000 77,083 285,000	\$2.90 \$1.46 \$1.12 \$0.55 \$0.61 \$0.83	Jan 8, 2019 Jan 14, 2020 Jun 11, 2020 Jan 7, 2021 Jun 30, 2021 Jan 10, 2022	Nil Nil Nil Nil Nil Nil	243,534	\$73,060	\$178,846
Karen Perasalo	55,000 55,000 125,000 180,000 114,583 175,000	\$2.90 \$1.46 \$1.12 \$0.55 \$0.61 \$0.83	Jan 8, 2019 Jan 14, 2020 Jun 11, 2020 Jan 7, 2021 Jun 30, 2021 Jan 10, 2022	Nil Nil Nil Nil Nil Nil	350,201	\$105,060	\$183,231

Notes:

- (1) Based on the market price of \$0.30 as at December 31, 2018 including vested and unvested Share Options.
- (2) Share based awards consist of RSUs granted in 2016, 2017 and 2018, and DSUs granted in 2018 that have not vested, plus the dividend equivalents earned, as applicable.
- (3) Includes all unvested time-based RSUs, unvested performance-based RSUs that are expected to vest in 2019 and unvested DSUs, based on the Share price of \$0.30 as at December 31, 2018.
- (4) Includes DSUs that have vested but have not paid out, based on the Share price of \$0.30 as at December 31, 2018. DSUs do not pay out until the NEO is no longer employed by the Company and the value is determined at that future date.

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

The following table sets forth the value of Share Option-based awards and Share-based awards for each NEO which vested during the year ended December 31, 2018 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2018.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (S)	Share-based awards – Value vested during the year		Non-equity incentive plan compensation – Value earned during the year <sup>(4)</sup> (S)
		RSUs (cash settled) <sup>(2)</sup> (S)	DSUs (not paid out) <sup>(3)</sup> (S)	
Garnet Amundson	\$28,667	\$306,681	Nil	\$495,000
Eldon Heck	\$12,000	\$200,566	\$97,500	\$490,000
Jeff Newman	\$17,000	\$177,788	Nil	\$210,000
Allan Mowbray	\$12,000	\$67,297	Nil	\$185,000
Karen Perasalo	\$12,000	\$125,708	Nil	\$205,000

**Notes:**

- (1) The value is calculated based on the difference between the Share price at the vesting date and the exercise price of the Share Options on the grant date for the vested Share Options that were “in the money”.
- (2) The value is calculated based on the RSUs that vested in the year multiplied by the five-day volume weighted average Share price at time of vesting.  
 On January 7, 2018, one third of the time-vested RSUs from the January 7, 2016 grant vested. The five-day volume weighted average price was \$0.75. The grant was 50% time-vested and 50% performance-vested (the performance vested grants did not vest until March 7, 2018). Time-vested RSUs for Amundson - 60,277; Heck - 21,767; Newman - 25,115; Mowbray - 21,767; Perasalo - 21,767.  
 On January 10, 2018, one third of the time-vested RSUs from the January 10, 2017 grant vested. The five-day volume weighted average price was \$0.75. Time vested RSUs for Amundson - 100,000; Heck - 103,333; Newman - 63,333; Perasalo - 53,333.  
 On March 7, 2018, one third of the performance-vested RSUs from the January 7, 2016 grant vested. The performance criteria was met. The five-day volume weighted average price was \$0.65. Performance vested RSUs for Amundson - 60,277; Heck - 21,767; Newman - 25,115; Mowbray - 21,767; Perasalo - 21,767.  
 On June 11, 2018, the Special RSUs from the June 11, 2015 grant vested. The grant was 100% performance-vested. The five-day volume weighted average price was \$0.58. Performance vested RSUs for Amundson - 253,954; Heck - 63,488; Newman - 164,012; Mowbray - 63,488; Perasalo - 95,233.  
 On June 30, 2018, one third of the time-vested RSUs from the June 30, 2016 grant vested. The five-day volume weighted average price was \$0.58. Time vested RSUs for Heck - 96,154.
- (3) The value of DSUs is calculated based on the DSUs that vested in the year multiplied by the five-day volume weighted average Share price at time of vest. DSUs typically vest one-year after grant, or in certain circumstances, vest at grant. DSUs are not paid out until the individual ceases to be an employee of Essential.  
 On January 10, 2018, DSUs from the January 10, 2017 grant vested for Heck - 130,000. The five-day volume weighted average price was \$0.75.
- (4) Reflects the value of awards earned in 2018 under Essential’s ABP. ABP payments are typically paid to the executives in March or April of the following calendar year to reward business performance of the prior fiscal year.



## Employment Contracts and Termination and Change of Control Benefits

The Company recognizes that the NEOs are critical to Essential's ongoing business. Essential's NEOs have employment contracts in place to protect them from employment interruption and treat them in a fair and equitable manner. The following table outlines the key contract terms in place for each NEO in the event of a change in their employment status.

Name	Change of Control		Involuntary Termination		Voluntary Termination	
	% Change in Securities Ownership Required	Payment Obligation <sup>(1)</sup>	Without Cause <sup>(1)</sup>	With Cause	Resignation	Death/Disability <sup>(1)</sup>
Garnet Amundson	more than 50%	<ul style="list-style-type: none"> <li>24 months pay in lieu of notice at current base salary;</li> <li>accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days;</li> <li>the average of the bonus payments for the preceding two years multiplied by 2;</li> <li>the pro-rata amount of any earned bonus at the level accrued to or budgeted (whichever is greater) by the Company for the current fiscal year;</li> <li>20% of the pay in lieu amount for lost benefits; and</li> <li>accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>	<ul style="list-style-type: none"> <li>24 months pay in lieu of notice at current base salary;</li> <li>accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days;</li> <li>the average of the bonus payments for the preceding two years multiplied by 2;</li> <li>the pro-rata amount of any earned bonus at the level accrued to or budgeted (whichever is greater) by the Company for the current fiscal year;</li> <li>20% of the pay in lieu amount for lost benefits; and</li> <li>accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>	Nil	Nil	<ul style="list-style-type: none"> <li>Base salary accrued and unpaid;</li> <li>accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days; and</li> <li>the pro-rata amount of any upon death: accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>
Eldon Heck	more than 50%	<ul style="list-style-type: none"> <li>Should a good reason exist (as defined in the employment contract) <sup>(2)</sup> in addition to a 'change of control', the executive would be entitled to the payments described under 'Involuntary Termination – Without Cause'; and</li> <li>accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>	<ul style="list-style-type: none"> <li>18 months pay in lieu of notice at current base salary;</li> <li>accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days;</li> <li>the average of the bonus payments for the preceding two years multiplied by 1.5;</li> <li>the pro-rata amount of any earned bonus at the level accrued to or budgeted (whichever is greater) by the Company for the current fiscal year;</li> <li>20% of the pay in lieu amount for lost benefits; and</li> <li>accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>	Nil	Nil	<ul style="list-style-type: none"> <li>Base salary accrued and unpaid;</li> <li>accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days; and</li> <li>upon death: accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>
Jeff Newman	more than 50%	<ul style="list-style-type: none"> <li>Should a good reason exist (as defined in the employment contract) <sup>(2)</sup> in addition to a 'change of control', the executive would be entitled to the payments described under 'Involuntary Termination – Without Cause'; and</li> <li>accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>	<ul style="list-style-type: none"> <li>18 months pay in lieu of notice at current base salary;</li> <li>accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days;</li> <li>the average of the bonus payments for the preceding two years multiplied by 1.5;</li> <li>the pro-rata amount of any earned bonus at the level accrued to or budgeted (whichever is greater) by the Company for the current fiscal year;</li> <li>20% of the pay in lieu amount for lost benefits; and</li> <li>accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>	Nil	Nil	<ul style="list-style-type: none"> <li>Base salary accrued and unpaid;</li> <li>accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days; and</li> <li>upon death: accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>

Name	Change of Control		Involuntary Termination		Voluntary Termination	
	% Change in Securities Ownership Required	Payment Obligation <sup>(1)</sup>	Without Cause <sup>(1)</sup>	With Cause	Resignation	Death/Disability <sup>(1)</sup>
Allan Mowbray	more than 50%	<ul style="list-style-type: none"> <li>Should a good reason exist (as defined in the employment contract) <sup>(2)</sup> in addition to a 'change of control', the executive would be entitled to the payments described under 'Involuntary Termination – Without Cause'; and</li> <li>accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>	<ul style="list-style-type: none"> <li>12 months pay in lieu of notice at current base salary;</li> <li>accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days;</li> <li>the average of the bonus payments for the preceding two years multiplied by 1.0;</li> <li>the pro-rata amount of any earned bonus at the level accrued to or budgeted (whichever is greater) by the Company for the current fiscal year;</li> <li>20% of the pay in lieu amount for lost benefits; and</li> <li>accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>	Nil	Nil	<ul style="list-style-type: none"> <li>Base salary accrued and unpaid;</li> <li>accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days; and</li> <li>upon death: accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>
Karen Perasalo	more than 50%	<ul style="list-style-type: none"> <li>Should a good reason exist (as defined in the employment contract) <sup>(2)</sup> in addition to a 'change of control', the executive would be entitled to the payments described under 'Involuntary Termination – Without Cause'; and</li> <li>accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>	<ul style="list-style-type: none"> <li>12 months pay in lieu of notice at current base salary;</li> <li>accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days;</li> <li>the average of the bonus payments for the preceding two years multiplied by 1.0;</li> <li>the pro-rata amount of any earned bonus at the level accrued to or budgeted (whichever is greater) by the Company for the current fiscal year;</li> <li>20% of the pay in lieu amount for lost benefits; and</li> <li>accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>	Nil	Nil	<ul style="list-style-type: none"> <li>Base salary accrued and unpaid;</li> <li>accrued and unused vacation for current year and approved and unused vacation from previous year to a maximum 20 days; and</li> <li>upon death: accelerated vesting of Share Options, RSUs and DSUs.</li> </ul>

Notes:

- (1) Any decrease to an NEOs compensation, taken as a cost reduction measure, will be ignored for severance payment calculations and the executive's compensation will be taken at the level it was at prior to the reductions including salary, target bonus and benefits.
- (2) "Good reason" is defined in each NEO's employment contract and references the NEO's right to terminate their employment in certain circumstances, which includes generally those matters at common law that are interpreted to be constructive dismissal.

The following table outlines the estimated incremental payments the NEOs would be entitled to had their employment been terminated without cause, or in the case of the President and CEO, had a change of control occurred on December 31, 2018, or in the case of the other NEOs, had a change of control occurred on December 31, 2018 and there was 'good reason', as defined in their employment contracts.

Name	Severance Period (# of months)	Severance Package <sup>(1)</sup>	Contractual Share Option/RSU Obligation <sup>(2)</sup>	Contractual DSU Obligation <sup>(3)</sup>	Total Obligation
Garnet Amundson	24	\$1,970,000	\$204,166	\$502,731	\$2,676,897
Eldon Heck	18	\$1,174,500	\$148,907	\$54,000	\$1,377,407
Jeff Newman	18	\$807,000	\$98,069	\$210,231	\$1,115,300
Allan Mowbray	12	\$478,000	\$58,060	\$193,846	\$729,906
Karen Perasalo	12	\$492,000	\$90,060	\$198,231	\$780,291

Notes:

- (1) Includes salary, bonus and benefits for the specified severance period.
- (2) Includes accelerated vesting and assumed payout of unvested Share Options and unvested RSUs using the December 31, 2018 Share price of \$0.30.
- (3) Includes assumed payout of vested and unvested DSUs using the December 31, 2018 Share price of \$0.30. DSUs by their nature do not pay out until the NEO leaves the organization. The value in the table represents DSUs earned to date (vested and unvested) that have not paid out.

## DIRECTOR COMPENSATION

Essential provides its non-employee directors with a comprehensive compensation package consisting of an annual cash retainer, meeting fees and long-term incentives in the form of DSUs granted pursuant to the DSU Plan.

All elements of director compensation are typically reviewed annually for competitiveness against Essential's peer group by the C&G Committee and the Board of Directors with the objective of attracting and retaining qualified members to serve on the Board of Directors. In March 2015, in response to the industry downturn, the Board of Directors accepted a 20% reduction in their annual retainer and a 20% reduction in meeting fees. This was in-line with the salary reduction accepted by the NEOs. In July 2016, the Board of Directors accepted a further 10% reduction in their annual retainer and a further 10% reduction in their meeting fees. In July 2017, 10% of the reduction was reversed and in July 2018, the remaining 20% was reversed. From July to December 2018, the retainers and fees were restored to their original levels.

As discussed in “Oilfield Services Challenges and Compensation Realities during the Prolonged Downturn – The Outlook for 2019”, the Board of Director’s retainers and meeting fees were once again rolled-back by 20% at the beginning of January 2019.

### Summary Director Compensation Table

The following table outlines for the year ended December 31, 2018 information concerning the compensation paid to members of the Board of Directors other than Mr. Amundson. Mr. Amundson is also an NEO and is not separately compensated for his duties as a director. Mr. Amundson’s compensation has been disclosed in the preceding section related to NEO compensation.

Name	Fees earned (\$)	Share-based awards <sup>(1)</sup> (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
James Banister <sup>(2)</sup>	\$66,300	\$57,200	n/a	n/a	n/a	\$123,500
Michael Black	\$44,100	\$37,960	n/a	n/a	n/a	\$82,060
Robert German <sup>(3)</sup>	\$57,450	\$37,960	n/a	n/a	n/a	\$95,410
Nicholas Kirton <sup>(4)</sup>	\$63,900	\$37,960	n/a	n/a	n/a	\$101,860
Robert Michaleski <sup>(5)</sup>	\$63,900	\$37,960	n/a	n/a	n/a	\$101,860

Notes:

- (1) This is related to DSUs and reflects the grant date fair value which is the theoretical expected value calculated at the date of grant by multiplying the number of DSUs granted by the closing price of Shares on the date of grant (\$0.52). This value may differ from the actual amount paid at the time the awards are paid out.
- (2) Mr. Banister is the Chairman of the Board of Directors.
- (3) Mr. German is the Chairman of the HSE Committee.
- (4) Mr. Kirton is the Chairman of the Audit Committee.
- (5) Mr. Michaleski is the Chairman of the C&G Committee.

## Director Retainers and Fees Summary

Annual Board of Directors and committee retainers are paid quarterly and pro-rated for partial service. The same meeting fees are paid for attending meetings in person or by conference call.

	2018	
	January 1 – June 30 <sup>(1)</sup> Annualized	July 1 – December 31 <sup>(2)</sup> Annualized
Board of Directors Chair <sup>(3)</sup>	\$44,000	\$55,000
Board of Directors Member	\$24,000	\$30,000
Audit / C&G Committee Chair <sup>(3)</sup>	\$36,000	\$45,000
HSE Committee Chair <sup>(3)</sup>	\$30,000	\$37,500
Board of Directors and Committee Meeting (per meeting)	\$1,200	\$1,500

Notes:

- (1) Effective March 16, 2015, the Board of Directors reduced the retainer and meeting fees by 20%. Effective July 1, 2016, the Board of Directors reduced the retainer and meeting fees by an incremental 10%.
- (2) Effective July 1, 2017, the Board of Directors reinstated the 10% rollback for the retainer and meeting fees. Effective July 1, 2018, the retainer and meeting fees were restored to their original levels.
- (3) Represents the total retainer paid to the chairs. It is not additive to the Board of Director's member retainer.

## Director Retainers and Fees Paid in 2018

Name	Chairman Retainer (\$)	Board Member Retainer (\$)	Committee Chair Retainer (\$)	Board Meetings <sup>(1)</sup> (\$)	Committee Meetings (\$)	Total (\$)
James Banister	\$22,500	\$27,000	-	\$11,700	\$5,100	\$66,300
Michael Black	-	\$27,000	-	\$11,700	\$5,400	\$44,100
Robert German	-	\$27,000	\$6,750	\$11,700	\$12,000	\$57,450
Nicholas Kirton	-	\$27,000	\$13,500	\$11,700	\$11,700	\$63,900
Robert Michaleski	-	\$27,000	\$13,500	\$11,700	\$11,700	\$63,900

Note:

- (1) Includes meeting fees earned for board meetings attended and attendance at the 2018 Annual General Meeting.

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

The following table outlines for each member of the Board of Directors, other than Mr. Amundson who is an NEO, all Share Option-based and Share-based awards outstanding for the year ended December 31, 2018.

	Option-based awards				Share-based awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested <sup>(1)</sup> (#)	Market or payout value of Share-based awards that have not vested <sup>(2)</sup> (\$)	Market or payout value of vested Share-based awards not paid out or distributed <sup>(3)</sup> (\$)
James Banister	n/a	n/a	n/a	n/a	110,000	\$33,000	\$108,853
Michael Black	n/a	n/a	n/a	n/a	73,000	\$21,900	\$76,568
Robert German	n/a	n/a	n/a	n/a	73,000	\$21,900	\$81,863
Nicholas Kirton	n/a	n/a	n/a	n/a	73,000	\$21,900	\$76,568
Robert Michaleski	n/a	n/a	n/a	n/a	73,000	\$21,900	\$83,628

Notes:

- (1) Share based awards consist of DSUs granted in 2018.
- (2) Based on the market price of \$0.30 as at December 31, 2018.
- (3) DSUs typically vest one-year after grant but are not paid out until the individual ceases to be an Eligible Director. Based on the Share price of \$0.30 as at December 31, 2018 multiplied by the DSUs that have vested (to-date), including the dividend equivalents. Vested Share-based awards for Banister – 362,842; Black – 255,228; German – 272,878; Kirton – 255,228 and Michaleski – 278,761.

### Director Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of Share Option-based and Share-based awards that vested during the year ended December 31, 2018 for each member of the Board of Directors, other than Mr. Amundson who is an NEO, and the value of non-equity incentive plan compensation earned during the year ended December 31, 2018. The Company does not have a non-equity incentive plan in place for members of the Board of Directors.

<b>Name</b>	<b>Option-Based Awards – Value Vested During the Year (\$)</b>	<b>Share-Based Awards – Value Vested During the Year - DSUs <sup>(1)</sup> (\$)</b>	<b>Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)</b>
James Banister	n/a	\$55,650	n/a
Michael Black	n/a	\$37,100	n/a
Robert German	n/a	\$37,100	n/a
Nicholas Kirton	n/a	\$37,100	n/a
Robert Michaleski	n/a	\$37,100	n/a

Note:

- (1) The value is calculated based on the DSUs that vested in the year multiplied by the five-day volume weighted average Share price at the time of vest. DSUs cannot be exercised until the director is no longer an Eligible Director. On August 15, 2018, the DSUs granted on August 15, 2017 vested but were not exercised. The value is the five-day volume weighted average Share price at time of vest (\$0.53) multiplied by the DSUs that vested. Share-based awards vesting for Banister – 105,000; Black – 70,000; German – 70,000; Kirton – 70,000, and Michaleski – 70,000.

## CORPORATE GOVERNANCE DISCLOSURE

Set out below is a description of the corporate governance practices of Essential, in accordance with National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”).

### Board of Directors

***Disclose the identity of directors who are independent. Disclose the identity of directors who are not independent and describe the basis for that determination. Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the Board of Directors does to facilitate its exercise of independent judgment in carrying out its responsibilities.***

NI 58-101 defines “independence” by reference to the meaning of section 1.4 of NI 52-110, which provides that a member is “independent” if the member has no direct or indirect material relationship with the issuer, a “material relationship” being one which could, in the view of the issuer’s board of directors, be reasonably expected to interfere with the exercise of a member’s independent judgement. NI 52-110 also specifically prescribes certain relationships which are deemed to be material.

Based on the foregoing, Essential has determined that all of its current directors are independent, except for Mr. Amundson and Mr. Black. Mr. Amundson is considered to have a material relationship with Essential by virtue of his position as President and Chief Executive Officer. Mr. Black is considered to have a potentially material relationship with Essential by virtue of his position as a partner of Fasken Martineau DuMoulin LLP, one of the law firms that provide legal services to Essential. Essential utilizes the services of a number of law firms.

The majority of the Board of Directors are independent.

Assuming the directors nominated for election at the Meeting are elected, the Board of Directors will continue to be comprised of six directors, four of whom are independent.

***If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.***

The following is a list of the current directors who are presently directors of other reporting issuers (or the equivalent):

Name	Name of Reporting Issuer
Michael Black	Viridium Pacific Group Ltd. (TSXV)
Nicholas Kirton	The Green Organic Dutchman Holdings Ltd. (TSX)
Robert Michaleski	Pembina Pipeline Corporation (TSX) Vermillion Energy Inc. (TSX)

***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 financial year. If the independent directors do not hold such meetings, describe what the Board of Directors does to facilitate open and candid discussion among its independent directors.***

The independent directors do not hold regularly scheduled Board of Director meetings at which non-independent directors are not in attendance, however, at each Board of Director meeting the directors hold an *in camera* session at which members of management, including the employee director, are not in attendance.

The C&G Committee is comprised entirely of independent directors and holds regular *in camera* sessions where management is not present. There were four such meetings in 2018.

The Audit Committee is comprised entirely of independent directors and holds regular *in camera* sessions where management is not present. There were five such meetings in 2018.

The HSE Committee holds regular *in camera* sessions where the employee director and management are not present, except for the Director, Health, Safety and Environment, the highest level non-executive employee responsible for this area. There were four such meetings in 2018.

If the Board of Directors deems a conflict with a non-independent director in attendance, at any Board meeting, an *in camera* session would be held without that director. Essential maintains a majority of independent directors and there are procedures to ensure the Board of Directors is able to, and does, function independently of management.

***Disclose whether or not the chair of the Board of Directors is an independent director. If the Board of Directors 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. If the Board of Directors has neither a chair that is independent nor a lead director that is independent, describe what the Board of Directors does to provide leadership for its independent directors.***

The chairman of the Board of Directors (“**Board Chair**”) is Mr. Banister and he is an independent director. The Board Chair’s primary role is to manage the Board of Directors and ensure that the Board of Directors is organized properly and functions effectively to meet its obligations and responsibilities. The Board Chair works with the President and Chief Executive Officer of Essential to ensure effective relations with members of the Board of Directors, Shareholders, other stakeholders and the public.

***Disclose the attendance record of each director for all Board of Director meetings held since the beginning of the issuer’s most recently completed financial year.***

The attendance record for each director of Essential since the beginning of the most recently completed financial year is indicated in the following table.

Name	2018 Board Meetings Attended	2019 Board Meetings Attended <sup>(1)</sup>
Garnet Amundson	8 of 8	1 of 1
James Banister	8 of 8	1 of 1
Michael Black	8 of 8	1 of 1
Robert German	8 of 8	1 of 1
Nicholas Kirton	8 of 8	1 of 1
Robert Michaleski	8 of 8	1 of 1

Note:

(1) From January 1, 2019 to March 6, 2019.

## **Board Mandate**

***Disclose the text of the Board of Directors’ written mandate. If the Board of Directors does not have a written mandate, describe how the Board of Directors delineates its role and responsibilities***

The mandate of the Board of Directors is attached as Appendix “A”.

## **Position Descriptions**

***Disclose whether or not the Board of Directors has developed written position descriptions for the Board Chair and the chair of each committee of the Board of Directors. If the Board of Directors has not developed written position descriptions for the Board Chair and/or the chair of each committee of the Board of Directors, briefly describe how the Board of Directors delineates the role and responsibilities of each such position.***

The Board of Directors has developed written position descriptions or terms of reference for the Board Chair and the chair of each committee of the Board of Directors (which include terms of reference for the chair for each of the Audit Committee, the C&G Committee and the HSE Committee).

***Disclose whether or not the Board of Directors and Chief Executive Officer have developed a written position description for the Chief Executive Officer. If the Board of Directors and the Chief Executive Officer have not developed such a position description, briefly describe how the Board of Directors delineates the role and responsibilities of the Chief Executive Officer.***

The Board of Directors and the President and Chief Executive Officer have developed a written position description referred to as the Terms of Reference for the President and Chief Executive Officer.

### **Orientation and Continuing Education**

*Briefly describe what measures the Board of Directors takes to orient new directors regarding:*

- (i) the role of the Board of Directors, its committees and its directors; and*
- (ii) the nature and operation of the issuer's business.*

The Board of Directors has a Charters and Policies Manual that provides guidance to the Board of Directors, the Board Chair and the various committees of the Board of Directors and their respective chairman on various corporate governance matters. It also serves as a primary source of information concerning governance and the mandate of the Board of Directors and its committees. The Charters and Policies Manual includes each of the following items:

- Mandates for the Board of Directors and each committee of the Board of Directors;
- Position descriptions and terms of reference for the Board Chair, each committee chair, the directors, and the President and Chief Executive Officer;
- Governance Guidelines;
- Code of Business Conduct and Ethics (“**Corporate Code of Conduct**”);
- Code of Conduct and Conflict of Interest Guidelines for Directors and Officers (“**Code for Directors and Officers**”);
- Disclosure and Confidentiality Policy;
- Insider Trading Policy;
- Privacy Policy; and
- Whistleblower Policy.

New directors are invited to meet with senior management to learn about the business and may be invited to sit as an observer at the Board of Directors meeting and relevant committee meetings just prior to their anticipated approval as a director. Members of the Board of Directors are also encouraged to attend relevant third-party development courses. Through these means, the Board of Directors attempts to ensure that all new directors receive a comprehensive orientation regarding both the business of Essential and the duties of a director.

*Briefly describe what measures, if any, the Board of Directors takes to provide continuing education for its directors. If the Board of Directors does not provide continuing education, describe how the Board of Directors ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.*

The President and Chief Executive Officer and the management team provide regular written and verbal updates to the Board of Directors to keep the directors apprised of current industry conditions and business operations on a historical and prospective basis. Members of the Board of Directors are encouraged to communicate with management, auditors and industry contacts to keep themselves current with industry trends and developments and changes in regulations and legislation.

The C&G Committee makes recommendations regarding ongoing professional development programs for directors and directors are encouraged to participate in continuing education programs that are focused on enhancing individual director’s skills and abilities as directors and maintaining and enhancing the currency of their knowledge and understanding of Essential’s business.

A Board of Directors’ field education day was held in April 2017 for the directors to visit the operations facility in Red Deer, Alberta, view equipment and meet operational managers.

Many of the directors pursue continuing education by attending professional and industry association seminars and workshops.



## **Ethical Business Conduct**

***Disclose whether or not the Board of Directors has adopted a written code for the directors, officers and employees. If the Board of Directors has adopted a written code:***

- (i) disclose how a person or company may obtain a copy of the code;***
- (ii) describe how the Board of Directors monitors compliance with its code, or if the Board of Directors does not monitor compliance, explain whether and how the Board of Directors satisfies itself regarding compliance with its code; and***
- (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.***

Essential has the Corporate Code of Conduct that is applicable to Essential's directors, officers and employees and the Code for Directors and Officers which is applicable to Essential's directors and officers. The Corporate Code of Conduct and/or the Code for Directors and Officers, as applicable, is made available to all employees and can also be accessed on the Essential website at [www.essentialenergy.ca](http://www.essentialenergy.ca) and via SEDAR at [www.sedar.com](http://www.sedar.com). Essential requires regular sign-off of the Code for Directors and Officers or the Corporate Code of Conduct, as applicable, by the members of the Board of Directors, officers, Calgary office employees and certain operational managers.

Employees with questions about the Corporate Code of Conduct are encouraged to refer the matter to their Divisional Director, General Manager, Chief Financial Officer, Corporate Secretary, President and Chief Executive Officer or the Chair of the C&G Committee. Employees and directors are required to promptly report violations to the President and Chief Executive Officer or the Chair of the C&G Committee. All reports will be reviewed and if appropriate, investigated in a discreet, confidential, professional, unbiased and timely manner. Any violations of the Corporate Code of Conduct or the Code for Directors and Officers may result in disciplinary action, up to and including termination of employment.

The Code for Directors and Officers provides that any nominee director must disclose to the C&G Committee all interests and relationships that the nominee director is aware of at the time which will or may give rise to a conflict of interest. If such interest or relationship arises while the individual is a director, there is a positive onus on the director to disclose relevant facts to the Corporate Secretary or the Board Chair. Each director is also required by the Code for Directors and Officers to report any known or suspected breach of the Corporate Code of Conduct to the Board Chair and is regularly required to review and sign a copy of the Code for Directors and Officers.

Neither the President and CEO nor the Chair of the C&G Committee is aware of any conduct of a director or officer that constitutes a departure from the Code for Directors and Officers requiring the filing of a material change report since the beginning of the Company's most recently completed financial year.

***Describe any steps the Board of Directors takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.***

In accordance with the Act, directors who are a party to or are a director or an officer of a party to a material contract or material transaction with Essential are required to disclose the nature and extent of their interest and are not permitted to vote on any resolution to approve the contract or transaction. See "Conflicts of Interest" in the Annual Information Form for further information regarding potential conflicts of interests involving members of the Board of Directors.

***Describe any other steps the Board of Directors takes to encourage and promote a culture of ethical business conduct.***

As discussed above, the Corporate Code of Conduct, which is applicable to all employees, sets out certain common values under which Essential and its employees conduct the Company's business. This Corporate Code of Conduct,

which is promoted by management, is intended to create a positive image of Essential by promoting high ethical standards in all aspects of the Company's business.

## **Nomination of Directors**

### ***Describe the process by which the Board of Directors identifies new candidates for nomination to the Board of Directors.***

The nominees for directors are initially considered and recommended by the C&G Committee, after consultation with the President and Chief Executive Officer, to the Board of Directors, approved by the Board of Directors and appointed annually by the Shareholders. Selection of nominees for election takes into consideration such matters that the C&G Committee and the Board of Directors deem relevant including any gaps in competencies and skills of the Board of Directors and the competencies and skills each nominee will bring to the Board of Directors along with the ability of any such nominee to devote sufficient time and resources to their duties as a member of the Board of Directors. In accordance with the mandate of the Board of Directors, the Board's set of criteria for addressing composition of the Board includes the present and anticipated skill set needed by the Board, experience, ethics, education, time availability, involvement in activities that conflict with Essential's business, term and the number of other directorships held. Other matters may be included that vary from time to time.

### ***Disclose whether or not the Board of Directors has a nominating committee composed entirely of independent directors. If the Board of Directors does not have a nominating committee composed entirely of independent directors, describe what steps the Board of Directors takes to encourage an objective nomination process.***

The C&G Committee, comprised entirely of independent directors, carries out some of the duties of a nominating committee and the full Board of Directors acts as a committee in respect of ultimately nominating candidates for election to the Board of Directors. The C&G Committee makes nominee recommendations to the Board of Directors and the Board of Directors as a whole approves nominees to the Board of Directors. Full Board discussion and approval encourages an objective and robust nomination process.

The C&G Committee is required to perform the following duties in respect of its governance mandate related to nomination to the Board of Directors and composition of the Board of Directors:

- (a) develop, and annually update, a long-term plan for Board composition that takes into consideration the current strengths, skills and experience on the Board, retirement dates and the strategic direction of Essential;
- (b) develop recommendations regarding the essential and desired experiences and skills for potential directors, taking into consideration the Board's short-term needs and long-term succession plans including considering the competencies and skills the Board, as a whole, should possess and the competencies and skills each existing member of the Board of Directors possesses;
- (c) in consultation with the Board Chair and the Chief Executive Officer, recommend to the Board of Directors nominees for election as members of the Board taking into consideration such matters as the C&G Committee deems relevant including the matters referred to above, and the competencies and skills each new nominee will bring to the Board and the ability of any such new nominee to devote sufficient time and resources to his or her duties as a member of the Board; and
- (d) evaluate regularly the effectiveness and contribution of the Board, the Board Chair and the chair of each committee and the effectiveness and contribution of individual directors, having regard for the mandate of the Board and position description, the results of surveys of the directors, attendance at Board and committee meetings, overall contribution and, in the case of individual directors, the competencies and skills the individual director is expected to bring to the Board.

## Compensation

***Describe the process by which the Board of Directors determines the compensation for the issuer's directors and officers.***

The C&G Committee has the responsibility to annually review the directors' and officers' compensation program and make any recommendations to the Board of Directors for approval. Further details are outlined in the "Director Compensation" section and the "Executive Compensation" section of this Circular.

***Disclose whether or not the Board of Directors has a compensation committee composed entirely of independent directors. If the Board of Directors does not have a compensation committee composed entirely of independent directors, describe what steps the Board of Directors takes to ensure an objective process for determining such compensation.***

The mandate of the C&G Committee includes compensation matters. The C&G Committee is comprised entirely of independent directors.

***If the Board of Directors has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.***

The purpose of the C&G Committee as it relates to compensation matters is to assist the Board of Directors in fulfilling its oversight obligations relating to human resource and compensation matters including succession planning for senior management. The C&G Committee will also review and/or approve any other matters specifically delegated to the C&G Committee by the Board of Directors.

Subject to the powers and duties of the Board of Directors, the C&G Committee is required to perform the following duties in respect of its compensation mandate:

- (a) recommend a performance evaluation process and metrics for the Chief Executive Officer and receive the Board Chair's evaluation of the Chief Executive Officer;
- (b) review and recommend to the Board of Directors for approval the Chief Executive Officer's compensation including incentives, bonuses and benefit plans;
- (c) review the recommendations of the Chief Executive Officer and recommend to the Board of Directors for approval of the executive team's compensation including incentives, bonuses and benefit plans;
- (d) establish and review annually the compensation philosophy, guidelines and plans for Essential employees and executives in conjunction with periodic reviews of peer group compensation policies to permit effective comparison with those of Essential;
- (e) review and approve the recommendations of the Chief Executive Officer regarding compensation including incentives, bonuses and benefit plans for Essential employees other than the executive team and the Chief Executive Officer;
- (f) recommend to the Board of Directors any long-term incentive plan grant for the executive team, the Chief Executive Officer and the Board of Directors;
- (g) review and approve the recommendation of the Chief Executive Officer regarding any long-term incentive plan grant and long-term incentive plan pools for Essential employees other than the executive team and the Chief Executive Officer;
- (h) recommend to the Board of Directors any incentive compensation plans and equity-based plans, including but not limited to the Share Option Plan, the RSU Plan and the DSU Plan;

- (i) review annually the succession plan for the Chief Executive Officer position and recommend such plan to the Board of Directors;
- (j) review with the Chief Executive Officer existing management resources and plans, including recruitment and training programs, to ensure that qualified personnel are attracted and developed with a view toward becoming available for succession to executive positions at Essential and key officer positions in its major subsidiaries, and report on this matter to the Board of Directors at least once each year;
- (k) review and recommend to the Board of Directors for approval, all executive compensation information for inclusion in public disclosure documents; and
- (l) review annually director compensation and recommend compensation terms that adequately reflect the responsibilities of the Board of Directors, the Board Chair, committee chairs and members.

The C&G Committee has the power to retain special legal, accounting, financial or other consultants or advisors to advise the C&G Committee, at Essential's expense, including a compensation consultant or advisor.

### **Other Board Committees**

***If the Board of Directors has standing committees other than the Audit and Compensation and Governance Committees, identify the committees and describe their function.***

In addition to the committees set out above, the Board of Directors also has an HSE Committee. The primary function of this committee is to assist the Board of Directors in carrying out its oversight and due diligence responsibilities by reviewing, reporting and making recommendations to the Board of Directors on the development and implementation of the policies, standards and practices of Essential with respect to health, safety and the environment.

In addition to the disclosure contained in this document, please see Essential's Annual Information Form for the year ended December 31, 2017 filed on SEDAR at [www.sedar.com](http://www.sedar.com) for further details regarding the Audit Committee and the mandate of the Audit Committee of Essential.

### **Assessments**

***Disclose whether or not the Board of Directors, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board of Directors satisfies itself that the Board of Directors, its committees, and its individual directors are performing effectively.***

The Board of Directors conducts an annual performance assessment of its overall performance, committee performance and individual self-assessments by each director. The objective of the review is to contribute to a process of continuous improvement in the Board of Directors' execution of its responsibilities. The assessments are conducted using a questionnaire that has been approved by, and then administered by the C&G Committee. The review has regard to the mandate of the Board of Directors and the applicable committees and identifies areas where the directors believe the Board of Directors could improve their collective contribution to overseeing the business and operation of Essential. The Board members also self-assess their effectiveness, contribution and competencies, as individual directors.

### **Director Term Limits and Other Mechanisms of Board Renewal**

***Disclose whether or not the Board of Directors has adopted term limits for the directors or other mechanisms of Board renewal, and if so, include a description of those director term limits or other mechanisms of Board renewal. If not, disclose why it has not done so.***

Essential has not adopted director term limits. The Board of Directors does not believe that tenure of a director is necessarily a predictor of director effectiveness. Through the annual Board assessment process (discussed above in the section "Assessments"), the Board of Directors rigorously assess the effectiveness, contributions, competencies

and skills of the individual directors and the Board as a whole with a view to identifying any gaps in skills and competencies considered most relevant for Board renewal considerations.

### **Policies Regarding the Representation of Women on the Board**

*Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women directors. If not, disclose why it has not done so.*

Essential has adopted a Board Diversity Policy (“**Diversity Policy**”) to take into account diversity considerations such as business experience, geographic representation, age, gender and ethnicity for Board composition. This is intended to promote the inclusion of different perspectives and ideas, mitigate against groupthink and ensure Essential has the opportunity to benefit from all available talent.

### **Consideration Given to the Representation of Women in the Director Identification and Selection Process**

*Disclose whether and, if so, how the Board or nominating committee considers the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board, and if not, disclose the issuer’s reasons for not doing so.*

The C&G Committee and the Board of Directors go through a rigorous process when considering a nominee director including an evaluation of the skills and experience of the current directors, determining the gaps in skills and experience that exist and finding potential candidates to fill those gaps and round out the skills and experience of the Board of Directors as a whole. When identifying suitable candidates for appointment or re-election to the Board of Directors, the Company will consider candidates on merit against objective criteria having due regard to the competencies, expertise, skills, background and other qualities identified from time to time by the Board of Directors as being important, in addition to the benefits of diversity and the needs of the Board of Directors.

Under the Diversity Policy, any search to identify candidates for appointment to the Board of Directors will include women candidates. The C&G Committee, or the Board of Directors, in addition to its own search, may engage qualified independent advisors to assist in identifying prospective director candidates that meet the selection criteria established by the Board and that support the Company’s diversity objectives.

### **Consideration Given to the Representation of Women in Executive Officer Appointments**

*Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer’s reasons for not doing so.*

Executive management does not specifically focus on having a certain representation of women in executive officer positions. When making executive officer appointments, the skills and experiences of the candidates are considered without specifically targeting a male or female candidate. The successful candidate is the one with the desired mix of skills and experience, regardless of the individual’s gender. Essential has had one female vice-president since 2013.

### **Issuer’s Targets Regarding the Representation of Women on the Board and in Executive Officer Positions**

*Disclose whether the issuer has adopted a target regarding women on the issuer’s board. If not, disclose why it has not done so.*

Essential has not adopted a target regarding the number of women on the Board of Directors. As discussed above, the C&G Committee and the Board of Directors focus on the best combination of skills and experience for the position rather than setting a specific target based on gender. Any search to identify candidates for appointment to the Board of Directors will include women candidates.

The Board of Directors do not believe it is in the Company’s best interest to implement arbitrary targets in determining the most qualified Board members.

***Disclose whether the issuer has adopted a target regarding women in executive officer positions of the issuer. If not, disclose why it has not done so.***

Essential has not adopted a target regarding women in executive officer positions. As discussed above, senior management focuses on the best combination of skills and experience for the position rather than setting a specific target based on gender.

The Board of Directors and executive management do not believe it is in the Company's best interest to implement arbitrary targets in determining the most qualified executive officers.

#### **Number of Women on the Board and in Executive Officer Positions**

***Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women.***

Essential has no (0%) women on the Board of Directors.

***Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.***

Essential has one woman in an executive officer position, representing 20% of the executive officers, at March 6, 2019. The position held by the woman is Vice President, Investor Relations and Corporate Secretary.

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

None of the directors, nominee directors or senior officers of Essential, nor any of their associates, or affiliates is now or has been indebted to Essential or any of its subsidiaries since the commencement of the last completed fiscal year, other than for routine indebtedness, nor is, or at any time since the beginning of the most recently completed financial year of Essential has, any indebtedness of any such person been subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Essential or any of its subsidiaries.

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

There were no material interests, direct or indirect, of directors and officers of Essential, nominees for director, any Shareholder who beneficially owns more than 10% of the Shares, any other informed person (as defined in NI 51-102), or any known associate or affiliate of such persons, in any transaction since the beginning of Essential's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect Essential or any of their respective subsidiaries other than as set forth herein.

#### **OTHER MATTERS**

Essential knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

#### **ADDITIONAL INFORMATION**

Additional information relating to Essential is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial and other information with respect to Essential is provided in Essential's annual audited consolidated financial statements for the year ended December 31, 2018 and the related management's discussion and analysis. Copies of Essential's financial statements and related management discussion and analysis are available upon request from Essential at Essential Energy Services Ltd., Livingston Place West, 1100, 250 - 2<sup>nd</sup> Street S.W., Calgary, Alberta T2P 0C1, attention: Corporate Secretary, by telephone at (403) 513-7272 or by email at [service@essentialenergy.ca](mailto:service@essentialenergy.ca). This information is also accessible on Essential's website at [www.essentialenergy.ca](http://www.essentialenergy.ca).

**(a) NON-IFRS MEASURE**

This Circular contains reference to the measure EBITDAS, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. EBITDAS is defined as earnings before finance costs, income taxes, depreciation, amortization, transaction costs, losses or gains on disposal of equipment, write-down of assets, impairment loss, foreign exchange gains or losses, and share-based compensation, which includes both equity-settled and cash-settled transactions. EBITDAS is calculated on a continuing operations basis for 2016, 2017 and 2018 to reflect the sale of the service rig business in 2016 as discontinued operations. EBITDAS was not restated in 2014 and 2015. A reconciliation of EBITDAS is provided for 2014 to 2018.

(in thousands of dollars)	2018	2017	2016
EBITDAS from continuing operations	\$19,719	\$18,609	\$(9,169)
Share based compensation	(1,311)	4,201	2,758
Other expense	(1,406)	708	2,510
EBITDA from continuing operations	22,436	13,700	(14,437)
Depreciation and amortization	15,075	15,774	17,110
Write-down of assets	17,921	-	-
Impairment loss	-	-	51,241
Finance costs	1,259	1,233	1,263
Loss before income tax from continuing operations	(11,819)	(3,307)	(84,051)
Total income tax recovery	(3,041)	(283)	(21,429)
Net loss from continuing operations	\$(8,778)	\$(3,024)	\$(62,622)

(in thousands of dollars)	2015	2014
EBITDAS	\$21,460	\$67,596
Share-based compensation	839	1,589
Impairment loss	13,214	47,164
Other expense	3,467	2,586
EBITDA	3,940	16,257
Depreciation and amortization	25,724	27,042
Finance costs	1,340	1,812
Loss before income tax	(23,124)	(12,597)
Total income tax (recovery) expense	(639)	10,225
Net loss	\$(22,485)	\$(22,822)

## **APPENDIX “A”**

### **MANDATE OF THE BOARD OF DIRECTORS**

In the Mandate of the Board, the following words and phrases shall have the meanings ascribed thereto:

**"Auditor"** means an external auditor to Essential;

**"Board"** or **"Board of Directors"** or **"Directors"** means the board of directors of the Corporation;

**"Board Chair"** refers to the chair of the Board, or to any lead director who is an independent director elected by peers to act as lead director;

**"Chairs"** or **"Committee Chairs"** refer to chairs of any Committee of the Corporation;

**"Chief Executive Officer"** means the President and Chief Executive Officer of Essential Energy Services Ltd.;

**"Committees"** means the committees of the Board;

**"Corporation"** means Essential Energy Services Ltd.;

**"Essential"** means, collectively, the Corporation and its subsidiaries and affiliated entities;

**"Executive Officers"** or **"Officers"** means the executive officers of the Corporation;

**"Mandate"** means the mandate of the Board of Directors of the Corporation;

**"Shares"** means shares of the Corporation.

#### **Introduction to Stewardship Duties**

The purposes and responsibilities outlined in this Mandate and accompanying Board materials are meant to serve as guidelines rather than inflexible rules and the Board may adopt such additional procedures and standards as it deems necessary from time to time to fulfil its responsibilities.

The Board is responsible to shareholders and others for the stewardship of Essential. The Board is responsible to oversee management of the business affairs of the Corporation and to act with a view to the best interests of the Corporation, growing value and maximizing return to shareholders.

The Board has plenary power with respect to the Corporation. Any responsibility not delegated to management or a Committee of the Board remains with the Board.

#### **General Legal Obligations of the Board**

1. The Board is responsible for the following legal matter oversight:
  - (a) overseeing management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained;
  - (b) approving changes in the By-laws, Articles of Incorporation, matters requiring shareholder or shareholder approval, and agendas for shareholder and shareholder meetings;
  - (c) approving Essential's legal structure, names and brands, mission statement and vision statement, and any amendments thereto;



- (d) overseeing management to ensure compliance by the Corporation with all applicable securities laws, including continuous disclosure obligations and in relation to an offering of securities of the Corporation; and
  - (e) overseeing management to ensure compliance by the Corporation with stock exchange rules.
2. The following business matters are the responsibility of the Board generally:
- (a) to oversee the management of the business and affairs of Essential including the relationships among the Corporation and its respective affiliates with their executives, affiliates, shareholders, Directors and officers;
  - (b) to act honestly and in good faith with a view to the best interests of Essential;
  - (c) to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
  - (d) to act in accordance with its obligations contained in the *Business Corporations Act* (Alberta), the *Securities Act* of each province and territory of Canada, other relevant legislation, regulations and policies, and the Corporation's Articles and By-laws;
  - (e) in particular, it should be noted that the following matters must be considered by the Board as a whole:
    - (i) submit to the shareholders of the Corporation any question or matter requiring the approval of the shareholders of the Corporation;
    - (ii) fill a vacancy among the Directors or in the office of Auditor;
    - (iii) issue securities except in the manner and on the terms permitted by law and authorized by the Board;
    - (iv) declare dividends;
    - (v) purchase, redeem or otherwise acquire Shares;
    - (vi) the payment of a commission to any person in consideration of that person purchasing or agreeing to purchase Shares;
    - (vii) approve management proxy circulars;
    - (viii) approve take-over bid circulars or Directors' circulars;
    - (ix) approve any financial statements; or
    - (x) adopt, amend or repeal By-laws of the Corporation.

### **Composition and Board Organization**

Nominees for Directors are initially considered and recommended by the Compensation and Governance Committee of the Board, approved by the entire Board and appointed annually by the Corporation, in accordance with the direction given to the Corporation by vote of the shareholders of the Corporation.

The appropriate number of Directors from time to time will be determined to fairly reflect the investment in Essential by those shareholders other than a significant shareholder or significant group of shareholders.

A majority of Directors comprising the Board must qualify as "independent" Directors in accordance with the definition of "independent" Director from time to time under the requirements or guidelines for Board service under

applicable securities laws and the rules of any stock exchange on which the Shares are listed for trading. On at least an annual basis, the Board will conduct an analysis and make a determination as to the "independence" of each Board member.

Certain of the responsibilities of the Board referred to herein may be delegated to Committees of the Board. The responsibilities of those Committees will be as set forth in their respective mandates, as amended from time to time.

The Board's set of criteria for addressing composition of the Board will include the present and anticipated skill set needed by the Board, experience, ethics, education, time availability, involvement in activities that conflict with Essential's business, term and the number of other directorships held. Other matters may be included that vary from time to time.

### **Duties and Responsibilities**

#### **3. Managing the Affairs of the Board and Governance**

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. The legal obligations of the Board are described under the heading "General Legal Obligations of the Board". Subject to these legal obligations and to the Articles and By-laws of the Corporation, the Board retains the responsibility for managing its own affairs, including:

- (a) developing the Board's approach to governance, including the development and maintenance of the Board Manual and the Governance Guidelines, which may be delegated to the Compensation and Governance Committee;
- (b) planning its composition and size;
- (c) selecting the Board Chair, or, as applicable, a "Lead Director";
- (d) nominating candidates for election to the Board;
- (e) appointing Committees;
- (f) determining Director compensation;
- (g) developing position descriptions or terms of reference for the Board Chair and the Chair of each Committee of the Board, as well as for the President, Chief Executive Officer and for individual Directors; and
- (h) assessing the effectiveness of the Board itself, Committees and individual Directors in fulfilling their responsibilities at least annually.

#### **4. Management and Human Resources**

The Board has oversight responsibility for:

- (a) the appointment and succession of the Chief Executive Officer and evaluating the Chief Executive Officer's performance, approving Chief Executive Officer compensation and providing advice and counsel to the Chief Executive Officer in the execution of the Chief Executive Officer's duties;
- (b) satisfying itself as to the integrity of the Chief Executive Officer and that the Chief Executive Officer and other Executive Officers create a culture of integrity throughout the organization;
- (c) approving a position description or terms of reference for the Chief Executive Officer;

- (d) reviewing Chief Executive Officer performance at least annually against agreed upon written goals and objectives that the Chief Executive Officer is responsible for meeting and that have been approved by the Board;
- (e) approving decisions relating to senior management, including appointment and discharge of Officers, compensation and benefits for the Chief Executive Officer, acceptance of outside directorships on public companies by Executive Officers (other than not-for-profit organizations), and special arrangements with Executive Officers, or other employee groups;
- (f) ensuring succession planning programs are in place, including programs to train and develop management; and
- (g) approving certain matters relating to all employees, including:
  - (i) the annual salary policy/program for employees;
  - (ii) new benefit programs or material changes to existing programs; and
  - (iii) material benefits granted to retiring employees outside of benefits received under any approved pension and other benefit programs.

## 5. Strategy and Plans

The Board has oversight responsibility to:

- (a) participate with management in the development of, and ultimately approve, Essential's strategic plan, which strategic plan will take into account, among other things, the opportunities and risks of the business;
- (b) approve the annual business plans that enable Essential to realize its objectives;
- (c) approve annual capital and operating budgets that support Essential's ability to meet its strategic objectives;
- (d) approve any political or charitable donations policy or budget;
- (e) approve the entering into, or withdrawing from, lines of business or geographic markets that are, or are likely to be, material to Essential;
- (f) approve financial and operating objectives used in determining compensation if they are different from the strategic, capital or operating plans referred to above;
- (g) approve material divestitures and acquisitions;
- (h) approve major leases; and
- (i) monitor Essential's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances.

## 6. Financial and Corporate Issues

The Board has oversight responsibility to:

- (a) take reasonable steps to ensure the implementation and integrity of Essential's internal control and management information systems;
- (b) monitor operational and financial results;

- (c) approve the Audit Committee recommendation to recommend appointment of external Auditors and approve Auditors' fees;
- (d) approve annual and quarterly financial results as approved by the Audit Committee and to approve release thereof by management;
- (e) approve any management proxy circular, annual information form and any documents incorporated by reference therein;
- (f) approve dividends in respect of the Shares;
- (g) approve financings, changes in authorized capital, issue and repurchase of Shares, issue, reissue, sell or pledge debt obligations of the Corporation, listing of Shares and other securities, issue of commercial paper, and related prospectuses;
- (h) approve banking resolutions and significant changes in banking relationships;
- (i) review coverage, deductibles and key issues regarding corporate insurance policies;
- (j) approve contracts, arrangements or commitments that may have a material impact on Essential;
- (k) approve the commencement or settlement of litigation that may have a material impact on Essential; and
- (l) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation owned or subsequently acquired to secure any obligation of the Corporation.

## 7. Business and Risk Management

The Board has oversight responsibility for the following functions, which may be delegated to one or more Committees of the Board:

- (a) ensure management identifies the principal business and financial risks and implements appropriate systems to manage these risks;
- (b) ensure management procures appropriate insurance including Director and officer insurance;
- (c) review operating and financial performance relative to budgets or objectives;
- (d) receive reports from management on matters relating to, among others, ethical conduct, environmental management, employee health and safety, human rights, and related party transactions;
- (e) to the extent the same have not been delegated to the Audit Committee, assess and monitor management control systems:
  - (i) assess information provided by management and others (e.g., external Auditors) about the effectiveness of management control systems; and
  - (ii) understand principal risks and review whether Essential achieves a proper balance between risk and returns, and that management ensures that systems are in place to address the risks identified.
- (f) monitor Essential's risk management process.

8. Policies and Procedures

The Board has oversight responsibility to:

- (a) approve and monitor compliance with all significant policies and procedures by which Essential is operated;
- (b) direct management to ensure Essential operates at all times within applicable laws and regulations and according to the Code of Conduct adopted by Essential; and
- (c) review significant new corporate policies or material amendments to existing policies.

9. Compliance Reporting and Communications

The Board has oversight responsibility to:

- (a) ensure Essential has in place effective communication processes with its shareholders and other stakeholders and financial, regulatory and other recipients;
- (b) approve interaction with shareholders on all items requiring shareholder response or approval;
- (c) ensure that the financial performance of the Corporation is reported to shareholders, other securityholders and regulators in compliance with applicable law and regulations on a timely and regular basis, fairly and in accordance with generally accepted accounting principles;
- (d) ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation; and
- (e) report annually to shareholders on the Board governance for the preceding year.

10. Standards of Liability

Nothing contained in this Mandate is intended to expand applicable standards of liability under statutory, regulatory, common law or any other legal requirements for the Board or members of its Committees. The purposes and responsibilities outlined in this Mandate and accompanying Board materials are meant to serve as guidelines rather than inflexible rules and the Board may adopt such additional procedures and standards as it deems necessary from time to time to fulfil its responsibilities.

## APPENDIX “B”

### AMENDED AND RESTATED BY-LAW NO. 1

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

#### ESSENTIAL ENERGY SERVICES LTD.

(hereinafter called the “Corporation”).

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

#### Division 1 INTERPRETATION

##### 1.01 Definitions

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

- (a) “**Act**” means the *Business Corporations Act* (Alberta), including the regulations made thereunder, as from time to time amended, and every statute that may be substituted therefore and, in the case of such substitution, any references in the by-laws of the Corporation to provisions of the Act shall be read as references to the substituted provisions therefor in the new statute or statutes;
- (b) “**appoint**” includes “elect” and vice versa;
- (c) “**articles**” means the articles of incorporation or continuance of the Corporation, as from time to time amended or restated;
- (d) “**board**” means the board of directors of the Corporation;
- (e) “**business day**” means a day which is not a non-business day;
- (f) “**by-laws**” means this by-law and all other by-laws of the Corporation from time to time in force and effect;
- (g) “**close of business**” means 4:30 p.m. (Calgary time) on a business day;
- (h) “**electronic means**” means electronic means, telephone or other communication facility that permit all participants to hear each other and to otherwise communicate adequately with each other during a meeting;
- (i) “**lead independent director**” means a director of the Corporation appointed as such by virtue of Section 8.03;
- (j) “**meeting of shareholders**” includes an annual and a special meeting of shareholders;
- (k) “**NI 52-110**” means National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators;
- (l) “**non-business day**” means a Saturday, Sunday and any other day that is a holiday as defined in the *Interpretation Act* (Alberta);
- (m) “**SEDAR**” means the System for Electronic Document Analysis and Retrieval;

- (n) **“signing officer”** means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by virtue of Section 2.02 or by a resolution passed pursuant thereto; and
- (o) **“special meeting of shareholders”** means a meeting of any particular class or classes of shareholders and a meeting of all shareholders entitled to vote at any annual meeting of shareholders at which special business is to be transacted.

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

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

Division 2  
GENERAL BUSINESS

2.01 Registered Office and Separate Records Office

The registered office of the Corporation shall be at such location as the board may from time to time determine. The records office will be at the registered office or shall be at such other place as the board may from time to time determine.

2.02 Execution of Instruments

Unless otherwise authorized by the board, deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any one director or officer. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed. Any signing officer may affix the corporate seal to any instrument requiring the same, but no instrument is invalid merely because the corporate seal is not affixed thereto.

2.03 Banking Arrangements

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

2.04 Voting Rights in Other Bodies Corporate

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

Division 3  
BORROWING AND SECURITIES

3.01 Borrowing Power

Without limiting the borrowing powers of the Corporation provided by the Act, the board may, without authorization of the shareholders:

- (a) borrow money on the credit of the Corporation;
- (b) issue, reissue, sell or pledge debt obligations of the Corporation;
- (c) subject to the Act, give a guarantee on behalf of the Corporation to secure performance of an obligation of any person, and;
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.

3.02 Delegation

The board may from time to time delegate by resolution, to a signing officer or a committee of the board, all or any of the powers conferred on them by Section 3.01 or by the Act, to such extent and in such manner as the board shall determine at the time of each such delegation.

Division 4  
DIRECTORS

4.01 Number

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

4.02 Election and Term

The election of directors shall take place at each annual meeting of shareholders and all the directors then in office shall retire but, if qualified, shall be eligible for re-election. Unless the shareholders otherwise determine, the number of directors, including the number to be elected at any annual meeting, shall be the number of directors then in office or such other number as may be determined by the board. The election shall be by resolution. If an election of directors is not held at the proper time, the incumbent directors shall continue in office until their successors are elected.

4.03 Removal of Directors

Subject to the Act, the shareholders may by resolution passed at a meeting of shareholders specially called for such purpose remove any director from office and the vacancy created by such removal may be filled at the same meeting, failing which it may be filled by the board.

4.04 Consent

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

- (a) they were present at the meeting when they were elected or appointed and did not refuse to act as a director,  
or
- (b) if they were not present at the meeting when they were elected or appointed:



- (i) they consented in writing to act as a director before their election or appointment or within ten days after it, or
  - (ii) they have acted as a director pursuant to the election or appointment.
- (c) they have signed a resolution of the board.

#### 4.05 Vacation of Office

A director of the Corporation ceases to hold office when:

- (a) they die or resign;
- (b) they are removed from office in accordance with the Act;
- (c) they become disqualified under the Act; or
- (d) their written resignation is sent or delivered to the Corporation, or, if a time is specified in such resignation, at the time so specified, whichever is later.

#### 4.06 Remuneration and Expenses

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

#### 4.07 Vacancies

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

#### 4.08 Action by the Board

The board shall manage the business and affairs of the Corporation. Notwithstanding a vacancy among the directors, a quorum of directors may exercise all the powers of the directors. If the Corporation has only one director, that director may constitute a meeting.

### Division 5 COMMITTEES

#### 5.01 Committee of Directors

The directors may appoint from among their number a committee of directors, however designated, of which at least one quarter of the members must be resident Canadians and, subject to the Act, may delegate to the chief executive officer or such committee any of the powers of the directors. A committee may be comprised of one director.

#### 5.02 Transaction of Business of Committee

Subject to the provisions of this by-law with respect to participation in a meeting by electronic means, the powers of a committee of directors may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all of the members of such committee who would have been entitled to vote on that resolution at a

meeting of the committee. Meetings of such committee may be held at any place in or outside Alberta and may be called by any one member of the committee giving notice in accordance with the by-laws governing the calling of meetings of the board.

5.03 Procedure

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

Division 6  
MEETINGS OF DIRECTORS

6.01 Place of Meeting

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

6.02 Notice of Meeting

Unless the board has made regulations otherwise, meetings of the board may be summoned on 24 hours' notice, given in the manner set out in Division 14 provided, however, that a director may, in any manner and either before or after the meeting, waive notice of a meeting and attendance of a director at a meeting of the board shall constitute a waiver of notice of the meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

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

6.03 Adjourned Meeting

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

6.04 Calling of Meetings

Meetings of the board shall be held from time to time at such time and at such place or by way of electronic means, as the board, the chair of the board, the lead independent director, the chief executive officer or any two directors may determine. Should more than one of the above-named call a meeting at or for substantially the same time, there shall be only one meeting held and such meeting shall occur at the time and place determined by, in order of priority, the board, any two directors, the chair, the lead independent director or the chief executive officer.

6.05 Regular Meetings

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

6.06 Chair

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

6.07 Quorum

Subject to Section 6.08, the quorum for the transaction of business at any meeting of the board shall consist of a majority of the directors holding office or such greater number of directors as the board may from time to time determine.

6.08 One Quarter Canadian Representation at Meetings

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

- (a) a resident Canadian director who is unable to be present approves in writing or by electronic means the business transacted at the meeting; and
- (b) the number of resident Canadian directors present at the meeting, together with any resident Canadian director who gives their approval under Clause (a), totals at least one quarter of the directors present at the meeting.

6.09 Voting

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

6.10 Meeting by Electronic Means

A director may participate in a meeting of the board or a committee of the board by electronic means, and a director participating in such meeting by such means is deemed to be present at the meeting.

6.11 Resolution in Lieu of Meeting

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

6.12 Amendments to the Act

It is hereby affirmed that the intention of Sections 5.01 and 6.08 as they relate to Canadian representation is to comply with the minimum requirements of the Act and in the event that such minimum requirements shall be amended, deleted or replaced such that no, or lesser, requirements with respect to Canadian representation are then in force, such sections shall be deemed to be correspondingly amended, deleted or replaced without any further act of the directors or shareholders of the Corporation.

Division 7

PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

7.01 Conflict of Interest

A director or officer shall not be disqualified from their office, or be required to vacate their office, by reason only that they are a party to, or is a director or officer or has a material interest in any person who is a party to: a material contract; a material transaction; a proposed material contract; or a proposed material transaction, with the Corporation or a subsidiary thereof. Such a director or officer shall, however, disclose the nature and extent of their interest in the contract or transaction at the time and in the manner provided by the Act. Subject to the provisions of

the Act, a director shall not by reason only of their office be accountable to the Corporation or to its shareholders for any profit or gain realized from such a contract or transaction, and such contract or transaction shall not be void or voidable by reason only of the director's interest therein, provided that the required declaration and disclosure of interest is properly made, the contract or transaction is approved by the directors or shareholders, if necessary, and it was fair and reasonable to the Corporation at the time it was approved and, if required by the Act, the director refrains from voting as a director on the contract or transaction.

#### 7.02 Limitation of Liability

Every director and officer of the Corporation in exercising their powers and discharging their duties shall act honestly and in good faith with a view to the best interests of the Corporation and shall exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, no director or officer for the time being of the Corporation shall be liable for the acts, neglects or defaults of any other director or officer or employee or for joining in any act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Corporation shall be placed out or invested or for any loss, conversion, misapplication or misappropriation of or any damage resulting for any dealings with any moneys, securities or other assets belonging to the Corporation or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of their respective office or trust or in relation thereto; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act or from liability for any breach thereof. The directors for the time being of the Corporation shall not be under any duty or responsibility in respect of any contract, act or transaction whether or not made, done or entered into in the name or on behalf of the Corporation, except such as shall have been submitted to and authorized or approved by the board.

No act or proceeding of any director or officer or the board shall be deemed invalid or ineffective by reason of the subsequent ascertainment of any irregularity in regard to such act or proceeding or the election, appointment or qualification of such director or officer or board.

#### 7.03 Indemnity

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

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

The Corporation shall also indemnify such persons in such other circumstances as the Act permits or requires. Nothing herein contained shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this Section 7.03.

#### 7.04 Insurance

Subject to the Act, the Corporation may purchase and maintain such insurance for the benefit of its directors and officers as the board may from time to time determine.

Division 8  
OFFICERS

8.01 Appointment

The board may, from time to time, appoint a chair of the board, chief executive officer, a chief financial officer, a president, one or more vice presidents, a secretary, a treasurer and such other officers as the board may determine. One person may hold more than one office. The board may specify the duties of and, in accordance with this by-law and subject to the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Subject to Sections 8.02 and 8.03, an officer may but need not be a director.

8.02 Chair of the Board

The chair of the board shall, when present, preside at all meetings of the board and at all meetings of shareholders. The board may specify additional duties of, and in accordance with this by-law and subject to the provisions of the Act, additional powers of such person. During the absence or disability of the chair, their duties shall be performed and their powers exercised by the lead independent director, if any, or by the chief executive officer.

8.03 Lead Independent Director

The board may from time to time appoint a lead independent director who shall be a director. The board may specify the duties of, and in accordance with this by-law and subject to the provisions of the Act, the powers of such person.

8.04 Chief Executive Officer

The chief executive officer shall have general supervision, management, direction and control of the business and affairs of the Corporation and shall see that all orders and resolutions of the board are carried into effect. The chief executive officer shall have the general powers and duties of management usually vested in the office of chief executive officer of a corporation and shall perform such other duties and possess such other authority and powers as the board may from time to time prescribe.

8.05 Chief Financial Officer

The chief financial officer shall have general financial supervision, management, direction and control of the business and affairs of the Corporation and shall see that all financial orders and related resolutions of the board are carried into effect. The chief financial officer shall have the general financial powers and duties of management usually vested in the office of chief financial officer of a corporation and shall perform such other duties and possess such other authority and powers as the board, the chief executive officer, or the chair of the board may from time to time prescribe.

8.06 President

The president shall, subject to the authority of the board, have such powers and duties as the board or chief executive officer may specify. During the absence or disability of the chief executive officer, or if no chief executive officer has been appointed, the president shall also have the powers and duties of that office; provided, however, that unless they are a director they shall not preside as chair at any meeting of the board or of a committee of directors.

8.07 Vice-President

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

#### 8.08 Secretary

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

#### 8.09 Treasurer

The treasurer shall keep proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; they shall render to the board whenever required an account of all of the Corporation's transactions, and shall perform such other duties and possess such other powers as may be prescribed by the board, the chair of the board, the chief executive officer, the president or the chief financial officer.

#### 8.10 Powers and Duties of Other Officers

Subject to the Act and except as otherwise provided by these by-laws, the powers and duties of all officers shall be such as the terms of their engagement call for or as the board or (except for those whose powers and duties are to be specified only by the board) the chief executive officer may specify. The board and (except as aforesaid) the chief executive officer may, from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the chief executive officer otherwise directs.

#### 8.11 Variation of Powers and Duties

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

#### 8.12 Remuneration and Removal

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

#### 8.13 Agents and Attorneys

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

#### 8.14 Conflict of Interest

An officer shall disclose their interest in any material contract or proposed material contract with the Corporation in accordance with Section 7.01.

8.15 Fidelity Bonds

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

Division 9  
SHAREHOLDERS' MEETINGS

9.01 Annual Meetings

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

9.02 Special Meetings

The board shall have the power to call a special meeting of shareholders at any time.

9.03 Place of Meetings

Subject to the Act and the articles of the Corporation, the board shall determine the place of the meetings of the shareholders.

9.04 Record Date for Notice

The board may, within the period prescribed by the Act or applicable law, fix in advance a date, as the record date for the determination of the shareholders entitled to receive notice of any meeting of shareholders and/or a date as the record date for the determination of the shareholders entitled to vote at such meeting. If no record date is fixed, the record date for the determination of the shareholders entitled to receive notice of the meeting shall be the close of business on the date immediately preceding the day on which the notice is given or, if no notice is given, the day on which the meeting is held.

9.05 Notice of Meeting

Notice of the time and place of each meeting of shareholders shall be given in the manner set out in Division 14 not less than 21 days and not more than 50 days before the meeting to each shareholder entitled to vote at the meeting, each director and the auditor of the Corporation. Notwithstanding Section 14.01, notice of a meeting of shareholders is deemed to be served on the day on which it was deposited in the mail. A notice of a meeting is not required to be sent to shareholders who are not registered on the records of the Corporation or its transfer agent on the record date as determined according to Section 9.04. Notice of a meeting of shareholders at which special business is to be transacted shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special resolution to be submitted to the meeting. A special meeting and an annual meeting may be convened by one and the same notice and it shall not be an objection to the notice that it only convenes the second meeting contingently on any resolution being passed by the requisite majority at the first meeting.

9.06 Right to Vote

Subject to the provisions of the Act as to authorized representatives of any other body corporate, at any meeting of shareholders in respect of which the Corporation has prepared the list referred to in Section 9.07 hereof, every person who is named in such list shall be entitled to vote the shares shown thereon opposite their name except to the extent that such person has transferred any of their shares after the record date set pursuant to Section 9.04 hereof, or, if no record date is fixed, after the date on which the list referred to in Section 9.07 is prepared, and the

transferee, upon producing properly endorsed certificates evidencing such shares or otherwise establishing that they own such shares, demands not later than ten days before the meeting that their name be included to vote the transferred shares at the meeting. In the absence of a list prepared as aforesaid in respect of a meeting of shareholders, every person shall be entitled to vote at the meeting who at the close of business on the record date, or if no record date is set, at the close of business on the date preceding the date notice is sent, is entered in the securities' register as the holder of one or more shares carrying the right to vote at such meeting.

#### 9.07 List of Shareholders Entitled to Notice

For every meeting of shareholders the Corporation shall prepare a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order, and showing the number of shares held by each shareholder. If a record date for the meeting is fixed pursuant to Section 9.04 hereof by the board, the shareholders listed shall be those registered at the close of business on the record date. If no record date is fixed by the board, the shareholders listed shall be those listed at the close of business on the last business day immediately preceding the day on which notice of a meeting is given, or where no such notice is given, the day on which the meeting is held. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Corporation or at the place where its central securities' register is maintained and at the place where the meeting is held.

#### 9.08 Meetings Without Notice

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

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

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

#### 9.09 Waiver of Notice

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

#### 9.10 Advance Notice for Proposals

- (a) No business may be transacted at an annual meeting of shareholders other than business that is either:
  - (i) specified in the Corporation's notice of meeting (or any supplement thereto) given by or at the discretion of the board;
  - (ii) otherwise properly brought before the annual meeting of shareholders by or at the discretion of the board; or
  - (iii) otherwise properly brought before the annual meeting of shareholders by any shareholder of the Corporation who complies with the proposal procedures set forth in this Section 9.10. For business to be properly brought before an annual meeting of shareholders by a shareholder of the Corporation, such shareholder must submit a proposal to the Corporation for inclusion in the Corporation's management proxy circular in accordance with the requirements of the Act; provided that any proposal that includes nominations for the election of directors shall be



submitted to the Corporation in accordance with the requirements set forth in Division 15. The Corporation shall set out the proposal in the management proxy circular or attach the proposal thereto, subject to the exemptions and bases for refusal set forth in the Act.

- (b) At a special meeting of shareholders, only such business shall be conducted as shall have been brought before the meeting of shareholders pursuant to the Corporation's notice of meeting. Nominations of persons for election to the board may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Corporation's notice of meeting only pursuant to and in compliance with Division 15.

#### 9.11 Chair, Secretary and Scrutineers

The chair of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: the chair of the board, the lead independent director, chief executive officer, the president, or a vice president who is a shareholder. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chair. If the secretary of the Corporation is absent, the chair shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chair of the meeting.

#### 9.12 Persons Entitled to be Present

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

#### 9.13 Quorum

A quorum at any meeting of shareholders (unless a greater number of persons are required to be present or a greater number of shares are required to be represented by the Act or by the articles or by any other by-law) shall be persons present not being less than two in number and holding or representing not less than 25% of the shares entitled to be voted at the meeting. If a quorum is present at the opening of any meeting of shareholders, the shareholders present or represented may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of the meeting of shareholders, the shareholders present or represented may adjourn the meeting to a fixed time and place but may not transact any other business.

#### 9.14 Participation in Meeting by Electronic Means

If the board or shareholders of the Corporation calls a meeting of shareholders, the board or shareholders, as the case may be, may determine that a shareholder or any other person entitled to attend such meeting may participate, in accordance with the regulations under the Act, if any, by electronic means. A person participating in such a meeting by such means is deemed to be present at that meeting.

#### 9.15 Proxyholders and Representatives

Votes at meetings of the shareholders may be given either personally or by proxy; or, in the case of a shareholder who is a body corporate or association, by an individual authorized by a resolution of the board or governing body of the body corporate or association to represent it at a meeting of shareholders of the Corporation, upon producing a certified copy of such resolution or otherwise establishing their authority to vote to the satisfaction of the secretary or the chair of the meeting. A proxy shall be executed by the shareholder or their attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and is valid only at the meeting in respect of which it is given or any adjournment of that meeting. A person appointed by proxy need not be a shareholder.

#### 9.16 Time for Deposit of Proxies

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

#### 9.17 Joint Shareholders

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

#### 9.18 Votes to Govern

Except as otherwise required by the Act, all questions proposed for the consideration of shareholders at a meeting of shareholders shall be determined by a majority of the votes cast and in the event of an equality of votes at any meeting of shareholders, either upon a show of hands or upon a ballot, the chair of the meeting shall have a second or casting vote.

#### 9.19 Show of Hands

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

#### 9.20 Ballots

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

#### 9.21 Adjournment

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

## 9.22 Resolution in Lieu of a Meeting

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

## 9.23 Only One Shareholder

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

# Division 10 SHARES

## 10.01 Non-Recognition of Trusts

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

## 10.02 Certificates

The shareholder is entitled at their option to a share certificate that complies with the Act or a non-transferable written acknowledgement of their right to obtain a share certificate from the Corporation in respect of the securities of the Corporation held by them. Share certificates and acknowledgements of a shareholder's right to a share certificate, respectively, shall be in such form as described by the Act and as the board shall from time to time approve. A share certificate shall be signed manually by at least one director or officer of the Corporation or by or on behalf of a registrar, transfer agent or branch transfer agent of the Corporation, or by a trustee who certifies it in accordance with a trust indenture, and any additional signatures required on the share certificate may be printed or otherwise mechanically reproduced on it.

For greater certainty but subject to Act, a registered shareholder may have their holdings of shares of the Corporation evidenced by an electronic, book-based, direct registration service or other non-certificated entry or position on the register of shareholders to be kept by the Corporation in place of a physical share certificate pursuant to a registration system that may be adopted by the Corporation. This by-law shall be read such that a registered holder of shares of the Corporation pursuant to any such electronic, book-based, direct registration service or other non-certificated entry or position shall be entitled to all of the same benefits, rights, entitlements and shall incur the same duties and obligations as a registered holder of shares evidenced by a physical share certificate. The Corporation may adopt such policies and procedures and require such documents and evidence as they may determine necessary or desirable in order to facilitate the adoption and maintenance of a share registration system by electronic, book-based, direct registration system or other non-certificated means.

## 10.03 Replacement of Share Certificates

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

#### 10.04 Joint Holders

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

### Division 11 TRANSFER OF SECURITIES

#### 11.01 Registration of Transfer

Subject to the Act, no transfer of a share shall be registered in a securities register except: (a) upon presentation of the certificate (or, where applicable, other evidence of electronic, book based, direct registration service or other non-certificated entry or position on the register of shareholders) representing such share with an endorsement or completed stock power of attorney which complies with the Act made thereon or delivered therewith duly executed by an appropriate person as provided by the Act, together with such reasonable assurance that the endorsement is genuine and effective as the board or the Corporation's transfer agent, may from time to time prescribe; (b) upon payment of all applicable taxes and any reasonable fees prescribed by the board; (c) upon compliance with any restrictions on transfer as are authorized by the articles; and (d) upon compliance with and satisfaction of such other requirements as the Corporation or the Corporation's transfer agent may reasonably impose.

#### 11.02 Transfer Agents and Registrar

The board may from time to time appoint a registrar to maintain the securities register and a transfer agent to maintain the register of transfers and may also appoint one or more branch registrars to maintain branch securities registers and one or more branch transfer agents to maintain branch registers of transfers. One person may be appointed to any number of the aforesaid positions. The board may at any time terminate any such appointment.

#### 11.03 Securities' Registers

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

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

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

#### 11.04 Deceased Shareholders

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

Division 12  
DIVIDENDS AND RIGHTS

12.01 Dividends

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

12.02 Dividend Cheques

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

12.03 Non-Receipt of Cheques

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

12.04 Unclaimed Dividends

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

12.05 Record Date for Dividends and Rights

The board may fix in advance a date, preceding by not more than 50 days the date for the payment of any dividend or the date for the issue of any warrant or other evidence of the right to subscribe for securities of the Corporation, as a record date for the determination of the persons entitled to receive payment of such dividend or to exercise the right to subscribe for such securities, and notice of any such record date shall be given in the manner provided by the Act. If no record date is so fixed, the record date for the determination of the persons entitled to receive payment of any dividend or to exercise the right to subscribe for securities of the Corporation shall be at the close of business on the day on which the resolution relating to such dividend or right to subscribe is passed by the board.

Division 13  
INFORMATION AVAILABLE TO SHAREHOLDERS

13.01 Confidential Information

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

13.02 Conditions of Access to Information

The directors may from time to time, subject to rights conferred by the Act, determine whether and to what extent and at what time and place and under what conditions or regulations the documents, books and registers and accounting records of the Corporation or any of them shall be open to the inspection of shareholders and no

shareholders shall have any right to inspect any document or book or register or account record of the Corporation except as conferred by statute or authorized by the board or by a resolution of the shareholders.

Division 14  
NOTICES

14.01 Method of Giving Notices

Any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served) pursuant to the Act, the articles, the by-laws or otherwise to a shareholder, director, officer, auditor or member of a committee of the board, may be sent by electronic means in accordance with the provisions of the *Electronic Transactions Act* (Alberta), or by mail addressed to, or may be delivered personally to, such person at the person's recorded address. A notice sent by mail in accordance with the foregoing is deemed to have been received by the person at the time it would be delivered in the ordinary course of mail unless there are reasonable grounds for believing that the person did not receive the notice or document at that time or at all. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of a committee of the board in accordance with any written notice from such person.

14.02 Notice to Joint Shareholders

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

14.03 Persons Entitled by Death or Operation of Law

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

14.04 Non-Receipt of Notices

If a notice or document is sent to a shareholder in accordance with Section 14.01 and the notice or document is returned on three consecutive occasions because the shareholder cannot be found, the Corporation is not required to send any further notice or documents to the shareholder until the shareholder informs the Corporation in writing of their new address; provided always, that in the event of the return of a notice of a shareholders' meeting mailed to a shareholder in accordance with Section 14.01 the notice shall be deemed to be received by the shareholder on the date deposited in the mail notwithstanding its return.

14.05 Omissions and Errors

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

14.06 Signature on Notices

Unless otherwise specifically provided, the signature of any director or officer of the Corporation to any notice or document to be given by the Corporation may be written, stamped, typewritten or printed or partly written, stamped, typewritten or printed.

#### 14.07 Waiver of Notice

If a notice or document is required by the Act, the articles, the by-laws or otherwise to be sent, the sending of the notice or document may be waived or the time for the notice or document may be waived or abridged at any time with the consent in writing of the person entitled to receive it, and such waiver or abridgement, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of shareholders or of the board or a committee of the board which may be given in any manner.

### Division 15 ADVANCE NOTICE OF NOMINATIONS

#### 15.01 Advance Notice for Nomination of Directors

- (a) Only individuals who are nominated in accordance with the procedures set out in this Section 15.01 and who, at the discretion of the board, satisfy the qualifications of a director as set out in the Act and the by-laws shall be eligible for election as a director of the Corporation at any meeting of shareholders of the Corporation. Nominations of individuals for election to the board may be made at any annual meeting of shareholders or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors:
  - (i) by or at the direction of the board, including pursuant to a notice of meeting;
  - (ii) by or at the direction of one or more shareholders pursuant to a proposal made in accordance with the Act or a requisition of a shareholders' meeting made in accordance with the Act; or
  - (iii) by any person (a **"Nominating Shareholder"**):
    - (A) who, at the close of business on the date of the giving of the notice provided for below in this Section 15.01 and on the record date for notice of such meeting of shareholders, is a registered holder of shares carrying the right to vote at such meeting of shareholders on the election of directors; and
    - (B) who complies with the notice procedures set forth in this Section 15.01.
- (b) In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof and in proper written form to the secretary of the Corporation at the principal executive offices of the Corporation as set forth below.
- (c) To be timely, a Nominating Shareholder's notice must be made:
  - (i) in the case of an annual meeting of shareholders, not less than 30 days prior to the date of the annual meeting of shareholders; provided, however, that if the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the **"Notice Date"**) on which the first public announcement of the date of the annual meeting was made, notice of the Nominating Shareholder may be made not later than the tenth day following the Notice Date;
  - (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the 15<sup>th</sup> day following the day on which the first public announcement of the date of the special meeting of shareholders was made; and
  - (iii) in the case of an annual meeting (including an annual and special meeting) of shareholders or a special meeting of shareholders (which is not also an annual meeting) called for the purpose of electing directors (whether or not also called for other purposes) where notice-and-access is used for delivery of proxy related materials, not less than 40 days prior to the date of the meeting;

provided, however, that in the event that the meeting is to be held on a date that is less than 50 days after the Notice Date, notice by the Nominating Shareholder may be made, in the case of an annual meeting of shareholders (including an annual and special meeting), not later than the close of business on the tenth day following the Notice Date and, in the case of a special meeting of shareholders (which is not also an annual meeting), not later than the close of business on the 15<sup>th</sup> day following the Notice Date.

- (d) To be in proper written form, a Nominating Shareholder's notice must set forth or be accompanied by, as applicable:
  - (i) if the Nominating Shareholder is not the beneficial owner of the shares, the identity of the beneficial owner and the number of shares held by that beneficial owner;
  - (ii) as to each individual whom the Nominating Shareholder proposes to nominate for election as a director:
    - (A) the name, age, business address and residential address of the individual;
    - (B) the principal occupation, business or employment of the individual, both present and within the five years preceding the notice;
    - (C) whether the individual is a resident Canadian within the meaning of the Act;
    - (D) whether the individual is a citizen and/or resident of the United States;
    - (E) the class or series and number of securities in the capital of the Corporation which are beneficially owned, or over which control or direction is exercised, directly or indirectly, by such individual as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice;
    - (F) a description of any relationship, agreement, arrangement or understanding (financial, compensation or indemnity related or otherwise) between the Nominating Shareholder and the proposed nominee, or any affiliates or associates of, or any person or entity acting jointly or in concert with, the Nominating Shareholder or the proposed nominee, in connection with the proposed nominee's nomination and election as a director; and
    - (G) any other information relating to the individual that would be required to be disclosed in a dissident's proxy circular or other filings to be made in connection with solicitations of proxies for election of directors pursuant to the Act and applicable securities laws; and
  - (iii) as to the Nominating Shareholder and any beneficial owner respecting which the notice was given, the names of such person(s) and:
    - (A) the class or series and number of securities in the capital of the Corporation which are controlled, or over which control or direction is exercised, directly or indirectly, by such person(s) and each person acting jointly or in concert with any of them (and for each such person any options or other rights to acquire shares in the capital of the Corporation, derivatives or other securities, instruments or arrangements for which the price or value or delivery, payment or settlement obligations are derived from, referenced to, or based on any such shares, hedging transactions, short positions and borrowing or lending arrangements relating to such shares) as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice;



- (B) full particulars regarding any proxy, contract, agreement, arrangement, understanding or relationship pursuant to which such Nominating Shareholder or beneficial owner has a right to vote any shares in the capital of the Corporation on the election of directors;
  - (C) in the case of a special meeting of shareholders called for the purpose of electing directors, a statement as to whether the Nominating Shareholder intends to send an information circular and form of proxy to any shareholders of the Corporation in connection with the individual's nomination or otherwise solicit proxies or votes from shareholders of the Corporation in support of such nomination; and
  - (D) any other information relating to such Nominating Shareholder or beneficial owner that would be required to be made in a dissident's proxy circular or other filings to be made in connection with solicitations of proxies for election of directors pursuant to the Act and applicable securities laws.
- (e) In addition, to be considered timely and in proper written form, a Nominating Shareholder's notice shall be promptly updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting of shareholders.
- (f) A Nominating Shareholder's notice must also state:
- (i) whether, in the opinion of the Nominating Shareholder and the proposed nominee, the proposed nominee would qualify to be an independent director of the Corporation under sections 1.4 and 1.5 of NI 52-110; and
  - (ii) whether with respect to the Corporation the proposed nominee has one or more of the relationships described in sections 1.4(3), 1.4(8) and 1.5 of NI 52-110, and if so, which ones.
- (g) Except as otherwise provided by the special rights or restrictions attached to the shares of any class or series of the Corporation, no individual shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of the by-laws; provided, however, that nothing in this Section 15.01 shall preclude discussion by a shareholder or proxyholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act and this by-law. The chair of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the forgoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.
- (h) A duly appointed proxyholder of a Nominating Shareholder shall be entitled to nominate at a meeting of shareholders the directors nominated by the Nominating Shareholder, provided that all of the requirements of this Section 15.01 have been satisfied.
- (i) In addition to the provisions of this Section 15.01, a Nominating Shareholder and any individual nominated by the Nominating Shareholder shall also comply with all the applicable requirements of the Act, applicable securities legislation and applicable stock exchange rules regarding the matters set forth herein.
- (j) For purposes of this Section 15.01, "**public announcement**" shall mean disclosure in a news release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).
- (k) Notwithstanding any other provision of the by-laws, notice given to the secretary of the Corporation pursuant to this Section 15.01 may only be given by personal delivery (at the principal executive offices of the Corporation) or by e-mail (at the e-mail address set out in the Corporation's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com)), and shall be deemed to have been given and made only at the time it is so served by personal delivery to the secretary of the Corporation or sent by e-mail to such email address (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or electronic

communication is made on a non-business day or after the close of business, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day.

- (l) Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this Section 15.01.

Division 16  
MISCELLANEOUS

16.01 Directors to Require Surrender of Share Certificates

The directors in office when a Certificate of Continuance is issued under the Act are hereby authorized to require the shareholders of the Corporation to surrender their share certificate, or such of their share certificates as the directors may determine, for the purpose of cancelling the share certificates and replacing them with new share certificates that comply with the Act, in particular, replacing existing share certificate with share certificates that are not negotiable securities under the Act. The directors in office shall act by resolution under this Section 16.01 and shall in their discretion decide the manner in which they shall require the surrender of existing share certificates and the time within which the shareholders must comply with the requirement and the form or forms of the share certificates to be issued in place of the existing share certificates. The directors may take such proceedings as they deem necessary to compel any shareholders to comply with a requirement to surrender their share certificate or certificates pursuant to this Section 16.01. Notwithstanding any other provision of this by-law, but subject to the Act, the director may refuse to register the transfer of shares represented by a share certificate that has not been surrendered pursuant to a requirement under this Section 16.01.

16.02 Financial Assistance to Shareholders, Employees and Others

The Corporation may give financial assistance by means of a loan, guarantee or otherwise:

- (a) to any person in the ordinary course of business if the lending of money is part of the ordinary business of the Corporation;
- (b) to any person on account of expenditures incurred or to be incurred on behalf of the Corporation;
- (c) to a holding body corporate if the Corporation is a wholly-owned subsidiary of the holding body corporate;
- (d) to a subsidiary body corporate of the Corporation;
- (e) to employees of the Corporation or any of its affiliates:
  - (i) to enable them to purchase or erect or to assist them in purchasing or erecting living accommodation for their own occupation; or
  - (ii) in accordance with a plan for the purchase of shares of the Corporation or any of its affiliates to be held by a trustee; or
- (f) to any person if all the shareholders have consented to giving the financial assistance;
- (g) and, subject to the Act:
- (h) to a shareholder or director of the Corporation or of an affiliated corporation;
- (i) to an associate of a shareholder or of a director of the Corporation or of an affiliated corporation; or
- (j) to any person for the purpose of or in connection with a purchase of a share issued or to be issued by

the Corporation or an affiliated corporation.

16.03 Severability

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

Division 17  
EFFECTIVE DATE

17.01 Effective Date

This by-law shall come into force when made by the board in accordance with the Act.

17.02 Repeal

All previous by-laws of the Corporation are repealed as of the confirmation of this by-law by the shareholders of the Corporation in accordance with the Act. Such repeal shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under, or the validity of any contract or agreement made pursuant to, or the validity of any articles (as defined in the Act) or predecessor charter documents of the Corporation obtained pursuant to, any such by-law prior to its repeal. All officers and persons acting under any by-law so repealed shall continue to act as if appointed under the provisions of this by-law and all resolutions of the shareholders or the board or a committee of the board with continuing effect passed under any repealed by-law shall continue to be good and valid except to the extent inconsistent with this by-law and until amended or repealed.

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The foregoing by-law was made by the directors of the Corporation effective the 6th day of March, 2019.

(signed) "Garnet Amundson"  
Garnet Amundson  
President, Chief Executive Officer and  
Director

The foregoing by-law was confirmed without variation by the shareholders of the Corporation effective the \_\_\_\_ day of \_\_\_\_, 2019.

\_\_\_\_\_  
Garnet Amundson  
President, Chief Executive Officer and  
Director