

# MANAGEMENT INFORMATION CIRCULAR



## **Notice of Annual General Meeting of Shareholders and Management Information Circular and Proxy Statement**

*Meeting to be held at:*

Calgary Petroleum Club  
319 - 5 Avenue SW  
Calgary, Alberta T2P 0L5

Wednesday, May 24, 2017  
at 9:00 a.m. (Calgary time)

The deadline for the receipt of proxies  
for the Meeting is 9:00 a.m.  
(Calgary time) on Friday, May 19, 2017.



## TABLE OF CONTENTS

LETTER TO SHAREHOLDERS .....	1
NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS .....	2
MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT .....	4
GENERAL INFORMATION .....	4
MATTERS TO BE CONSIDERED AT THE MEETING .....	4
DIRECTOR NOMINEES .....	6
STATEMENT OF EXECUTIVE COMPENSATION .....	15
DIRECTOR COMPENSATION .....	32
CORPORATE GOVERNANCE DISCLOSURE .....	35
GENERAL PROXY MATTERS .....	46
INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON .....	49
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS .....	49
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS .....	49
ADDITIONAL INFORMATION .....	50

## LETTER TO SHAREHOLDERS

April 4, 2017

Dear Shareholder:

Perpetual Energy Inc. is pleased to invite you to the Annual Meeting of Shareholders on Wednesday, May 24, 2017 at 9:00 a.m. (Mountain Daylight Time). The meeting will be held at the Calgary Petroleum Club, 319 - 5<sup>th</sup> Avenue S.W., Calgary, Alberta.

Attending the meeting is your opportunity to meet the Board of Directors and management, learn more about our performance in 2016, the current state of our industry and our top strategic priorities for 2017, and vote in person on the items of business which include the election of our directors and the appointment of our auditors. If you are unable to attend the meeting in person, you can vote by proxy and listen to the live webcast on our website ([www.perpetualenergyinc.com](http://www.perpetualenergyinc.com)).

The attached notice of meeting and management information circular includes important information about the meeting and how to vote. Please take some time to read the document and to vote. More information about Perpetual may be found in our 2016 Annual Report and at [www.perpetualenergyinc.com](http://www.perpetualenergyinc.com).

Thank you for your continued support of Perpetual. We look forward to sharing with you our spectrum of opportunities.

Sincerely,



Susan L. Riddell Rose  
President and Chief Executive Officer

**PERPETUAL ENERGY INC.  
NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS  
TO BE HELD MAY 24, 2017**

NOTICE IS HEREBY GIVEN that the annual general meeting (the "**Meeting**") of the holders ("**Shareholders**") of common shares ("**Shares**") of Perpetual Energy Inc. ("**Perpetual**" or the "**Corporation**") will be held at the Calgary Petroleum Club, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta on May 24, 2017, at 9:00 a.m. (Mountain Daylight Time) for the following purposes:

- (a) to receive and consider the audited consolidated financial statements of the Corporation for the year ended December 31, 2016, together with the auditor's report thereon;
- (b) to fix the number of directors of the Corporation to be elected at the Meeting at seven (7) and to elect seven (7) directors;
- (c) to appoint auditors of the Corporation and to authorize the directors to fix their remuneration as such; and
- (d) to transact such further and other business as may properly be brought before the Meeting or any adjournment thereof.

Specific details of the matters to be put before the Meeting are set forth in the attached Management Information Circular and Proxy Statement dated April 4, 2017 (the "**Information Circular**").

Perpetual has elected to use the notice-and-access provisions under National Instrument 54-101 and National Instrument 51-102 ("**Notice-and-Access Provisions**") for this Meeting. Notice-and-Access Provisions are a set of rules developed by the Canadian Securities Administrators that reduce the volume of materials that must be physically mailed to Shareholders by allowing Perpetual to post the Circular and any additional materials online. See "*General Proxy Matters – Notice and Access*" in the Information Circular for further information on the Notice-and-Access Provisions.

The record date (the "**Record Date**") for determination of Shareholders entitled to receive notice of and to vote at the Meeting is April 4, 2017.

Shareholders of the Corporation of record as at the Record Date are entitled to receive notice of the Meeting and to vote those Shares included in the list of Shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such Shareholder transfers Shares after the Record Date and the transferee of those Shares, having produced properly endorsed certificates evidencing such Shares or having otherwise established that he or she owns such Shares, demands, not later than 10 days before the Meeting, that his or her name be included in the list of Shareholders entitled to vote at the Meeting, in which case such person shall be entitled to vote such Shares at the Meeting.

Each Share outstanding on the Record Date is entitled to one vote at the Meeting.

A Shareholder may attend the Meeting in person or may be represented by proxy. **If you are a registered Shareholder and are unable to attend the Meeting or any adjournment thereof in person, please exercise your right to vote by dating, signing and returning the accompanying form of proxy to Computershare Trust Company of Canada ("Computershare"), the Corporation's transfer agent.** To be valid, proxy forms must be dated, completed, signed and deposited with Computershare, (i) by mail using the enclosed return envelope or one addressed to Computershare Trust Company of Canada, Proxy Department, 135 West Beaver Creek, P.O. Box 300, Richmond Hill, Ontario, L4B 4R5, (ii) by hand delivery to Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, or (iii) by facsimile to (416) 263-9524 or 1-866-249-7775. **If you vote through the Internet, you may also appoint another person to be your proxyholder. Please go to [www.investorvote.com](http://www.investorvote.com) and follow the instructions.** You will require

your 15-digit control number found on your proxy form. **Your proxy or voting instructions must be received in each case no later than 9:00 a.m. (Calgary time) on Friday, May 19, 2017, or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the Meeting.** A Shareholder may use the toll-free number 1-800-811-5522 to obtain additional information about the Notice and Access Provisions or to receive a paper copy of the Information Circular.

DATED at the City of Calgary, in the Province of Alberta, this 4<sup>th</sup> day of April, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS OF  
PERPETUAL ENERGY INC.**

A handwritten signature in cursive script that reads "Susan Riddell Rose".

Susan L. Riddell Rose  
President and Chief Executive Officer

## MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT

DATED APRIL 4, 2017

### GENERAL INFORMATION

This Management Information Circular and Proxy Statement (the "**Information Circular**") is provided in connection with the solicitation of proxies by the management of Perpetual Energy Inc. ("**Perpetual**" or the "**Corporation**"), for use at the annual general meeting (the "**Meeting**") of the holders ("**Shareholders**") of common shares ("**Shares**" or "**Common Shares**") of Perpetual to be held on May 24, 2017, and at all adjournments of the Meeting. The information in this Information Circular is as of April 4, 2017, unless otherwise noted. All dollar figures are in Canadian currency, except as noted.

On March 24, 2016, the Shareholders approved the consolidation of the outstanding Common Shares on the basis of 20 Common Shares to one Common Share (the "**Consolidation**"). At this time, the outstanding Options and Restricted Rights (as such terms are defined herein) were also adjusted proportionately to give effect to the Consolidation. Accordingly, the number of Options, Restricted Rights, Deferred Shares and Performance Share Rights presented in this Information Circular are presented on a post-Consolidation basis.

### MATTERS TO BE CONSIDERED AT THE MEETING

#### Receive Financial Statements

The audited consolidated financial statements of Perpetual for the year ended December 31, 2016, together with the auditor's report on those statements, have been filed on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and have been mailed to Perpetual's registered Shareholders and to beneficial Shareholders who have requested such materials.

#### Election of Directors

At the Meeting, Shareholders will be asked to fix the number of directors to be elected at the Meeting at seven (7) and to elect seven (7) directors.

The directors of Perpetual to be elected at the Meeting will hold office until the next annual meeting or until their successors are elected or appointed.

The seven (7) nominees for election as directors of Perpetual by Shareholders are as follows:

Clayton H. Riddell  
Susan L. Riddell Rose  
Randall E. Johnson  
Robert A. Maitland  
Geoffrey C. Merritt  
Donald J. Nelson  
Howard R. Ward

See "Director Nominees" in this Information Circular for additional information on the director nominees. As described below under "Majority Voting for Directors", the election of each individual director of the Corporation will be effected by an ordinary resolution requiring the approval of more than 50% of the votes cast in respect of the resolution by or on behalf of Shareholders present in person or represented by proxy at the Meeting. It is the intention of the persons named in the enclosed form of proxy, if named as proxy and not expressly directed to the contrary in the form of proxy, to vote those proxies FOR the election of each of the persons specified above. Management does not contemplate that any of the

nominees will be unable to serve as a director, but should that circumstance arise for any reason prior to the Meeting, the persons named in the enclosed Form of Proxy reserve the right to vote for another nominee at their discretion.

### ***Majority Voting for Directors***

The Board of Directors of the Corporation (the "**Board**") has adopted a policy stipulating that if the number of Shares voted in favour of the election of a particular director nominee at a Shareholders' meeting is less than the number of Shares voted and withheld from voting for that nominee, the nominee will submit his or her resignation to the Board within five days of the Meeting, with the resignation to take effect upon acceptance by the Board. The Compensation and Corporate Governance Committee will consider the director nominee's offer to resign and will make a recommendation to the Board as to whether or not to accept the resignation. The Compensation and Corporate Governance Committee will be expected to accept the resignation except in special circumstances requiring the applicable director to continue to serve on the Board. In considering whether or not to accept the resignation, the Compensation and Corporate Governance Committee will consider all factors that it deems relevant including, without limitation, the stated reasons why Shareholders "withheld" votes from the election of that nominee, the existing Board composition, the length of service and the qualifications of the director whose resignation has been tendered, the director's contributions to Perpetual and attendance at previous meetings, the Corporation's corporate governance policies and such other skills and qualities as the Compensation and Corporate Governance Committee deems to be relevant.

The Board will consider the Compensation and Corporate Governance Committee's recommendation and make a decision as to whether to accept the director's offer to resign within 90 days of the date of the Meeting, which it will announce by way of a press release, including, if the Board elects, the reasons for rejecting the resignation offer. In considering whether to accept the director's offer of resignation, the Board will consider the factors considered by the Compensation and Corporate Governance Committee and such additional factors it considers to be relevant. No director who is required to tender his or her resignation shall participate in the deliberations or recommendations of the Compensation and Corporate Governance Committee or the Board.

If a director's offer of resignation is accepted, subject to any corporate law restrictions, the Board may leave the resultant vacancy unfilled until the next annual general meeting. Alternatively, at the Board's discretion, it may fill the vacancy through the appointment of a new director whom the Board considers appropriate or it may call a special meeting of Shareholders at which there will be presented nominees supported by the Board to fill the vacant position or positions. The foregoing policy does not apply in circumstances involving contested director elections.

### **Advance Notice Provisions of the Corporation's By-Laws**

The Corporation's by-laws (the "**By-Laws**") incorporate advance notice provisions with respect to director nominations. The By-Laws set forth a procedure requiring advance notice to the Corporation by any Shareholder who intends to nominate any person for election as a director of the Corporation other than pursuant to: (i) a requisition of a meeting made pursuant to the provisions of the *Business Corporations Act* (Alberta) (the "**ABCA**"); or (ii) a Shareholder proposal made pursuant to the provisions of the ABCA.

Among other things, the advance notice provisions set a deadline by which such Shareholders must notify the Corporation in writing of an intention to nominate directors prior to any meeting of Shareholders at which directors are to be elected and set forth the information that the Shareholder must include in the notice for it to be valid. The advance notice provisions of the By-Laws provide a reasonable time frame for Shareholders to notify the Corporation of their intention to nominate directors and require Shareholders to disclose information concerning the proposed nominees that is mandated by applicable securities laws. The Board will be able to evaluate the proposed nominees' qualifications and suitability as directors and respond as appropriate in the best interests of the Corporation.

The advance notice provisions are also intended to facilitate an orderly and efficient meeting process. In the case of an annual general meeting of Shareholders, notice to the Corporation must be made not less than 30 and not more than 65 days prior to the date of the annual meeting of Shareholders; provided, however, that in the event that the annual meeting of Shareholders is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the tenth day following such public announcement. In the case of a special meeting (which is not also an annual meeting) of Shareholders called for the purpose of electing directors (whether or not called for other purposes), notice to the Corporation must be made not later than the close of business on the fifteenth day following the date on which the first public announcement of the date of the special meeting of Shareholders was made.

### **Appointment of Auditors**

Shareholders will consider an ordinary resolution to appoint the firm of KPMG LLP, Chartered Accountants, of Calgary, Alberta, to serve as auditors of the Corporation until the next annual meeting of the Shareholders. KPMG LLP has been the auditors of the Corporation since June 17, 2010 and prior thereto since June 2002 as auditors of Paramount Energy Trust, the Corporation's predecessor.

Certain information regarding the Audit Committee and auditors, including the fees paid to the Corporation's auditors in the last fiscal year, that is required to be disclosed in accordance with National Instrument 52-110 of the Canadian Securities Administrators, is contained in the Annual Information Form, an electronic copy of which is available on the internet under the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **DIRECTOR NOMINEES**

The following pages set out the names of the proposed nominees for election as directors, together with their age, place of primary residence, principal occupation, year first elected or appointed as a director, independence status on the Board, membership on committees of the Board as at December 31, 2016 and related qualifications, attendance at Board and Committee meetings during 2016, directorships of other public entities and votes for and withheld at the most recent Annual Shareholder Meeting held March 24, 2016 ("**2016 AGM**"). Also indicated for each director nominee is the number of Common Shares and Common Share equivalents beneficially owned, or controlled or directed, directly or indirectly, on December 31, 2016 and, as at such date, the value of such Common Shares and Common Share equivalents.

The Board has determined that all of the nominees with the exception of Clayton H. Riddell and Susan L. Riddell Rose are Independent Directors as defined under National Instrument 58-101.



<p><b>CLAYTON H. RIDDELL</b><sup>(3)</sup>  Chairman and Chief Executive Officer of  Paramount Resources Ltd.  Calgary, Alberta, Canada  Age: 79  Director Since: June 2002  Non-Independent</p>	<p>Mr. Riddell is the Executive Chairman of Paramount Resources Ltd. ("<b>Paramount Resources</b>") and has been a director of Paramount Resources since 1978. Until May 2015 he was also the CEO and up until June 2002 he was also the President. He is also the Chairman of the Board of Trilogy Energy Corp. Both of which are public oil and gas exploration and production companies. Mr. Riddell graduated from the University of Manitoba with a Bachelor of Science (Honours) degree in Geology and is currently a member of the Association of Professional Engineers and Geoscientists of Alberta, the Canadian Society of Petroleum Geologists, and the American Association of Petroleum Geologists. He received the J.C. Sproule Memorial Plaque from the Canadian Institute of Mining (1994), the Stanley Slipper Gold Medal from the Canadian Society of Petroleum Geologists (1999), an Honorary Doctor of Science degree from the University of Manitoba (2004), an Honorary Doctor of Laws degree from Carleton University (2014) and an Outstanding Explorer award from the American Association of Petroleum Geologists (2004). In 2006, Mr. Riddell was inducted into the Calgary Business Hall of Fame and in 2008 he was made an Officer of the Order of Canada. Mr. Riddell received the Fraser Institute's T. Patrick Boyle Founder's Award in 2012. In 2015 Mr. Riddell was inducted into the Canadian Petroleum Hall of Fame and into the Canadian Business Hall of Fame in 2017.</p>	
<p><b>Board/Committee Membership</b></p>	<p>Executive Chairman of the Board</p>	
<p><b>Overall Meeting Attendance in 2016</b></p>	<p>100%</p>	
<p><b>Current Other Public Board Membership</b></p>	<p>Paramount Resources Ltd., Trilogy Energy Corp.</p>	
<p><b>Voting Results of 2016 AGM</b></p>	<p><b>Number of Votes</b></p>	<p><b>% of Votes</b></p>
<p>Votes For</p>	<p>552,984,834</p>	<p>94.93</p>
<p>Votes Withheld</p>	<p>29,532,998</p>	<p>5.07</p>
<p><b>Common Shares</b><sup>(1)(2)</sup></p>	<p><b>Number of Common Shares</b></p>	<p><b>Value</b><sup>(4)</sup></p>
	<p>23,360,276</p>	<p>\$54,896,649</p>
	<p><b>Number of Deferred Shares</b></p>	<p><b>Value</b><sup>(5)</sup></p>
	<p>105,880</p>	<p>\$247,759</p>

<p><b>SUSAN L. RIDDELL ROSE<sup>(3)</sup></b>  President and Chief Executive Officer of Perpetual  Calgary, Alberta, Canada  Age: 52  Director Since: June 2002  Non-Independent</p>	<p>Ms. Riddell Rose is the President and Chief Executive Officer of Perpetual and predecessor Paramount Energy Trust since inception in 2002. Ms. Riddell Rose graduated from Queen's University, Kingston, Ontario with a Bachelor of Science in Geological Engineering (1986) and has close to 30 years of experience in the Canadian oil and natural gas industry. She began her career as a geological engineer with Shell Canada. From 1990 until 2002 Sue was employed by Paramount Resources Ltd. in various capacities culminating in the position of Corporate Operating Officer. She has been a director of Paramount Resources since 2000. Ms. Riddell is also on the board of directors of Newalta Inc. and Brookfield Office Properties. She is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta, the Canadian Society of Petroleum Geologists, the American Association of Petroleum Geologists and is a Governor of the Canadian Association of Petroleum Producers.</p>	
<p><b>Board/Committee Membership</b></p>	<p>Director</p>	
<p><b>Overall Meeting Attendance in 2016</b></p>	<p>100%</p>	
<p><b>Current Other Public Board Membership</b></p>	<p>Newalta Corporation, Paramount Resources Ltd., Brookfield Canada Office Properties</p>	
<p><b>Voting Results of 2016 AGM</b></p>	<p><b>Number of Votes</b></p>	<p><b>% of Votes</b></p>
<p>Votes For</p>	<p>553,166,975</p>	<p>94.96</p>
<p>Votes Withheld</p>	<p>29,350,857</p>	<p>5.04</p>
<p><b>Common Shares<sup>(1)</sup></b></p>	<p><b>Number of Common Shares</b></p>	<p><b>Value<sup>(4)</sup></b></p>
	<p>1,785,437</p>	<p>\$4,195,777</p>
	<p><b>Number of Deferred Shares</b></p>	<p><b>Value<sup>(5)</sup></b></p>
	<p>Nil</p>	<p>Nil</p>

<p><b>RANDALL E. JOHNSON</b>  Independent Businessman  Calgary, Alberta, Canada  Age: 61  Director Since: June 2006  Independent</p>	<p>Mr. Johnson has been an independent businessman since 2005. Prior to that he was Managing Director of the Bank of Montreal's Corporate Banking group from 1996 to 2005, having been with the Bank of Montreal since 1984. Mr. Johnson has served on the Board of Directors of two publicly traded companies, Atlas Energy Ltd. and Dual Exploration Inc. and one privately held oil and gas company, Magellan Resources Ltd. Mr. Johnson received a B.Sc. in Mathematics in 1980, and an MBA in 1982 from Brigham Young University.</p>	
<p><b>Board/Committee Membership</b></p>	<p>Director  Member of Audit Committee  Chairman of Compensation and Corporate Governance Committee</p>	
<p><b>Overall Meeting Attendance in 2016</b></p>	<p>100%</p>	
<p><b>Current Other Public Board Membership</b></p>	<p>None</p>	
<p><b>Voting Results of 2016 AGM</b></p>	<p><b>Number of Votes</b></p>	<p><b>% of Votes</b></p>
<p>Votes For</p>	<p>552,832,848</p>	<p>94.90</p>
<p>Votes Withheld</p>	<p>29,684,984</p>	<p>5.10</p>
<p><b>Common Shares<sup>(1)</sup></b></p>	<p><b>Number of Common Shares</b></p>	<p><b>Value<sup>(4)</sup></b></p>
	<p>8,136</p>	<p>\$19,120</p>
	<p><b>Number of Deferred Shares</b></p>	<p><b>Value<sup>(5)</sup></b></p>
	<p>77,965</p>	<p>\$182,438</p>
<p><b>Audit Committee Qualifications</b></p>	<p>Mr. Johnson has over 23 years of experience in corporate banking as a lender to oil and gas companies, pipeline and utility companies. Lending transactions required detailed analysis of the borrower's financial statements, and the consistent monitoring of the borrower's disclosure of financial performance. Mr. Johnson's skills are augmented through his MBA with a finance emphasis by previously serving on the audit committee of two other public issuers.</p>	
<p><b>Compensation &amp; Corporate Governance Committee Qualifications</b></p>	<p>Mr. Johnson's skills and experience that enable him to make decisions on the suitability of the Corporation's compensation policies and practices are derived from Mr. Johnson's corporate banking experience and as a director of other issuers. As an executive officer of Bank of Montreal for eight years, Mr. Johnson made decisions on base pay, as well as short, medium and long term incentive programs.</p>	

<p><b>ROBERT A. MAITLAND<sup>(6)</sup></b>  Independent Businessman  Calgary, Alberta, Canada  Age: 64  Director Since: February 2008  Independent</p>	<p>Mr. Maitland has over 30 years of senior business experience, primarily in the oil and gas industry. He received a Bachelor of Commerce degree in 1975 from the University of Calgary, received his Chartered Accountant designation in 1977 and his ICD.D designation from the Institute of Corporate Directors in 2005. Since 2007, he has been a financial consultant. Previous to 2007, he has been the Vice President and Chief Financial Officer of Fairquest Energy Ltd., Fairborne Energy Ltd., Canadian Midstream Services Limited, Shiningbank Energy Income Fund, Post Energy Ltd. and Summit Resources Ltd. Mr. Maitland currently sits on the board of Altura Energy Inc.</p>	
<p><b>Board/Committee Membership</b></p>	<p>Director  Chairman of Audit Committee  Member of Compensation and Corporate Governance Committee  Member of Reserves Committee</p>	
<p><b>Overall Meeting Attendance in 2016</b></p>	<p>94%</p>	
<p><b>Current Other Public Board Membership</b></p>	<p>Altura Energy Inc.</p>	
<p><b>Voting Results of 2016 AGM</b></p>	<p><b>Number of Votes</b></p>	<p><b>% of Votes</b></p>
<p>Votes For</p>	<p>553,610,851</p>	<p>95.04</p>
<p>Votes Withheld</p>	<p>28,906,981</p>	<p>4.96</p>
<p><b>Common Shares<sup>(1)</sup></b></p>	<p><b>Number of Common Shares</b></p>	<p><b>Value<sup>(4)</sup></b></p>
	<p>119,621</p>	<p>\$281,109</p>
	<p><b>Number of Deferred Shares</b></p>	<p><b>Value<sup>(5)</sup></b></p>
	<p>77,965</p>	<p>\$182,438</p>
<p><b>Audit Committee Qualifications</b></p>	<p>Mr. Maitland has been a Chartered Accountant since 1977 and was Chief Financial Officer and Vice President Finance of private and publicly listed companies from 1985 to 2007. He is a graduate of the Institute of Corporate Directors – Directors Education Program.</p>	
<p><b>Compensation &amp; Corporate Governance Committee Qualifications</b></p>	<p>Mr. Maitland has been a Chief Financial Officer and Vice President Finance and Administration of various private and publicly listed companies for over 30 years where he acquired extensive training and knowledge in personnel administration. He is also a graduate of the Institute of Corporate Directors – Directors Education Program.</p>	

<b>Reserves Committee Qualifications</b>	Mr. Maitland was previously the Chief Financial Officer and Vice President Finance and Administration at 6 publicly traded oil and gas exploration and production companies. He has over 30 years of experience as a senior member of management where he was involved and reviewed aspects of the Reserve Reports of those companies and prospective acquisitions. He is also a graduate of the Institute of Corporate Directors with his ICDE.D designation.
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<p><b>GEOFFREY C. MERRITT</b>  Independent Businessman  Calgary, Alberta, Canada  Age: 62  Director Since: June 2010  Independent</p>	<p>Mr. Merritt has over 35 years of experience in the upstream oil and gas sector. He was the founder of Masters Energy Inc., a public exploration and production company, incorporated in 2003. From 1998 to 2003, Mr. Merritt was the President and CEO of Sunfire Energy. Prior to 1998, he was the Vice President and General Manager of the oil and gas division of Pembina Corporation. Mr. Merritt received a B.Sc. in Chemical Engineering from the University of Alberta in 1978 and is a graduate of the Harvard Business School.</p>	
<p><b>Board/Committee Membership</b></p>	<p>Director  Chairman of Environmental, Health &amp; Safety Committee  Member of Audit Committee  Member of Reserves Committee</p>	
<p><b>Overall Meeting Attendance in 2016</b></p>	<p>100%</p>	
<p><b>Current Other Public Board Membership</b></p>	<p>Zargon Oil &amp; Gas Ltd.</p>	
<p><b>Voting Results of 2016 AGM</b></p>	<p><b>Number of Votes</b></p>	<p><b>% of Votes</b></p>
<p>Votes For</p>	<p>552,521,179</p>	<p>94.85</p>
<p>Votes Withheld</p>	<p>29,996,653</p>	<p>5.15</p>
<p><b>Common Shares<sup>(1)</sup></b></p>	<p><b>Number of Common Shares</b></p>	<p><b>Value<sup>(4)</sup></b></p>
	<p>6,673</p>	<p>\$15,682</p>
	<p><b>Number of Deferred Shares</b></p>	<p><b>Value<sup>(5)</sup></b></p>
	<p>77,965</p>	<p>\$182,438</p>
<p><b>Audit Committee Qualifications</b></p>	<p>As CEO of a public company for ten years, Mr. Merritt was required to be financially literate. He has taken several accounting courses at the University of Calgary and attended the Harvard Business School (Advanced Management Program) which taught accounting as part of its program. Mr. Merritt is currently a member of the Audit Committee at one other public oil and gas company.</p>	
<p><b>Reserves Committee Qualifications</b></p>	<p>Mr. Merritt was previously the CEO of two public oil and gas companies where he was responsible for all corporate activities including reserves. Prior to becoming a CEO, Mr. Merritt was responsible for corporate reserves at a mid-sized private oil and gas company. Mr. Merritt is currently a member of the Reserves Committee at one other public oil and gas company.</p>	

<p><b>DONALD J. NELSON</b>  President of Fairway Resources Inc.  Calgary, Alberta, Canada  Age: 68  Director Since: June 2002  Independent</p>	<p>Mr. Nelson has over 40 years of experience in the oil and gas industry, and is the President of Fairway Resources Inc., a private oil and gas consulting services firm. Mr. Nelson was with Summit Resources Limited from 1996 to 2002, until its acquisition by Paramount Resources, where he held the position of Vice President, Operations from 1996 to 1998 and President and Chief Executive Officer from 1998 to 2002. Mr. Nelson is a director of Keyera Corp., a publicly traded issuer and also sits on the boards of a number of private oil and gas companies. He is a professional engineer and is an active member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta and of the Society of Petroleum Engineers.</p>	
<p><b>Board/Committee Membership</b></p>	<p>Director  Chairman of Reserves Committee  Member of Environmental, Health &amp; Safety Committee</p>	
<p><b>Overall Meeting Attendance in 2016</b></p>	<p>100%</p>	
<p><b>Current Other Public Board Membership</b></p>	<p>Keyera Corp.</p>	
<p><b>Voting Results of 2016 AGM</b></p>	<p><b>Number of Votes</b></p>	<p><b>% of Votes</b></p>
<p>Votes For</p>	<p>552,648,969</p>	<p>94.87</p>
<p>Votes Withheld</p>	<p>29,868,863</p>	<p>5.13</p>
<p><b>Common Shares<sup>(1)</sup></b></p>	<p><b>Number of Common Shares</b></p>	<p><b>Value<sup>(4)</sup></b></p>
	<p>12,463</p>	<p>\$29,288</p>
	<p><b>Number of Deferred Shares</b></p>	<p><b>Value<sup>(5)</sup></b></p>
	<p>77,965</p>	<p>\$182,438</p>
<p><b>Reserves Committee Qualifications</b></p>	<p>Mr. Nelson is a practicing professional engineer (P.Eng) and a member of APEGA. He was previously the CEO of a mid-sized public oil and gas company responsible for all corporate areas including reserves. Prior to becoming a CEO, Mr. Nelson was responsible for corporate reserves for both mid-size (Summit Resources) and major (Amerada Hess, Home Oil) public oil and gas companies and one large private company (Placer CEGO Petroleum). Mr. Nelson is currently a member of the reserve committee on one other public and three private oil and gas companies.</p>	

<p><b>HOWARD R. WARD</b>          Calgary, Alberta, Canada          Age: 71          Director Since: June 2002          Independent</p>	<p>Prior to his retirement in February 2014, Mr. Ward had been a partner with International Energy Counsel LLP, a law firm, since December 2002. Prior thereto, Mr. Ward was counsel with the law firm McCarthy Tétrault LLP from June 2002 to December 2002. Prior to that, he was counsel with Donahue and Partners LLP and, for more than 22 years, partner with Burstall Ward (now Burstall Winger Zammit LLP), Barristers and Solicitors. He had been a member of the Law Society of Alberta since 1975. He also has served as a director of the following publicly traded entities: Blue Sky Resources Ltd. (July 1999 to July 2000); Cabre Exploration Ltd. (June 1981 to December 2000); Jet Energy Corp. (August 1995 to November 1999); and Tuscany Resources Ltd. (October 1997 to October 2001).</p>	
<p><b>Board/Committee Membership</b></p>	<p>Director          Member of Compensation and Corporate Governance Committee          Member of Environmental, Health &amp; Safety Committee</p>	
<p><b>Overall Meeting Attendance in 2016</b></p>	<p>100%</p>	
<p><b>Current Other Public Board Membership</b></p>	<p>None</p>	
<p><b>Voting Results of 2016 AGM</b></p> <p>Votes For</p> <p>Votes Withheld</p>	<p><b>Number of Votes</b></p>	<p><b>% of Votes</b></p>
	<p>552,877,768</p>	<p>94.91</p>
	<p>29,640,064</p>	<p>5.09</p>
<p><b>Common Shares<sup>(1)</sup></b></p>	<p><b>Number of Common Shares</b></p>	<p><b>Value<sup>(4)</sup></b></p>
	<p>16,148</p>	<p>\$37,955</p>
	<p><b>Number of Deferred Shares</b></p>	<p><b>Value<sup>(5)</sup></b></p>
	<p>77,965</p>	<p>\$182,438</p>
<p><b>Compensation &amp; Corporate Governance Committee Qualifications</b></p>	<p>Mr. Ward served as Managing Partner in a mid-sized law firm for a number of years during which he had direct responsibility for dealing with compensation matters. Mr. Ward also served on the Compensation Committee of Cabre Exploration Ltd., a company listed on the TSE, for a number of years.</p>	

Notes:

- <sup>1)</sup> The information as to Shares beneficially owned or controlled or directed, directly or indirectly, is based upon information furnished to the Corporation by the nominees as of April 4, 2017.
- <sup>2)</sup> Mr. Riddell holds 16,991 Shares directly. The majority of Mr. Riddell's indirect ownership of Shares is held through Dreamworks Investment Holdings Ltd., which holds 16,396,814 Shares; Treherne Resources Ltd., which holds 4,329,126 Shares; and Warner Investment Holdings Ltd. which holds 1,568,029 Shares. Mr. Riddell exercises control and direction over Dreamworks Investment Holdings Ltd., Treherne Resources Ltd. and Warner Investment Holdings Ltd. A further 1,049,316 Shares are held by the Riddell Family Charitable Foundation.



- <sup>3)</sup> Mr. Riddell is a director and executive officer of Paramount Resources and Ms. Riddell Rose is a director and was an officer of Paramount Resources from May 1998 to June 2002. From 1992 to 2008, Paramount Resources was the general partner of T.T.Y. Paramount Partnership No.5 ("TTY"), a limited partnership, which was an unlisted reporting issuer in certain provinces of Canada. TTY was established in 1980 to conduct oil and gas exploration and development but had not carried on active operations since 1984 and had only nominal assets. A cease trade order against TTY was issued by the Autorite des marches financiers in 1999 for failing to file the June 30, 1998 interim financial statements in Quebec. The cease trade order was revoked on April 9, 2008. TTY was dissolved on July 21, 2008.
- <sup>4)</sup> Calculated based on the market value of the Shares at December 31, 2016 (\$2.35/share).
- <sup>5)</sup> Calculated based on the difference between the market value of the Shares at December 31, 2016 (\$2.35/share) and the exercise price for both vested and unvested DSU's, as the case may be.
- <sup>6)</sup> Mr. Maitland was a director of Military International Ltd., which was cease traded on December 11, 2002 for failure to file financial statements, which cease trade order is still in effect.

## STATEMENT OF EXECUTIVE COMPENSATION

### Introduction

The following sets forth information concerning annual compensation, including short, medium and long-term compensation programs for each of the named executive officers ("NEOs") as defined in NI 51-102 and the directors for the financial year ended December 31, 2016. None of the NEOs that were also directors of the Corporation received any compensation for their services as a director.

### *Role and Composition of the Compensation and Corporate Governance Committee*

The Compensation and Corporate Governance Committee (the "**Committee**") is comprised of the following individuals, all of whom are independent directors: Randall Johnson (Chair), Howard Ward and Robert Maitland. The Committee's mandate is to review overall human resource policies, procedures and compensation plans, and to oversee the development and administration of the Corporation's executive compensation program. In addition to its other responsibilities, the Committee makes recommendations to the Board regarding the aggregate corporate compensation for the Corporation's employees, and specifically, regarding the appropriate levels and structures of executive compensation for the President and Chief Executive Officer ("**CEO**") and other executive officers of the Corporation, including the NEOs.

In conducting their reviews, the Committee considers current compensation levels and published industry surveys, independent reports and other publicly available data as well as individual and corporate performance. Perpetual's CEO is responsible for providing the Committee with data and information respecting the benchmarking process, performance information regarding the officers of Perpetual in fulfilling their responsibilities and advancing business objectives, and recommendations, excluding herself, as to executive compensation. These recommendations are based in part on alignment and accountability agreements for each executive which are undertaken by the executive with the CEO and on individual and corporate performance. This information is considered by the Committee in determining its recommendations for executive compensation.

See "*Director Nominees*" for the relevant education and experience of each member of the Committee that enables such member to make decisions on the suitability of the Corporation's compensation policies and practice.

### *Compensation Consultant*

The Committee initially retained Hugessen Consulting Inc. ("**Hugessen**") in 2010. In 2013, Hugessen was retained to review and provide an update for the Corporation's director compensation and also retained to provide insight into potential alternative forms of equity compensation for medium and long term incentives for staff, excluding executives. In 2014, Hugessen was retained to provide guidance on calculating the value of incentive plan awards. In 2015, Hugessen was retained to provide guidance on the competitiveness of employee compensation which included base salaries, short, medium and long term incentives for employees and executives. In 2016, Hugessen was not retained for any consulting services. As part of Hugessen's mandate with the Committee, the Committee may, from time to time,

authorize Hugessen to work directly with management on the Committee's behalf. The decisions of the Committee may reflect information and advice beyond that provided to the Committee by Hugessen. Hugessen's fees for the two most recently completed financial years were as follows:

Year	Executive/Director Compensation Related		Total
	Fees	All Other Fees	
2016	Nil	Nil	Nil
2015	\$40,307	Nil	\$40,307

Other than as described above the Corporation has not retained a compensation consultant or advisor to assist the Board or the Committee to determine the compensation of the directors or executive officers of the Corporation.

### Compensation Discussion and Analysis

The following Compensation Discussion and Analysis applies to all executive officers including the NEOs.

#### *Elements, Objectives and Design of Executive Compensation*

The Corporation is strongly committed to a "pay for performance" philosophy and has adopted this throughout the organization. Through this commitment, the compensation program is designed to enable Perpetual to attract and retain a highly qualified team while motivating performance in alignment with the interests of Shareholders.

The executive compensation program at Perpetual strives to provide a fair and competitive base level of compensation coupled with an appropriate level of risk and reward directly related to Perpetual's performance. The executive compensation program is comprised of four primary components: base salary and benefits, annual bonus, medium term incentives, and long term incentives. Collectively, these components form part of a talent management strategy designed to achieve the following objectives:

- attract and retain top quality executives in the organization for the benefit of the Shareholders;
- ensure that compensation policies are fair, equitable and competitive with the Corporation's competitors in the oil and gas industry in Western Canada; and
- ensure the incentive mechanism of remuneration is properly aligned with short, medium and long term interests of Shareholders.

Base salary and benefits are intended to attract and retain top quality executives and reflect an executive's primary duties and responsibilities. Decisions regarding base salary and benefits are somewhat independent from decisions regarding short, medium and long term incentives, as it is the Committee's view that an appropriate base salary and benefits package are core components of competitive compensation for highly capable executives.

The annual bonus program is intended to reward extraordinary annual performance and corporate results that are above and beyond the expected standard of excellence. Medium and long term incentive programs are designed to reward performance and align executives with the interests of the Corporation and its Shareholders.

Due to the fact that each compensation element caters to a different compensation goal, decisions regarding each element generally remain distinct. However, the Committee considers the cumulative compensation that would be afforded by a combination of each compensation element, and may adjust individual elements so that overall compensation and the proportion of each compensation element is appropriate for a particular executive. Collectively, the various elements form a comprehensive,

performance-based compensation program that remunerates on the basis of both essential and distinctive service.

### *Base Salary And Benefits*

The Corporation's compensation philosophy is that aggregate executive salaries and benefits should be set at competitive levels, relative to the Corporation's Peer Group (as defined below) and as compared to the Independent Compensation Surveys (as defined below, see "Benchmarking"), giving consideration to factors such as level of responsibility, experience, technical expertise and competency, attitude and behaviours for accountability and teamwork, commitment, leadership capabilities and results. For executives who are highly experienced in their roles and who meet or exceed all of the performance expectations for their roles, base salary is targeted to levels in the top quartile of industry. This same method of considering experience and performance is used for all salaried employees and is intended to attract and retain top talent throughout the organization, and to ensure pay equity practices are established.

On February 1, 2016 the Company suspended its Company-wide savings plan which provided a benefit of 7.5 percent of base salary semi-monthly to employees and executives. In addition, Friday office closures from March through September 2016 reduced 2016 base salaries paid to employees and executive officers by five to six percent. As a result of the 2016 compensation review, in November 2016 the Committee recommended that there would be no increase in 2017 base salaries of executive officers other than Linda McKean who had a salary increase of 5.8% to reflect an expanded role with more individual responsibility and team accountability.

Certain benefits and perquisites are also provided to employees and executives which are competitive with peer companies in the Western Canadian oil and gas industry. These additional health and wellness related benefits enhance the executive officers' ability to meet and exceed their accountabilities. The Corporation does not have a pension plan.

### *Annual Bonus*

The Corporation's executive compensation structure includes a short-term incentive in the form of an annual bonus, paid in cash or short term incentives, which is based on the principle of rewarding extraordinary performance in the achievement of certain annual objectives. The annual bonus pool is established by the Board, based on recommendations by the Committee, giving consideration to performance with respect to two components: a corporate performance and a corporate excellence component. The corporate performance component is based on quantitative analysis of the Corporation's performance relative to certain targets and performance metrics that are established annually based on strategic objectives, budgets and the expected performance of its Peer Group (as defined below). The corporate excellence component of the bonus pool is qualitative in its application, and recognizes exceptional performance in advancing strategic goals and priorities that are important to short and long value creation for our Shareholders and also considers overall return to Shareholders, changes in net asset value, market conditions, the overall business climate and other general considerations.

Each year the Committee recommends: (a) a target compensation matrix designating the target and maximum size of the bonus pool, typically as a percentage of the base salary pool; (b) the proportionate split of the bonus pool that will be based on the corporate performance component and the corporate excellence component; (c) performance hurdles; and (d) a performance matrix outlining the performance targets and their relative weighting to be used to establish the corporate performance component of the bonus pool, giving consideration to budgets, stretch targets and Peer Group performance expectations.

The target compensation matrix for determination of the 2016 bonus pool for senior executives and the CEO is outlined below:

<i>(% of Salary Pool)</i>	<b>Corporate Excellence Component Target/Maximum</b>	<b>Corporate Performance Component Target/Maximum</b>	<b>Target/Maximum</b>
CEO	0-10	0-60/120	0-130
Senior Executives	0-10	0-30/60	0-70

The Committee recommends and the Board approves the actual earned bonus pool for the organization for the previous year and distribution of the bonus pool for individual executive team members, as well as aggregate bonus levels for management, field and office employees. The payment of an annual bonus is not guaranteed and the Board has discretion to adjust the magnitude of the bonus pool or defer any bonus payments. The approved bonus pool is distributed on a discretionary basis to all staff based on individual merit, considering performance and contribution to the corporate goals, initiatives and results.

In 2016, a minimum funds flow hurdle was established which no bonus pool would be established except on an entirely discretionary basis. Based on 2016 financial results this minimum funds flow hurdle was not met and therefore no bonuses were distributed to the CEO or executives for 2016 performance.

*Annual Bonus Performance Measures:*

Corporate Excellence Component: Results relative to the Corporation's strategic priorities guide the determination of the corporate excellence component of the annual bonus pool. In 2016, Perpetual's top four strategic priorities were:

1. Reduce debt and restore cash flow;
2. Grow value and scope of Greater Edson liquids-rich gas;
3. Maximize value potential of Eastern Alberta assets; and
4. Advance high impact opportunities.

Other considerations for the corporate excellence component of the annual bonus pool include overall return to Shareholders, change in net asset value, general market conditions, the overall business climate and other considerations that relate to the relative performance of the Company. Despite positive performance with respect to many of the Corporation's strategic priorities, the corporate excellence component of the bonus pool was set at zero for all staff, including the executive and CEO, based on failure to exceed the minimum funds flow hurdle established and current market conditions.

Corporate Performance Component: Performance metrics, including various operational and financial measures, are incorporated into a performance matrix annually to establish the corporate performance component of the annual bonus pool. For each performance metric, both a target and a stretch goal are set, each of which attracts a different level of bonus pool contribution. The target is typically derived based on Perpetual's budget expectations. The stretch goals are set giving consideration to extraordinary performance for detailed components that comprise each metric and expected top quartile performance metrics of Perpetual's Peer Group. See "*Benchmarking*" in this information circular. The performance metrics are weighted and considered key to measuring the Corporation's fundamental goal of value creation for its Shareholders.

The Board has the discretion to adjust the final performance factors when considering other qualitative factors relative to building longer-term value for the Corporation's Shareholders, and accordingly, the discretion to increase or decrease the size of any annual bonus payout regardless of whether these performance measures were attained. The actual calculations are derived from Perpetual's consolidated

financial statements, production reports, and reserve reports. The calculations are prepared and reviewed by management and approved by the Compensation and Corporate Governance Committee.

In 2016, the quantitative performance metrics, weighted equally, to establish the corporate performance component of the bonus pool included:

- (a) total debt;
- (b) average daily production;
- (c) cash flow;
- (d) change in NAV/share; and
- (e) all-in cash costs.

In 2016, the stretch goal for two metrics was met and the target was exceeded for two additional metrics. Since the Corporation did not exceed the minimum funds flow hurdle established by the Board for 2016, zero bonus was paid out to executive and staff.

2017 Bonus Program: A minimum funds flow hurdle of \$30 million has been established below which bonus payments are expected to be nominal. The target compensation matrix for determination of the 2017 bonus pool is outlined below:

<i>(% of Salary Pool)</i>	<b>Corporate Excellence Component</b>	<b>Corporate Performance Component</b>	
	<b>Target/Maximum</b>	<b>Target/Maximum</b>	<b>Target/Maximum</b>
CEO	0-10	0-60/120	0-130
Senior Executives	0-10	0-30/60	0-70

In 2017, the Corporate Excellence component of the bonus pool will be measured with respect to results related to Perpetual's 2017 top four strategic priorities:

1. Optimize balance sheet for growth;
2. Grow value of greater Edson liquids-rich gas;
3. Optimize value of Eastern Alberta assets;
4. Advance high impact opportunities.

Furthermore, reflecting the significant restructuring undertaken in 2016, the Corporation is also focus driving enhanced organizational excellence.

The quantitative performance metrics, weighted equally, to establish the corporate performance component of the 2017 bonus pool include:

- (a) debt to funds flow ratio;
- (b) production;
- (c) cash flow/share;
- (d) capital effectiveness; and
- (e) all-in cash costs.

*Medium-term Incentives*

The Corporation's executive officers participate in a medium term incentive plan with an integrated, risk-reward component that aims to clearly focus executives on value creation for Shareholders.

For Perpetual's executive officers (including the NEOs), the Board has implemented a Performance Share Rights Plan (the "**PSR Plan**") which includes the possible issuance of Restricted Rights in accordance with the Restricted Rights Plan. Performance Share Rights ("**PSRs**") generally vest two years from their date of grant (the "**Performance Period**"), and are tied to a performance metric determined by the Board. For PSRs issued in 2011 through 2016 the performance metric was determined to be the percentage increase in net asset value per share. The number of PSRs that vest at the end of the Performance Period is determined in direct correlation to the value of the performance metric achieved, minimum and maximum vesting amounts having been set at the time of grant. Vested PSRs are payable to the grantee in cash, Restricted Rights, or a combination of both, at the discretion of Perpetual. Target grant levels under the PSR Plan are based on market-competitive compensation but will adjust based on a multiplier positively or negatively, to a maximum of 2.0 times or a minimum of 0.5 times as the case may be, with Perpetual's performance.

#### *Long-term Incentives*

Perpetual also grants options to acquire Shares ("**Options**") under its Share Option Plan. The purpose of the Share Option Plan is to ensure that executive officers are aligned with Shareholders and have a continuing stake in the long term success of Perpetual. The Share Option Plan is a further risk-reward component of the total compensation plan for executive officers. The objective of the long term incentive portion of the compensation program is to establish a meaningful and effective incentive to reward participants on the basis of long term performance and value creation for Shareholders, while enhancing the Corporation's ability to attract and retain a talented team and aligning team members with Shareholders. Options typically vest over a period of three or four years, which provides incentive and retention for the Corporation's key personnel who will contribute to the future success and prosperity of the Corporation, thus enhancing the value of the Shares for the benefit of all Shareholders. See "*Incentive Plan Awards – Share Option Plan*".

#### **Benchmarking**

The total compensation for the executive officers is reviewed by the Committee and compared to the total compensation of similar positions of executives in other Canadian oil and gas exploration and production companies with a view to ensuring that such overall compensation packages are set at competitive levels relative to individual skill sets, expertise and the Corporation's Peer Group. The Corporation reviews comparative compensation data received through annual compensation surveys, conducted by an independent consultant, Mercer (Canada) Limited ("**Mercer**"), for salary, benefits and incentive programs ("**Independent Compensation Surveys**"), as well as other compensation information derived from analysis of information based on oil and gas companies in Canada considered by the Committee to be most closely comparable with Perpetual for these purposes. When determining the appropriate comparison group for benchmarking purposes, the Committee recognizes measures such as market capitalization, production levels, enterprise value, and number of employees. The Corporation used the following companies based on average production of between 5,000 and 50,000 boe/d with at least 50% natural gas production for its Peer Group in 2016: Cequence Energy Ltd.; Chinook Energy Inc.; Crew Energy Inc.; Dephi Energy Corp.; Ikkuma Resources Corp.; Kelt Exploration Ltd.; Manitok Energy Inc.; Marquee Energy Inc.; NuVista Energy Ltd.; Painted Pony Petroleum Ltd.; Paramount Resources Ltd.; Petrus Resources Ltd.; Pine Cliff Energy Ltd.; Questfire Energy Corp.; RMP Energy Inc.; Storm Resources Ltd.; and Trilog Energy Corp. (collectively, the "**Peer Group**").

## ***Risks Associated with the Corporation's Policies and Practices***

The Committee and the Board have considered risks associated with Perpetual's compensation program, and believes that there is no identified risk that is reasonably likely to have a material adverse effect on the Corporation. Several factors help to mitigate any risks associated with the compensation program, including the following:

1. the relatively even distribution of compensation into short, medium and long term components;
2. the fact that compensation policies and practices are shared between executives and other staff and do not differentiate between business units;
3. the fact that the compensation expense to executive officers does not represent a significant percentage of revenue; and
4. with the exception of the Share Option Plan and Restricted Rights Plan which align with the market price of the Shares, all compensation components impose a maximum earnable payout limit.

The Share Option Plan and Restricted Rights Plan will generally be settled with the issuance of common shares, and may only be settled in cash if deemed appropriate by the Corporation. Effective risk management and regulatory compliance, while not performance metrics themselves, are impliedly necessary in order to achieve every performance measure used to establish short-term incentives. Further, the distribution of the cash bonus plan is discretionary. Therefore, the Committee and the Board is able to consider other factors such as personal contributions to corporate performance and strategic and operational elements of corporate performance which allows the Committee and the Board to consider whether executive officers have too heavily prioritized short-term results at the expense of the long term success of the Corporation in determining executive compensation. In addition, the compensation package for NEOs is reviewed and assessed annually by the Committee and the Board which balances the level of risk taking while also focusing on generating long term and sustainable value for Shareholders. Furthermore, the Committee monitors compensation governance and risk assessment practices on an ongoing basis to ensure that the compensation program is appropriately structured.

The Corporation's directors, officers and all employees are prohibited from selling, directly or indirectly, a security of the Corporation if such person selling such security does not own or has not fully paid for the security to be sold. In addition, directors, officers and employees of the Corporation are prohibited from, directly or indirectly, buying or selling a call or put in respect of a security of the Corporation. Notwithstanding these prohibitions, directors, officers and employees of the Corporation may sell a security which such person does not own if such person owns another security convertible into the security sold or an option or right to acquire the security sold and, within 10 days after the sale, such person: (i) exercises the conversion privilege, option or right and delivers the security so associated to the purchaser; or (ii) transfers the convertible security, option or right, if transferable to the purchaser.

## **Incentive Plan Awards**

### ***Option-Based Awards***

Option-based awards are a part of Perpetual's long-term incentives. The CEO recommends to the Committee appropriate option-based awards under the Share Option Plan for executive officers. The Committee holds an in-camera session and determines an appropriate level of Options for the CEO. The Committee then considers the propriety of all Options having regard to the Corporation's compensation philosophy and criteria, and dilution to shareholders and determines what recommendation will be made to the Board. Upon receipt of such recommendation, the Board determines whether to approve the granting of Options for executives. The number of Options granted by the Board is based on the experience level, contribution potential, and performance of the individual receiving the Options as well as competitor Peer Group compensation practices and the expected value of the option. Previous grants of Option-based awards are taken into account when considering new grants. If an amendment to the Share Option Plan is suggested, the Committee first considers whether such amendment would be

appropriate to recommend to the Board; following such a recommendation, the Board as a whole considers whether to approve the potential amendment. See "*Compensation Discussion and Analysis – Elements, Objectives and Design of Executive Compensation – Long-term Incentives*" above and "*Share Option Plan*" below.

### *Share Option Plan*

The Share Option Plan permits the granting of Options to officers, directors, employees, consultants and other service providers ("**Optionees**") of Perpetual and its subsidiaries. The Share Option Plan is intended to afford persons who provide services to Perpetual an opportunity to obtain an ownership interest in Perpetual by permitting them to purchase Shares, thereby aligning Optionees with the interests of Shareholders and to aid in attracting as well as retaining and encouraging the continued involvement of such persons with Perpetual.

The maximum number of Shares issuable on exercise of Options in combination with Restricted Rights outstanding at any time under all security based compensation arrangements shall be limited, in the aggregate, to 10% of the issued and outstanding Shares. At December 31, 2016 this maximum number of Shares issuable was 5,368,104 Shares. In 2016, 2,275,000 Shares were issued under the Share Option Plan, representing 45.3% of the maximum issuable. Any increase in the issued and outstanding Shares (whether as a result of exercise of Options, or otherwise) will result in an increase in the number of Shares that may be issued on exercise of Options outstanding at any time and any increase in the number of Options granted, upon exercise, makes new grants available under the Share Option Plan. Options that are cancelled, terminated or expire prior to exercise of all or a portion thereof shall result in the Shares that were reserved for issuance thereunder being available for a subsequent grant of Options pursuant to the Share Option Plan.

As of April 4, 2017, 2,068,000 Options are issued and outstanding and will convert to 2,068,000 Shares upon exercise, which number has been reserved for issuance under the Share Option Plan and which represents 3.65% of the total outstanding Shares. Of the 2,068,000 Options issued, 1,895,230 had not vested in accordance with their terms.

The number of Shares issuable pursuant to Options granted under the Share Option Plan or any other security based compensation arrangements of Perpetual: (i) to insiders at any time may not exceed 10% of the outstanding Shares; and (ii) issued to insiders within any one year period may not exceed 10% of the outstanding Shares. In addition, the number of Shares issuable at any time pursuant to Options to directors that are not officers or employees of Perpetual or its subsidiaries may not in the aggregate exceed 1% of the outstanding Shares. The value of Options granted to any one director of the Corporation who is not an officer or employee of the Corporation or its subsidiaries during a calendar year, as calculated on the date of grant, shall not exceed \$100,000. Options granted under the Share Option Plan are personal to the Optionee and are not assignable except to a "permitted assignee" which means, for an Optionee, (i) an executor, trustee, custodian or administrator acting on behalf of, or for the benefit of the Optionee; (ii) a holding entity of the Optionee; (iii) a RRSP, RRIF, or TFSA of the Optionee; (iv) a spouse of the Optionee; (v) a trustee, custodian, or administrator acting on behalf of, or for the benefit of the spouse of the Optionee; (vi) a holding entity of the spouse of the Optionee; or (vii) a registered charity or foundation.

Options will have a term not to exceed five years and, subject to the terms of the Share Option Plan, will vest in such manner as determined by the Board. In the absence of any determination to the contrary, Options will vest and be exercisable as to one-fourth on each of the first, second, third and fourth anniversaries of the date of grant, subject to the acceleration of vesting in the discretion of the Board. If an Option is set to expire within any "Black Out Period" (as such term is defined in the Share Option Plan) and the Optionee is subject to the Black Out Period, the expiry date of the Option shall be extended for ten (10) business days following the Black Out Period.



The exercise price of any Options granted will be determined by the Board, provided that the exercise price shall not be less than the volume weighted average trading price of the Shares on the TSX (or other stock exchange on which the Shares may be listed) for the five consecutive trading days immediately preceding the date of grant.

The Share Option Plan provides Optionees with an election, if permitted by the Board, for a cashless exercise ("**Cashless Exercise**") of an Optionee's vested and exercisable Options. If an Optionee elects a Cashless Exercise the Optionee shall surrender each Option in exchange for the issuance by Perpetual of that number of Shares equal to the number determined by dividing the Market Price (as defined in the Share Option Plan and as calculated as at the date of exercise) into the difference between the Market Price and the exercise price of such Option. In addition, the Share Option Plan also provides that an Optionee has the right to make an offer (the "**Surrender Offer**") to Perpetual to surrender any of the Options held by such person for an amount (not to exceed the fair market value) specified therein by the Optionee and Perpetual may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required.

If an Optionee ceases to be a Service Provider (as defined in the Share Option Plan) for any reason, the Optionee shall have a period not in excess of six months as prescribed at the time of grant (12 months in the case of death), succeeding his or her ceasing to be a Service Provider to exercise Options held to the extent that the Optionee was entitled to exercise the options at the date of such cessation.

In the event that the share capital of the Corporation is consolidated or subdivided prior to the exercise by the Optionee, in full, of any Option in respect of all of the shares granted or the Corporation pays a dividend upon the Common Shares by way of issuance to the holders thereof of additional Common Shares, Options with respect to any shares which have not been purchased at the time of any such consolidation, subdivision or stock dividend shall be proportionately adjusted so that the Optionee shall from time to time, upon the exercise of an Option, be entitled to receive the number of shares of the Corporation the Optionee would have held following such consolidation, subdivision or stock dividend if the Optionee had purchased the shares and had held such shares immediately prior to such consolidation, subdivision or stock dividend. Upon any such adjustments being made, the Optionee shall be bound by such adjustments and shall accept the terms of such Options in lieu of the Options previously outstanding.

At the sole discretion of the Board, vesting of Options may be accelerated and all unexercised Options may be exercised prior to the expiry date of such Option upon the effective date of a "change of control" of Perpetual or its subsidiaries and affiliates. A "change of control" is deemed to occur upon the effective date of the earlier of any of the following events, provided that such event results in an actual change of control to Perpetual or its subsidiaries and affiliates: (a) the issuance to or acquisition by any person, or group of persons acting in concert excluding officers, directors or other insiders of Perpetual or its subsidiaries and affiliates, of Shares which in the aggregate total 20% or more of the then outstanding issued Shares, as the case may be; or (b) a "take-over bid" as such term is defined in Multilateral Instrument 62-104.

Without the prior approval of the shareholders of Perpetual, as may be required by the TSX or the stock exchange upon which Perpetual Shares are listed for trading, the Board may not: (i) make any amendment to the Share Option Plan to increase the percentage of Shares issuable on exercise of outstanding Perpetual Options at any time, (ii) reduce the exercise price of any outstanding Options, (iii) extend the term of any outstanding Option beyond the original expiry date of such Option, (iv) increase the maximum limit on the number of securities that may be issued to insiders, (v) increase the maximum number of Shares issuable to directors who are not officers or employees of Perpetual or its subsidiaries, (vi) make any amendment to the Share Option Plan to permit an Optionee to transfer or assign Options to a new beneficial Optionee other than in the case of death of the Optionee, or (vii) amend the restrictions on amendments that are provided in the Share Option Plan. Subject to the restrictions set out above, the Board may amend or discontinue the Share Option Plan and Options granted thereunder without shareholder approval; provided any amendment to the Share Option Plan that requires approval

of any stock exchange on which the Shares are listed for trading may not be made without approval of such stock exchange. In addition, no amendment to the Share Option Plan or Options granted pursuant to the Share Option Plan may be made without the consent of the Optionee, if it adversely alters or impairs any Option previously granted to such Optionee.

### ***Share-Based Awards***

Share-based awards are part of Perpetual's medium-term incentives and the Board has discretion to utilize share based awards as part of Perpetual's annual bonus. See "*Compensation Discussion and Analysis – Elements, Objectives and Design of Executive Compensation – Annual Bonus*" and "*Medium-term Incentives*" above and "*Restricted Rights Plan*".

#### *Restricted Rights Plan*

Perpetual's Restricted Rights Plan is intended to provide a combination of medium and long term incentives to persons who provide services to Perpetual. The Restricted Rights Plan will permit the granting of Restricted Rights to officers, directors, employees, consultants and other service providers ("**Restricted Right Holders**") of Perpetual and its subsidiaries. Restricted Rights may also be used to pay a portion of employees' annual bonus. Restricted Rights are generally issued to executives based on performance measures. See "*Medium Term Incentives*".

The maximum number of Shares issuable on exercise of Restricted Rights in combination with Options, outstanding at any time under all security based compensation arrangements shall be limited, in the aggregate, to 10% of the issued and outstanding Shares. As at December 31, 2016 this maximum number of Shares issuable was 5,368,104 Shares. In 2016, 1,084,528 Shares were issued under the Restricted Rights Plan, representing 21.6% of the maximum issuable. Any increase in the issued and outstanding Shares (whether as a result of exercise of Restricted Rights, or otherwise) will result in an increase in the number of Shares that may be issued on exercise of Restricted Rights outstanding at any time and any increase in the number of Restricted Rights granted, upon exercise, makes new grants available under the Restricted Rights Plan. Restricted Rights that are cancelled, terminated or expire prior to exercise of all or a portion thereof shall result in the Shares that were reserved for issuance thereunder being available for a subsequent grant of Restricted Rights pursuant to the Restricted Rights Plan.

As of April 4, 2017, 152,530 Restricted Rights have been issued and will convert to 152,530 Shares upon exercise, which number has been reserved for issuance under the Restricted Rights Plan and which represents less than 0.27% of the total outstanding Shares. Of the 152,530 Restricted Rights issued, 44,330 had not vested in accordance with their terms.

The number of Shares issuable pursuant to Restricted Rights granted under the Restricted Rights Plan or any other security based compensation arrangements of Perpetual: (i) to any one service provider may not at any time exceed 5% of the outstanding Shares; (ii) to insiders at any time may not exceed 10% of the outstanding Shares; and (iii) issued to insiders within any one year period may not exceed 10% of the outstanding Shares. In addition, the number of Shares issuable at any time pursuant to Restricted Rights to directors that are not officers or employees of Perpetual or its subsidiaries may not in the aggregate exceed 1% of the outstanding Shares. The value of Restricted Rights granted to any one director of the Corporation who is not an officer or employee of the Corporation or its subsidiaries during a calendar year, as calculated on the date of grant, shall not exceed \$100,000. Restricted Rights granted under the Restricted Rights Plan are personal to the Restricted Right Holder and are not assignable except to a "permitted assign" which means, for a Restricted Right Holder, (i) an executor, trustee, custodian or administrator acting on behalf of, or for the benefit of the Restricted Right Holder; (ii) a holding entity of the Restricted Right Holder; (iii) a RRSP, RRIF, or TFSA of the Restricted Right Holder; (iv) a spouse of the Restricted Right Holder; (v) a trustee, custodian, or administrator acting on behalf of, or for the benefit of the spouse of the Restricted Right Holder; (vi) a holding entity of the spouse of the Restricted Right Holder; or (vii) a registered charity or foundation.

Restricted Rights will have a term not to exceed five years and, subject to the terms of the Restricted Rights Plan, will vest in such manner as determined by the Board. In the absence of any determination to the contrary, Restricted Rights will vest and be exercisable as to one-third on each of the grant date, first and second anniversaries of the date of grant, subject to the acceleration of vesting in the discretion of the Board. If a Restricted Right is set to expire within any "Black Out Period" (as such term is defined in the Restricted Rights Plan) or within ten (10) business days following the end of a Black Out Period and the Restricted Right Holder is subject to the Black Out Period, the expiry date of the Restricted Right shall be extended for ten (10) business days following the Black Out Period.

The exercise price of any Restricted Rights granted will be \$0.01 per Share. In addition, the number of Restricted Rights (whether exercisable or not) of a Restricted Right Holder will be increased on a dollar for dollar basis by the amount of any monthly dividends which would have accumulated to the Restricted Right Holder if the Restricted Rights were held as Shares by the Restricted Right Holder enrolled in the Dividend Reinvestment component of Perpetual's Premium Dividend™ and Dividend Reinvestment Plan from the day of the grant of the Restricted Rights up to and including the date of delivery of an exercise notice by a Restricted Right Holder with respect to such Restricted Rights.

The Restricted Rights Plan provides Restricted Right Holders with an election, if permitted by the Board, for a cashless exercise ("**Cashless Exercise**") of a Restricted Right Holder's vested and exercisable Restricted Rights. If a Restricted Right Holder elects a Cashless Exercise the Restricted Right Holder shall surrender each Restricted Right in exchange for the issuance by Perpetual of that number of Shares equal to the number determined by dividing the closing price of the Shares on the TSX on the date of exercise of such Restricted Rights into the difference between such closing price and the exercise price of such Restricted Right. In addition, the Restricted Rights Plan also provides that a Restricted Right Holder has the right to make an offer (the "**Surrender Offer**") to Perpetual to surrender any of the Restricted Rights held by such person for an amount (not to exceed the fair market value) specified therein by the Restricted Right Holder and Perpetual may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required.

If a Restricted Right Holder ceases to be a Service Provider for any reason, the Restricted Right Holder shall have a period not in excess of thirty days as prescribed at the time of grant (six months in the case of death), succeeding his or her ceasing to be a Service Provider to exercise Restricted Rights held to the extent that the Restricted Right Holder was entitled to exercise the Restricted Rights at the date of such cessation.

In the event that the share capital of the Corporation is consolidated or subdivided prior to the exercise by the holder of Restricted Rights, in full, of any Restricted Rights in respect of all of the shares granted or the Corporation pays a dividend upon the Common Shares by way of issuance to the holders thereof of additional Common Shares, Restricted Rights with respect to any shares which have not been purchased at the time of any such consolidation, subdivision or stock dividend shall be proportionately adjusted so that the holder of Restricted Rights shall from time to time, upon the exercise of a Restricted Right, be entitled to receive the number of shares of the Corporation the holder of Restricted Rights would have held following such consolidation, subdivision or stock dividend if the holder of Restricted Rights had purchased the shares and had held such shares immediately prior to such consolidation, subdivision or stock dividend. Upon any such adjustments being made, the holder of Restricted Rights shall be bound by such adjustments and shall accept the terms of such Restricted Rights in lieu of the Restricted Rights previously outstanding.

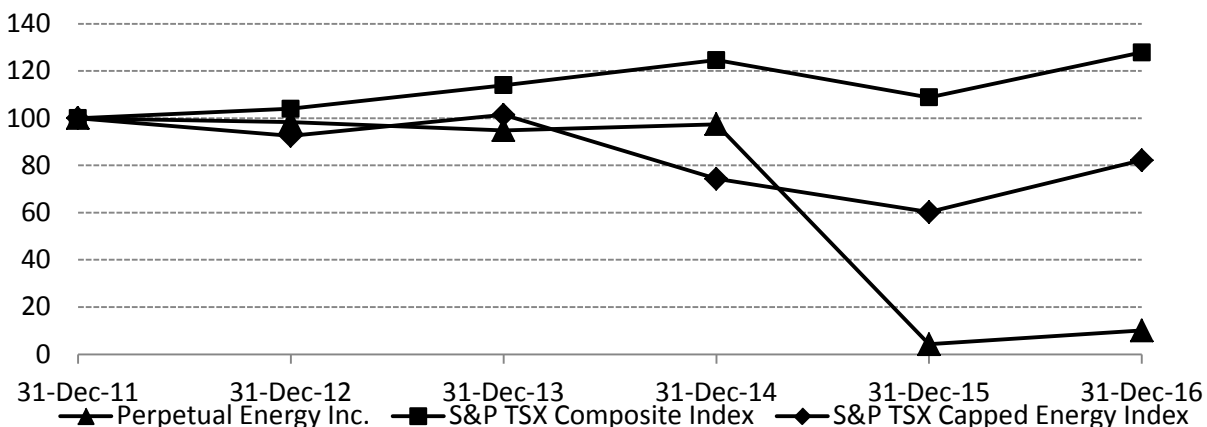
At the sole discretion of the Board, vesting of Restricted Rights may be accelerated and all unexercised Restricted Rights may be exercised prior to the expiry date of such Restricted Rights upon the effective date of a "change of control" of Perpetual or its subsidiaries and affiliates. A "change of control" is deemed to occur upon the effective date of the earlier of any of the following events, provided that such event results in an actual change of control to Perpetual or its subsidiaries and affiliates: (a) the issuance to or acquisition by any person, or group of persons acting in concert excluding officers, directors or

other insiders of Perpetual or its subsidiaries and affiliates, of Shares which in the aggregate total 20% or more of the then outstanding issued Shares, as the case may be; or (b) a "take-over bid" as such term is defined in Multilateral Instrument 62-104.

Without the prior approval of the Shareholders of Perpetual, as may be required by such exchange, the Board may not: (i) make any amendment to the Restricted Rights Plan to increase the percentage of Shares issuable on exercise of outstanding Restricted Rights at any time, (ii) reduce the exercise price of any outstanding Restricted Rights, (iii) extend the term of any outstanding Restricted Right beyond the original expiry date of such Restricted Right, (iv) increase the maximum limit on the number of securities that may be issued to insiders, (v) increase the maximum number of Shares issuable to directors who are not officers or employees of Perpetual or its subsidiaries, (vi) make any amendment to the Restricted Rights Plan to permit a Restricted Right Holder to transfer or assign Restricted Rights to a new beneficial Restricted Right Holder other than in the case of death of the Restricted Right Holder, or (vii) amend the restrictions on amendments that are provided in the Restricted Rights Plan. Subject to the restrictions set out above, the Board may amend or discontinue the Restricted Rights Plan and Restricted Rights granted thereunder without shareholder approval; provided any amendment to the Restricted Rights Plan that requires approval of any stock exchange on which the Shares are listed for trading may not be made without approval of such stock exchange. In addition, no amendment to the Restricted Rights Plan or Restricted Rights granted pursuant to the Restricted Rights Plan may be made without the consent of the Restricted Right Holder, if it adversely alters or impairs any Restricted Right previously granted to such Restricted Right Holder.

### Performance Graph

The following graph illustrates changes from December 31, 2011 to December 31, 2016, in cumulative Shareholder return, assuming an initial investment of \$100 in Shares with all cash distributions/dividends reinvested, compared to the S&P/TSX Composite Index and the S&P/TSX Capped Energy Trust Index with all dividends and distributions reinvested.



	31-Dec-12	31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16
Perpetual Energy Inc.	98	95	97	4	10
S&P TSX Composite Index	104	114	125	109	128
S&P TSX Capped Energy Index	92	101	74	60	82

Giving effect to a rights offering and follow-on Share consolidation in 2016, from December 31, 2011 to December 31, 2016, Perpetual's Share price has decreased by 90% with a corresponding increase in the S&P/TSX Composite Index of 28% and decrease in the S&P/TSX Capped Energy Index of 18%. During this period, total base salary and benefits and annual bonus compensation (excluding medium and long

term incentives) of the current executive team decreased by 27.4%, or a simple average of -5.5% per year over the five year period. The CEO's base salary has not increased since 2009.

Share and option-based compensation form important components of total compensation and their value to the NEOs increases and decreases with the price of the Common Shares. Value realized by NEOs upon vesting and expiration of options related to long term compensation has been negligible over the past five years. Value realized by NEO's upon vesting and expiration of share based awards related to medium term compensation during the past five years has been on target using a range established by industry-based Mercer data.

The above table and graph shows Perpetual's share performance over the last two years reflects the dilution to non-participating Shareholders of the repayment of Convertible Debentures in shares on December 31, 2015 and a Rights Offering which closed in January 2016. The minimal increase in annual compensation for NEO's over the past five years reflects the challenging environment for natural gas focused exploration and production companies and particularly reflects Perpetual's focus on balance sheet and liquidity management.

### Summary Compensation Table

Outlined below is a summary description of the compensation earned by the NEOs for the three most recently completed financial years, being the CEO, the Interim CFO, the Former CFO and the three other most highly compensated executive officers of Perpetual whose total compensation exceeds \$150,000 for the most recent financial year.

NEO Name and Principal Position	Year	Salary <sup>(1)</sup> (\$)	Share-based Awards (Restricted Rights) <sup>(2,3)</sup> (\$)	Option-based Awards (Share Options) <sup>(3)</sup> (\$)	Annual Incentive Plans (Cash Bonus) <sup>(5,6)</sup> (\$)	All Other Compensation <sup>(7)</sup> (\$)	Total Compensation (\$)
Susan L. Riddell Rose President and Chief Executive Officer	2016	371,250	113,400	400,543	nil	5,661	890,854
	2015	384,750	533,920	100,073	nil	33,096	1,051,839
	2014	405,000	237,850	402,292	221,000 <sup>(4)</sup>	36,338	1,302,480
Cameron R. Sebastian Former Vice President, Finance and Chief Financial Officer	2016	199,500	53,168	171,141	nil	4,233 <sup>(8)</sup>	428,042
	2015	299,927	308,320	45,488	112,900	26,735	793,370
	2014	315,000	100,500	186,778	110,000	29,925	742,203
William A. Hahn Interim Vice President, Finance and Chief Financial Officer	2016	150,430	3,716	20,714	nil	968	175,828
Marcello M. Rapini Vice President, Marketing	2016	292,292	52,150	200,272	nil	5,036	549,750
	2015	290,427	340,260	45,488	113,600	26,022	815,797
	2014	305,000	97,150	186,778	110,000	29,175	728,103

NEO Name and Principal Position	Year	Salary <sup>(1)</sup> (\$)	Share-based Awards (Restricted Rights) <sup>(2,3)</sup> (\$)	Option-based Awards (Share Options) <sup>(3)</sup> (\$)	Annual Incentive Plans (Cash Bonus) <sup>(5,6)</sup> (\$)	All Other Compensation <sup>(7)</sup> (\$)	Total Compensation (\$)
Jeffrey R. Green Vice President, Corporate & Engineering Services	2016	238,333	44,133	171,141	nil	4,755	458,362
	2015	247,948	288,900	39,119	98,200	22,836	697,003
	2014	260,000	83,750	158,043	100,000	25,650	627,443
Linda L. McKean Vice President, Exploration & Production	2016	234,167	44,133	171,141	nil	4,485	453,926
	2015	210,615	284,620	39,119	98,300	19,596	652,250
	2014	260,000	80,400	158,043	100,000	24,975	623,418

Notes:

- <sup>1)</sup> Reduction in 2015 and 2016 salary's due to office closures;
- <sup>2)</sup> Share-based awards include both (i) the Restricted Rights granted under the Restricted Rights Plan and (ii) the Restricted Rights issued upon settlement of PSRs granted under the PSR Plan. Excluded from the share-based awards are the PSRs granted under the PSR Plan as the PSRs are recorded as awarded when they are settled at vesting through issuance of Restricted Rights or other compensation. See " – Compensation Discussion and Analysis – Elements, Objectives and Design of Executive Compensation – Medium Term Incentives" above. As at December 31, 2016, and after giving effect to certain adjustments made to the number of PSRs as a result of the Consolidation, Sue Riddell Rose holds an aggregate of 385,000 PSRs, Bill Hahn holds an aggregate of nil PSRs, Cameron Sebastian holds nil PSRs, Marcello Rapini holds an aggregate of 172,500 PSRs, Jeff Green holds an aggregate of 162,500 PSRs and Linda McKean holds an aggregate of 162,500 PSRs.
- <sup>3)</sup> Dollar amounts are based on grant date fair value of the awards. Grant date fair value of option based awards are calculated using the Black Scholes option valuation model. The valuation methodology is based on a number of variables including share volatility, a dividend yield, risk-free interest rate, market price, award exercise price and the option term. Perpetual typically grants Options that vest equally over a three-year period or vest equally over a four-year period. During 2016 as part of its regular annual compensation, the Corporation granted Options to executives in June 2016.
- <sup>4)</sup> Payment of Ms. Riddell Rose's 2014 bonus as reported for 2014 was deferred and paid out in a grant of 125,000 Restricted Rights in December 2016;
- <sup>5)</sup> Cash bonuses are generally paid in February pertaining to results from the previous calendar year and as such are recorded in the performance year and do not necessarily reflect the timing of payment of the bonus;
- <sup>6)</sup> The bonus earned for the 2016 bonus year was paid in February 2017 as follows: Susan Riddell Rose \$0; Cameron Sebastian \$0; William Hahn \$0; Marcello Rapini \$0; Jeff Green \$0; Linda McKean \$0.
- <sup>7)</sup> Includes amounts paid under Perpetual's employee savings program as well as a parking allowance.
- <sup>8)</sup> Cameron Sebastian's last date of employment was September 12, 2016 and a payment of \$315,000 was paid to him.

## Incentive Plan Awards

### *Outstanding Share-based Awards and Option-based Awards*

The following table sets forth all Options and Restricted Rights awards outstanding for each NEO at December 31, 2016.

Name	Option based Awards (Options)				Share-based Awards (Restricted Rights)		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of Restricted Rights that have not vested <sup>(2)</sup> (#)	Market or payout value of share-based awards that have not vested <sup>(1)</sup> (\$)	Market or payout value of vested share based awards not paid out or distributed (\$)
Susan L. Riddell Rose	25,000	3.22	August 20, 2017	Nil	Nil	Nil	482,040 <sup>(3)</sup>
	28,000	5.97	August 18, 2018	Nil			
	27,500	2.00	August 19, 2020	9,625			
	550,000	1.42	June 3, 2021	551,500			
Cameron R. Sebastian	Nil	Nil	N/A	Nil	Nil	Nil	Nil
William A. Hahn	1,400	3.22	August 20, 2017	Nil	32,188	75,320	10,530
	1,275	5.97	August 18, 2018	Nil			
	1,508	2.00	August 19, 2020	528			
	33,000	1.42	June 3, 2021	30,690			
Marcello M. Rapini	15,000	3.22	August 20, 2017	Nil	Nil	Nil	Nil
	13,000	5.97	August 18, 2018	Nil			
	12,500	2.00	August 19, 2020	4,375			
	275,000	1.42	June 3, 2021	255,750			
Jeffrey R. Green	12,750	3.22	August 20, 2017	Nil	Nil	Nil	74,295
	11,000	5.97	August 18, 2018	Nil			
	10,750	2.00	August 19, 2020	3,763			
	235,000	1.42	June 3, 2021	218,550			
Linda L. McKean	12,500	3.22	August 20, 2017	Nil	Nil	Nil	Nil
	11,000	5.97	August 18, 2018	Nil			
	10,750	2.00	August 19, 2020	3,763			
	235,000	1.42	June 3, 2021	218,550			

Notes:

- <sup>1)</sup> Calculated based on the difference between the market value of the Shares at December 31, 2016 (\$2.35/share) and the exercise price for both vested and unvested Options and Restricted Rights, as the case may be.
- <sup>2)</sup> Holders of Restricted Rights are entitled to one Share of Perpetual per Restricted Right. See "Restricted Rights Plan".
- <sup>3)</sup> Includes 125,000 Restricted Rights issued in December 2016 relating to payment of the deferred 2014 bonus.

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

The following table reflects the value vested or earned during the 2016 calendar year of all Share Options and Restricted Rights awards for each NEO.

<b>Name</b>	<b>Option-based awards (Options) Value vested during the year<sup>(1)</sup> (\$)</b>	<b>Share-based awards (Restricted Rights) Value vested during the year<sup>(1)</sup> (\$)</b>	<b>Non-equity incentive plan compensation Value earned during the year (\$)</b>
Susan L. Riddell Rose	Nil	413,090 <sup>(2)</sup>	Nil
Cameron R. Sebastian	Nil	72,293	Nil
William A. Hahn	Nil	21,404	Nil
Marcello M. Rapini	Nil	70,403	Nil
Jeffrey R. Green	Nil	60,008	Nil
Linda L. McKean	Nil	60,008	Nil

Notes:

<sup>1)</sup> Calculated based on the difference between the market price of the Shares on the vesting date and the exercise price on the vesting date.

<sup>2)</sup> Includes 125,000 Restricted Rights issued in December 2016 relating to payment of the deferred 2014 bonus.

### **Pension Plan Benefits**

The Corporation does not have a pension plan in place for any executive officers or directors.

### **Termination and Change of Control Benefits**

#### *Executive Employment Contracts*

Each NEO, as listed in the table below, is a party to an executive employment contract with the same material terms (collectively, the "**Employment Contracts**"). All Employment Contracts contain change of control provisions. "Change of control" in the Employment Contracts has the same meaning as in the Share Option Plan and Restricted Rights Plan, but with additional parameters: for the purpose of the Employment Contracts, a "change of control" will also occur upon the entering into by Perpetual of any agreement to merge or amalgamate with, be absorbed into or be acquired by a non-Perpetual affiliated entity, or upon the sale to a non-arm's length third party of more than 60% of those Perpetual voting securities held by Clayton H. Riddell and associated entities. Notwithstanding the broader change of control provisions, the Board only has the discretion pursuant to the Employment Contract to accelerate the vesting provisions of unvested Options in circumstances where (a) there is the acquisition by anyone (other than insiders of Perpetual) of Shares which in the aggregate total more than 20% of the then issued and outstanding Shares, or (b) pursuant to an offer for the acquisition of Shares, the offeror has taken up and paid for, together with Shares already held, in the aggregate 20% or more of the then outstanding Shares.

The termination payment ("**Termination Payment**") under the Employment Contracts generally consists of annual base salary earned and vacation pay accrued and owing up to the date of termination, a retiring allowance of 1.5 times then annual base salary plus annual savings plan contribution (7.5%), a benefits allowance of 0.2 times base salary, a bonus allowance equal to 1.5 times the average yearly bonus received by the executive over the three years prior to the termination date and a service



allowance equal to 0.1 times up to a maximum of 1.0 times the executive's base salary for every full and completed year of service following the executive's 15<sup>th</sup> anniversary of employment. Required withholdings are deducted from all components of the Termination Payment.

The Termination Payment is paid, in all cases within 10 days of the termination date, upon the occurrence of the following events ("**Termination Payment Events**"): (a) if the NEO so elects within three months following a change of control; (b) if the NEO terminates his or her contract due to constructive dismissal within three months of change of control; and (c) if the NEO is terminated without cause. In exchange for the termination payment, the NEO must execute a release of liability, which includes confidentiality provisions respecting, amongst other things, the terms of the release.

The Employment Contract may also terminate upon mutual written agreement of the parties, or upon the executive providing two (2) months written notice. In those circumstances, and in circumstances where the NEO is terminated for just cause, the only payment owed to the NEO is annual base salary up to the termination date plus any outstanding vacation pay and approved expenses. Short and long term disability benefits cease as of the termination date.

NEOs are also bound by the Employment Contract to keep a broad range of information confidential for an indefinite period of time following termination. Further, the agreements provide that each NEO must not, for a period of twelve (12) months after the termination date, directly or indirectly solicit, induce, encourage or facilitate employees or consultants of the Corporation to leave the employment or consulting relationship of the Corporation. Waiver of a breach of any provisions of the Employment Contracts is not binding unless in writing; such a waiver is not a waiver of any other or subsequent breach.

Furthermore, as a term of the Employment Contracts, each NEO is required to own Shares, which represents a minimum of 0.5 times their base salary based on the greater of the acquisition cost or market value of the shares. A time period of up to five years from the date of execution of the Employment Contracts is provided to accumulate the required ownership, which as of the date hereof, a number of NEOs have already satisfied. Incorporating the provisions noted above, all NEOs are within the guidelines of their Employment Contracts.

In the event of a Termination Payment Event effective December 31, 2016, the total Termination Payment that would have been received by select NEO's pursuant to the applicable Employment Contract is as follows:

Named Executive Officer	Termination Payments			Change of Control (\$)
	Retiring Allowance (\$)	Benefits/Bonus/Service Allowance (\$)	Total (\$)	
Susan L. Riddell Rose	650,239	232,900	883,139	883,139
Marcello M. Rapini	489,686	117,800	607,486	607,486
Jeffrey R. Green	417,438	101,100	518,538	518,538
Linda L. McKean	417,438	101,150	518,588	518,588

## DIRECTOR COMPENSATION

The compensation program for the Corporation's non-management directors is intended to fairly compensate them for the time and effort required of a director based upon the size and complexity of the Corporation's business. Compensation to directors takes the form of monetary cash consideration as well as equity which involve the grant of Deferred Shares Units ("DSU's") and Options, to further align the interests of the Corporation's directors with Shareholders.

The amount and form of director compensation is reviewed by the Committee annually, with any resulting recommendations made to the Board, to ensure that such compensation realistically reflects the responsibilities and risks associated with carrying out their duties as an effective director. To assist in its evaluation of director compensation, the Committee and the Board periodically reviews comparable compensation information based on the Peer Group and other public companies, all while taking into account various factors and circumstances unique or specific to the Corporation. For 2016, all directors, with the exception of Ms. Riddell Rose, received an annual cash retainer in the amount of \$25,000 per annum and the Chairman of the Board received \$45,000 per annum, a reduction of 35 percent from cash retainer levels in previous years, with re-allocation of this reduction to equity compensation to further align with shareholders. In addition, for each meeting attended (including regular Board meetings, special Board meetings and committee meetings), the non-management directors received \$1,500. The chair of the Audit Committee received an additional \$15,000 per annum and the chair of every other committee received an additional \$7,500 per annum. While the Corporation continues its work to improve funds flow levels and liquidity, the independent directors have voluntarily requested to continue to take a greater proportion of their compensation in the form of DSU's and Options as opposed to monetary compensation.

The Board, while considering the equity component of non-management director compensation in 2016, reflected on the increased responsibilities and roles over the past number of years which is evidenced by the significant number of meetings held by the directors and the unique transactions undertaken by the Corporation over this period, which resulted in the directors being more heavily involved in the governance and oversight of the Corporation than would normally be required. For instance, in 2015 and 2016 combined, a total of 48 Board and committee meetings were held. Perpetual believes that the amount of time and effort that each of the independent directors has dedicated to the oversight of Perpetual over the past several years is significantly higher than the amount of time and effort required of directors of other public companies. To acknowledge this and further align directors with Shareholders, a one-time award of additional DSU's were granted in 2016 that will vest upon retirement. While the share-based compensation paid to the directors during 2016 may be higher than in 2015, the Corporation believes that it fairly reflects the increased governance and oversight required in light of the strategic and other initiatives undertaken by Perpetual and the fact that several of these involved direct surveillance by the independent directors. In 2017, the combined number of Board and committee meetings is anticipated to be reduced to 18.

The following table set out all amounts of compensation provided to Perpetual's non-management directors in 2016.

Name	Fees earned (\$)	Share-based awards (DSU's) <sup>(1)(2)</sup> (\$)	Option-based awards (Options) <sup>(2)</sup> (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Randall E. Johnson	59,500	120,000	29,130	Nil	Nil	Nil	208,630
Robert A. Maitland	65,500	120,000	29,130	Nil	Nil	Nil	214,630
Geoffrey C. Merritt	59,500	120,000	29,130	Nil	Nil	Nil	208,630
Donald J. Nelson	53,500	120,000	29,130	Nil	Nil	Nil	202,630
Clayton H. Riddell	61,500	160,000	54,620	Nil	Nil	Nil	276,120
Howard R. Ward	49,000	120,000	29,130	Nil	Nil	Nil	198,130

Notes:

- 1) Deferred Share Units ("DSU's") vest upon retirement and are payable at the sole discretion of the Corporation, in (i) Restricted Rights (with a 180 day expiry term), (ii) cash, (iii) Shares purchased on the open market, or (iv) a combination of the foregoing. The DSU's are calculated based on the five-day volume weighted average trading price of the Shares on the TSX calculated at the date of retirement.
- 2) Dollar amounts are based on grant date fair value of the awards. Grant date fair value of option based awards are calculated using the Black Scholes option valuation model. The valuation methodology is based on a number of variables including share volatility, a dividend yield, risk-free interest rate, market price, award exercise price and the option term.

The Corporation maintains ownership guidelines for directors as a way of aligning directors and Shareholder interests. Directors are expected to own Shares, the number of which represents a minimum of three times the annual base retainer at any given time and is based on the greater of the acquisition cost or market value of the Shares. Deferred Shares are included in the share ownership amount. Directors are required to continuously maintain his/her ownership of Shares in the Corporation at three times the annual base retainer and as such, any increases over time to the annual base retainer, the Directors shall have until July 1<sup>st</sup> of the year following any such increase in annual base retainer being made to increase his/her ownership of Shares to the required amount. For new directors, a time period of up to five years is provided to accumulate the required ownership. Incorporating the provisions noted above, all directors meet Perpetual's required share ownership guidelines.

**Share-Based Awards, Option-Based Awards and Non-Equity Incentive Plan Compensation**

The following table sets forth all Share Options and Restricted Rights awards outstanding for each non-management director at December 31, 2016.

Name	Option-based Awards (Options)				Share-based Awards (DSU's)	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of DSU's that have not vested (#)	Market or payout value of share-based awards that have not vested <sup>(1)</sup> (\$)
<b>Randall E. Johnson</b>	2,000	3.22	August 20, 2017	Nil	77,965	182,438
	1,500	5.97	August 18, 2018	Nil		
	1,500	2.00	August 19, 2020	525		
	40,000	1.42	June 3, 2021	37,200		
<b>Robert A. Maitland</b>	2,000	3.22	August 20, 2017	Nil	77,965	182,438
	1,500	5.97	August 18, 2018	Nil		
	1,500	2.00	August 19, 2020	525		
	40,000	1.42	June 3, 2021	37,200		
<b>Geoffrey C. Merritt</b>	2,000	3.22	August 20, 2017	Nil	77,965	182,438
	1,500	5.97	August 18, 2018	Nil		
	1,500	2.00	August 19, 2020	525		
	40,000	1.42	June 3, 2021	37,200		
<b>Donald J. Nelson</b>	2,000	3.22	August 20, 2017	Nil	77,965	182,438
	1,500	5.97	August 18, 2018	Nil		
	1,500	2.00	August 19, 2020	525		
	40,000	1.42	June 3, 2021	37,200		
<b>Clayton H. Riddell</b>	4,000	3.22	August 20, 2017	Nil	105,880	247,759
	3,000	5.97	August 18, 2018	Nil		
	3,000	2.00	August 19, 2020	1,050		
	75,000	1.42	June 3, 2021	69,750		
<b>Howard R. Ward</b>	2,000	3.22	August 20, 2017	Nil	77,965	182,438
	1,500	5.97	August 18, 2018	Nil		
	1,500	2.00	August 19, 2020	525		
	40,000	1.42	June 3, 2021	37,200		

Note:

<sup>1)</sup> Calculated based on the difference between the market value of the Shares at December 31, 2016 (\$2.35/share) and the exercise price for both vested and unvested Share Options and DSU's, as the case may be.

The following table sets forth the value vested or earned during the year of all Options and DSU's for each non-management director.

Name	Option-based awards (Options) Value vested during the year <sup>(1)</sup> (\$)	Share-based awards (DSU's) Value vested during the year <sup>(2)</sup> (\$)	Non-equity incentive plan compensation Value earned during the year (\$)
Randall E. Johnson	Nil	Nil	Nil
Robert A. Maitland	Nil	Nil	Nil
Geoffrey C. Merritt	Nil	Nil	Nil
Donald J. Nelson	Nil	Nil	Nil
Clayton H. Riddell	Nil	Nil	Nil
Howard R. Ward	Nil	Nil	Nil

Note:

- 1) Calculated based on the difference between the market price of the Shares on the vesting date and the exercise price on the vesting date.
- 2) DSU's vest upon retirement from the Board.

### Securities Authorized for Issuance Under Equity Compensation Plans

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights at December 31, 2016	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans
Equity Compensation Plan Approved by Shareholders	2,341,250 Shares	\$1.51 per Share	2,686,138 Shares
Equity Compensation Plans Not Approved by Shareholders	Nil	n/a	Nil
Total	2,341,250 Shares	\$1.51 per Share	2,686,138 Shares

### CORPORATE GOVERNANCE DISCLOSURE

National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**") requires that if management of an issuer solicits proxies from its securityholders for the purpose of electing directors, certain prescribed disclosure respecting corporate governance matters be included in its management information circular.

The prescribed corporate governance disclosure for Perpetual is that contained in Form 58-101F1 – *Corporate Governance Disclosure* ("**Form 58-101F1 Disclosure**").

The Board is responsible for the overall governance and stewardship of the Corporation, and has put in place standards and benchmarks by which that responsibility can be measured. Set out below is a description of the Corporation's current corporate governance practices, relative to the Form 58-101F1 Disclosure (which is set out below in italics).

At all meetings of the Board every question shall be decided by a majority of the votes cast on the question. In the case of equality of votes, the Chairman of the meeting shall be entitled to a second or casting vote.

## 1. Board of Directors

(a) ***Disclose the identity of directors who are independent.***

Randall E. Johnson, Donald J. Nelson, Howard R. Ward, Robert A. Maitland and Geoffrey C. Merritt are independent directors of Perpetual.

(b) ***Disclose the identity of directors who are not independent, and describe the basis for that determination.***

Susan L. Riddell Rose is not independent as she is an executive officer of Perpetual. Clayton H. Riddell is not independent as he is an immediate family member of Susan L. Riddell Rose.

(c) ***Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgment in carrying out its responsibilities.***

The Board of Directors consists of seven (7) directors, five (5) of whom are independent, therefore a majority (71%) of Perpetual's directors are independent.

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

Certain directors are presently directors of other issuers that are reporting issuers (or the equivalent). See "*Director Nominees*" in this Information Circular.

(e) ***Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.***

The independent directors meet without members of management and without non-independent directors at the end of every meeting of the Board of Directors and every meeting of any committee of the Board of Directors. Since the beginning of Perpetual's most recently completed financial year, the independent directors have held in camera sessions without non-independent directors at every Board and independent committee meeting. See (g) below for the number of independent director meetings.

The Compensation and Corporate Governance Committee, Reserves Committee and Audit Committee are all made up of independent directors of Perpetual, while the Environmental, Health and Safety Committee is comprised of three independent directors. Their meetings provide another forum for open and candid discussion among Perpetual's independent directors.

Further, the independent directors will meet on an ad hoc basis where circumstances warrant. Aside from the 22 independent director meetings highlighted in (g) below, there was no other

separate meeting of the independent directors during the most recently completed financial year. The independent members of the Board are authorized to retain independent financial, legal and other experts as required whenever, in their opinion, matters come before the Board which requires an independent analysis by the independent members of the Board.

- (f) ***Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.***

The Chairman of the Board is Mr. Clayton H. Riddell who is not an independent director. As mentioned above, the independent directors meet regularly in the absence of Perpetual's non-independent directors and management. Further, Perpetual's independent directors are empowered to retain independent experts.

Due to the large number of independent directors and their level of experience, Perpetual's independent directors each play an important leadership role on the Board and have considerable influence on Board decisions. Each of the Board committees has an independent chairman that takes the leadership role during meetings of the independent directors related to the scope of each committee's mandate. See "Director Nominees" in this information circular. To date, a lead director or independent chair has been deemed to be unnecessary for Perpetual.

- (g) ***Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.***

The attendance record for each director at Board and committee meetings held in 2016 is set forth in the table below.

<b>Name</b>	<b>Board Meetings<sup>(1)</sup> Attended / Held</b>	<b>Audit Committee Meetings<sup>(1)</sup> Attended / Held</b>	<b>Compensation &amp; Corporate Governance Committee Meetings<sup>(1)</sup> Attended / Held</b>	<b>Reserves Committee<sup>(1)</sup> Attended / Held</b>	<b>Environmental Health &amp; Safety Committee<sup>(1)</sup> Attended / Held</b>
Clayton H. Riddell	10/10	n/a	n/a	n/a	n/a
Susan L. Riddell Rose <sup>(2)</sup>	10/10	4/4	3/3	2/2	2/2
Randall E. Johnson	10/10	4/4	3/3	n/a	n/a
Robert A. Maitland	9/10	4/4	3/3	n/a	n/a
Geoffrey C. Merritt	10/10	4/4	n/a	2/2	2/2
Donald J. Nelson	10/10	n/a	n/a	2/2	2/2
Howard R. Ward	10/10	n/a	3/3	n/a	2/2

Note:

<sup>1)</sup> Independent directors' meetings, excluding management and non-independent directors, were held as in-camera sessions after each Board meeting and committee meeting in 2016.

<sup>2)</sup> Ms. Riddell Rose attended Audit Committee, Compensation and Corporate Governance Committee, Reserves Committee and Environmental Health and Safety Committee meetings as management.

## 2. Board Mandate

- (a) ***Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.***

Perpetual has a written mandate for its Board and for its Board committees. The Board, or a committee of the Board, reviews these mandates on an annual basis. Perpetual's directors have a corporate governance manual that is also reviewed on an annual basis. Revisions to these documents are made as required. Perpetual's Board mandate is as follows:

The Board must ensure the long-term financial viability and operational efficiency of Perpetual. To help meet these objectives the Board must establish, implement and monitor procedures, policies and processes. Specifically, the Board must:

- select and appoint directors; assess the contribution of the Board, committees and all directors annually; and evaluate the President and CEO of the Corporation;
- plan the succession of the Board;
- ensure an appropriate, formal orientation program for new Directors;
- ensure that the Corporation performs efficiently and in accordance with its mandate by reviewing and approving:
  - the strategic direction of the Corporation, including the establishment of a strategic planning process and the monitoring of performance versus plans;
  - annual budgets as well as corporate objectives, including monitoring of performance and compliance;
  - the principal risks to the Corporation and ensuring the implementation of systems to manage these risks;
  - the internal control systems and disclosure control systems and processes, as evidenced in the Management Responsibility for Internal Control Policy and the Disclosure Policy;
  - succession planning, including appointing, training and monitoring the performance of senior management; and
  - the compensation of the senior management team.

## 3. Position Descriptions

- (a) ***Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.***

Perpetual has developed written position descriptions for the Chairman of the Board and the Chairman of each Board committee. The Board charges each chair with overseeing each meeting and with ensuring that each committee discharges its duties in accordance with its committee mandate/charter.

- (b) ***Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.***

Perpetual has developed a written position description for its CEO.



#### 4. Orientation and Continuing Education

- (a) *Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and its directors and (ii) the nature and operation of the issuer's business.*

The Board has an orientation program for all new directors, which provides new directors with access to all background documents of Perpetual, including its Corporate Governance Director's Manual, all corporate records and prior Board materials. The orientation program is designed to build each director's understanding of Perpetual's operations and other relevant matters through introduction to members of Perpetual's executive team, update sessions, technical overview sessions, and strategic planning sessions in conjunction with Board meetings throughout the year. All directors have a standing invitation to attend all committee meetings, regardless of membership, and new directors are encouraged to attend committee meetings as part of their orientation process. Further, the Environmental, Health and Safety Committee has periodic field site visits and all directors are invited to attend to become more closely educated on Perpetual's operations.

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

Perpetual is committed to an active program of training and development for its directors. Perpetual provides ongoing education and information for the Board through technical overview sessions, strategic planning sessions, regular reports from senior management on operations, finance and human resources activities, plant and operational site visits, internal presentations regarding aspects of Perpetual's business and operations, presentations by consultants and advisors, public education seminars, industry analyst reports and conferences and presentations from external consultants from time to time.

#### 5. Ethical Business Conduct

- (a) *Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:*
- (i) **Disclose how a person or company may obtain a copy of the code.**

The Board has adopted a written Code of Business Conduct (the "**Code**") for the directors, officers, employees and consultants of Perpetual. Each director, officer, employee and consultant of Perpetual is provided with a copy of the Code at the beginning of that person's employment or tenure, and must complete a re-certification at the beginning of each calendar year. A copy of the Code is available for review on SEDAR at [www.sedar.com](http://www.sedar.com) and from Perpetual's website at [www.perpetualenergyinc.com](http://www.perpetualenergyinc.com).

- (ii) **Describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code.**

Upon commencement of their employment or tenure, each director, officer, employee and consultant of Perpetual is required to review the Code and certify in writing that the individual has read, understands, and is not in violation of the Code. This certification must also be used by a director, officer, employee or consultant to disclose any conflict of interest situation that arises during that individual's employment or tenure. Directors of Perpetual are required to provide this certification annually to the CEO and Chairman of the Board. The Code itself

requires individuals to seek input from their supervisor, the CEO or the CFO if they have any questions about a specific situation they may be involved in or aware of that relates to business ethics. If necessary, the directors are also encouraged to seek clarification of the Code from Perpetual's Compensation and Corporate Governance Committee. The Whistleblower Policy allows for identification of individuals that also may not be in compliance with the code to be identified to the Chairman of the Audit Committee.

- (iii) *Provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.*

Perpetual has not filed any such material change reports.

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

Perpetual's directors are required to immediately report any event that may give rise to a conflict of interest situation to the President and CEO of the Corporation. Many examples of potential conflict situations are enumerated in the Code. Any potential conflict of interest must also be reported and documented at the next meeting of the Board of Directors. A director may not vote on any matter where a conflict of interest situation exists. If a conflict exists that cannot be effectively managed, the Board may require the director to resign from any specific position giving rise to the conflict of interest or alternatively, may require the director to resign from the Board.

- (c) *Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.*

Perpetual is committed to the highest standards of openness, honesty and accountability. To this end, in addition to the Code, Perpetual has in place an employee whistleblower program. This program provides an avenue for individuals to confidentially and anonymously report complaints and concerns regarding accounting, internal auditing controls or auditing matters without the fear of victimization, discrimination or disadvantage.

Furthermore, Perpetual conducts an annual employee survey using an external company to gauge the company's fraud, compliance, controls and employee engagement.

## **6. Nomination of Directors**

- (a) *Describe the process by which the board identifies new candidates for board nomination.*

Perpetual has established a framework to guide Board composition which includes diversity considerations such as geography, sector and gender and incorporates a skills/competencies process that verifies the primary and secondary competencies of its member's spectrum of knowledge to provide in aggregate the full experience and perspective required to fulfill the Board's mandate.

The Board endeavours to ensure that its composition includes as many as possible of the following competencies:

- Executive Leadership / Enterprise Management
- Board and Corporate Governance Experience

- Business Development
- Strategic Planning
- Risk Evaluation & Management
- Operations
- Project Management
- Financial Literacy
- Accounting
- Corporate Finance
- Capital Markets
- Reserve Evaluation
- Human Resources / Executive Compensation
- EH&S Management
- Government/Public Policy
- Legal
- Communication / Investor Relations
- other competencies as may from time to time be required

Perpetual's Compensation and Corporate Governance Committee, consisting entirely of independent directors, considers and recommends candidates to fill new positions on the Board created either by expansion or vacancies created by the resignation, retirement or removal of any of the Corporation's directors. The Compensation and Corporate Governance Committee reviews candidates recommended by or to it. This review includes conducting inquiries into the backgrounds and qualifications of possible candidates. If the committee is satisfied that specific potential candidates would be suitable members of the Board, the committee recommends the director nominees for approval by the Board. The Compensation and Corporate Governance Committee further establishes an "evergreen" list of potential director candidates containing information regarding background, skills and experience.

- (b) ***Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.***

The Board does not have a separate nominating committee; however, it is the responsibility of the Compensation and Corporate Governance Committee to handle the nomination process. All of the directors on the Compensation and Corporate Governance Committee are independent. This ensures, among other things, that the nomination process is objective.

- (c) ***If the board has a nominating committee, describe the responsibilities, powers and operations of the nominating committee.***

See (b) above.

## **7. Compensation**

- (a) ***Describe the process by which the board determines the compensation for the issuer's directors and officers.***

The Board has constituted a Compensation and Corporate Governance Committee to ensure that the Corporation's compensation is fair, equitable, competitive and in line with the rest of industry in which Perpetual operates. The Compensation and Corporate Governance Committee also reviews and recommends the annual salary, incentive compensation and other benefits or perquisites of the executive and officers of Perpetual as well as the aggregate compensation of the employees of the Corporation. The Compensation and Corporate Governance Committee is also empowered to retain an outside consulting firm to evaluate the overall compensation

arrangements for executives or to develop new compensation plans. Perpetual benchmarks the compensation of its officers and employees against the annual compensation survey/report prepared by Mercer (Canada) Limited and from public information disclosed relating to Perpetual's Peer Group of oil and gas exploration and production corporations. See "*Statement of Executive Compensation*" in this Information Circular.

The Compensation and Corporate Governance Committee makes recommendations to the Board to approve annual salaries, incentive compensation and other benefits for officers and for employees in aggregate. The Compensation and Corporate Governance Committee also makes recommendations for new or modified compensation plans if appropriate.

In addition, the Company reviews publically available peer data and has engaged third part consultants to assess director compensation. With respect to director's compensation, when changes are considered, management reviews industry Peer Group practices as they relate to directors and makes recommendations. Generally, if changes are recommended, a third party consultant is hired to review the recommendations and propose adjustments as required.

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

Perpetual's Compensation and Corporate Governance Committee is composed entirely of independent directors, to ensure, amongst other things, that the compensation process is objective.

(c) ***If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.***

The responsibilities, powers and operation of Perpetual's Compensation and Corporate Governance Committee are set out in the Compensation and Corporate Governance Committee charter, which is available for review on Perpetual's website at [www.perpetualenergyinc.com](http://www.perpetualenergyinc.com).

## **8. Other Board Committees**

***If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.***

The Board has an Audit Committee, a Reserves Committee, a Compensation and Corporate Governance Committee and an Environmental, Health and Safety Committee. The charters of each of these Committees are available for review on Perpetual's website at [www.perpetualenergyinc.com](http://www.perpetualenergyinc.com).

## **9. Assessments**

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

On an annual basis, the Compensation and Corporate Governance Committee assesses the effectiveness of the entire Board, as well as that of each director. To assist in this process, the Compensation and Corporate Governance Committee has created a Board Assessment and

Evaluation Questionnaire, which is completed by each director annually. The first part of the Questionnaire assesses the overall effectiveness of the Board as a whole, based on a range of relevant factors. The second part of the Questionnaire is a Director Peer Feedback section, which assesses the contribution of each director based on a range of factors. The results of both parts of the Questionnaire are utilized to identify areas for improvement in performance of the Board and individual directors, and to also identify and evaluate requirements for new Board nominees.

The Board Assessment and Evaluation Questionnaire is completed by the directors and returned to the CEO and Vice President, Corporate and Engineering Services and/or the Corporation's Legal Assistant, who then compiles the results and communicates them to the Compensation and Corporate Governance Committee. The CEO and Vice President, Corporate and Engineering Services reviews the assessments, determines if any specific action is required related to suggestions for improvement or areas of concern, and follows up with members of the Board as required.

**10. Director Term Limits and Other Mechanisms of Board Term Limit**

*Disclose whether or not the issuer has adopted term limits for the directors on its board or other mechanisms of board Term Limit and, if so, include a description of those director term limits or other mechanisms of board Term Limit. If the issuer has not adopted director term limits or other mechanisms of board Term Limit, disclose why it has not done so.*

Based on the recommendations of the Compensation and Corporate Governance Committee, the Board has adopted a Board Diversity and Term Limit Policy (the "**Diversity and Term Limit Policy**"). Under the Diversity and Term Limit Policy, the Compensation and Corporate Governance Committee annually reviews the skills and experience of the current directors of the Corporation to assess whether the Board's skills and experience need to be strengthened in any area. In addition to considering the skills and experience of the Board, the Compensation and Corporate Governance Committee also assesses the knowledge, character and diversity of perspectives of all nominees to the Board and other factors such as independence of the directors to ensure that the Board is operating independently of management and performing at a high level of effectiveness.

The Board does not believe that fixed term limits or mandatory retirement ages are in the best interest of the Corporation; however, pursuant to the Diversity and Term Limit Policy the Governance Committee considers both the term of service and age of individual directors, the average term of the Board as a whole and turnover of directors over the prior years when proposing nominees for election of the directors of the Corporation. The Compensation and Corporate Governance Committee considers the benefits of regular renewal in the context of the needs of the Board at the time and the benefits of the institutional knowledge of the Board members.

## 11. Policies Regarding the Representation of Women on the Board

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

The Diversity and Term Limit Policy as adopted by the Board addresses the identification and nomination of women directors of the Corporation.

- (b) *If an issuer has adopted a policy referred to in (a), disclose the following in respect of the policy:*
- (i) *a short summary of its objectives and key provisions,*
  - (ii) *the measures taken to ensure that the policy has been effectively implemented,*
  - (iii) *annual and cumulative progress by the issuer in achieving the objectives of the policy, and*
  - (iv) *whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.*

The main principle of the Diversity and Term Limit Policy is that Board nominations and executive officer appointments should be made on the basis of the skills, knowledge, experience and character of individual candidates and the requirements of the Board and management at the time. The Corporation is committed to a meritocracy and believes that considering the broadest group of individuals who have the skills, knowledge, experience and character required to provide leadership needed to achieve our business objectives, without prejudice to their age or gender is in the best interests of the Corporation and all of its stakeholders.

The Board recognizes the benefits of diversity within the Board and within management of the Corporation and, pursuant to the Diversity and Term Limit Policy, the Board encourages the consideration of the broadest group of individuals representative of the population of individuals generally known to meet the sought after criteria, who have the necessary skills, knowledge, experience and character when considering new potential candidates for the Board.

To ensure the effectiveness of Diversity and Term Limit Policy, the Compensation and Corporate Governance Committee will review the number of women considered or brought forward as potential nominees for Board positions and the skills, knowledge, experience and character of any such women candidates relative to other candidates to ensure that women candidates are being fairly considered along with other candidates. The Compensation and Corporate Governance Committee will also review the number of women actually appointed and serving on the Board to evaluate whether it is desirable to adopt additional requirements or policies with respect to the diversity of the Board in the future.

**12. Consideration of the Representation of Women in the Director Identification and Selection Process**

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

As a result of the Corporation's commitment to meritocracy the level of representation of women on the Board is not specifically mandated and therefore is not a distinct determining factor in identifying and nominating candidates for election or re-election to the Board; however, pursuant to the Diversity and Term Limit Policy the Board encourages the consideration of the broadest group of individuals representative of the population of individuals generally known to meet the sought after criteria, who have the necessary skills, knowledge, experience and character when considering new potential candidates for the Board. The Compensation and Corporate Governance Committee will also review the number of women actually appointed and serving on the Board to evaluate whether it is desirable to adopt additional requirements or policies with respect to the diversity of the Board in the future.

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

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

As a result of the Corporation's commitment to meritocracy the level of representation of women in executive officer positions is not specifically mandated but rather indirectly considered when making executive officer appointments; however, pursuant to the Diversity and Term Limit Policy the Board encourages the consideration of the broadest group of individuals representative of the population of individuals generally known to meet the sought after criteria, who have the necessary skills, knowledge, experience and character when considering new potential candidates for executive officer positions. The Compensation and Corporate Governance Committee will also review the number of women actually appointed and serving as executive officers to evaluate whether it is desirable to adopt additional requirements or policies with respect to the diversity of management in the future.

**14. Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions**

- (a) *For purposes of this Item, a "target" means a number or percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer's board or in executive officer positions of the issuer by a specific date.*
- (b) *Disclose whether the issuer has adopted a target regarding women on the issuer's board. If the issuer has not adopted a target, disclose why it has not done so.*
- (c) *Disclose whether the issuer has adopted a target regarding women in executive officer positions of the issuer. If the issuer has not adopted a target, disclose why it has not done so.*

- (d) *If the issuer has adopted a target referred to in either (b) or (c), disclose:*
- (i) *the target, and*
  - (ii) *the annual and cumulative progress of the issuer in achieving the target.*

The Corporation has not imposed quotas or targets regarding the representation of women on the Board and in executive officer positions. The Board believes that imposing quotas or targets regarding the representation of women in executive officer positions would compromise the principles of meritocracy.

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

*(a) Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women (b) Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.*

There is presently one woman serving on the Board which represents approximately 14% of the number of directors on the Board.

There are presently two women serving in executive officer positions at the Corporation and its major subsidiaries which represents approximately 40% of the number of executive officer positions (excluding the Chairman) at the Corporation and its major subsidiaries.

## GENERAL PROXY MATTERS

### Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by the management of Perpetual to be used at the Meeting. Solicitations of proxies will be primarily by mail, subject to the use of the Notice and Access Provisions in relation to the delivery of the Information Circular, but may also be by written publication, in person or by telephone, fax, email or oral communication by directors, officers, employees or agents of Perpetual. All costs of the solicitation for the Meeting will be borne by Perpetual.

### Appointment and Revocation of Proxies

Accompanying this Information Circular is a form of proxy for holders of Common Shares.

The persons named in the enclosed form of proxy are directors and officers of Perpetual. A Shareholder desiring to appoint a proxyholder other than the persons designated (who need not be a Shareholder) to represent such Shareholder at a Meeting, may do so either by inserting the name of the Shareholder appointee in the blank space provided in the form of proxy or by completing another form of proxy and, in either case, sending or delivering the completed proxy to the offices of Computershare Trust Company of Canada, Attention: Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1. The form of proxy must be received by Computershare Trust Company of Canada by 9:00 a.m. (Calgary time) on Friday, May 19, 2017 or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the Meeting. Failure to so deposit a form of proxy shall result in its invalidation.

A Shareholder who has given a form of proxy may revoke it as to any matter on which a vote has not already been cast pursuant to its authority by an instrument in writing executed by such Shareholder or by his attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized, and deposited either at the above mentioned office of Computershare Trust



Company of Canada on or before the second last business day immediately preceding the day of the Meeting or any adjournment thereof or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

### **Record Date**

The record date for determination of Shareholders entitled to receive notice of and to vote at the Meeting is April 4, 2017. Shareholders of the Corporation of record as at the Record Date are entitled to receive notice of the Meeting and to vote those Shares included in the list of Shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such Shareholder transfers Shares after the Record Date and the transferee of those Shares, having produced properly endorsed certificates evidencing such Shares or having otherwise established that he or she owns such Shares, demands, not later than 10 days before the Meeting, that his or her name be included in the list of Shareholders entitled to vote at the Meeting, in which case such individual shall be entitled to vote such Shares at the Meeting.

### **Signature of Proxy**

The form of proxy must be executed by the Shareholder or his or her attorney authorized in writing, or if the Shareholder is a corporation, the form of proxy should be signed in its corporate name under its corporate seal by an authorized officer whose title should be indicated. A proxy signed by a person acting as attorney or in some other representative capacity should reflect such person's capacity following his or her signature and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with Perpetual).

### **Voting of Proxies**

The persons named in the accompanying form of proxy will vote the Shares in respect of which they are appointed in accordance with the direction of the Shareholder appointing them. In the absence of such direction, the Shares will be voted FOR the approval of the matters to be considered at the Meeting.

### **Exercise of Discretion of Proxy**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying Notice of Meeting and this Information Circular and with respect to other matters that may properly come before the Meeting. At the date of this Information Circular, management of Perpetual knows of no amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting. If other matters do properly come before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy in their best judgment.

### **Beneficial Holders of Shares**

The information set forth in this section is provided to beneficial holders of shares of the Corporation who do not hold their shares in their own name ("**Beneficial Shareholders**"). Beneficial Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of shares can be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases those shares will not be registered in the Beneficial Shareholder's name on the records of the Corporation. Such shares will more likely be registered under the name of the Beneficial 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 and Depository Services Inc., which acts as nominees 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, the broker/nominees are prohibited from voting shares for their clients. The Corporation does not know for whose benefit the shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically provides a scannable voting request form or applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting request forms or proxy forms to Broadridge. Often Beneficial Shareholders are alternatively provided with a toll-free telephone number to vote their shares or website address where shares can be voted. 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 receiving a voting instruction request or a proxy with a Broadridge sticker on it cannot use that instruction request or proxy to vote shares directly at the Meeting as the proxy must be returned as directed by Broadridge well in advance of the Meeting in order to have the shares voted. Accordingly, it is strongly suggested that Beneficial Shareholders return their completed instructions or proxies as directed by Broadridge well in advance of the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting shares registered in the name of his or her broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered shareholder and vote 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 (or agent), well in advance of the Meeting.

#### **Notice and Access**

The Notice and Access Provisions are a mechanism which allows reporting issuers other than investment funds to choose to deliver proxy-related materials to registered holders and beneficial owners of securities by posting such materials on a non-SEDAR website (usually the reporting issuer's website and sometimes the transfer agent's website) rather than delivering such materials by mail. The Notice and Access Provisions can be used to deliver materials for both special and general meetings. Reporting issuers may still choose to continue to deliver such materials by mail, and beneficial owners will be entitled to request delivery of a paper copy of the information circular at the reporting issuer's expense. The use of the Notice and Access Provisions reduces paper waste and mailing costs to the issuer.

**Perpetual will be delivering proxy-related materials to non-objecting beneficial owners directly with the assistance of Broadridge. Perpetual does not intend to pay for delivery of materials to objecting beneficial holders ("OBO"). As a result, OBOs will not receive the materials unless the OBO's Intermediary assumes the cost of delivery.**

Beneficial Shareholders may request paper copies of the meeting materials be sent to them by postal delivery at no cost. Requests for meeting material may be made up to one year from the date the Information Circular was filed on SEDAR, online at [www.ProxyVote.com](http://www.ProxyVote.com) or by telephone at 1-877-907-7643 and entering the 16-digit control number located on the voting instruction form and following the instructions provided. If you are a Registered Holder and you do not have a 16-digit control number, please call toll-free at 1-855-887-2243 to receive a paper copy of the Information Circular. Requests should be received at least 5 business days in advance of the proxy deposit date and time set out in the accompanying proxy or voting instruction form in order to receive the meeting materials in advance of such date and the meeting date.

## Voting Securities and Principal Holders Thereof

As at April 4, 2017, 56,713,748 Shares were issued and outstanding, each such Share carrying the right to one vote on a ballot at the Meeting. A quorum for the transaction of business at the Meeting will be present if there are not less than two persons present at the Meeting holding or representing by proxy not less than twenty-five percent (25%) of the Shares entitled to be voted at the Meeting.

To the best of the knowledge of the directors and executive officers of Perpetual, there is no person or corporation which beneficially owns or controls or directs, directly or indirectly, Shares carrying more than ten percent (10%) of the voting rights attached to the issued and outstanding Shares of the Corporation which may be voted on at the Meeting, except as set forth in the table below.

Name	Number of Shares	Percent of Class
Clayton H. Riddell <sup>(1)</sup>	24,861,062	43.8%

Notes:

<sup>1)</sup> Mr. Riddell holds 516,991 Shares directly. The majority of Mr. Riddell's indirect ownership of Shares is held through Dreamworks Investment Holdings Ltd., which holds 16,396,814 Shares; Treherne Resources Ltd., which holds 4,329,126 Shares; and Warner Investment Holdings Ltd. which holds 3,068,815 Shares. Mr. Riddell exercises control and direction over Dreamworks Investment Holdings Ltd., Treherne Resources Ltd. and Warner Investment Holdings Ltd. A further 549,316 Shares are held by the Riddell Family Charitable Foundation.

As of April 4, 2017, the directors and officers of Perpetual and their associates, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 27,517,940 Shares, representing approximately 48.5% of the outstanding Shares.

## Shareholder Resolutions

The Board has acted in accordance with all past shareholder resolutions.

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

Management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or nominee for director, or executive officer of the Corporation or anyone who has held office as such since the beginning of the Corporation's last financial year or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting other than the election of directors.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

To the knowledge of the directors and executive officers of the Corporation, as of the Record Date there is no indebtedness of any director, executive officer, employee or former executive officer of the Corporation or any of its subsidiaries or any associate of any such director, officer or proposed nominee to the Corporation or any subsidiary of the Corporation or to any other entity which is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any subsidiary of the Corporation.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of any informed persons (as defined in National Instrument 51-102) 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 most recently completed financial year of the Corporation or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information of the Corporation is provided in the Corporation's comparative annual financial statements and management's discussion and analysis for the most recently completed year. Copies of the Corporation's financial statements and management's discussion and analysis are available upon request from Perpetual at Suite 3200, 605 – 5th Avenue S.W., Calgary, Alberta, T2P 3H5, Attention: Investor Relations, telephone (403) 269-4400.