

**Terrace Energy Corp.
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INFORMATION CIRCULAR

(As at September 11, 2019, except as indicated)

Terrace Energy Corp. (the "**Company**") is providing this Information Circular and a form of proxy in connection with management's solicitation of proxies for use at the annual general meeting (the "**Meeting**") of the Company to be held on Wednesday, October 16, 2019 and at any adjournments. The Company will conduct its solicitation by mail and officers and employees of the Company may, without receiving special compensation, also telephone or make other personal contact. The Company will pay the cost of solicitation.

APPOINTMENT OF PROXYHOLDER

The purpose of a proxy is to designate persons who will vote the proxy on a shareholder's behalf in accordance with the instructions given by the shareholder in the proxy. The persons whose names are printed in the enclosed form of proxy are officers or Directors of the Company (the "**Management Proxyholders**").

A shareholder has the right to appoint a person other than a Management Proxyholder, to represent the shareholder at the Meeting by striking out the names of the Management Proxyholders and by inserting the desired person's name in the blank space provided or by executing a proxy in a form similar to the enclosed form. A proxyholder need not be a shareholder.

VOTING BY PROXY

Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Shares represented by a properly executed proxy will be voted or be withheld from voting on each matter referred to in the Notice of Meeting in accordance with the instructions of the shareholder on any ballot that may be called for and if the shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly.

If a shareholder does not specify a choice and the shareholder has appointed one of the Management Proxyholders as proxyholder, the Management Proxyholder will vote in favor of the matters specified in the Notice of Meeting and in favor of all other matters proposed by management at the Meeting.

The enclosed form of proxy also gives discretionary authority to the person named therein as proxyholder with respect to amendments or variations to matters identified in the Notice of the Meeting and with respect to other matters which may properly come before the Meeting. At the date of this Information Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

COMPLETION AND RETURN OF PROXY

Completed forms of proxy must be deposited at the office of the Company's registrar and transfer agent, Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, not later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting, unless the chairman of the Meeting elects to exercise his discretion to accept proxies received subsequently.

NON-REGISTERED HOLDERS

Only shareholders whose names appear on the records of the Company as the registered holders of shares or duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders of the Company are

"non-registered" shareholders because the shares they own are not registered in their names but instead registered in the name of a nominee or intermediary such as a brokerage firm through which they purchased the shares; bank, trust company, trustee or administrator of self-administered RRSP's, RRIF's, RESP's and similar plans; or clearing agency such as The Canadian Depository for Securities Limited (a "Nominee"). If you purchased your shares through a broker, you are likely a non-registered holder.

In accordance with securities regulatory policy, the Company has distributed copies of the Notice of Meeting and the Proxy to the Nominees for distribution to non-registered holders. Nominees are required to forward these materials to non-registered holders to seek their voting instructions in advance of the Meeting. Shares held by Nominees can only be voted in accordance with the instructions of the non-registered holder. The Nominees often have their own form of proxy, mailing procedures and provide their own return instructions. If you wish to vote by proxy, you should carefully follow the instructions from the Nominee in order that your shares are voted at the Meeting.

If you, as a non-registered holder, wish to vote at the Meeting in person, you should appoint yourself as proxyholder by writing your name in the space provided on the request for voting instructions or proxy provided by the Nominee and return the form to the Nominee in the envelope provided. Do not complete the voting section of the form as your vote will be taken at the Meeting.

The proxy solicitation materials relating to the Meeting are being mailed to all to "non objecting beneficial owners" "NOBOs". Broadridge Financial Solutions, Inc. ("Broadridge") will complete the mailing to all NOBO holders. As a result NOBOs can expect to receive a scannable Voting Instruction Form ("VIF") from Broadridge. The VIF is to be completed and returned to Broadridge as set out in the instructions provided on the VIF. Broadridge will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the Common Shares represented by the VIFs they receive.

If you received a VIF, please return your VIF as specified in the request for voting instructions that was sent to you.

Management of the Company does not intend to pay for Nominees to forward proxy-related materials and the voting instruction form to "objecting beneficial owners" ("OBOs"), as defined in NI 54-101. As a result, OBOs will not receive the Meeting materials unless their nominees assume the cost of delivery.

REVOCABILITY OF PROXY

Any registered shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a registered shareholder, his attorney authorized in writing or, if the registered shareholder is a corporation, a corporation under its corporate seal or by an officer or attorney thereof duly authorized, may revoke a proxy by instrument in writing, including a proxy bearing a later date. The instrument revoking the proxy must be deposited at the registered office of the Company, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the chairman of the Meeting on the day of the Meeting. **Only registered shareholders have the right to revoke a proxy. Non-registered holders who wish to change their vote must, at least 7 days before the Meeting, arrange for their Nominees to revoke the proxy on their behalf.**

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Company is authorized to issue an unlimited number of common shares without par value (the "shares"), of which 93,960,821 shares are issued and outstanding as of September 11, 2019. Persons who are registered shareholders at the close of business on September 11, 2019 will be entitled to receive notice of and vote at the Meeting and will be entitled to one vote for each share held.

To the knowledge of the Directors and executive officers of the Company, no person beneficially owns, controls or directs, directly or indirectly, shares carrying 10% or more of the voting rights attached to all shares of the Company, except the following:

Name	No. of Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly	Percentage of Outstanding Shares
Daniel Carriere	11,526,776	13.03%

ELECTION OF DIRECTORS

The Directors of the Company are elected at each annual general meeting and hold office until the next annual general meeting or until their successors are appointed. In the absence of instructions to the contrary, the enclosed proxy will be voted for the nominees herein listed.

The Company is required to have an audit committee, the current members of which are as set out below. The Company also has a Compensation Committee and a Corporate Governance & Nominating Committee, the members of which are set out below.

Management of the Company proposes to nominate each of the following persons for election as a Director. Information concerning such persons, as furnished by the individual nominees, is as follows:

Name and Jurisdiction of Residence	Principal Occupation or employment and, if not a previously elected Director, occupation during the past 5 years	Previous Service as a Director	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly ⁽⁴⁾
Daniel Carriere British Columbia, Canada	President of Carriere Financial Services Inc., a private Canadian firm specializing in growth and financial strategies for small to medium capitalized companies	Since July 15, 2011	11,526,776
William Gibbs Texas, United States	President & CEO of the Company	Since June 10, 2011	1,036,915
William McCartney ⁽¹⁾⁽²⁾ British Columbia, Canada	President of Pemcorp Management Inc., a private company providing financial advisory services	Since April 24, 2009	4,585,916 ⁽⁵⁾
Murray Oliver ⁽¹⁾⁽²⁾⁽³⁾ British Columbia, Canada	Self-employed business consultant with MJO Equities Inc. providing corporate finance and shareholder communications services to both public and private companies	Since August 31, 2006	1,536,857 ⁽⁶⁾
Kenneth Shannon ⁽¹⁾⁽²⁾⁽³⁾ British Columbia, Canada	President of Inca Management Inc., a private firm providing mineral resource consulting services	Since June 20, 2012	3,550,328

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Corporate Governance & Nominating Committee.

(4) Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at the date of this Information Circular, based upon information furnished to the Company by individual Directors. Unless otherwise indicated, such shares are held directly.

(5) 1,310,570 and 3,270,000 shares are held by 388469 B.C. Ltd. and WMC Equities Inc., respectively, both of which are controlled by William McCartney. Mr. McCartney also has power to direct 5,346 shares owned by Dagny McCartney.

(6) Of these shares, 950,000 are held directly by Mr. Oliver and the remainder are held indirectly in the name of MJO Equities Inc., which is controlled by Mr. Oliver.

No proposed Director is to be elected under any arrangement or understanding between the proposed Director and any other person or company, except the Directors and executive officers of the Company acting solely in such capacity.

Except as described below, to the knowledge of the Company, no proposed Director:

- (a) is, as at the date of this Information Circular, or has been, within 10 years before the date of this Information Circular, a director, chief executive officer ("CEO") or chief financial officer ("CFO") of any company (including the Company) that:
- (i) was the subject, while the proposed Director was acting in the capacity as director, CEO or CFO of such company, of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or
 - (ii) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed Director ceased to be a Director, CEO or CFO but which resulted from an event that occurred while the proposed Director was acting in the capacity as director, CEO or CFO of such company; or
- (b) is, as at the date of this Information Circular, or has been within 10 years before the date of this Information Circular, a Director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed Director; or
- (d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (e) has been subject to any 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.

On May 31, 2010, the assets of Southern Star Energy Inc. ("**Southern**") were foreclosed on due to under-collateralization of its senior bank loans precipitated by the severe drop in U.S. natural gas prices in 2009. At the time of the foreclosure, William David Gibbs was a director and officer of Southern.

The following Directors of the Company hold directorships in other reporting issuers as set out below:

Name of Director	Name of Other Reporting Issuer
Daniel Carriere	NIL
William Gibbs	NIL
William McCartney	Golden Valley Mines Ltd. Mercer International Inc. Vinza Capital Management Inc.
Murray Oliver	Prospero Silver Corp. Vinza Capital Management Inc.
Kenneth Shannon	NIL

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The objective of the Company's compensation program is to provide compensation that:

- (i) properly reflects the duties and responsibilities of management;
- (ii) is effective and competitive in attracting, retaining and motivating people of the highest quality; and
- (iii) is based on established corporate and individual performance objectives.

The Company aims to provide compensation that is competitive with companies at a similar stage of development; however, no formal benchmark group of companies is established.

All compensation is reviewed on an annual basis by the Compensation Committee, which makes compensation recommendations to the Board. The compensation payable may include cash compensation, option-based compensation, and share-based compensation (in the form of restricted share units), each of which is described below.

Cash compensation may be provided to Directors and executive officers in the form of annual salaries and, where appropriate, year-end cash bonuses. Cash compensation levels for Directors and executive officers are based on the respective Directors' and executive officers' qualifications, experience and responsibilities within the Company, and are intended to be competitive with salaries paid to others in comparable positions within the same industry. For annual salary increases, the Board will consider a Director's or executive officer's increased level of experience, whether or not the Director's or executive officer's responsibilities have increased over the past year and current compensation levels and practices within the oil and gas industry. The Compensation Committee annually reviews key performance indicators such as share price, finance and project advancement. The cash element of compensation is designed to ensure the Company's access to skilled personnel necessary to achieve its corporate objectives. The Board also considers, on an annual basis, discretionary cash bonuses to reward extraordinary performance during the preceding fiscal year. In determining whether a bonus will be given, the Board consider such factors as the executive's performance over the past year, the Company's achievements in the past year and the executive's role in effecting such achievements.

Incentive stock options may be granted to the Company's Directors and executive officers based on the value such Directors and executive officers create for the Company's shareholders. From time to time, the Company may choose to pay compensation in the form of incentive stock options in order to align the Directors' and executive officers' compensation with their contribution to the success of the Company in creating shareholder value, to provide a retentive effect on the Directors and executive officers, and to provide compensation that is in line with the Company's fiscal resources.

Restricted share units ("RSUs") may also be granted to the Company's Directors and executive officers based on the value such Directors and executive officers create for the Company's shareholders. From time to time, the Company may choose to pay compensation in the form of RSUs in order to recruit and retain highly qualified personnel and in order to align the interests of Directors and executive officers with the long-term interests of the Company's shareholders. On April 23, 2014, the Company adopted a Restricted Share Unit Plan (the "RSU Plan") which was approved by the Company's shareholders on June 18, 2014.

All elements of compensation are determined by the Board, taking into account the amount of each other element of compensation that is received by a particular Director or executive officer.

The Board has not undertaken a formal analysis of the implications of the risks associated with the Company's compensation policies and practices.

The Company has not adopted a formal policy forbidding Directors or officers from purchasing financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by Directors or officers. The Company is not, however, aware of any Directors or executive officers having entered into this type of transaction.

Share-Based Awards and Option-Based Awards

Share-based awards (in the form of RSUs) and incentive stock options are granted by the Company as recommended by the Compensation Committee and determined by the Board. In the case of RSU and option grants to executive officers other than the CEO, the Compensation Committee considers recommendations of the CEO. Previous grants are taken into account when considering new grants.

Compensation Governance

Compensation is determined by the Board based on recommendations from the Compensation Committee. During the fiscal year ended January 31, 2019, the Compensation Committee was comprised of Messrs. Shannon, McCartney and Oliver. Each of Messrs. Shannon, McCartney and Oliver is an independent Director, as defined by applicable securities legislation. Each member of the Compensation Committee is experienced in dealing with compensation matters by virtue of having previously held senior executive or similar positions requiring such individuals to be directly involved in establishing compensation philosophy and policies and in determining overall compensation of executives.

Effective January 16, 2014, the Board adopted a new Compensation Committee Charter, which sets out the Compensation Committee's composition, structure, operations, and responsibilities. Among other things, the charter requires that the Compensation Committee be comprised of at least two Directors and requires that all members of the committee be independent. The charter also grants the Committee the authority to engage independent counsel and advisors as it deems necessary to perform its duties and responsibilities.

As part of its mandate, the Compensation Committee reviews and recommends to the Board the remuneration of the Company's senior executive officers. The Compensation Committee is also responsible for reviewing the Company's compensation policies and guidelines generally.

Changes to Compensation Structure

Due to the precipitous and sustained drop in commodity prices and the corresponding difficult financial situation the Company is in, the NEO's and other employees agreed to accept certain concessions to the terms of their employment during January 2016 including substantial salary reductions. In addition, the NEO's also agreed to significantly modify the termination provisions of employment agreement to eliminate termination payments except in certain circumstances surrounding a change in control. See the section titled "Termination and Change of Control Benefits" for details of the modifications made. The Company has subsequently eliminated all of its NEO's and employees except for the Chief Executive Officer, Chief Financial Officer and Corporate Secretary. The CEO voluntarily ceased accepting compensation during the third quarter of 2018 and continues to manage the affairs of The Company without compensation.

Summary Compensation Table

The following table (presented in accordance with National Instrument Form 51-102F6) sets forth all annual and long term compensation for services in all capacities to the Company for the three most recently completed financial years of the Company in respect of each of the individuals comprised of each Chief Executive Officer and the Chief Financial Officer who acted in such capacity for all or any portion of the most recently completed financial year, and each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity (other than the Chief Executive Officer and the Chief Financial Officer), as at January 31, 2019 whose total compensation was, individually, more than \$150,000 for the financial year and any individual who would have satisfied these criteria but for the fact that individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of the most recently completed financial year (collectively the "Named Executive Officers" or "NEOs").

NEO Name and Principal Position	Year Ended Jan 31	Salary (\$)	Share-Based Awards ⁽¹⁾ (\$)	Option-Based Awards ⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-term Incentive Plans			
William Gibbs <i>CEO and President</i>	2019	243,892	Nil	Nil	Nil	Nil	Nil	Nil	243,892
	2018	465,084	Nil	Nil	Nil	Nil	Nil	Nil	465,084
	2017	363,212	Nil	Nil	Nil	Nil	Nil	Nil	363,212
George Morris <i>COO</i> ⁽⁵⁾	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2017	342,898	Nil	Nil	Nil	Nil	Nil	Nil	342,898
Daniel Morris <i>VP, Geosciences</i>	2019	42,230	Nil	Nil	Nil	Nil	Nil	Nil	42,230
	2018	228,279	Nil	Nil	Nil	Nil	Nil	Nil	228,279
	2017	233,824	Nil	Nil	Nil	Nil	Nil	Nil	233,824
William McMoran, <i>VP, Exploration</i>	2019	10,948	Nil	Nil	Nil	Nil	Nil	Nil	10,948
	2018	95,019	Nil	Nil	Nil	Nil	Nil	Nil	95,019
	2017	150,674	Nil	Nil	Nil	Nil	Nil	Nil	150,674
Jennie Choboter <i>CFO</i> ⁽⁴⁾	2019	80,050	Nil	Nil	Nil	Nil	Nil	Nil	80,050
	2018	80,200	Nil	Nil	Nil	Nil	Nil	Nil	80,200
	2017	10,000	Nil	Nil	Nil	Nil	Nil	Nil	10,000
Keith Godwin	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2017	184,002	Nil	Nil	Nil	Nil	Nil	Nil	184,002

- 1) All cash compensation is paid to NEOs in U.S. dollars. The table above reports compensation in Canadian dollars based on an exchange rate of 1.3034, 1.2919 and 1.3167 for the fiscal years ended January 31, 2019, 2018, and 2017 respectively, being the average exchange rate for the respective fiscal year.

Incentive Plan Awards

Outstanding share-based and option-based awards

The following table sets forth for each NEO all share-based and option-based awards outstanding at the end of the Company's most recently completed financial year, including awards granted before the Company's most recently-completed financial year.

NEO Name and Principal Position	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options (\$) ⁽¹⁾	Number of Shares Or Units Of Shares That Have Not Vested (#)	Market or Payout Value Of Share-Based Awards That Have Not Vested (\$) ⁽²⁾	Market or Payout Value of Vested Share-Based Awards not paid out or distributed (\$)
William Gibbs <i>CEO & President</i>	Nil	Nil	Nil	Nil	350,000	\$3,500	Nil
Daniel Morris <i>VP, Geosciences</i>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
William McMoran <i>VP, Exploration</i>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Jennie Choboter <i>CFO</i>	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Incentive plan awards – value vested or earned during the year

The following table sets forth for each NEO the value of all option-based and share-based awards vested or earned during Company's most recently-completed financial year:

Name of NEO	Option-Based Awards- Value vested during the year (\$) ⁽¹⁾	Share-Based Awards – Value vested during the year (\$)	Non-Equity Incentive Plan Compensation Value vested during the year (\$)
William Gibbs <i>President and CEO</i>	Nil	Nil	Nil
Daniel Morris <i>VP, Geosciences</i>	Nil	Nil	Nil
William McMoran <i>VP, Exploration</i>	Nil	Nil	Nil
Jennie Choboter <i>CFO</i>	Nil	Nil	Nil

Narrative Discussion

During the financial year ended January 31, 2019, the Company did not award any new incentive stock options to NEOs or directors.

During the financial year ended January 31, 2019, the Company did not award any new RSUs. Each RSU represents the right to receive one common share of the Company upon vesting. Unless otherwise approved by the Board, these RSUs will vest upon the occurrence of a change of control transaction. In the absence of a change of control transaction or other acceleration of the vesting date by the Board, any unvested RSUs originally expired five years from the date of grant. Effective January 27, 2016, the outstanding RSU's were amended in conjunction with certain modifications to the NEO's employment agreements as described further below and the expiration of the

outstanding RSU's was extended by five years. Vested RSUs will be settled, at the election of the Company, by way of: (i) issuance of common shares of the Company from treasury; (ii) payment to the RSU holder of an amount of cash equal to the market price of the Company's common shares on the vesting date; or (iii) any combination thereof.

Pension Plan Benefits

The Company does not have a pension plan that provides for payments or benefits to the Named Executive Officers at, following, or in connection with retirement.

TERMINATION AND CHANGE OF CONTROL BENEFITS

Termination Provisions

The Company has employment agreements with its NEOs. Due to the unanticipated and difficult financial situation the Company is in, the NEO's agreed to amend their employment agreements effective January 27, 2016. The amendment eliminated the severance payments previously provided for in the event of:

- (a) the death or the permanent disability of the NEO, or termination of the agreement by the NEO due to breach or default of the agreement by the Company that has not been remedied within 14 days after written notice of such breach; or
- (b) termination of the agreement by the Company without cause.

During the year ending January 31, 2019, the company either terminated its remaining employees covered by employment contracts or eliminated salaries, obviating all termination compensation provisions.

Change of Control Provisions

The amended employment agreements with the Company's NEOs now provide for severance payments triggered within six months of a defined change of control event of the Company when the employee is terminated without cause or if the employee does not choose to continue or accept employment with the successor entity on terms reasonably acceptable to the employee.

Under the terms of RSUs granted to NEOs, all un-vested RSUs vest upon the occurrence of a "Change of Control Transaction", which is defined in the RSU Plan to mean, subject to certain exceptions:

- (a) the purchase or acquisition of shares as a result of which a person, group of persons or persons acting jointly or in concert with any such person, group of persons or any of such persons acting jointly or in concert, beneficially own or exercise control or direction over shares carrying the right to cast more than 50% of the votes attached to all outstanding shares; or
- (b) approval by the shareholders of the Company of an amalgamation, arrangement, merger or other consolidation or combination of the Company with another corporation or other entity as a result of which the shareholders of the Company prior to the completion of such transaction or event hold less than 50% of the outstanding equity securities of the successor or continuing corporation or other entity immediately after the completion of the transaction or event.

Estimated Incremental Payments and Benefits on Change of Control

The following table describes the incremental payments, payables and benefits each NEO would be entitled to receive if a change of control pursuant to the employment agreements and RSUs occurred on January 31, 2019:

Name of NEO	Total payments, payables and benefits		
	Employment Agreement Payment ⁽¹⁾⁽²⁾ (\$)	Value of Unvested RSUs ⁽³⁾ (\$)	Change of Control Transaction Total (\$)
William Gibbs <i>President and CEO</i>	Nil	\$3,500	\$3,500
Jennie Choboter <i>CFO</i>	Nil	Nil	Nil

- 1) Amount due under applicable employment agreement in the event of a change of control as defined in the agreement.
- 2) Amounts payable under employment agreements are in U.S. dollars. These amounts are reported in the table above in Canadian dollars based on an exchange rate of 1.3144, being the exchange rate on January 31, 2019.
- 3) Value of un-vested RSUs which would vest in the event of a Change of Control Transaction, are calculated based on the market value of the Company's common shares on January 31, 2019, which was \$0.01

Director Compensation

Director Compensation Table

The following table sets forth all amounts of compensation provided to the Directors, who are each not also a Named Executive Officer, for the Company's most recently completed financial year:

Director Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Daniel Carriere	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Murray Oliver	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Kenneth Shannon	Nil	Nil	Nil	Nil	Nil	Nil	Nil
William McCartney	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Eric Boehnke	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Outstanding share-based and option-based awards

The following table sets forth for each Director (who are each not also a Named Executive Officer) all share-based and option-based awards outstanding at the end of the Company's most recently completed financial year, including awards granted before the Company's most recently completed financial year.

Name of Director	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 (#)	Market or Payout Value Of Share-Based Awards That Have Not Vested (\$)
Daniel Carriere	Nil	Nil	Nil	Nil	Nil	Nil
Murray Oliver	Nil	Nil	Nil	Nil	Nil	Nil
William McCartney	Nil	Nil	Nil	Nil	Nil	Nil
Kenneth Shannon	Nil	Nil	Nil	Nil	Nil	Nil

	Option-Based Awards				Share-Based Awards	
Name of Director	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 (#)	Market or Payout Value Of Share-Based Awards That Have Not Vested (\$)
Eric Boehnke	Nil	Nil	Nil	Nil	Nil	Nil

Incentive plan awards – value vested or earned during the year

The following table sets forth for each Director (who are each not also a Named Executive Officer) the value of all option-based and share-based awards vested or earned during the Company’s most recently completed financial year:

Name of Director	Option-Based Awards – Value vested during the year (\$)	Share-Based Awards – Value vested during the year (\$)	Non-Equity Incentive Plan Compensation Value vested during the year (\$)
Daniel Carriere	Nil	Nil	Nil
Murray Oliver	Nil	Nil	Nil
Kenneth Shannon	Nil	Nil	Nil
William McCartney	Nil	Nil	Nil
Eric Boehnke	Nil	Nil	Nil

Narrative Discussion

All option-based awards previously issued to Directors under the Company’s incentive stock option plan have expired of their own terms and are no longer in force.

No stock options or RSUs were granted to Directors during the most recently completed financial year. Additionally, as of January 31, 2019, there were no share-based or option-based awards outstanding to the Directors.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth the Company's compensation plans under which equity securities are authorized for issuance as at the end of the most recently completed financial year.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	Stock Options - Nil RSU - 350,000 ⁽¹⁾	N/A N/A	Stock Options - 8,849,482
Equity compensation plans not approved by securityholders	Nil	N/A	Nil
Total	350,000	N/A	8,849,482

(1) 350,000 RSU's to be issued upon exercise of RSU's issued under the Company's RSU plan.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date hereof, there was no indebtedness outstanding of any current or former Director, executive officer or employee of the Company or its subsidiaries which is owing to the Company or its subsidiaries or to another entity which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or its subsidiaries, entered into in connection with a purchase of securities or otherwise.

No individual who is, or at any time during the most recently completed financial year was, a Director or executive officer of the Company, no proposed nominee for election as a Director of the Company and no associate of such persons:

- (i) is or at any time since the beginning of the most recently completed financial year has been, indebted to the Company or its subsidiaries; or
- (ii) whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or its subsidiaries,

in relation to a securities purchase program or other program.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as set out herein, no person who has been a Director or executive officer of the Company at any time since the beginning of the Company's last financial year, no proposed nominee of management of the Company for election as a Director of the Company and no associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting other than the election of Directors or the appointment of auditors.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person or proposed Director of the Company and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which in either such case has materially affected or would materially affect the Company.

APPOINTMENT OF AUDITORS

Smythe LLP, Chartered Accountants, of Vancouver, British Columbia is the auditors of the Company. Unless otherwise instructed, the proxies given pursuant to this solicitation will be voted for the re-appointment of Smythe LLP as the auditors of the Company to hold office for the ensuing year. Pursuant to the Company's articles, the Directors are authorized to fix the remuneration to be paid to the auditors.

MANAGEMENT CONTRACTS

No management functions of the Company are performed to any substantial degree by a person other than the Directors or executive officers of the Company.

AUDIT COMMITTEE

Audit Committee Charter

Effective January 16, 2014, the Board adopted a new Audit Committee Charter. The full text of the Audit Committee Charter is contained in Schedule "A" to this Information Circular.

Composition of the Audit Committee

The following are the current members of the Committee:

Kenneth Shannon	Independent ⁽¹⁾	Financially literate ⁽²⁾
William McCartney, Chairman	Independent ⁽¹⁾	Financially literate ⁽²⁾
Murray Oliver	Independent ⁽¹⁾	Financially literate ⁽²⁾

(1) Refer to "Corporate Governance Disclosure – Independence of Members of Board".

(2) As defined by National Instrument 52-110 *Audit Committees* ("NI 52-110").

Relevant Education and Experience

William McCartney is the President of Pemcorp Management Inc., a private company which provides corporate finance and other advisory services to reporting issuers. He has been a director and/or officer of several other reporting issuers, and served on the audit committees of other reporting issuers. Mr. McCartney has been a member of the Institute of Chartered Accountants of British Columbia since 1980.

Murray J. Oliver has a B.A. in economics and 15 years of experience as a consultant providing corporate finance and advisory services, as well as shareholder and media communication, for public and private companies.

Kenneth Shannon has a B.Sc. (Hons) and a M.Sc. in geology from the University of British Columbia. He has been active in the junior resource sector since 1990 and was formerly the President, Chief Executive Officer and a director of Corriente Resources Inc., a reporting issuer listed on the Toronto Stock Exchange. Mr. Shannon has the ability to read and understand financial reporting.

Audit Committee Oversight

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

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services, as described under the heading "External Auditors" in the Company's Audit Committee Charter (contained in Schedule "A" to this Information Circular).

External Auditors Service Fees (By Category)

The aggregate fees billed by the Company's external auditors in each of the last two fiscal years for audit fees are as follows. The aggregate fees billed by the Company's external auditors in each of the last two fiscal years for audit fees are as follows:

Financial Year Ending	Audit Fees (\$)	Audit-Related Fees (\$)	Tax Fees (\$)	All Other Fees (\$)
January 31, 2019	35,000	Nil	2,500	Nil
January 31, 2018	30,000	Nil	2,500	14,100

- (1) Tax fees represent amounts paid for the preparation of tax returns.
- (2) All other fees represent amounts paid for informal review of unaudited financial statements.

Exemption in Section 6.1 of NI 52-110

The Company is relying on the exemption in Section 6.1 of NI 52-110 from the requirements of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations).

CORPORATE GOVERNANCE DISCLOSURE

National Policy 58-201 establishes corporate governance guidelines which apply to all public companies. The Company has reviewed its own corporate governance practices in light of these guidelines. In certain cases, the Company's practices comply with the guidelines; however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and therefore such guidelines have not been adopted. National Instrument 58-101 mandates disclosure of corporate governance practices which disclosure is set out below.

Corporate governance refers to the policies and structure of the board of directors of a corporation, whose members are elected by and are accountable to the shareholders of the corporation. Corporate governance encourages establishing a reasonable degree of independence of the board of directors from executive management and the adoption of policies to ensure the board of directors recognizes the principles of good management. The Board of the Company is committed to sound corporate governance practices, as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making.

Independence of Members of Board

The Company's Board consists of five Directors, three of whom are currently independent based upon the tests for independence set forth in NI 52-110. William McCartney, Murray Oliver and Kenneth Shannon are independent. William Gibbs is not independent as he is the CEO and President of the Company. Daniel Carriere may not be considered independent, as he is the Chair of the Company and accordingly falls within the definition of "executive officer" under NI 52-110.

Management Supervision by Board

The Board facilitates its independent supervision over management by having a majority of the Board not being officers of the Company and by reviewing and approving long-term strategic, business and capital plans, material contracts and business transactions, and all debt and equity financing transactions. In addition, the Board has appointed a Corporate Governance & Nominating Committee, whose duties include: (i) taking initiative to ensure that the Board can function independently of management; and (ii) developing mechanisms to allow Directors who are independent of management an opportunity to discuss issues in the absence of management.

Participation of Directors in Other Reporting Issuers

The participation of the Directors in other reporting issuers is described in the table provided under "Election of Directors" in this Information Circular.

Orientation and Continuing Education

When new Directors are appointed, they receive an orientation, commensurate with their previous experience, on the Company's business and on the responsibilities of Directors. New Directors are also provided with a package of the Board's corporate governance policies, which include: Board Mandate; charters for the audit committee, compensation committee, and corporate governance and nominating committee; Whistleblower Policy; Code of Business Conduct and Ethics; and Disclosure, Confidentiality and Insider Trading Policy.

The Board meetings may also include presentations by the Company's management to give the Directors additional insight into the Company's business.

Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual Directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual Director's participation in decisions of the Board in which the Director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company. In addition, the Board adopted a Code of Business Conduct and Ethics, which can be found at http://terraceenergy.net/resources/Code_of_Business_Conduct_and_Ethics_FINAL.pdf

Nomination of Directors

The Company's Corporate Governance & Nominating Committee has responsibility for identifying potential Board candidates and recommending to the Board the Director nominees to be proposed annually for election by shareholders or otherwise to be proposed for election or appointment to the Board. The committee assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the oil and gas industry are consulted for possible candidates.

The Board has adopted a written charter that sets forth the responsibilities, powers and operations of the Corporate Governance & Nominating Committee, which includes making recommendations to the Board with respect to filling vacancies, evaluating the performance of individual Directors and making recommendations as to their further nomination, reviewing proposed shareholder nominees and making recommendations to the Board regarding resignations of Directors. The Corporate Governance & Nominating Committee has the power to retain outside advisors as it considers necessary for the proper functioning of the committee, at the Company's expense. The Corporate Governance & Nominating Committee meets at least twice annually and otherwise as deemed necessary or appropriate by the committee or as may be requested by any member of the committee, the Chief Executive Officer or the Chief Financial Officer.

Compensation of Directors and the CEO

The members of the Compensation Committee have the responsibility for determining compensation for the Directors and senior management.

The Board has adopted a written charter that sets forth the responsibilities, powers and operations of the Compensation Committee, which include: reviewing the adequacy and form of any compensation program for executive officers and making recommendations to the Board with respect to compensation. The Compensation Committee has the power to retain outside advisors as it may deem necessary or appropriate to allow it to discharge

its responsibilities, at the expense of the Company. The Compensation Committee meets at least twice annually and otherwise as deemed necessary or appropriate by the committee or as may be requested by any member of the committee, the Chief Executive Officer or the Chief Financial Officer.

Board Committees

At this time, the Board of Directors has three standing committees. All members of the committees are independent within the meaning of NI 52-110.

Compensation Committee	Kenneth Shannon (Chair) Murray Oliver William McCartney
Corporate Governance and Nominating Committee	Kenneth Shannon (Chair) Murray Oliver
Audit Committee	William McCartney (Chair) Kenneth Shannon Murray Oliver

Assessments

The Corporate Governance & Nominating Committee has the duty to annually review the size and effectiveness of the Board, the committees of the Board, and the individual Directors, and to report on such assessments to the Chairman of the Board and the Board. This review includes consideration of which competencies and skills the Board should possess, including consideration of the competencies, skills and personalities of the Directors individually and as a group. The Corporate Governance & Nominating Committee also has the duty to evaluate the structure, responsibilities and composition of the Board and its committees.

Expectations of Management

The Board expects management to operate the business of the Company in a manner that enhances shareholder value and is consistent with the highest level of integrity. Management is expected to execute the Company's business plan and to meet performance goals and objectives.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

Approval and Ratification of Stock Option Plan

At the Meeting, the Company's shareholders will be asked to approve and ratify the Company's existing 10% "rolling" stock option plan (the "**Option Plan**"). Under the policies of the TSX Venture Exchange (the "**TSXV**"), all such rolling stock option plans which set the number of common shares issuable under the plan at a maximum of 10% of the issued and outstanding common shares must be approved and ratified by shareholders on an annual basis.

The Board of Directors implemented the Option Plan effective April 5, 2007, as amended on May 15, 2008, and it was subsequently approved by the TSXV and the shareholders of the Company.

The purpose of the Option Plan is to allow the Company to grant options to Directors, officers, employees and consultants, as additional compensation, and as an opportunity to participate in the success of the Company. The granting of such options is intended to align the interests of such persons with that of the shareholders.

The number of common shares which may be issued pursuant to the Option Plan and all other share compensation arrangements is a maximum of 10% of the issued and outstanding common shares at the time of the grant. In addition, the number of shares which may be reserved for issuance under the Option Plan and all other share compensation arrangements:

- (a) to any one individual in a one-year period, may not exceed 5% of the issued shares, or 2% if the optionee is a consultant;
- (b) to Insiders (as such term is defined in the Option Plan) as a group in a one-year period, may not exceed 10% in the aggregate of the number of issued and outstanding shares;

- (c) to all optionees undertaking investor relations activities in a one-year period, may not exceed 2% in the aggregate of the total number of issued and outstanding shares.

Options are exercisable over periods of up to five years as determined by the Board and are required to have an exercise price no less than the closing market price of the Company's shares prevailing on the day before the option is granted less a discount of up to 25%, the amount of the discount varying with market price in accordance with the policies of the TSXV. The Option Plan contains no vesting requirements, but permits the Board to specify a vesting schedule in its discretion, except for consultants performing investor relations activities, whose options must vest in stages over twelve months with no more than one-quarter of the options vesting in any three month period.

The Option Plan provides that if a change of control, as defined therein, occurs, all shares subject to option shall immediately become vested and may thereupon be exercised in whole or in part by the option holder.

The Option Plan provides that, on the death or disability of an option holder, all vested options will expire at the earlier of 365 days after the date of death or disability and the expiry date of such options. Where an optionee is terminated for cause, any outstanding options (whether vested or unvested) are cancelled as of the date of termination. If an optionee retires or voluntarily resigns or is otherwise terminated by the Company other than for cause, then all vested options held by such optionee will expire at the earlier of (i) the expiry date of such options and (ii) the date which is 90 days (30 days if the optionee was engaged in investor relations activities) after the optionee ceases its office, employment or engagement with the Company.

The Option Plan also contains a black-out provision. In accordance with good corporate governance practices and as recommended by National Policy 51-201 - *Disclosure Standards*, the Company imposes black-out periods restricting the trading of its securities by directors, officers, employees and consultants during periods surrounding the release of annual and interim financial statements and at other times when deemed necessary by management and the Board. In order to ensure that holders of outstanding stock options are not prejudiced by the imposition of such black-out periods, any outstanding stock options with an expiry date occurring during a management imposed black-out period or within five days thereafter will be automatically extended to a date that is 10 trading days following the end of the black-out period.

The full text of the Option Plan is available for viewing up to the date of the Meeting upon request and will also be available for review at the Meeting.

At the Meeting, shareholders will be asked to pass an ordinary resolution in the following form:

"BE IT RESOLVED THAT the Company's 10% "rolling" stock option plan, as described in the Company's information circular dated September 11, 2019, be and is hereby ratified, confirmed and approved."

The Board of Directors of the Company recommends that shareholders vote for the resolution to approve the Option Plan. Unless otherwise instructed, the persons named as proxyholder in the enclosed form of proxy intend to vote for the ordinary resolution to approve the Option Plan.

ADDITIONAL INFORMATION

Additional information relating to the Company is on SEDAR at www.sedar.com. Shareholders may contact the Company at (604) 282-7897 to request copies of the Company's financial statements and MD&A.

Financial information is provided in the Company's comparative financial statements and MD&A for its most recently completed financial year which are filed on SEDAR.

OTHER MATTERS

Management of the Company is not aware of any other matter to come before the Meeting other than as set forth in the notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

DATED this 11th day of September, 2019

APPROVED BY THE BOARD OF DIRECTORS

"Daniel Carriere"

Daniel Carriere, Chairman of the Board

SCHEDULE "A"
AUDIT COMMITTEE CHARTER

Effective January 16, 2014

1. Overall Purpose/Objectives

The Audit Committee (the "Committee") of Terrace Energy Corp. (the "Company") will assist the Board of Directors of the Company (the "Board") in fulfilling its responsibilities. The Committee will oversee the financial reporting process, the system of internal control and management of financial risks, the audit process, and the Company's process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the Committee will maintain effective working relationships with the Board, management, and the external auditors and monitor the independence of those auditors. To perform his or her role effectively, each Committee member will obtain an understanding of the responsibilities of Committee membership as well as the Company's business, operations and risks.

2. Authority

- 2.1. The Board authorizes the Committee, within the scope of its responsibilities, to seek any information it requires from any employee and from external parties, to obtain outside legal or professional advice and to ensure the attendance of Company officers at meetings, as the Committee deems appropriate.
- 2.2. The Committee shall receive appropriate funding, as determined by the Committee, for payment of compensation to the external auditors and to any legal or other advisers employed by the Committee, and for payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

3. Composition, Procedures and Organization

- 3.1. The Committee will be comprised of at least three members of the Board.
- 3.2. Except as permitted by all applicable legal and regulatory requirements:
 - (a) each member of the Committee shall be "independent" as defined in accordance with Canadian National Instrument 52-110 – *Audit Committees*, U.S. securities laws and regulations and applicable stock exchange rules;
 - (b) each member of the Committee will be "financially literate" with the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. Additionally, at least one member of the Committee shall be financially sophisticated, shall be considered an "audit committee financial expert" within the meaning of the rules of the U.S. Securities and Exchange Commission and shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, which may include being or having been a chief executive officer, chief financial officer or other executive officer with financial oversight responsibilities; and
 - (c) none of the members of the Committee may have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company during the past three years.

- 3.3. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, will appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
- 3.4. The Committee shall elect from its members a Chairman. The Secretary shall be elected from its members, or shall be the Secretary, or the Assistant or Associate Secretary, of the Company.
- 3.5. Any member of the Committee may be removed or replaced at any time by the Board. A member shall cease to be a member of the Committee upon ceasing to be a director of the Company.
- 3.6. Meetings shall be held not less than quarterly. Special meetings shall be convened as required. External auditors may convene a meeting if they consider that it is necessary. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditors in separate sessions.
- 3.7. The times and places where meetings of the Committee shall be held and the procedures at such meetings shall be as determined, from time to time, by the Committee.
- 3.8. Notice of each meeting of the Committee shall be given to each member of the Committee. Subject to the following, notice of a meeting shall be given orally or by letter, electronic mail, telephone facsimile transmission or telephone not less than 48 hours before the time fixed for the meeting. Notice of regular meetings need state only the day of the week or month, the place and the hour at which such meetings will be held and need not be given for each meeting. Members may waive notice of any meeting.
- 3.9. The Committee will invite the external auditors, management and such other persons to its meetings as it deems appropriate. However, any such invited persons may not vote at any meetings of the Committee.
- 3.10. A meeting of the Committee may be held by means of such telephonic, electronic or other communications facilities as permit all persons participating in the meeting to communicate adequately with each other during the meeting.
- 3.11. The majority of the Committee shall constitute a quorum for the purposes of conducting the business of the Committee. Notwithstanding any vacancy on the Committee, a quorum may exercise all of the powers of the Committee.
- 3.12. Any decision made by the Committee shall be determined by a majority vote of the members of the Committee present or by consent resolution in writing signed by each member of the Committee. A member will be deemed to have consented to any resolution passed or action taken at a meeting of the Committee unless the member dissents.
- 3.13. A record of the minutes of, and the attendance at, each meeting of the Committee shall be kept. The approved minutes of the Committee shall be circulated to the Board forthwith.
- 3.14. The Committee shall report to the Board on all proceedings and deliberations of the Committee at the first subsequent meeting of the Board, and at such other times and in such manner as the Board or the articles of the Company may require or as the Committee in its discretion may consider advisable.
- 3.15. The Committee will have access to such officers and employees of the Company and to such information respecting the Company, as it considers to be necessary or advisable in order to perform its duties and responsibilities.

- 3.16. The internal accounting staff, any external accounting consultant(s) and the external auditors of the Company will have a direct line of communication to the Committee and may bypass management if deemed necessary. The external auditors will report directly to the Committee.

4. Roles and Responsibilities

The roles and responsibilities of the Committee are as follows.

- 4.1. Oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company.
- 4.2. Review with management its philosophy with respect to controlling corporate assets and information systems, the staffing of key functions and its plans for enhancements.
- 4.3. Review the terms of reference and effectiveness of any internal audit process, and the working relationship between internal financial personnel and the external auditor.
- 4.4. Gain an understanding of the current areas of greatest financial risk and whether management is managing these effectively.
- 4.5. Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements, reviewing with management and the external auditor where appropriate.
- 4.6. Review any legal matters which could significantly impact the financial statements as reported on by management and meet with outside counsel whenever deemed appropriate.
- 4.7. Review the annual financial statements and the results of the audit with management and the external auditors prior to the release or distribution of such statements, and obtain an explanation from management of all significant variances between comparative reporting periods.
- 4.8. Review the interim financial statements with management prior to the release or distribution of such statements, and obtain an explanation from management of all significant variances between comparative reporting periods.
- 4.9. Review all public disclosure concerning audited or unaudited financial information before its public release and approval by the Board, including management's discussion and analysis, financial information contained in any prospectus, private placement offering document, annual report, annual information form, takeover bid circular, and any annual and interim earnings press releases, and determine whether they are complete and consistent with the information known to Committee members.
- 4.10. Assess the fairness of the financial statements and disclosures, and obtain explanations from management on whether:
- (a) actual financial results for the financial period varied significantly from budgeted or projected results;
 - (b) generally accepted accounting principles have been consistently applied;
 - (c) there are any actual or proposed changes in accounting or financial reporting practices; and
 - (d) there are any significant, complex and/or unusual events or transactions such as related party transactions or those involving derivative instruments and consider the adequacy of disclosure thereof.

- 4.11. Determine whether the auditors are satisfied that the financial statements have been prepared in accordance with generally accepted accounting principles.
- 4.12. Focus on judgmental areas, for example those involving valuation of assets and liabilities and other commitments and contingencies.
- 4.13. Review audit issues related to the Company's material associated and affiliated companies that may have a significant impact on the Company's equity investment.
- 4.14. Ascertain whether any significant financial reporting issues were discussed by management and the external auditor during the fiscal period and the method of resolution.
- 4.15. Review and resolve any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
- 4.16. Be directly responsible for:
 - (a) the selection of the firm of external auditors to be proposed for election as the external auditors of the Company;
 - (b) the oversight of the work of the Company's external auditors; and
 - (c) subject to the grant by the shareholders of the authority to do so, if required, fixing the compensation to be paid to the external auditors. The external auditor shall report directly to the Committee.
- 4.17. Review and approve the proposed audit plan and the external auditors' proposed audit scope and approach with the external auditor and management and ensure no unjustifiable restriction or limitations have been placed on the scope.
- 4.18. Explicitly approve, in advance, all audit and non-audit engagements of the external auditors; provided, however, that non-audit engagements may be approved pursuant to a pre-approval policy established by the Committee that (i) is detailed as to the services that may be pre-approved, (ii) does not permit delegation of approval authority to the Company's management, and (iii) requires that the delegatee or management inform the Committee of each service approved and performed under the policy. Approval for minor non-audit services is subject to applicable securities laws.
- 4.19. If it so elects, delegate to one or more members of the Committee the authority to grant such pre-approvals. The delegatee's decisions regarding approval of services shall be reported by such delegatee to the full Committee at each regular Committee meeting.
- 4.20. Oversee the independence of the external auditors. Obtain from the external auditors a formal written statement delineating all relationships between the external auditors and the Company, consistent with the Independence Standards Board Standard No. 1. Actively engage in a dialogue with the external auditors with respect to any disclosed relationships or services that impact the objectivity and independence of the external auditor.
- 4.21. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.
- 4.22. Review the performance of the external auditors, and in the event of a proposed change of auditor, review all issues relating to the change, including the information to be included in any notice of change of auditor as required under applicable securities laws, and the planned steps for an orderly transition.
- 4.23. Review the post-audit or management letter, containing the recommendations of the external

auditor, and management's response and subsequent follow-up to any identified weakness.

- 4.24. Review the evaluation of internal controls and management information systems by the external auditor, and, if applicable, the internal audit process, together with management's response to any identified weaknesses and obtain reasonable assurance that the accounting systems are reliable and that the system of internal controls is effectively designed and implemented.
- 4.25. Gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.
- 4.26. Review the process under which the Chief Executive Officer and the Chief Financial Officer evaluate and report on the effectiveness of the Company's design of internal control over financial reporting and disclosure controls and procedures.
- 4.27. Obtain regular updates from management and the Company's legal counsel regarding compliance matters, as well as certificates from the Chief Financial Officer as to required statutory payments and bank covenant compliance and from senior operating personnel as to permit compliance.
- 4.28. Establish a procedure for the:
 - (a) confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters,
 - (b) receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters.
- 4.29. Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.
- 4.30. Endeavour to cause the receipt and discussion on a timely basis of any significant findings and recommendations made by the external auditors.
- 4.31. Ensure that the Board is aware of matters which may significantly impact the financial condition or affairs of the business.
- 4.32. Review and assess the adequacy of insurance coverage, including directors' and officers' liability coverage.
- 4.33. Perform other functions as requested by the full Board.
- 4.34. If it deems necessary, institute special investigations and, if it deems appropriate, hire special counsel or other experts or advisors to assist, and set the compensation to be paid to such special counsel or other experts or advisors.

5. General

In addition to the foregoing, the Committee will:

- (a) assess the Committee's performance of the duties specified in this charter and report its finding(s) to the Board;
- (b) review and assess the adequacy of this charter at least annually and recommend any proposed changes to the Board for approval; and
- (c) perform such other duties as may be assigned to it by the Board from time to time or as may be required by any applicable stock exchanges, regulatory authorities or legislation.