



**CERF INCORPORATED**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON**

**JUNE 25, 2015**

**MANAGEMENT INFORMATION CIRCULAR**

**MAY 25, 2015**

# CERF INCORPORATED

8430 – 24<sup>th</sup> Street  
Edmonton, AB  
T6P 1X8

## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN THAT** the annual and special meeting (the “**Meeting**”) of holders of common shares (“**Shares**”) of CERF Incorporated (the “**Corporation**”) will be held at the offices of Borden Ladner Gervais LLP, at 1900, 520 – 3<sup>rd</sup> Avenue S.W., Calgary, Alberta T2P 0R3, at 3:00 p.m. (Calgary time) on June 25, 2015, for the following purposes:

1. to receive the audited financial statements of the Corporation for the year ended December 31, 2014 and the report of the auditors thereon;
2. to fix the number of directors to be elected at the Meeting at seven (7);
3. to elect the board of directors of the Corporation (the “**Board**”) for the ensuing year;
4. to appoint KMPG LLP, Chartered Accountants, of Calgary, Alberta, as auditors of the Corporation, at a remuneration to be fixed by the Board;
5. 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 accompanying management information circular prepared for the purposes of the Meeting, to confirm the Corporation’s stock option plan; and
6. to transact such other business as may be properly brought before the Meeting.

**DATED** this 25<sup>th</sup> day of May, 2015.

### BY ORDER OF THE BOARD OF DIRECTORS

(Signed) “*Wayne S. Wadley*”  
Wayne S. Wadley  
President and Chief Executive Officer

### IMPORTANT

**Only shareholders of record as of May 22, 2015, the record date, are entitled to receive notice of and to attend and vote at the Meeting or any adjournment or postponement thereof.** It is desirable that as many Shares as possible be represented at the Meeting. If you do not expect to attend and would like your Shares represented, please complete the enclosed instrument of proxy and return it as soon as possible in the envelope provided for that purpose. In accordance with the By-laws of the Corporation, all proxies, to be valid, must be deposited at the office of the Registrar and Transfer Agent of the Corporation, Valiant Trust Company, Suite 310, 606 – 4<sup>th</sup> Street S.W., Calgary, Alberta, T2G 1T1, or faxed to (403) 233-2857 not later than forty-eight (48) hours (excluding Saturdays, Sundays and holidays in the Province of Alberta) prior to the Meeting or any adjournment or postponement thereof. Shareholders may also vote via the internet at <https://proxy.valianttrust.com>. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any late proxy.

**CERF INCORPORATED**  
**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**  
**TO BE HELD ON JUNE 25, 2015**

**MANAGEMENT INFORMATION CIRCULAR**

**GENERAL**

This management information circular (the “**Circular**”) is furnished in connection with the solicitation of proxies by the management of CERF Incorporated (the “**Corporation**”) for use at the annual and special meeting of the holders of common shares (the “**Shares**”) of the Corporation to be held at the offices of Borden Ladner Gervais LLP at 1900, 520 - 3<sup>rd</sup> Avenue S.W., Calgary, Alberta T2P 0R3, on the 25<sup>th</sup> day of June, 2015 at 3:00 p.m. (Calgary time), or at any adjournment thereof (the “**Meeting**”), for the purposes set forth in the Notice of Meeting. The information contained herein is given as of May 25, 2015, except where otherwise indicated. Enclosed herewith is a form of proxy for use at the Meeting. Each shareholder who is entitled to attend at meetings of shareholders is encouraged to participate in the Meeting and shareholders are urged to vote on matters to be considered in person or by proxy.

**APPOINTMENT AND REVOCATION OF PROXIES**

Those shareholders desiring to be represented by proxy must deposit their respective forms of proxy with Valiant Trust Company (“**Valiant Trust**”), at Suite 310, 606 – 4<sup>th</sup> Street S.W., Calgary, Alberta, T2G 1T1, or faxed to (403) 233-2857 not later than forty-eight (48) hours (excluding Saturdays, Sundays and holidays in the Province of Alberta) prior to the Meeting or any adjournment thereof. Shareholders may also vote via the internet at <https://proxy.valianttrust.com>. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any late proxy. A proxy must be executed by the shareholder or by his attorney authorized in writing, or if the shareholder is a corporation, under its seal or by an officer or attorney thereof duly authorized. A proxy is valid only at the Meeting in respect of which it is given or any adjournment of the Meeting.

**Each shareholder submitting a proxy has the right to appoint a person to represent him or it at the Meeting other than the persons designated in the form of proxy furnished by the Corporation. The shareholder may exercise this right by striking out the names of the persons so designated and inserting the name of the desired representative in the blank space provided, or by completing another form of proxy and in either case depositing the proxy with Valiant Trust, at the place and within the time specified above for the deposit of proxies.**

An instrument of proxy may be revoked by the person giving it at any time prior to the exercise thereof. **If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person by depositing an instrument in writing with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.** In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or his attorney authorized in writing, or if the shareholder is a corporation, under its seal or by an officer or attorney thereof duly authorized, and deposited either with Valiant Trust, at the place and within the time specified above for the deposit of proxies.

**ADVICE TO BENEFICIAL SHAREHOLDERS**

The information as set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold Shares in their own name. Shareholders who do not hold their Shares in their own name (referred to herein as “**Beneficial Shareholders**”) are advised that only proxies from shareholders of record can be recognized and voted upon at the Meeting. If Shares are listed

in an account statement provided to a shareholder by a broker, then in almost all cases those Shares will not be registered in the shareholder's name on the records of the Corporation. Such Shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing & Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the beneficial shareholder. Without specific instructions, brokers/nominees are prohibited from voting Shares for their clients. The directors and officers of the Corporation do not know for whose benefit the Shares registered in the name of CDS & Co. are held, and directors and officers of the Corporation do not necessarily know for whose benefit the Shares registered in the name of any broker or agent are held. Beneficial Shareholders who complete and return a form of proxy must indicate thereon the person (usually a brokerage house) who holds their Shares as a registered shareholder.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from beneficial shareholders in advance of shareholders' meetings. Every intermediary (broker) has its own mailing procedure, and provides its own return instructions, which should be carefully followed. The form of proxy supplied to Beneficial Shareholders is identical to that provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in Canada. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Shares voted. If you have any questions respecting the voting of Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote the Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Shares as proxyholder for the registered shareholder, should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

All references to shareholders in this Circular and the accompanying instrument of proxy and Notice of Meeting are to shareholders of record, unless specifically stated otherwise.

#### **EXERCISE OF DISCRETION**

**The Shares represented by the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions of the shareholder where voting is by way of a show of hands or by ballot. The persons appointed under the enclosed form of proxy are conferred with discretionary authority with respect to amendments or variations of those matters specified in the proxy and Notice of Meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof in accordance with their best judgement unless the shareholder has specified to the contrary or that Shares are to be withheld from voting. At the time of printing this Circular, the management of the Corporation knew of no such amendment, variation or other matter.**

**Unless otherwise specified, proxies in the accompanying form will be voted in favour of the matters set forth herein.**

### **PERSONS MAKING THE SOLICITATION**

This solicitation is made on behalf of the management of the Corporation. This Circular and form of proxy are not being sent to registered or beneficial owners using the Notice and Access procedures contained in National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer*. The costs incurred in the preparation and mailing of both the form of proxy and this Circular will be borne by the Corporation. In addition to the use of mail, proxies may be solicited by personal interviews, personal delivery, telephone or any form of electronic communication by directors, officers and employees of the Corporation who will not be directly compensated therefor. Any third party costs thereof will be borne by the Corporation.

The Corporation is not sending this Circular and forms of proxy directly to non-objecting Beneficial Shareholders. The Corporation will be sending these materials directly to its registered shareholders and indirectly to all non-registered shareholders through their intermediaries. The Corporation will pay for an intermediary to deliver these materials and a voting instruction form to objecting Beneficial Shareholders.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

As at May 22, 2015, being the record date for the determination of holders of Shares who are entitled to notice of, and to attend and vote at the Meeting (the “**Record Date**”), the Corporation had outstanding 36,300,248 Shares. Each Share confers upon the holder thereof the right to one vote. Only those shareholders of record on the Record Date are entitled to notice of, and to attend and vote at the Meeting.

Any transferee or person acquiring Shares after the Record Date may, on proof of ownership of Shares, demand not later than 10 days before the Meeting that his or her name be included in the list of persons entitled to attend and vote at the Meeting.

The By-laws of the Corporation provide that at least two persons present in person, being shareholders entitled to vote thereat and holding or representing by proxy not less than 5% of the outstanding Shares of the Corporation entitled to vote at the Meeting, constitute quorum for the Meeting in respect of holders of Shares.

To the knowledge of the directors and executive officers of the Corporation, as of the date hereof, no person or company beneficially owns or exercises control or direction, directly or indirectly, over more than 10% of the voting rights attached to all of the outstanding Shares, other than as set out below:

<b>Name of Shareholder</b>	<b>Number of Shares Beneficially Owned, or over which Control or Direction is Exercised, Directly or Indirectly</b>	<b>Percentage of Shares Beneficially Owned, or over which Control or Direction is Exercised, Directly or Indirectly<sup>(1)</sup></b>
Artie T. Kos	7,595,825	20.9%

**Note:**

(1) All of the Shares beneficially owned or controlled by Mr. Kos are registered in the name of Kos Win Inc., a corporation controlled by Mr. Kos.

### **CORPORATE GOVERNANCE**

National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”), sets out a series of guidelines for effective corporate governance. The guidelines address matters such as the composition and independence of corporate boards, the functions to be performed by boards and their

committees, and the effectiveness and education of board members. Each reporting issuer, such as the Corporation, must disclose on an annual basis and in prescribed form, the corporate governance practices that it has adopted. The following is the Corporation's required annual disclosure of its corporate governance practices in accordance with Form 58-101F2 – *Corporate Governance Disclosure (Venture Issuers)*.

## 1. Board of Directors

The board of directors of the Corporation (the “**Board**”) is currently made up of seven members, all of whom will be nominees for election as a director at the Meeting. The Board considers that J. Blair Goertzen, William C. Guinan, Bradley Munro and Alfred Sailer are independent directors according to the definition of “independence” as set out in National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) as it applies to the Board. The Board considers that Wayne S. Wadley is not independent as he is an executive officer of the Corporation. Further, the Board does not consider David Maplethorpe or Ken Stephens to be independent as they have both been executive officers of the Corporation within the last three years.

The Board facilitates its exercise of independent supervision over management by having a majority, namely, four-sevenths of the Board members consist of individuals who are independent of the Corporation, as defined in NI 58-101.

## 2. Directorships

Certain of the Corporation's directors or nominee directors are also directors of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction as follows:

<b>Name</b>	<b>Reporting issuers (or equivalent in a foreign jurisdiction)</b>
J. Blair Goertzen	Enerflex Ltd.
William C. Guinan	Kelt Exploration Ltd. Ikkuma Resources Corp.
Bradley Munro	Long Run Exploration Ltd. Secure Energy Services Inc.
Alfred Sailer	CanaDream Corporation

## 3. Orientation and Continuing Education

The Corporation has not developed an orientation program for new directors. However, the Corporation provides each new director with mandates for the Board, each committee of the Board, the Chair of the Board, the Chair of each committee of the Board and the Chief Executive Officer as well as the Corporation's Whistleblower Policy and the Corporation's code of business conduct and ethics, which is available on the System for Electronic Dissemination and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com). In addition, in order to provide continuing education to the directors, the Board has instructed the Corporate Secretary of the Corporation to supply the directors with updates from time to time, with respect to new legal and regulatory developments which may be of interest to the Board.

## 4. Ethical Business Conduct

The Corporation has adopted a written code of business conduct and ethics (the “**Code**”). Reasonable steps are taken to monitor compliance with the Code by requiring directors and officers to sign a written acknowledgment that they have read the Code. The Code applies to the Corporation's directors, officers and employees, each of whom is expected to ensure that his or her behaviour accords with the letter and the spirit of the Code. The Audit Committee is responsible for reviewing departures from the Code by

executive officers, management, employees and consultants, reviewing and either providing or denying waivers from the Code, and disclosing any waivers that are granted in accordance with applicable law. The Chair of the Audit Committee is responsible for investigating complaints, presenting complaints to such committee and any other applicable committee of the Board or the Board as a whole, and developing a plan for promptly and fairly resolving complaints. Upon conclusion of the investigation and resolution of a complaint, the Chair of the Audit Committee will advise the complainant of the corrective action measures that have been taken or advise the complainant that the complaint has not been substantiated. The Code prohibits retaliation by the Corporation, its directors, executive officers and management, against complainants who raise concerns in good faith and requires the Corporation to maintain the confidentiality of complainants to the greatest extent practicable. Complainants may also submit their concerns anonymously in writing.

In addition to the Code, the Corporation has an Audit Committee Charter regarding the collection and dissemination of accounting information, and a Whistleblower Policy with respect to reporting accounting and auditing irregularities.

Since the beginning of the Corporation's most recently completed financial year, no material change reports have been filed that pertain to any conduct of a director or executive officer that constitutes a departure from the Code.

## **5. Nomination of Directors**

The Board as a whole remains responsible for nominating new members of the Board and assessing members of the Board on an on-going basis. If it becomes necessary, a nomination committee will be created which in turn will develop relevant criteria for suitable candidates including the independence of the individual, financial acumen and availability to devote sufficient time to the duties of the Board.

## **6. Compensation**

The Human Resources and Compensation Committee annually recommends the compensation to be received by the Corporation's directors and officers. Two of the three members of the Human Resources and Compensation Committee are independent directors. The skills and experience of each Committee member in executive compensation that is relevant to his responsibilities and the making of decisions on the suitability of the Corporation's compensation policies and practices is as follows:

J. Blair Goertzen	Mr. Goertzen has a breadth of experience acquired throughout his business career in which he addressed compensation matters for various companies' executive officers and directors.
William C. Guinan	Mr. Guinan has a breadth of experience acquired throughout his business career in which he addressed compensation matters for various companies' executive officers and directors.
David Maplethorpe	Mr. Maplethorpe has a breadth of experience acquired throughout his business career in which he has addressed compensation matters for various companies' executive officers and directors.

Compensation is determined in the context of the Corporation's goals, shareholder returns and other achievements, and considered in the context of position descriptions, goals and the performance of each individual director and officer. With respect to compensation matters, the Human Resources and Compensation Committee's tasks include: (i) annually recommending objectives and performance criteria applicable to the Board, each director, the Chair of the Board, the Chair of each committee of the Board and the Chief Executive Officer; (b) annually arranging for an evaluation of the performance, contribution

and effectiveness of the Board, each committee of the Board, the directors, the Chair of each committee of the Board and the Chief Executive Officer; (c) preparing and distributing a report to the Board regarding annual evaluations; (d) making recommendations to the Board regarding the amount and form of compensation to award the directors, the Chair of the Board and the Chair of each committee of the Board; (e) making recommendations to the independent members of the Board regarding the amount and form of compensation to award the Chief Executive Officer; (f) reviewing and making recommendations to the Board regarding proposals for the compensation of executive officers and management; (g) reviewing and making recommendations regarding all incentive and equity-based compensation plans and all proposed grants of securities under such plans; and (h) reviewing and making recommendations regarding employee benefit and retirement plans. The compensation of directors and officers of competitors are considered, to the extent publicly available, in determining compensation.

For a detailed discussion of the compensation of the directors of the Corporation, see the discussion under “*Statement of Executive Compensation – Compensation Discussion and Analysis*”.

## **7. Other Board Committees**

In addition to the Audit Committee and the Human Resources and Compensation Committee, the Board has a Disclosure and Corporate Governance Committee. The function of the Disclosure and Corporate Governance Committee is to ensure that written and oral communications about the Corporation to the public and to legal and regulatory authorities and applicable exchanges are disseminated in a timely and factually accurate manner and to assist the Corporation in maintaining and complying with its disclosure policy.

## **8. Assessments**

The Board has no formal process in place to assess the effectiveness of the Board, its committees and individual members. However, through the regular interaction between Board members, the Board satisfies itself that the Board, its committees and individual members are performing effectively.

## **AUDIT COMMITTEE**

Under NI 51-102, the Corporation is required to include in its information circular the disclosure required under Form 52-110F2 with respect to its audit committee, including the composition of the audit committee, the text of its audit committee charter and the fees paid to the external auditor all of which is attached hereto as Schedule “A”.

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **1. Compensation Discussion and Analysis**

The Human Resources and Compensation Committee of the Board makes recommendations to the Board regarding compensation to be provided to the executive officers and directors of the Corporation and the executive officers of its subsidiaries and, in doing so, receives input from the President and the Chief Executive Officer of the Corporation (the “CEO”) in respect of all executive officers other than the CEO. Compensation of all executive officers, including the CEO, is based on the underlying philosophy that such compensation should be competitive with other business operations of similar size and should be reflective of the experience, performance and contribution of the individuals involved and the overall performance of the Corporation.

The Corporation’s executive compensation program is available to the Named Executive Officers of the Corporation, which is defined by the securities legislation to mean each of the following individuals, namely: (i) the CEO of the Corporation; (ii) the Chief Financial Officer of the Corporation; (iii) each of



the Corporation's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the President and CEO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and (iv) each individual who would be a "Named Executive Officer" under (iii) above but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of the most recently completed financial year-end (the "**Named Executive Officer**"). For purposes of this Circular, the seven executive officers of the Corporation as of December 31, 2014, and the former Vice President, Finance and Chief Financial Officer of the Corporation, all as listed in the table under the heading "*Summary Compensation Table*", are the Named Executive Officers.

### ***Objectives of the Compensation Program***

The objectives of the Corporation's executive compensation program are twofold, namely: (i) to enable the Corporation to attract and retain highly qualified and experienced individuals to serve as executive officers; and (ii) to align the compensation levels available to the executive officers to the successful implementation of the Corporation's strategic plans. The Corporation's executive compensation program is designed to reward the Named Executive Officers where they have contributed to the prosperity and growth of the Corporation.

### ***Elements of the Compensation Program***

The Corporation's executive compensation program consists of a combination of the following significant elements, namely: base salary, or, in respect of Ken Stephens, who was the Vice President, Finance and Chief Financial Officer of the Corporation from January 1, 2014 to October 20, 2014, consulting fees in lieu of a base salary, and participation in the Stock Option Plan and in the Stock Savings Plan (both as hereinafter defined). These elements contain both short-term incentives, comprised of cash payments, being those provided by way of base salaries, or consulting fees in lieu of base salaries, as well as long-term incentives, comprised of equity based incentives, being those provided under the Stock Option Plan and the Stock Savings Plan. The process for determining perquisites and approval of benefits for the Named Executive Officers is, firstly, to implement perquisites and benefits which are comparable to those usually offered by other business entities of a similar size to the Corporation and secondly, to make those perquisites and benefits available to each Named Executive Officer, equally. The Corporation chooses to pay each element of its executive compensation program in order to maintain its competitive position in the marketplace. The amount for each element of the Corporation's executive compensation program is determined based upon compensation levels provided by the Corporation's competitors as well as upon the discretion of the Board, where applicable, as described below. Each element of the Corporation's executive compensation program is intended to contribute to an overall total compensation package which is designed to provide both short-term and long-term financial incentives to the Named Executive Officers and to thereby assist the Corporation to successfully implement its strategic plans. The Human Resources and Compensation Committee annually assesses how each element fits into the overall total compensation package and makes recommendations to the Board relating thereto from time to time.

### ***Base Salaries / Consulting Fees***

Base salaries for the Named Executive Officers, or, in respect of Ken Stephens, who was the Vice President, Finance and Chief Financial Officer of the Corporation from January 1, 2014 to October 20, 2014, consulting fees in lieu of a base salary, are reviewed annually and are set to be competitive with industry levels. In addition, in its annual review of base salaries, or consulting fees in lieu of base salaries, the Human Resources and Compensation Committee has regard to the contributions made by the Named Executive Officers, how their compensation levels relate to compensation packages that would be available to such officers from other employment opportunities and commercially available salary survey data and information publicly disclosed by some of the Corporation's competitors and peers. This

enables the Corporation to establish base salaries, or consulting fees in lieu of base salaries, which attract and retain highly qualified and experienced individuals. Other than as set out immediately above, the base salaries, or consulting fees in lieu of base salaries, of the Named Executive Officers are not determined based on benchmarks, performance goals or a specific formula.

#### *Stock Option Plan*

The Corporation established a stock option plan for its directors, officers, employees and consultants effective October 1, 2011, which was initially approved by the shareholders of the Corporation on September 29, 2011 and which was most recently approved by the shareholders of the Corporation on July 3, 2014 (the “**Stock Option Plan**”). The process that the Board uses to grant option-based awards to executive officers, including the Named Executive Officers, and the factors that are taken into account when considering new grants under the Stock Option Plan, are based upon a number of criteria, including the performance of the executive officers, the number of options available for grant under the Stock Option Plan, the number of options anticipated to be required to meet the future needs of the Corporation, as well as the number of options previously granted to each of the Named Executive Officers. It is the full Board, as opposed to the Human Resources and Compensation Committee, which determines the need for any amendments to the Stock Option Plan and it is the full Board which determines the number of option grants to be made under the Stock Option Plan. The CEO frequently provides input and recommendations to the Board regarding the granting of options, from time to time. The CEO, in turn, and where appropriate, also obtains input from other executive officers of the Corporation when providing his input and recommendations. Other than as set out immediately above, the grant of option-based awards is not determined based on benchmarks, performance goals or a specific formula.

#### *Stock Savings Plan*

The Corporation has an employee stock savings plan (the “**Stock Savings Plan**”) under which all employees of the Corporation, including the Named Executive Officers, may participate. The purpose of the Stock Savings Plan is to make available to the Corporation’s employees, commencing three (3) months after the commencement of their employment with the Corporation, a means of acquiring, through regular payroll deductions and the Corporation’s matching contribution, Shares so that participating employees can have the opportunity to benefit from the growth in the value of the Corporation. All employees who become participants contribute, including the Named Executive Officers, by way of bi-weekly payroll deductions for investment under the Stock Savings Plan, an amount of their regular salary ranging from a minimum of 0% to 8% (based on 1% increments). The Corporation contributes an amount of funds equal to one-half times the employee’s contribution during each month to a maximum of 4% of the employee’s base salary.

#### *Risks Associated with Compensation Policies and Practices*

The Corporation’s compensation program is designed to provide executive officers incentives for the achievement of near-term and long-term objectives, without motivating them to take unnecessary risk. As part of its review and discussion of executive compensation, the Human Resources and Compensation Committee assesses facts that discourage the Corporation’s executives from taking unnecessary or excessive risk including: (i) the Corporation’s operating strategy and related compensation philosophy; (ii) the effective balance, in each case, between cash and equity mix, near-term, and long-term focus, corporate and individual performance, and financial and non-financial performance; and (iii) the Corporation’s approach to performance evaluation and compensation provides greater rewards to an executive officer achieving both short-term and long-term agreed upon objectives. Based on this review, the Human Resources and Compensation Committee believes that the Corporation’s total executive compensation program does not encourage executive officers to take unnecessary or excessive risk.

## ***Financial Instruments***

The Corporation has not implemented any policies which restrict the Named Executive Officers or directors of the Corporation from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officers or directors of the Corporation.

## **2. Compensation Governance**

The Human Resources and Compensation Committee makes recommendations to the Board regarding the compensation to be provided to the executive officers and directors of the Corporation and, in doing so, receives input from the President and CEO of the Corporation (in respect of all executive officers other than the CEO). With respect to directors' compensation, the Human Resources and Compensation Committee reviews the level and form of compensation received by the directors, the Chair of the Board and the Chair of each committee, considering the duties and responsibilities of each director, his or her past service and continuing duties in service to the Corporation. The compensation of directors, the CEO and executive officers of competitors are considered, to the extent publicly available, in determining compensation and the Human Resources and Compensation Committee has the power to engage a compensation consultant or advisor to assist in determining appropriate compensation

The following table sets forth the name of each member of the Human Resources and Compensation Committee, whether they are independent and the relevant skills and experience of each member:

<b>Member</b>	<b>Independent<sup>(1)</sup></b>	<b>Relevant Skills and Experience</b>
J. Blair Goertzen	Independent	Mr. Goertzen has a breadth of experience acquired throughout his business career in which he has addressed compensation matters for various companies' executive officers and directors.
William C. Guinan	Independent	Mr. Guinan has a breadth of experience acquired throughout his legal and business career in which he has addressed compensation matters for various companies' executive officers and directors.
David Maplethorpe	Not Independent	Mr. Maplethorpe has a breadth of experience acquired throughout his business career in which he has addressed compensation matters for various companies' executive officers and directors.

**Note:**

(1) A member of the Human Resources and Compensation Committee is independent if the member has no direct or indirect material relationship with the Corporation which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

During the financial year ended December 31, 2014, the Human Resources and Compensation Committee did not retain an independent compensation consultant or advisor to assist in determining the compensation for the Corporation's directors and executive officers.

## **3. Option-Based Awards**

The process the Corporation follows in respect of the grant of option-based awards is set out under "*Compensation Discussion and Analysis – Elements of the Compensation Program*" above.

## **4. Summary Compensation Table**

Securities legislation requires the disclosure of the compensation received by each Named Executive Officer of the Corporation for the most recently completed financial year. The following table sets forth,

for each Named Executive Officer, for each of the financial years ended on or after December 31, 2011, a summary of total compensation:

Name and principal position	Year	Salary (\$)	Option- based awards <sup>(1)</sup> (\$)	Non-equity Incentive plans (\$)	All other compensation (\$) <sup>(2)</sup>	Total compensation (\$)
<b>Wayne Wadley</b> <sup>(3)</sup> President and Chief Executive Officer of CERF	2014	251,423	1,602	nil	760	253,785
	2013	88,060	31,593	nil	4,338	123,991
	2012	85,100	nil	nil	8,021	93,121
<b>Ken Stephens</b> <sup>(4)</sup> Vice President, Finance and Chief Financial Officer of CERF	2014	nil	1,602	nil	236,393 <sup>(5)</sup>	237,995
	2013	nil	31,593	nil	234,416 <sup>(5)</sup>	268,009
	2012	nil	nil	nil	211,483 <sup>(5)</sup>	211,483
<b>Marc Mandin</b> <sup>(11)</sup> Vice President, Equipment Operations of CERF	2014	224,006	1,335	nil	12,121	237,462
	2013	216,566	24,679	nil	12,147	253,392
	2012	203,186	nil	nil	12,206	215,392
<b>David (Skip) Kerr</b> <sup>(6)</sup> Chief Operating Officer of CERF	2014	194,487	1,602	nil	4,302	200,391
	2013	173,380	20,081	nil	1,407	194,868
	2012	75,106	nil	nil	nil	75,106
<b>Cameron Miller</b> <sup>(9)</sup> President of TRAC Energy Services Ltd.	2014	194,487	1,335	nil	16,067	211,889
	2013	182,980	nil	nil	11,005	193,985
	2012	44,160	nil	nil	3,420	47,580
<b>Travis Porter</b> <sup>(10)</sup> Vice President, Sales and Marketing of TRAC Energy Services Ltd.	2014	232,143	21,755	nil	7,702	261,600
	2013	182,980	nil	nil	10,780	193,760
	2012	44,160	nil	nil	3,420	47,580
<b>Austin Fraser</b> <sup>(7)</sup> Executive Vice President, Corporate Development of CERF	2014	57,693	1,602	nil	387	59,682
<b>Derrek Wong</b> <sup>(8)</sup> Vice President, Finance and Chief Financial Officer of CERF <sup>(6)</sup>	2014	45,192	2,671	nil	1,575	49,438

**Notes:**

- (1) The Corporation has calculated the grant date fair value of the option awards under the Stock Option Plan granted to the Named Executive Officers using the Black-Scholes model. The Corporation chose this methodology because it is recognized as the most common methodology used for valuing stock options. During the financial year ended December 31, 2013, 421,000 stock options were granted to the Named Executive Officers, 220,000 options on February 11, 2013 at an exercise price of \$3.09 and 201,000 options on August 30, 2013 at an exercise price of \$2.71. The Black-Scholes assumptions relied upon by the Corporation in respect of options granted to the Named Executive Officers during the financial year ended December 31, 2013 were: (i) expected annual dividend \$0.24; (ii) expected volatility for the February grant 44%, for the August grant 40%; (iii) risk-free interest rate for the February grant 1.17%, for the August grant 1.18%; and (iv) expected life of options 3 years. During the financial year ended December 31, 2014, 490,000 stock options were granted to the Named Executive Officers all at an exercise price of \$3.17. The Black-Scholes assumptions relied upon by the Corporation in respect of options granted to the Named Executive Officers during the financial year ended December 31, 2014 are: (i) expected annual dividend \$0.24; (ii) expected volatility 30.9%; (iii) risk-free interest rate 1.13%; and (iv) expected life of options 3 years.
- (2) Unless otherwise noted, the value of perquisites and benefits for each Named Executive Officer is less than \$50,000 and less than 10% of each Named Executive Officer's total salary for the financial year ended December 31, 2014.
- (3) Mr. Wadley also serves as a director of the Corporation. All of the compensation paid to Mr. Wadley relates to his position as a Named Executive Officer and none of the compensation paid to Mr. Wadley relates to his role as a director, other than \$9,000 as meeting attendance fees paid to him prior to August 27, 2014 in his capacity as a director.
- (4) Mr. Stephens resigned as Vice President, Finance and Chief Financial Officer on October 20, 2014. Mr. Stephens was a consultant of the Corporation from October 20, 2014 until December 31, 2014. Mr. Stephens also serves as a director of the Corporation. All of the compensation paid to Mr. Stephens relates to his position as a Named Executive Officer or as a consultant of the Corporation and none of the compensation paid to Mr. Stephens relates to his role as a director.
- (5) Represents consulting fees paid in lieu of a base salary.
- (6) Mr. Kerr was appointed Vice President, Business Development of the Corporation on June 27, 2012. Mr. Kerr was appointed Chief Operating Officer of the Corporation on August 27, 2013.

- (7) Mr. Fraser was appointed Executive Vice President, Corporate Development on August 27, 2014.  
(8) Mr. Wong was appointed Vice President, Finance and Chief Financial Officer of the Corporation on October 20, 2014.  
(9) Mr. Miller was appointed President of TRAC Energy Services Ltd. on October 3, 2012.  
(10) Mr. Porter was appointed Vice President, Sales and Marketing of TRAC Energy Services Ltd. on October 3, 2012.  
(11) Mr. Mandin resigned as Vice President, Equipment Operations on May 8, 2015.

## 5. Incentive Plan Awards

### *Outstanding Option-Based Awards*

The following table sets forth information in respect of all option-based awards outstanding at the end of the financial year ended December 31, 2014 to the Named Executive Officers of the Corporation.

Name	Number of Securities Underlying unexercised Options (#)	Option exercise price (\$)	Option Expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)
Wayne Wadley	50,000	3.09	February 11, 2018	nil
	51,000	2.71	August 30, 2018	nil
	60,000	3.17	October 20, 2019	nil
Ken Stephens <sup>(2)</sup>	50,000	3.09	February 11, 2018	nil
	51,000	2.71	August 30, 2018	nil
Marc Mandin	40,000	3.09	February 11, 2018	nil
	30,000	2.71	August 30, 2018	nil
	50,000	3.17	October 20, 2019	nil
David (Skip) Kerr	30,000	3.09	February 11, 2018	nil
	51,000	2.71	August 30, 2018	nil
	60,000	3.17	October 20, 2019	nil
Cameron Miller	30,000	2.71	August 30, 2018	nil
	50,000	3.17	October 20, 2019	nil
Travis Porter	14,000	2.71	August 30, 2018	nil
	50,000	3.17	October 20, 2019	nil
Austin Fraser	60,000	3.17	October 20, 2019	nil
Derrek Wong	100,000	3.17	October 20, 2019	nil

#### Notes:

- (1) Value is calculated based on the difference between the exercise price of the options and the closing price of the Shares on the TSXV (as defined below) on December 31, 2014, being \$2.05.  
(2) Mr. Stephens was also granted options on October 20, 2014 in his capacity as director of the Corporation. See "Director Compensation – Outstanding Option Based Awards" below.

### *Value Vested or Earned During the Year*

The following table sets forth the value of incentive plan awards which vested during the Corporation's financial year ended December 31, 2014 for each Named Executive Officer.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Non-Equity incentive plan compensation – Value earned during the year <sup>(2)</sup> (\$)
Wayne Wadley	14,280	nil
Ken Stephens	14,280	nil
Marc Mandin	8,400	nil
David (Skip) Kerr	14,280	3,916

<b>Name</b>	<b>Option-based awards – Value vested during the year <sup>(1)</sup></b> <b>(\$)</b>	<b>Non-Equity incentive plan compensation – Value earned during the year <sup>(2)</sup></b> <b>(\$)</b>
<b>Cameron Miller</b>	8,400	3,480
<b>Travis Porter</b>	5,880	53,143
<b>Austin Fraser</b>	n/a	n/a
<b>Derrek Wong</b>	n/a	n/a

**Notes:**

- (1) Represents the aggregate dollar value that would have been realized if the options under the option-based awards had been exercised on the vesting date based on the difference between the closing market price of the Shares on the date immediately preceding the vesting date, being \$3.17 and the exercise price of the options held.
- (2) Amounts shown are corporate bonus payments made in 2014.

**6. Pension Plan Benefits**

The Corporation does not have a pension plan or any other plan that provides for payments or benefits at, following or in connection with retirement. The Corporation does not have a deferred compensation plan.

**7. Termination and Change of Control Benefits**

Pursuant to the Stock Option Plan, in the event of a change of control as provided for therein, outstanding options shall immediately vest and become exercisable by participants. The Corporation does not have in place any other contracts, agreements, plans or arrangements that provide for payments to the Named Executive Officers at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Corporation or a change in an Named Executive Officers' responsibilities.

The following table sets forth the estimated incremental payments and benefits that would be received by Named Executive Officers following a "change of control" of the Corporation, had such event occurred on December 31, 2014.

<b>Name</b>	<b>Employment or other agreements</b> <b>(\$)</b>	<b>Stock Option Plan<sup>(1)</sup></b> <b>(\$)</b>	<b>Total</b> <b>(\$)</b>
Wayne Wadley	nil	nil	nil
Ken Stephens	nil	nil	nil
Marc Mandin	nil	nil	nil
David (Skip) Kerr	100,000	nil	nil
Cameron Miller	nil	nil	nil
Travis Porter	nil	nil	nil
Austin Fraser	200,000	nil	nil
Derrek Wong	nil	nil	nil

**Note:**

- (1) Value is calculated based on the difference between the exercise price of unvested options subject to vesting in a "change of control" and the closing price of the Shares on December 31, 2014, being \$2.05.

## 8. Director Compensation

For the period from January 1, 2014 until August 27, 2014, each director of the Corporation, namely, Mr. Guinan, Mr. Koop, Mr. Maplethorpe, Mr. Stephens and Mr. Wadley, was paid a \$1,000 meeting attendance for each meeting of the Board of Directors. For the period August 27, 2014 to December 31, 2014 each director of the Corporation who was not an employee or a consultant of the Corporation was paid fees of \$1,500 for each Board meeting attended in person and \$500 for each Board meeting attended by telephone. The members of the committees received a fee of \$1,000 for each committee meeting attended in person and \$500 for each committee meeting attended by telephone. Each director who was not an employee or consultant of the Corporation also received an annual retainer of \$6,000. In addition, the chair of the Audit Committee received an annual retainer of \$8,000 and the chair of the Human Resources and Compensation Committee and the chair of the Corporate Governance and Disclosure Committee each received an annual retainer of \$4,000.

### *Summary Compensation*

The following table sets forth information in respect of all amounts of compensation provided to the directors of the Corporation's financial year ended December 31, 2014.

<b>Name</b>	<b>Fees Earned<sup>(1)</sup> (\$)</b>	<b>Option-based awards<sup>(2)</sup> (\$)</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
William C. Guinan	11,500	9,735	nil	21,235
David Maplethorpe	9,500	1,335	nil	10,835
J. Blair Goertzen <sup>(6)</sup>	7,500	1,335	nil	8,835
Brad Munro <sup>(6)</sup>	7,500	1,335	nil	8,835
Ken Stephens <sup>(4)</sup>	5,000	nil	nil	5,000
Alfred Sailer <sup>(6)</sup>	5,500	1,335	nil	6,835
John Koop <sup>(5)</sup>	40,000	nil	nil	40,000

#### **Notes:**

- (1) For the period January 1, 2014 until August 27, 2014 directors were paid a \$1,000 meeting attendance fee for each meeting of the Board. For the period August 27, 2014 to December 31, 2014 see the disclosure under "*Statement of Executive Compensation – Director Compensation.*"
- (2) The Corporation has calculated the grant date fair value of the option awards under the Stock Option Plan granted to the directors using the Black-Scholes model. The Corporation chose this methodology because it is recognized as the most common methodology used for valuing stock options. During the financial year ended December 31, 2014, 250,000 stock options were granted to the directors who were not Named Executive Officers at an exercise price of \$3.17. The Black-Scholes assumptions relied upon by the Corporation in respect of options granted during the financial year ended December 31, 2014 to such directors were: (i) expected annual dividend \$0.24; (ii) expected volatility 30.9%; (iii) risk free interest rate 1.13%; and (iv) expected life of options 3 years.
- (3) Compensation information for Wayne Wadley, President and Chief Executive Officer of the Corporation and a director of the Corporation, has been previously provided herein under the heading "*Summary Compensation Table*" above.
- (4) Compensation information for Ken Stephens, Vice President, Finance and Chief Financial Officer of the Corporation until October 20, 2014 and a director of the Corporation, has been previously provided herein under the heading "*Summary Compensation Table*" above.
- (5) Mr. Koop resigned as a director of the Corporation on August 26, 2014.
- (6) Each of Mr. Goertzen, Mr. Munro and Mr. Sailer was appointed as a director of the Corporation on August 26, 2014.

### *Outstanding Option-Based Awards*

The following table sets forth information in respect of all option based awards outstanding at the end of the Corporation's financial year ended December 31, 2014 to the directors of the Corporation.

Name	Number of securities underlying unexercised Options (#)	Exercise price of Options (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)
William C. Guinan	30,000	3.09	February 11, 2018	nil
	20,000	2.71	August 30, 2018	nil
	50,000	3.17	October 20, 2019	nil
David Maplethorpe	12,000	2.71	August 30, 2018	nil
	50,000	3.17	October 20, 2019	nil
J. Blair Goertzen	50,000	3.17	October 20, 2019	nil
Brad Munro	50,000	3.17	October 20, 2019	nil
Ken Stephens	60,000	3.17	October 20, 2019	nil
Alfred Sailer	50,000	3.17	October 20, 2019	nil
John Koop <sup>(4)</sup>	nil	n/a	n/a	n/a

**Notes:**

- (1) Value is calculated based on the difference between the exercise price of the options and the closing price of the Shares on the TSXV (as defined below) on December 31, 2014, being \$2.05.
- (2) Compensation information for Wayne Wadley, President and Chief Executive Officer of the Corporation and a director of the Corporation has been previously provided herein under the heading “*Incentive Plan Awards*” above.
- (3) Compensation information for Ken Stephens, Vice President, Finance and Chief Financial Officer of the Corporation from January 1, 2014 to October 20, 2014 and a director of the Corporation, has been previously provided herein under the heading “*Incentive Plan Awards*” above
- (4) Mr. Koop resigned as a director of the Corporation on August 26, 2014.

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

The following table sets forth the value of incentive plan awards which vested during the financial year ended December 31, 2014. The directors of the Corporation do not receive share-based awards or non-equity incentive plan compensation.

Plan Category	Option-based awards value vested during year (\$) <sup>(1)</sup>
William C. Guinan	nil
David Maplethorpe	nil
J. Blair Goertzen	nil
Brad Munro	nil
Alfred Sailer	nil
John Koop	nil

**Note:**

- (1) Represents the aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date based on the difference between the closing market price of the Shares on the date immediately preceding the vesting date, being \$3.17, and the exercise price of the options held.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table provides details as at the end of the year ended December 31, 2014 with respect to all compensation plans of the Corporation under which equity securities of the Corporation are authorized for issuance.



<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected herein)</b>
Equity compensation plans approved by securityholders	1,887,500	3.05	1,733,892
Equity compensation plans not approved by securityholders	n/a	n/a	n/a
<b>Total</b>	1,887,500	n/a	1,733,892

**Notes:**

- (1) The Stock Option Plan was approved by the shareholders of the Corporation on July 3, 2014.  
(2) The Stock Option Plan reserves for issuance that number of Shares equal to 10% of the Corporation's outstanding Shares, from time to time.

### **MATTERS TO BE CONSIDERED AT THE MEETING**

To the knowledge of the Board, the only matters to be brought before the Meeting are those matters set forth in the accompanying Notice of Meeting.

#### **1. Financial Statements**

At the Meeting, shareholders will receive and consider the financial statements of the Corporation for the year ended December 31, 2014 and the auditors' report thereon, but no vote by the shareholders with respect thereto is required or proposed to be taken.

#### **2. Fixing Number of Directors to be Elected at the Meeting**

At the Meeting, shareholders will be asked to consider and, if thought fit, approve an ordinary resolution fixing the number of directors to be elected at the Meeting at seven (7).

**Unless otherwise directed, it is the intention of the persons designated in the accompanying form of proxy to vote in favour of the ordinary resolution fixing the number of directors to be elected at the Meeting at seven (7).** In order to be effective, the ordinary resolution in respect of fixing the number of directors to be elected at the Meeting at seven (7) must be passed by a majority of the votes cast by shareholders who vote in respect of this ordinary resolution.

#### **3. Election of Directors**

At the Meeting it is proposed that seven (7) directors be elected to hold office until the next annual meeting or until their successors are elected or appointed. There are presently seven (7) directors of the Corporation, the term of each of which expires at the Meeting.

**Unless otherwise directed, it is the intention of the persons designated in the accompanying form of proxy to vote in favour of the election as directors of the seven (7) nominees hereinafter set forth.** Management has no reason to believe that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons designated in the accompanying form of proxy reserve the right to vote for other nominees in their discretion unless the shareholder has specified in the accompanying form of proxy that such shareholder's Shares are to be withheld from voting on the election of directors. In order to be effective, the ordinary resolution in respect of the election of each nominee director must be approved by a majority of the votes cast by shareholders who vote in person or by proxy at the Meeting.

The following table sets forth the name of each of the persons proposed to be nominated for election as a director, their province and country of residence, their principal occupation, the period served as a director and the number of voting Shares that each proposed nominee beneficially owns, or exercises control or direction over, directly or indirectly, as of the Record Date. The information as to Shares owned beneficially, not being within the knowledge of the Corporation, has been provided by each nominee.

<b>Name and Province and Country Residence</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Number of Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly</b>
<b>Wayne Wadley</b> Alberta, Canada	President and Chief Executive Officer of the Corporation since October 1, 2011. Prior thereto President and Chief Executive Officer of CERF GP Corp. from January 2005 to October 2011.	August 2011	3,088,363 <sup>(4)</sup>
<b>Ken Stephens</b> <sup>(3)</sup> Alberta, Canada	Independent businessman since October 2014. Prior thereto Vice President, Finance and Chief Financial Officer of the Corporation from October 2011 to October 2014. Prior thereto, Vice President, Finance and Chief Financial Officer of CERF GP Corp. from January 2005 to October 2011. Prior thereto Chartered Accountant with the firm of Davis, Daignault, Schick & Co. from September 1990 to December 2010.	October 2011	279,062 <sup>(5)</sup>
<b>David Maplethorpe</b> <sup>(2)</sup> Alberta, Canada	Independent businessman since May 15, 2013. Prior thereto Chief Executive Officer of Maplethorpe Contractors Ltd. from 1975 to May 15, 2013 and Vice President, Waste and Environmental Operations of the Corporation from June 2012 to May 15, 2013.	October 2011	1,141,461 <sup>(6)</sup>
<b>William C. Guinan</b> <sup>(2)(3)</sup> Alberta, Canada	Partner with Borden Ladner Gervais LLP, a law firm.	July 2012	146,123
<b>J. Blair Goertzen</b> <sup>(1)(2)</sup> Alberta, Canada	President and Chief Executive Officer of Enerflex Ltd., a publically traded energy services company since 2006.	August 2014	190,728
<b>Brad Munro</b> <sup>(1)</sup> Saskatchewan, Canada	President and Chief Executive Officer of Bittercreek Capital Corporation, a private investment and consulting firm, since 2006.	August 2014	109,946
<b>Alfred Sailer</b> <sup>(1)(3)</sup> Alberta, Canada	Independent businessman since March 2015. Prior thereto Executive Vice President Corporate Development, ATK Oilfield Transportation Inc., a private transportation services company from February 2013 to March 2015. Prior thereto Managing Director, Investment Banking of AltaCorp Capital Inc. from 2010 to 2012. Prior thereto Vice President, Investment Banking of Acumen Capital Partners from 1996 to 2010.	August 2014	135,765

**Notes:**

- (1) Member of the Audit Committee.
- (2) Member of the Human Resources and Compensation Committee.
- (3) Member of the Corporate Governance and Disclosure Committee.
- (4) Mr. Wadley, the President and Chief Executive Officer of the Corporation, owns 404,163 Shares directly and has control or direction over 132,932 Shares held by Timberwolf Resources Ltd. and 2,551,268 Shares held by Timberwolf Technologies Inc., both of which are private Alberta corporations controlled by Mr. Wadley.
- (5) Mr. Stephens owns 224,928 Shares directly and has control or direction over 54,134 Shares held by 1221982 Alberta Inc., a private Alberta corporation controlled by Mr. Stephens.
- (6) Mr. Maplethorpe owns 286,461 Shares directly and has control or direction over 855,000 Shares held by 1490249 Alberta Ltd., a private Alberta corporation controlled by Mr. Maplethorpe.

The directors listed above will hold office until the next annual meeting of the Corporation or until their successors are elected or appointed.

*Corporate Cease Trade Orders*

Except as disclosed below, none of those persons who are proposed directors of the Corporation is, or has been within the past ten years, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied the company access to any exemptions under Canadian securities legislation for a period of more than 30 consecutive days or after such persons ceased to be a director, chief executive officer or chief financial officer of the company, was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days, which resulted from an event that occurred while acting in such capacity.

*Bankruptcies*

Except as disclosed herein, none of those persons who are proposed directors of the Corporation is, or has been within the past ten years, a director or executive officer of any company, including the Corporation, that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

On April 23, 2010, Winalta Inc. (“**Winalta**”) applied for and was granted an order by the Alberta Court of Queen’s Bench (the “**Court**”) providing for creditor protection under the *Companies Creditors Arrangement Act* (the “**CCAA**”). On April 26, 2010, Winalta was granted protection under the CCAA. Each of J. Blair Goertzen, and Brad Munro were directors of Winalta at this time.

On June 25, 2010, Winalta prepared and filed a creditor plan (the “**Creditor Plan**”) for the settlement of all claims against Winalta pursuant to the CCAA. The Creditor Plan was approved by the requisite majority of unsecured creditors at a meeting of creditors of Winalta held on October 14, 2010. The Creditor Plan was subsequently sanctioned by the Court on October 22, 2010 and implemented shortly thereafter. Winalta subsequently emerged from Court protection on October 29, 2010.

*Personal Bankruptcies*

None of the persons who are proposed directors of the Corporation have, within the past ten years 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 his assets.

### *Penalties and Sanctions*

None of those persons who are proposed directors of the Corporation have 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 with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

#### **4. Appointment of Auditor**

At the Meeting, shareholders will be asked to pass an ordinary resolution re-appointing KPMG LLP, Chartered Accountants, of Calgary, Alberta as the auditor of the Corporation. In order to be effective, the ordinary resolution in respect of the appointment of auditors must be approved by a majority of the votes cast by shareholders who vote in person or by proxy at the Meeting.

**Unless otherwise directed, it is the intention of the persons designated in the accompanying form of proxy to vote in favour of a resolution appointing KPMG LLP, Chartered Accountant, as auditor for the Corporation for the next ensuing year,** to hold office until the close of the next annual meeting of shareholders or until KPMG LLP, Chartered Accountants, are removed from office or resigns as provided by the Corporation's by-laws, at a remuneration to be fixed by the Board. KPMG LLP was first appointed the auditor of the Corporation on October 1, 2011.

#### **5. Confirmation of Stock Option Plan**

To remain in compliance with the policies of the TSX Venture Exchange (the "TSXV"), which require annual shareholder approval of 10% rolling stock option plans, the Corporation will be presenting to the shareholders for approval the Stock Option Plan in the form attached as Schedule "B" which was initially approved by the shareholders on October 1, 2011 and most recently approved by the shareholders on July 3, 2014.

The aggregate number of Shares issuable upon the exercise of all options granted under the Stock Option Plan shall not exceed 10% of the issued and outstanding Shares of the Corporation from time to time. Rolling 10% option plans such as the Stock Option Plan require annual Shareholder approval. The purpose of the Stock Option Plan is to advance the interests of the Corporation by encouraging the directors, officers, employees and consultants of the Corporation to acquire Shares, thereby increasing their proprietary interest in and encouraging them to remain associated with the Corporation. The Stock Option Plan is administered by the Board and all Share options granted thereunder are subject to the rules and policies of the TSXV.

The exercise price of the Shares subject to each option shall be determined by the Board but in no event shall such exercise price be lower than the exercise price permitted by the TSXV. No single participant may be granted options to purchase a number of Shares equalling more than 5% of the issued Shares of the Corporation in any one twelve month period without disinterested Shareholder approval. Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Shares in any twelve month period to any one consultant of the Corporation. Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Shares in any twelve month period to employees of the Corporation conducting investor relations' activities. The maximum term of any options granted may not exceed five years. If the Shares are increased, decreased or changed through reorganization, merger, recapitalization, reclassification, share dividend, subdivision or consolidation, an appropriate adjustment shall be made by the Board in the number of Shares optioned and the exercise price per Share.

As of the date hereof: (i) the Corporation has issued under the Stock Option Plan, options pursuant to which 1,678,000 Shares are issuable, which represents approximately 4.62% of the currently outstanding Shares; and (ii) there remains for issuance under the Stock Option Plan, options pursuant to which 1,952,024 Shares may be issued, which represents approximately 5.38% of the currently outstanding Shares.

At the Meeting, shareholders will be asked to pass an ordinary resolution as follows:

**“BE IT HEREBY RESOLVED** as an ordinary resolution of the Corporation that:

1. the stock option plan of CERF Incorporated (the **“Corporation”**), substantially in the form attached as Schedule **“B”** (the **“Option Plan”**) to the management information circular of the Corporation dated May 25, 2015, be and is hereby confirmed as the stock option plan of the Corporation;
2. the form of the Option Plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the shareholders of the Corporation; and
3. any one director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this ordinary resolution.”

**Unless otherwise directed, it is the intention of the persons designated in the accompanying form of proxy to vote in favour of the ordinary approving the Stock Option Plan. In order for the foregoing proxy to be passed, it must be approved by a majority of the votes cast by shareholders who vote in person or by proxy at the Meeting.**

#### **6. Other Business**

Management is not aware of any other matters to come before the Meeting, other than those set out in the notice of Meeting. If other matters come before the Meeting, **it is the intention of the persons designated in the accompanying form of proxy to vote the same in accordance with their best judgment in such matters.**

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

No individual who is a proposed director, a current or former director, executive officer or employee of the Corporation or any subsidiary, or any associate thereof is, or at any time since the beginning of the most recently completed financial year has been, indebted to the Corporation or any of its subsidiaries or was indebted to another entity, which such indebtedness is, or was at the time during the most recently completed financial year of the Corporation, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, except as set out below.

The table below sets out, as at the date indicated, the aggregate indebtedness to the Corporation of all executive officers, directors and employees of the Corporation, as applicable:

<b>AGGREGATE INDEBTEDNESS (\$)</b>		
<b>Purpose</b>	<b>To the Corporation as of April 30, 2015<sup>(2)</sup></b>	<b>To Another Entity</b>
Share purchases <sup>(1)</sup>	\$92,843	nil
Other	n/a	n/a

**Notes:**

- (1) In June 2007, Canadian Equipment Rental Fund Limited Partnership (the “**Partnership**”), a predecessor to the Corporation, entered into separate secured loan transactions in the aggregate amount of \$530,740 with four employees of the Partnership to finance the purchase of 223,000 Units at a price of \$2.38 per Unit, by way of private placement, by those four employees. The loans are secured, on a limited recourse basis, by Shares, which were issued in connection with the Arrangement upon conversion of the Units, which were purchased with the proceeds of the loans. The loans bear interest at the rate of the Canada Revenue Agency prescribed rate, per annum, and are repayable annually over a 10 year term ending on June 11, 2017.
- (2) \$55,209 of this indebtedness is to two employees of the Corporation who are not Named Executive Officers and \$37,644 of this indebtedness is to the Vice President, Equipment Operations of the Corporation who is a Named Executive Officer.

Other than as set out in the table below, no individual who is, or at any time during the most recently completed financial year of the Corporation was, a director or executive officer of the Corporation, as applicable, nor any proposed nominee for election as a director of the Corporation, nor any associate of any one of them (a) is, or was at any time since the beginning of the most recently completed financial year of the Corporation or (b) is, or was at any time since the beginning of the most recently completed financial year of the Corporation indebted to another entity, which such indebtedness is, or was during such time, the subject a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

<b>INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS UNDER (1) SECURITIES PURCHASE AND (2) OTHER PROGRAMS</b>						
<b>Name and Principal Position</b>	<b>Involvement of the Corporation</b>	<b>Largest Amount Outstanding During Most Recently Completed Financial Year (\$)</b>	<b>Amount Outstanding as at April 30, 2015 (\$)</b>	<b>Financially Assisted Securities Purchases During 2014 (\$)</b>	<b>Security for Indebtedness</b>	<b>Amount Forgiven During 2014 (\$)</b>
<b>Securities Purchase Programs</b>						
Marc Mandin <sup>(2)</sup> Vice President, Equipment Operations	The Corporation is the lender	59,937	37,644	nil	Yes <sup>(1)</sup>	nil
<b>Other Programs</b>						
n/a	n/a	n/a	n/a	n/a	n/a	n/a

**Notes:**

- (1) In June 2007, the Partnership entered into a secured loan transaction in the amount of \$178,500 with Marc Mandin, the current Chief Operating Officer of the Corporation, to finance the purchase of 75,000 Units at a price of \$2.38 per Unit, by way of private placement by Mr. Mandin. The loan is secured, on a limited recourse basis, by Shares, which were issued in connection with the Arrangement upon conversion of the Units, which were purchased with the proceeds of the loan. The loan bears interest at the rate of the Canada Revenue Agency prescribed rate, per annum, and is repayable over a 10 year term ending on June 11, 2017.
- (2) Mr. Mandin was appointed Chief Operating Officer of the Partnership in March 2008 and became Chief Operating Officer of the Corporation on October 1, 2011. He was appointed Vice President, Equipment Operations of the Corporation on June 27, 2012.

**INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

The Corporation is not aware of any material interest, direct or indirect, of any “informed person” of the Corporation, any proposed director of the Corporation or any associate or affiliate of any “informed person” or proposed director, in any transaction since the commencement of the Corporation’s most

recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation.

For the purposes of the above, “informed person” means: (a) a director or executive officer of the Corporation; (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Corporation; (c) any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Corporation or who exercises control or direction over voting securities of the Corporation or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation other than voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Corporation after having purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

There are potential conflicts of interest to which the directors and officers of the Corporation may be subject in connection with the operations of the Corporation. Some of the directors and officers of the Corporation are engaged and will continue to be engaged in other business opportunities on their own behalf and on behalf of other corporations and situations may arise where such directors and officers will be in competition with the Corporation. Individuals concerned shall be governed in any conflicts or potential conflicts by applicable law and internal policies of the Corporation.

#### **INTEREST OF DIRECTORS AND OFFICERS IN MATTERS TO BE ACTED UPON**

No person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation’s last financial year, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any one of them, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available under the Corporation’s profile on the Canadian Securities Administrators’ System for Electronic Document Analysis and Retrieval (SEDAR) website at [www.sedar.com](http://www.sedar.com). Financial information relating to the Corporation is provided in the Corporation’s comparative financial statements and management’s discussion and analysis (“**MD&A**”) for the year ended December 31, 2014. Shareholders may contact the Corporation to request copies of the financial statements and MD&A by: (i) mail to 8430 – 24th Street, Edmonton, Alberta T6P 1X8; (ii) telephone: (780) 464-4929; or (iii) fax to (403) 238-2720.

**Schedule “A”**

**CERF INCORPORATED  
(the “CORPORATION”)**

**AUDIT COMMITTEE DISCLOSURE**

**1. Audit Committee Charter**

**I. PURPOSE**

The primary function of the Audit Committee (the “**Committee**”) of the Board of Directors of the Corporation (the “**Board**”) is to assist the Board in fulfilling its oversight responsibilities by reviewing:

1. the financial information that will be provided to the shareholders and others;
2. the systems of internal controls, management and the Board have established; and
3. all audit processes.

Primary responsibility for the financial reporting, information systems, risk management and internal controls of the Corporation is vested in management and is overseen by the Board.

**II. COMPOSITION AND PROCESS**

1. The Committee shall be composed of a minimum of three directors, all of whom shall be independent as that term is defined in National Instrument 52-110 - *Audit Committees*.
2. Members shall be appointed by the Board on an annual basis, shall serve one-year terms and may serve consecutive terms, which are encouraged to ensure continuity of experience.
3. The Chair of the Committee shall be appointed by the Board for a one-year term, and may serve any number of consecutive terms.
4. All members of the Committee shall be financially literate. Financial literacy is the ability to read and understand a balance sheet, income statement and cash flow statement 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 Corporation’s financial statements.
5. The Chair shall, in consultation with management and the external auditor and internal auditor (if any), establish the agenda for the meetings and ensure that properly prepared agenda materials are circulated to the members with sufficient time for study prior to the meeting. The external auditor will also receive notice of all meetings of the Committee. The Committee may employ a list of prepared questions and considerations as a portion of its review and assessment process.
6. The Committee shall meet at least four times per year and may call special meetings as required. A quorum at meetings of the Committee shall be its Chair and one of its other members. The Committee may hold its meetings, and members of the Committee may attend meetings, by telephone conference if this is deemed appropriate.



7. The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to Committee members with copies to the Board, the Chief Executive Officer, the Chief Financial Officer and the external auditor.
8. The Committee reviews, prior to their presentation to the Board and their release, all material financial information required by securities regulations.
9. The Committee enquires about potential claims, assessments and other contingent liabilities.
10. The Committee periodically reviews with management, depreciation and amortization policies, loss provisions and other accounting policies for appropriateness and consistency.

### **III. AUTHORITY**

1. The Committee is appointed by the Board pursuant to provisions of the *Business Corporations Act* (Alberta) and the bylaws of the Corporation.
2. Primary responsibility for the Corporation's financial reporting, accounting systems and internal controls is vested in senior management and is overseen by the Board. The Committee is a standing committee of the Board established to assist it in fulfilling its responsibilities in this regard. The Committee shall have responsibility for overseeing management reporting on internal controls. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the Committee to ensure that management has done so.
3. The Committee shall have unrestricted access to the Corporation's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.
4. The Committee shall have direct communication channels with the internal auditors (if any) and the external auditors to discuss and review specific issues as appropriate.
5. The Committee shall have the sole authority to retain (or terminate) advisors or consultants as it determines necessary to assist the Committee in discharging its functions hereunder. The Committee shall be provided with the necessary funding to compensate the advisors or consultants retained by the Committee.

### **IV. RELATIONSHIP AND EXTERNAL AUDITORS**

1. An external auditor must report directly to the Committee.
2. The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between management and the external auditor regarding financial reporting.
3. The Committee shall implement structures and procedures to ensure that it meets with the external auditor on a regular basis in the absence of management.

### **V. ACCOUNTING SYSTEMS, INTERNAL CONTROLS AND PROCEDURES**

1. The Committee shall obtain reasonable assurance from discussions with and/or reports from management, and reports from external auditors that accounting systems are reliable and that the

prescribed internal controls are operating effectively for the Corporation and its subsidiaries and affiliates.

2. The Committee shall review to ensure to its satisfaction that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements and will periodically assess the adequacy of those procedures.
3. The Committee shall review with the external auditor the quality and not just the acceptability of the Corporation's accounting principles and direct the external auditor's examinations to particular areas.
4. The Committee will review control weaknesses identified by the external auditors, together with management's response and review with external auditors their view of the qualifications and performance of the key financial and accounting executives.
5. In order to preserve the independence of the external auditor, the Committee will:
  - (a) recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation;
  - (b) recommend to the Board the compensation for the external auditors' engagement; and
  - (c) review and pre-approve any engagements for non-audit services to be provided by the external auditors or its affiliates, together with estimated fees, and consider the impact, if any, on the independence of the external auditor.
6. The Committee will review with management and with the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting.
7. The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
8. The Committee shall establish a periodic review procedure to ensure that the external auditor complies with the Canadian Public Accountability Regime under National Instrument 52-108 - Auditor Oversight.
9. The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

## **VI. STATUTORY AND REGULATORY RESPONSIBILITIES**

1. Annual Financial Information - review the annual audited financial statements, including Letter to Shareholders and related press releases and recommend their approval to the Board, after discussing matters such as the selection of accounting policies (and changes thereto), major accounting judgments, accruals and estimates with management and the external auditor.

2. Annual Report - review the management discussion and analysis (“**MD&A**”) section and all other relevant sections of the annual report to ensure consistency of all financial information included in the annual report.
3. Interim Financial Statements - review the quarterly interim financial statements, including the Letter to Shareholders and related press releases and recommend their approval to the Board.
4. Earnings Guidance/Forecasts - review forecasted financial information and forward looking statements.
5. In addition, the Committee must review the Corporation’s financial statements, MD&A and earnings press releases before the Corporation publicly discloses this information.

## **VII. REPORTING**

1. The Committee will report, through the Chairperson of the Committee, to the Board following each meeting on the major discussions and decisions made by the Committee, and report annually to the Board on the Committee’s responsibilities and how it has discharged them.
2. In addition, the Committee will review and reassess these Terms of Reference annually and recommended any proposed changes to the Disclosure Committee.

## **VIII. OTHER RESPONSIBILITIES**

1. Investigating fraud, illegal acts or conflicts of interest.
2. Discussing selected issues with corporate counsel or the outside auditor or management.

Adopted and approved by the Board effective as of October 1, 2011.

### **2. Composition of the Audit Committee:**

During the year ended December 31, 2014 the Audit Committee of the Corporation was composed of the following individuals:

J. Blair Goertzen <sup>(5)</sup>	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
Brad Munro <sup>(5)</sup>	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
Alfred Sailer <sup>(5)</sup>	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
John Koop <sup>(3)</sup>	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
William C. Guinan <sup>(4)</sup>	Not independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
David Maplethorpe <sup>(4)</sup>	Not independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>

**Notes:**

- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Corporation which could, in the view of the Board, reasonably interfere with the exercise of a member’s independent judgment.
- (2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issued that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.
- (3) Mr. Koop resigned from the Board and ceased to be a member of the Audit Committee on August 26, 2014.
- (4) Mr. Guinan and Mr. Maplethorpe both resigned as members of the Audit Committee on August 27, 2014.
- (5) Each of Mr. Goertzen, Mr. Munro and Mr. Sailer were appointed as members of the Audit Committee on August 27, 2014.

### **3. Relevant Education and Experiences**

Mr. Goertzen has a breadth of experience as a director and officer of a number public and private companies in which capacities he frequently addressed compensation matters for such companies’

executive officers. He has also served on compensation committees of the board of directors of several public companies.

Mr. Munro has a breadth of experience as a director and officer of a number public and private companies in which capacities he frequently addressed compensation matters for such companies' executive officers. He has also served on compensation committees of the board of directors of several public companies.

Mr. Sailer has a breadth of experience as a director and officer of a number public and private companies in which capacities he frequently addressed compensation matters for such companies' executive officers. He has also served on compensation committees of the board of directors of several public companies.

#### **4. Audit Committee Oversight**

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

#### **5. Reliance on Certain Exemptions**

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

#### **6. Pre-Approval Policies and Procedures**

The Audit Committee Charter requires that the Audit Committee shall review and pre-approve any engagements for non-audit services to be provided by the external auditor or its affiliates, together with estimated fees, and consider the impact on the independence of the external auditor.

#### **7. External Auditor Service Fees**

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

<b>Financial Period Ended December 31</b>	<b>Audit Fees<sup>(1)</sup></b>	<b>Audit Related Fees</b>	<b>Tax Fees<sup>(2)</sup></b>	<b>All Other Fees</b>
2014	224,000	24,500	15,800	nil
2013	\$140,000	\$65,000	\$7,000	nil

**Notes:**

(1) The aggregate audit fees billed.

(2) The aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.

#### **8. Exemption**

The Corporation is relying on the exemption provided in Section 6.1 of NI 52-110 pertaining to the composition of the Audit Committee and reporting obligations under NI 52-110.

**Schedule “B”  
Stock Option Plan**

**CERF INCORPORATED**

**INCENTIVE STOCK OPTION PLAN**

**1. INTERPRETATION**

In this Plan (including this clause), unless there is something in the subject or context inconsistent therewith, words importing the singular number includes the plural and vice versa, words importing the masculine gender includes the feminine and neuter genders and the expressions following have the following meanings, respectively:

- (a) “**Associate**” has the meaning ascribed thereto in the Securities Act;
- (b) “**Board**” means the Board of Directors of the Corporation;
- (c) “**Committee**” means a committee of Directors appointed by the Board as contemplated by Clause 3 hereof;
- (d) “**Common Share**” means a voting common share in the capital stock of the Corporation as constituted at October 1, 2011, and, after any adjustments pursuant to Clause 7 hereof, means the shares or other securities or property which, as a result of such adjustments and all prior adjustments pursuant to Clause 7, the holders of Options are then entitled to receive on the exercise thereof;
- (e) “**Consultant**” means an individual or company other than an employee or a director of the Corporation that is engaged to provide on an ongoing basis consulting, technical or management or other services to the Corporation under a written contract and spends a significant amount of time and attention on the affairs of the Corporation such that they are knowledgeable about the business and affairs of the Corporation;
- (f) “**Corporation**” means CERF Incorporated and any successor or continuing corporation resulting from any form of corporate reorganization;
- (g) “**Early Termination Date**” means, in respect of any Option, 5:00 p.m. (Calgary time) on the date that an Option terminates prior to the Normal Expiry Date;
- (h) “**Expiry Date**” means the Normal Expiry Date or the Early Termination Date, as the case may be;
- (i) “**Insider**” has the meaning ascribed thereto in the Securities Act;
- (j) “**Market Price**” at any date and in respect of an Option, means:
  - (i) where the Common Shares are not listed and posted for trading on a stock exchange, the value conclusively determined by the Board or Committee, as the case may be, on the Option Date; or
  - (ii) where the Common Shares are listed and posted for trading on a stock exchange, either:

- A. the closing price of the Common Shares on the principal stock exchange on which they are traded on the last business day preceding the Option Date; or
  - B. if the Common Shares did not trade on the last business day preceding the Option Date, the average of the bid and ask prices in respect of the Common Shares at the close of trading on such date on the principal stock exchange on which the Common Shares are listed and posted for trading;
- (k) “**Normal Expiry Date**” means, in respect of any Option, 5:00 p.m. (Calgary time) on the date determined by the Corporation and specified in the particular Option Agreement on which the Option would normally terminate, which date may not be later than five years after the Option Date;
- (l) “**Option**” means a right to purchase Common Shares pursuant to the Plan and an Option Agreement;
- (m) “**Option Agreement**” means an agreement entered into between the Corporation and a Participant pursuant to which an Option is granted to a Participant and which contains such provisions not inconsistent with the Plan as the Board or the Committee may determine;
- (n) “**Option Date**” means the date on which an Option is granted by the Corporation to a Participant which for greater certainty is the date on which the grant of the Option is approved by the Board or the Committee, as the case may be;
- (o) “**Option Shares**” means the Common Shares which a Participant is entitled to purchase under an Option whether or not the rights to purchase all such Common Shares have vested in and to the Optionee;
- (p) “**Optionee**” means a Participant who has entered into an Option Agreement with the Corporation;
- (q) “**Participant**” means, on any date, a person who is at least one of the following:
- (i) a person who is bona fide regularly employed by the Corporation or one of its subsidiaries on that date;
  - (ii) an officer of the Corporation or one of its subsidiaries on that date;
  - (iii) a director of the Corporation or one of its subsidiaries on that date;
  - (iv) a bona fide Consultant or advisor to the Corporation or one of its subsidiaries on that date; or
  - (v) to a corporation, the shares of which are wholly owned by a person described in subclause (i), (ii), (iii) or (iv);
- (r) “**Plan**” means the Corporation's “Incentive Stock Option Plan” embodied herein, as from time to time amended;

- (s) **“Prior Plan”** means the Unit Option Plan of Canadian Equipment Rental Fund Limited Partnership effective May 12, 2005, as amended by Amendment No. 1 effective September 21, 2010;
- (t) **“Purchase Price”** means the purchase price of Option Shares under an Option Agreement determined as provided in subclause 6(b) of this Plan; and
- (u) **“Securities Act”** means the Securities Act (Alberta), as amended.

## 2. PURPOSE OF THE PLAN

The purpose of the Plan is to develop the interest of Optionees in the growth and development of the Corporation by providing such persons with the incentive and opportunity to acquire an increased proprietary interest in the Corporation and to better enable the Corporation and its subsidiaries to attract and retain persons of desired experience and ability.

## 3. ADMINISTRATION, PARTICIPANTS AND ALLOTMENTS

- (a) The Board will administer the Plan. The Board may at any time or from time to time delegate to a Committee the responsibility for administering the Plan or elements thereof. The Board, or the Committee if so empowered, will determine from time to time those Participants to whom Options should be granted, the Normal Expiry Date, the number of Common Shares which should be optioned from time to time to any Participant, the Purchase Price and such other terms and conditions of the Option Agreement, not inconsistent with the Plan, as the Board or the Committee in its discretion may determine. The Board or the Committee may prescribe rules and regulations relating to the Plan and any Options granted hereunder and may approve the form and content and prescribe the use of such forms of applications, directions, powers of attorney, and other documents or instruments, either generally or in specific cases, as may be deemed necessary or advisable, for the grant or issuance of Options under the Plan and for the proper administration and operation of the Plan. The Board or the Committee will review the Plan from time to time with a view to making revisions to it, granting additional Options and, in the case of the Committee, making appropriate recommendations to the Board. Nothing contained in the Plan or in any resolution adopted or to be adopted by the Board or by the Committee constitutes an Option hereunder. An Option granted by the Board or the Committee to a Participant pursuant to the Plan is subject to, and is of no force and effect until, the execution and delivery of, an Option Agreement by both the Corporation and such Participant.
- (b) The Corporation is responsible for all costs of administration of the Plan.
- (c) The implementation of the Plan, the grant or exercise of any Options pursuant to the Plan and, from time to time, the operation and administration of the Plan is subject to receipt by the Corporation of all necessary approvals, advance rulings, exemptions or registrations required or deemed advisable under applicable law or regulatory policy including without limiting the generality of the foregoing, all necessary approvals or registrations required by any and all stock exchanges upon which the Common Shares are listed and posted for trading.
- (d) The Board or the Committee, as the case may be, may at any time and subject to regulatory approvals:
  - (i) discontinue or terminate the Plan; or

- (ii) amend or revise the terms and conditions of the Plan and any outstanding Options granted under the Plan,

provided that no such action adversely affects any Options previously granted under the Plan or the rights of Optionees in respect of those Options without the prior written consent or agreement of those Optionees. Disinterested shareholder approval will be obtained for any reductions in the exercise price of Options held by Insiders.

#### **4. COMMON SHARES SUBJECT TO PLAN**

- (a) The Corporation reserves for issuance that number of Common Shares equal to 10% of the Corporation's outstanding Common Shares from time to time, for the purposes of issuance pursuant to the exercise of outstanding Options granted to the Participants pursuant to the Plan. In no event may the number of Option Shares issued under the Plan exceed the total number of Common Shares reserved for issuance hereunder.
- (b) The number of Option Shares that may be reserved for allotment to any one Participant pursuant to Options in any 12 month period must not exceed 5% of the issued and outstanding Common Shares.
- (c) The number of Option Shares that may be reserved for allotment to any one Consultant of the Corporation (or any of its subsidiaries) pursuant to Options in any 12 month period must not exceed 2% of the issued and outstanding Common Shares.
- (d) The number of Option Shares that may be reserved for allotment to any one person employed to provide investor relations activities pursuant to Options in any 12 month period must not exceed 2% of the issued and outstanding Common Shares. Options granted to Consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than ¼ of the Options vesting in any 3 month period and a condition that such Options will expire 30 days after the Optionee ceases to be employed to provide investor relations activities.

For the purposes hereof, the number of issued and outstanding Common Shares is determined as the number of Common Shares that are issued and outstanding immediately prior to a proposed grant of Options excluding Common Shares issued pursuant to share compensation arrangements during the preceding one-year period.

#### **5. PARTICIPATION VOLUNTARY**

Participation in the Plan by a Participant is entirely voluntary and does not affect the Participant's employment or continued retainer by, or other engagement with, the Corporation or its subsidiaries. None of the Plan or any Options granted under the Plan of itself gives any Participant the right to continue to be an employee, officer, director or consultant of the Corporation or any subsidiary thereof. None of the terms and conditions governing the Option are affected by any change in the Optionee's employment by or engagement with the Corporation so long as the Optionee continues to be a Participant.

#### **6. CERTAIN TERMS OF OPTION AGREEMENTS**

In order to constitute a valid Option granted under this Plan, the Optionee and the Corporation must enter into an Option Agreement in the form acceptable to the Board or the Committee, as the case may be.



An Option Agreement may, in respect of any Option, specify a number or percentage of Option Shares that the Participant may exercise in any specified period, year or number of years. In addition, Option Agreements are deemed to contain the following provisions with respect to the exercise of Options under the Plan:

- (a) An Option under the Plan is only exercisable for a minimum of 100 Common Shares at any one time.
- (b) The Purchase Price must not be less than the Market Price subject always to the discount from the Market Price allowed under the policies, rules or by-laws of the applicable stock exchange(s) on which the Common Shares are listed and posted for trading, which discount is to be considered in setting the Purchase Price wholly at the discretion of the Board or Committee, as the case may be, and upon exercise of the Option must be paid in full in respect of those Option Shares being acquired in Canadian funds by cash, certified cheque or bank draft payable to or to the order of the Corporation at the time of exercise.
- (c) Each Option terminates on its Normal Expiry Date but subject always to the provisions of subclause 6(d) of this Plan.
- (d) If, after the Option Date and on or before the exercise in full of the Option or the Normal Expiry Date, the Optionee ceases to be a Participant:
  - (i) by reason of the Optionee's permanent physical or mental disability, or death, then such Optionee's Option may be exercised to purchase the total number of Option Shares not previously purchased by the Optionee whether or not the rights to purchase some or all of those Option Shares have previously vested in and are exercisable by the Optionee as at the date of such ceasing to be a Participant, provided such exercise occurs at any time on or before the earlier of the Normal Expiry Date and the date that is 90 days after the date the Optionee ceases to be a Participant due to such permanent physical or mental disability, or death. Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder cease and expire and are of no further force and effect. For greater certainty but without limiting the generality of the foregoing, if the Optionee is deemed to be an employee of the Corporation pursuant to a medical or disability plan of the Corporation or a subsidiary thereof, the Optionee is deemed to be an employee for the purpose of the Plan and the Option; or
  - (ii) by reason of the Optionee's office, directorship or employment or services agreement with the Corporation terminating or ending otherwise than by reason of permanent physical or mental disability, or death or termination with or without notice or entitlement to a period of notice of such termination or compensation in lieu thereof, then such Optionee's Option may be exercised to purchase the total number of Option Shares not previously purchased by the Optionee but only to the extent that rights to purchase Option Shares have vested in and are exercisable by the Optionee as at the date of such ceasing to be a Participant, provided such exercise occurs at any time on or before the earlier of the Normal Expiry Date and the date that is 21 days after the date the Optionee ceases to be a Participant due to the termination or ending of the Participant's office, directorship or employment or services agreement. Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder, whether or not such rights have vested to and in favour of the Optionee, cease and expire and are of no further force and effect; or

- (iii) by reason of the Optionee's termination without notice or entitlement to a period of notice of such termination or compensation in lieu thereof, the Optionee may exercise the Option to purchase Option Shares not previously purchased by the Optionee but only to the extent that rights to purchase Option Shares have vested in and are exercisable by the Optionee as at the date of such ceasing to be a Participant, provided that such exercise occurs at any time on or before the earlier of the Normal Expiry Date and the date that the Optionee ceases to be a Participant. Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder, whether or not such rights have vested to and in favour of the Optionee, cease and expire and are of no further force and effect; or
- (iv) by reason of the Optionee's termination, and the Optionee is entitled to reasonable notice of termination or compensation in lieu thereof, then:
  - A. the Optionee may exercise the Option to purchase Option Shares not previously purchased by the Optionee but only to the extent that rights to purchase Option Shares have vested in and are exercisable by the Optionee on or before the date of such ceasing to be a Participant, provided that such exercise occurs at any time on or before the earlier of the Normal Expiry Date and:
    - (1) where the Optionee is given a reasonable period of notice prior to termination, the date the Optionee ceases to be a Participant; or
    - (2) where the Optionee is paid compensation in lieu of reasonable notice of termination, the date that is 21 days after the Optionee ceases to be a Participant; and
  - B. the Optionee is not entitled:
    - (1) to further time to exercise the Option during such reasonable notice period or during such specific notice period; or
    - (2) to compensation in lieu thereof by way of general damages, or special damages, whether in contract, tort or otherwise.

Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder, whether or not such rights have vested to and in favour of the Optionee, cease and expire and are of no further force and effect.
- (e) With respect to subclause 6(d)(i), the rights under the Option exercisable after the death or disability of the Optionee, as therein specified, may be exercised by the person or persons to whom the Optionee's rights under the applicable Option Agreement pass by will or applicable law or, if no such person has such right, by the deceased or disabled Optionee's legal representatives.
- (f) An Optionee has no rights whatsoever as a shareholder in respect of any of the Option Shares (including any right to receive dividends or other distributions therefrom or thereon) other than in respect of Common Shares in respect of which the Optionee has exercised his Option to purchase thereunder, which the Optionee has actually taken up

and paid for, and which have been duly issued to the Optionee and are outstanding as fully paid and non-assessable Common Shares.

## **7. CHANGES IN STOCK**

In the event:

- (a) of any change or proposed change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise;
- (b) of any issuance, dividend or distribution to all or substantially all the holders of Common Shares of any shares, securities, property or assets of the Corporation other than in the ordinary course;
- (c) that any rights are granted to holders of Common Shares to purchase Common Shares at prices materially below fair market value; or
- (d) that as a result of any recapitalization, merger, consolidation or otherwise the Common Shares are converted into or exchangeable for any other shares or securities;

then in any such case:

- (e) the Board will proportionately adjust the number of Option Shares available for Options, the number of Option Shares covered by outstanding Options, the securities or other property that may be acquired upon the exercise of an Option and the price per Option Share in such Option, or one or more of the foregoing, to prevent substantial dilution or enlargement of the rights granted to, or available for, Optionees/Participants; and
- (f) the Board, in its discretion, may determine that:
  - (i) all or any part of the unexercised and unvested outstanding Options granted under the Plan vest and are exercisable on a date specified by the Board and the unexercised and unvested portion of such Options are thereupon deemed to have been vested and are exercisable on and after the date so specified in respect of any and all Option Shares for which the Optionee has not exercised the Option (notwithstanding that an Option Agreement states that those Options are exercisable only during a later period or year); or
  - (ii) such Options may be exercisable for a limited period of time only and, if so, the Board will determine such period of time,

and such determination or limitation, once made or set, is deemed to be incorporated into the applicable Option Agreement(s).

## **8. TAKEOVER BID**

Notwithstanding the terms of any Option Agreement and Clause 6 of this Plan:

- (a) where an unsolicited Offer for the Common Shares is made, all unexercised and unvested outstanding Options granted under the Plan vest and become immediately exercisable in respect of any and all Option Shares for which the Optionee has not exercised the Option (notwithstanding that an Option Agreement states that those Options are exercisable only during a later period or year); or

- (b) where an Offer for the Common Shares (other than an unsolicited Offer) is made, the Board may by resolution and subject to regulatory approval accelerate the unexpired portions of any outstanding Options so that any unexercised and unvested Options granted under the Plan vest and become exercisable on such terms as the Board so determines (notwithstanding that an Option Agreement states that those Options are exercisable only during a later period or year).

For the purposes hereof, “Offer” means an offer made generally to the holders of the Corporation’s voting securities in one or more jurisdictions to acquire, directly or indirectly, voting securities of the Corporation and which is in the nature of a “takeover bid” as defined in the Securities Act and, where the Common Shares are listed and posted for trading on a stock exchange, not exempt from the formal bid requirements of the Securities Act. For the purposes hereof, an “unsolicited Offer” means an Offer in respect of which neither the Board nor management of the Corporation solicited, sought out, or otherwise arranged for the offeror party to make such Offer. Any Option remaining unexercised following the earlier of the withdrawal of such Offer and the expiry of such Offer in accordance with its terms again becomes vested or unvested subject to the original terms of the Option Agreement as if the Offer had not been made.

## **9. SALE OF ASSETS OR CHANGE IN CONTROL**

Notwithstanding the terms of any Option Agreement and Clause 6 of this Plan, if:

- (a) the Corporation sells or otherwise disposes of all or substantially of its assets; or
- (b) any person who does not hold more than 20% of the issued and outstanding Common Shares acquires more than 20% of the outstanding Common Shares without the prior consent of the Board, in any way other than by way of takeover bid (which circumstance is addressed in Clause 8 of this Plan),

all unexercised, unvested and outstanding Options granted under the Plan vest and are immediately exercisable in respect of any and all Option Shares for which the Optionee has not exercised the Option (notwithstanding that an Option Agreement states that those Options are exercisable only during a later period or year). The Board, in its discretion, may determine whether such Options may be exercisable for a limited period of time only and, if so, the Board will determine such period of time and such determination or limitation, once made or set, is deemed to be incorporated into the applicable Option Agreement(s).

## **10. COMMON SHARES FULLY PAID AND NON-ASSESSABLE**

All Common Shares issued upon the exercise of any Option are to be issued as fully paid and non-assessable Common Shares.

## **11. CONDITIONS OF ISSUANCE OF SHARES**

- (a) If at any time the Board or Committee (as the case may be) determines, in its discretion that:
  - (i) the registration or qualification of the Common Shares which are the subject of any Option Agreement upon, or the consent or approval of, any securities exchange or any stock exchange upon which the Common Shares are listed;

- (ii) the registration or qualification under any laws of Canada or any Province thereof or of the United States or any state thereof or the consent or approval of any regulatory authority thereof;
- (iii) evidence (in form and content satisfactory to the Board) of the investment intent of the Optionee; or
- (iv) an undertaking of the Optionee as to the sale or disposition of such Option Shares that may be purchased pursuant to an Option Agreement to the effect that such Option Shares once purchased are not to be traded by the Optionee for a specified period of time,

is necessary or desirable as a condition of the issuance of any Option Shares pursuant to any Option Agreement, then the issuance of any Common Shares is not to be made unless and until such registration, qualification, consent, approval, evidence or undertaking has been effected or obtained free of any condition not acceptable to the Board or Committee.

- (b) Any trade by the Optionee in any Common Shares issued to the Optionee pursuant to the Plan including, without limiting the generality of the foregoing, any sale or disposition for valuable consideration, and any transfer, pledge or encumbrance of any Common Shares issued to an Optionee pursuant to the Plan, is subject to such regulatory approvals and other restrictions under applicable securities laws and regulatory policies as may be required at the time of such trade. Accordingly, the Corporation makes no representation as to the ability of any Optionee to trade in such Common Shares.
- (c) The Corporation cannot assure a profit or protect the Optionee against a loss on the Common Shares purchased under the Plan. The Corporation assumes no responsibility relating to any tax liability of the Optionee by reason of the exercise of any Option or any subsequent trade.

## **12. ACCOUNTS AND STATEMENTS**

The Corporation will maintain records indicating the number of Options granted to each Optionee and the number of Options exercised under the Plan. Upon written request from an Optionee, the Corporation will furnish to that Optionee a statement indicating the number of Options held on his behalf.

## **13. RESTRICTION ON TRANSFER**

The Options granted to an Optionee are personal and non-assignable and any rights in regard thereto cannot be transferred or assigned except upon the death of the Optionee as provided for in the Plan.

## **14. INTERPRETATION, AMENDMENT AND DISCONTINUANCE**

The Board may interpret the Plan, prescribe, amend or rescind rules and regulations relating to it, and make all other determinations necessary or advisable for its administration. In the event of a conflict between the terms of the Plan and an Option Agreement, the terms of the Plan prevail. The Board may from time to time alter, suspend or discontinue the Plan provided that such alteration, suspension or discontinuance does not, except as specifically noted in this Plan or the Option Agreement, alter or impair any Option such Optionee may have under any Option Agreement previously executed and delivered by the Corporation and such Optionee. Any amendment to this Plan is subject to receipt of any necessary regulatory approvals and any amendment required by applicable law or regulatory policy to be approved

by shareholders does not become effective until so approved. Subject to the foregoing provisions of this Clause, the Board may terminate the Plan at any time and, upon such termination, any outstanding Option remains exercisable in accordance with its terms as specified herein and in the Option Agreement.

**15. WAIVER**

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

**16. NOTICES**

The manner of giving notices to the Corporation or to an Optionee is to be specified in the Option Agreement with such Optionee.

**17. GENERAL**

- (a) This Plan and each Option granted under the Plan are to be governed by and construed in accordance with the laws of the Province of Alberta and any Option Agreement entered into pursuant to the Plan is to be treated in all respects as an Alberta contract.
- (b) Nothing contained herein restricts or limits or is deemed to restrict or limit the rights or powers of the Board in connection with any allotment and issuance of shares in the capital stock of the Corporation which are not reserved for issuance hereunder.
- (c) The Plan and any Option Agreement entered into pursuant hereto enure to the benefit of and are binding upon the Corporation, its successors and assigns. The interest of any Optionee hereunder or under any Option Agreement is not transferable or alienable by the Optionee either by assignment or in any other manner whatsoever and, during his lifetime, is vested only in him, but, subject to the terms hereof and of the Option Agreement, enures to the benefit of and is binding upon the legal personal representatives of the Optionee.

**18. APPLICATION TO OUTSTANDING OPTIONS**

The Plan shall govern all outstanding options previously granted by Canadian Equipment Rental Fund Limited Partnership under the Prior Plan on and after the date of approval of the Plan by the Board and upon receipt from each holder of outstanding options granted under the Prior Plan of an agreement agreeing and acknowledging that their outstanding options granted under the Prior Plan are subject to the Plan, but in all other respects still subject to the same terms and conditions applicable on the initial date of grant thereof under the Prior Plan.

The Plan was created by the Board effective October 1, 2011.