



**MANAGEMENT
INFORMATION
CIRCULAR**

**NOTICE OF 2016
ANNUAL AND SPECIAL
MEETING OF SHAREHOLDERS**

Letter to Shareholders

Dear Shareholder,

Virginia Hills' board of directors is pleased to provide to you our 2016 management information circular.

This document tells you about your voting rights as a shareholder and the items we will be discussing at our annual and special meeting of shareholders on Tuesday, April 5, 2016. It also includes important information about how Virginia Hills is governed and how our directors and executives are compensated.

In addition to the usual items covered at an annual meeting, this year's meeting gives you the opportunity to vote on the approval of our stock option plan.

We believe that our director nominees include a strong group of directors with the broad range of skills and experience required to lead our organization.

You will find a complete list of items to be covered at the meeting on page ii. We invite you to join us in Calgary, Alberta on April 5, 2016.

Sincerely,

Signed "*Colin Witwer*"

Colin Witwer
President and Chief Executive Officer
Virginia Hills Oil Corp.

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NOTICE OF OUR 2016 ANNUAL AND SPECIAL MEETING

You are invited to our 2016 annual and special meeting of shareholders:

When Tuesday, April 5, 2016
9:30 a.m. (Calgary time)

Where Northcote Room, Bow Valley Square Conference Centre
Suite 300, 205 – 5th Avenue S.W.
Calgary, Alberta

We will cover six items of business:

1. Receive our 2015 comparative financial statements and the auditors' report thereon;
2. Fix the number of directors to be elected at the meeting at four;
3. Elect the directors;
4. Appoint the auditors;
5. Approve our stock option plan; and
6. Any other business as may properly come before the meeting.

Your vote is important

The attached management information circular includes important information about the meeting and the voting process. Please read it carefully and remember to vote. Our board of directors has fixed the record date for shareholders entitled to receive notice of, and vote at, the meeting at the close of business on March 1, 2016.

You will be mailed a copy of our 2015 financial statements and the auditors' report if you requested to receive a copy, in accordance with securities laws. You can also access a copy of our financial statements on our website (www.virginiahillsoil.com) and on SEDAR (www.sedar.com).

By order of the board,

Sincerely,

Signed "*Colin Witwer*"

Colin Witwer

President and Chief Executive Officer
Virginia Hills Oil Corp.

Calgary, Alberta

March 1, 2016



MANAGEMENT INFORMATION CIRCULAR

Presentation of information in this document:

Unless the context indicates otherwise, a reference in this circular to:

ABCA means the *Business Corporations Act* (Alberta), and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time.

Arrangement means the plan of arrangement involving Pinecrest Energy Inc. (*Pinecrest*), Cardinal Energy Ltd. (*Cardinal*) and us pursuant to which: (i) each one hundred shares of Pinecrest were exchanged for one common share; (ii) each holder of common shares was granted Arrangement Rights on the basis of eight (8) Arrangement Rights for each common share held; (iii) substantially all of the assets of Pinecrest were conveyed to Virginia Hills in exchange for the assumption of Pinecrest's outstanding debt and other liabilities; (iv) all of the outstanding common shares of Pinecrest were sold to Cardinal for a purchase price of \$23.5 million subject to certain adjustments.

Arrangement Rights means the right to purchase one (1) common share at a price of \$0.25 per share, issued in connection with the Arrangement.

board refers to the board of directors of Virginia Hills.

circular means this management information circular.

common shares or *shares* means the common shares of the corporation.

incentive awards means collectively, the restricted awards and the performance awards issued under the Incentive Plan.

Incentive Plan means the restricted and performance award incentive plan adopted by Virginia Hills.

Option Plan means the stock option plan of Virginia Hills adopted by Virginia Hills.

options means the options to purchase our common shares issued under our Option Plan.

performance awards means the performance awards issued under the Incentive Plan.

restricted awards means the restricted awards issued under the Incentive Plan.

TSXV means the TSX Venture Exchange.

we, us, our, Virginia Hills or the *corporation* refers to Virginia Hills Oil Corp.

you, your and *shareholders* includes the holders of common shares.

You have received this document because you owned common shares on March 1, 2016 (the *record date*) and are entitled to vote at our 2016 annual and special meeting of shareholders to be held on April 5, 2016, or at a reconvened meeting if the meeting is postponed or adjourned.

Management is soliciting your proxy for the meeting. We pay all costs for producing and mailing this circular and other meeting materials, and for soliciting your proxy. Virginia Hills employees, officers or directors may contact you to encourage you to vote; however, they are not paid for these services.



The board has approved the contents of this circular and has authorized us to send it to you. Information is organized into the following six sections:

1. About the shareholder meeting (page 3);
2. Director profiles (page 9);
3. Corporate governance disclosure (page 11);
4. Audit committee information (page 15);
5. Executive and director compensation (page 17); and
6. Other information (page 24).

Appendix A – Board Mandate (page A-1)

Appendix B – Audit Committee Charter (page B-1)



Our principal corporate office:

Virginia Hills Oil Corp.
1500, 202 - 6 Avenue S.W.
Calgary, Alberta
T2P 2R9

T. 403.817.2250
F. 403.817.2599

All information in this circular is as of March 1, 2016 and all dollar amounts are in Canadian dollars, unless we note otherwise.

You can obtain a copy of our financial statements and management's discussion and analysis (*MD&A*) by contacting us at the address above. Financial information about Virginia Hills can be found in our comparative annual financial statements and MD&A. You can also find these documents and other important information about Virginia Hills on our website (www.virginiahillsoil.com) and on SEDAR (www.sedar.com).

ABOUT THE SHAREHOLDER MEETING

Business of the meeting

Our 2016 annual and special meeting of shareholders will cover six items of business:

1. Receive our 2015 financial statements and the auditors' report

If you requested to receive a copy, you will receive our comparative financial statements for the year ended December 31, 2015 and the auditors' report thereon. Copies of these materials will also be available at the meeting, on our website (www.virginiahillsoil.com) or on SEDAR (www.sedar.com).

2. Fix the number of directors to be elected at the meeting at four

At the meeting, you will be asked to fix the number of directors to be elected at the meeting at four members and to elect four directors to hold office until the next annual meeting of our shareholders or until their successors are elected or appointed. There are currently five directors of Virginia Hills.

We recommend you vote for fixing the number of directors at four. **Unless instructed otherwise, the persons named in the proxy will vote for fixing the number of directors at four.**

3. Elect the directors

As a holder of common shares, you will be asked to vote on electing the following four directors to the board:

- | | |
|-----------------|--------------------|
| 1. John Brussa | 3. Colin Witwer |
| 2. Howard Crone | 4. Robert Zakresky |

All of the nominated directors currently serve on our board. The board has a strong range of skills and experience. We believe that each nominated director is willing and able to serve on the board until the next annual meeting of shareholders. If any of them is unable to serve, your proxyholder can vote for another nominated director, unless you have indicated that your vote should be withheld. The director profiles starting on page 9 provide detailed information about each director's skills and experience, 2015 attendance record, securities ownership and other public company directorships. Directors will serve until the next annual meeting of shareholders or until their successors are elected or appointed.



Our bylaws contain advance notice provisions (the *Advance Notice Provisions*) which provide our shareholders, board and management with a clear framework for nominating directors to help ensure orderly business at shareholder meetings by effectively preventing a shareholder from putting forth director nominations from the floor of a shareholder meeting without prior notice. Among other things, the Advance Notice Provisions fix a deadline by which shareholders must submit notice of director nominations to Virginia Hills prior to any annual or special meeting of shareholders. It also specifies the information that a nominating shareholder must include in the notice to the corporation regarding each director nominee and the nominating shareholder for the notice to be in proper written form in order for any director nominee to be eligible for nomination and election at any of our annual or special meetings of shareholders. These requirements are intended to provide all shareholders with the opportunity to evaluate and review the proposed candidates and vote on an informed and timely manner regarding such nominees. The Advanced Notice Provisions do not affect nominations made pursuant to a "proposal" made in accordance with the ABCA or a requisition of a meeting of shareholders made pursuant to the ABCA. As of the date of this circular, the corporation has not received any nominations pursuant to the Advance Notice Provisions contained in the bylaws. A copy of our bylaws containing the Advance Notice Provisions is available on SEDAR (www.sedar.com).

The proxy allows you to vote for all of the nominees, vote for some of the nominees and withhold your vote for others, or withhold your vote for all of the nominees. We recommend you vote for electing each of our proposed nominees as directors until the next annual meeting of shareholders. **Unless instructed otherwise, the persons named in the proxy will vote for all of our nominees.**

4. Appoint the auditors

You will be asked to vote on appointing our external auditors and authorizing our board to fix their remuneration. The audit committee and the board propose that PricewaterhouseCoopers LLP (*PWC*) be appointed as auditors of the Corporation to serve until the next annual meeting of shareholders.

PWC has been the corporation's auditors since its incorporation and was the auditor of Pinecrest since November 8, 2010. You can find additional information about the audit committee under the heading "*Audit Committee Information*" below.

We recommend you vote for appointing PWC as our auditors to hold office until the next annual meeting of shareholders and authorizing our board to fix their remuneration. **Unless instructed otherwise, the persons named in the proxy will vote for the appointment of PWC as our auditors.**

5. Approval of the Option Plan

Pursuant to TSXV Policy 4.4 (the *Option Policy*) we are permitted to maintain a "rolling" stock option plan reserving a maximum of 10% of the issued and outstanding common shares for issuance pursuant to options. In accordance with the Option Policy, rolling option plans must receive shareholder approval yearly at our annual meeting.

Shareholders will therefore be asked at the meeting to consider and, if thought advisable, to ratify and approve the Option Plan (the *Option Plan Resolution*). The Option Plan was approved by the shareholders of Pinecrest at a special meeting held on March 19, 2015 to approve, amongst other things, the Arrangement. As of March 1, 2016, the corporation had outstanding options to purchase 1,773,199 common shares at an average exercise price of \$0.26 per share.

Below is a summary of the Option Plan and is qualified in its entirety by the terms of the Option Plan which is available on SEDAR (www.sedar.com).

The Option Plan provides that options may be granted to directors, officers, employees, consultants and other service providers of Virginia Hills (collectively, the *Virginia Hills Service Providers*). The purpose of the Option Plan is to provide Virginia Hills Service Providers with an opportunity to purchase common shares and to benefit from the appreciation thereof. The intent is to provide an increased incentive for Virginia Hills Service Providers to



contribute to the future success and prosperity of Virginia Hills, thus enhancing the value of the shares for the benefit of all the shareholders, while increasing the ability of Virginia Hills to attract and retain individuals of exceptional skill.

The total number of common shares reserved for issuance pursuant to the options outstanding under the Option Plan and any security-based compensation arrangements (including but not limited to the Incentive Plan) at any time may not exceed the number of common shares equal to a rolling 10% of the aggregate number of issued and outstanding shares. Further, the Option Plan is subject to the following limitations: (i) the aggregate number of options issued to any one person together with all other security-based compensation arrangements, must not exceed 5% of the outstanding issue of common shares (on a non diluted basis); (ii) the aggregate number of options issued to any one Insider (as defined in the *Securities Act* (Alberta)) together with all other security-based compensation arrangements, cannot exceed 5% of the outstanding issue of common shares; (iii) the aggregate number of options issued to Insiders pursuant to the Option Plan, together with all other security-based compensation arrangements, within a one-year period, must not exceed 10% of the outstanding issue of common shares; (iv) the aggregate number of options issued to any one Virginia Hills Service Provider employed to provide Investor Relations Activities (as defined in the Option Plan) in a twelve (12) month period, cannot exceed 2% of the outstanding issue of common shares; (v) the aggregate number options issued to consultants pursuant to the Option Plan, together with all other security-based compensation arrangements, cannot exceed 2% of the outstanding common shares; and (vi) the aggregate number of options issued to any single consultant under the Option Plan, together with all other security-based compensation arrangements, within a one-year period, cannot exceed 1% of the outstanding issue of common shares.

Options are not transferable or assignable except in accordance with the Option Plan and the rules of the TSXV, and the holding of options does not entitle the holder to any rights as a securityholder.

Subject to the policies of the TSXV, the exercise price of any option is fixed by the board at the time the option is granted, provided that in no case can the exercise price be less than the Market Price (as defined in the Option Plan) of the common shares. The term of options is determined by the board in its discretion, to a maximum of five years from the date of the grant of the option. The vesting periods during which an option or a portion thereof may be exercised by a Virginia Hills Service Provider shall be determined by the board but in the absence of any determination as to vesting, vesting shall be as to one-third on each of the first, second and third anniversaries of the date of grant.

Pursuant to the Option Plan, in the event of a "Change of Control" (as defined under the heading "*Executive and Director Compensation – Employment Contracts, Termination and Change of Control Benefits*"), all options which have not otherwise vested in accordance with their terms shall immediately vest and be exercisable for a period of time ending on the earlier of the expiry time of the option and the thirtieth (30th) day following the Change of Control. In the event of a sale of all or substantially all of the property and assets of Virginia Hills prior to the expiry time of an option, such options may be exercised commencing at such time as determined by the board of directors of Virginia Hills and ending on the thirtieth (30th) day following the closing of the asset sale. If the board of directors of Virginia Hills approves a Take-over Proposal (as defined in the Option Plan), options may be exercised but any such option not otherwise vested and deemed only to have vested as a result of a Take-over Proposal may only be exercised for the purpose of tendering to the Take-over Proposal. The Take-over Acceleration Right (as defined in the Option Plan) commences on the date of the Take-over Proposal and ends on the earlier of the expiry time of the option or the tenth (10th) day following the expiry date of the Take-over Proposal, unless otherwise determined by the board.

The Option Plan also provides: (i) for termination of all unvested options upon termination of a Virginia Hills Service Provider for any reason, other than death, within ninety (90) days from the date of cessation as a Virginia Hills Service Provider; (ii) that in the case of death of a Virginia Hills Service Provider, all unvested options immediately vest and the legal personal representative is entitled to exercise those options until the earlier of the expiry date of the options and one year from the death of the Virginia Hills Service Provider; (iii) that if a holder of options ceases to be eligible under the Option Plan by reason of retirement pursuant to the retirement policy of the board of directors of Virginia Hills, all options will immediately vest and continue to be exercisable until the original expiry date.



At the meeting, shareholders will be asked to consider and, if thought fit, approve an ordinary resolution in the following form:

BE IT RESOLVED as an ordinary resolution of the shareholders of the Virginia Hills Oil Corp. (the *corporation*) that:

1. the stock option plan (the *Option Plan*) of the corporation, on the terms described in the accompanying management information circular and proxy statement dated March 1, 2016 of the corporation be and the same is hereby ratified, confirmed and approved; and
2. any one director or officer of the corporation be and is hereby authorized and directed to do all things and to execute and deliver all documents and instruments as may be necessary or desirable to carry out the terms of this resolution.

We recommend that you vote in favour of approving the Option Plan. **Unless instructed otherwise, the persons named in the proxy will vote for approving the Option Plan.**

6. Other business

As of the date of this circular, we are not aware of any other matters to be brought before the meeting. However, if any other matter properly comes before the meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

Quorum

According to our by-laws, we must have at least two persons present, holding or representing at least 5% of our outstanding common shares, for the meeting to proceed. Otherwise, the meeting will be adjourned to a set time and place and no other business will be transacted.

Voting

We are authorized to issue an unlimited number of common shares and an unlimited number of first preferred shares.

As at March 1, 2016, we had 19,724,155 common shares and nil first preferred shares issued and outstanding. The outstanding common shares are listed and posted for trading on the TSXV (TSXV: VHO).

Shareholders are entitled to one vote per common share held on any vote by ballot at the meeting. If a poll vote is not completed, all votes will be decided by a show of hands, with every eligible person present entitled to one vote.

To the best of our knowledge, no person beneficially owns, controls or directs, directly or indirectly, more than 10% of our common shares.



Notice-and-Access and Other Matters

The corporation is not using "notice-and-access" to send its proxy-related materials to shareholders, and paper copies of such materials will be sent to all shareholders, including beneficial shareholders. The corporation will be delivering proxy-related materials to non-objecting beneficial shareholders with the assistance of Broadridge Investor Communications, Canada (*Broadridge*) and the non-objecting beneficial shareholder's intermediary and intends to pay for the costs of an intermediary to deliver proxy-related materials to objecting beneficial shareholders.

Who can vote

You can vote at our annual and special meeting if you held common shares at the close of business on March 1, 2016, unless you transfer your shares after such 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 the transferee's name be included in the list of shareholders entitled to vote at the meeting, in which case such transferee shall be entitled to vote such shares at the meeting.

How to vote

You can vote your common shares by proxy or by attending the meeting and voting in person.

Voting by proxy

Registered shareholders

You are a registered shareholder if you have share certificates registered in your name.

Voting by proxy is the easiest way to vote because you can appoint someone to represent you (your proxyholder) and vote your shares according to your instructions. Your proxyholder can be anyone and does not need to be a shareholder.

The executive officers and/or directors of Virginia Hills named on the accompanying proxy form have agreed to serve as your proxyholder and will vote your shares according to your instructions. If you do not specify your voting instructions, they will vote your shares for each item of business as follows:

for fixing the number of directors to be elected at four;

for the elections of each of our nominees as directors;

for appointing PWC as our external auditors and authorizing our board to fix their remuneration as such; and

for approving the Option Plan.

You can vote by proxy in one of four ways:

- using a touchtone phone (call 1-866-732-8683) toll-free and following the instructions,
- on the internet (www.investorvote.com) and following the instructions on screen,
- by completing the proxy form, then signing and dating it and mailing it in the enclosed envelope to the following address:

Computershare Trust Company of Canada, Proxy Department
135 West Beaver Creek, P.O. Box 300
Richmond Hill, Ontario, L4B 4R5



- by completing the proxy form, then signing and dating it and delivering it by hand to the following address:

Computershare Trust Company of Canada
8th Floor, 100 University Avenue
Toronto, Ontario, M5J 2Y1

If you vote by phone or on the internet, do not send back the proxy form.

If the shares are held in the name of a corporation, you must use the enclosed proxy form and mail it in the enclosed envelope. The proxy must be signed under its corporate seal or by an authorized officer or attorney.

If you want to appoint someone else to be your proxyholder, you must use the enclosed proxy form and print that person's name in the blank space provided on the form or use the Internet (www.investorvote.com).

Your proxyholder must vote your shares according to your instructions. If you appoint someone else to be your proxyholder and do not give them specific voting instructions, they can vote as they see fit, using their best judgment.

If there are changes to the items of business or other matters that are properly brought before the meeting, your proxyholder can use their discretion and vote as they see fit, using their best judgment. At the time that this document went to print, we did not anticipate any changes or other matters to be brought before the meeting.

Beneficial shareholders

Many of our common shares are held by beneficial shareholders. You are a beneficial shareholder if your shares are registered in the name of a nominee, such as your bank, trust company, securities broker, trustee or other institution.

If you are a beneficial owner of our shares and have received this information from us, we have obtained your details from your broker and have complied with all regulatory requirements. We are responsible for delivering these materials to you and for executing your voting instructions.

In Canada, the majority of beneficially owned common shares are registered under CDS & Co., the registration name for CDS Clearing and Depository Services Inc. (CDS), which acts as the nominee for many Canadian brokerage firms. In the United States (U.S.), most common shares are registered in the name of Cede & Co., the nominee of The Depository Trust Company, which is the U.S. equivalent of CDS.

Nominees can only vote the shares for their clients if they have received specific voting instructions from them.

To vote your shares as a beneficial shareholder, you must give your broker your voting instructions using the proxy form or voting instruction form provided in this package. Be sure to follow the instructions provided on the form to allow enough time for your voting instructions to reach your nominee so they have enough time to process them prior to the meeting.

Most nominees delegate responsibility for obtaining voting instructions from their clients to Broadridge. Broadridge usually mails a scannable voting instruction form that is to be completed and returned to them by mail or fax. You can also call a toll-free phone number or access Broadridge's dedicated voting website to submit your voting instructions.

If you received a proxy form or voting materials from a company other than Broadridge, you need to complete and return such form following the instructions they have provided.



Voting in person

If you are a beneficial shareholder and you want to attend the meeting and vote your shares in person, you must print your own name as the proxyholder on the proxy or voting instruction form and return it in the enclosed envelope. Do not complete the rest of the form or submit your voting instructions because your vote will be taken at the meeting.

If your proxy form indicates that you can vote online, you must type your name as proxyholder on the online form according to the instructions.

Deadline

Computershare Trust Company of Canada (*Computershare*) is our transfer agent. **Computershare must receive your completed proxy form or voting instructions by 9:30 a.m. (Calgary time) on April 1, 2016 or, if the meeting is adjourned, at least 48 hours before the meeting (not including Saturdays, Sundays or holidays).**

If you are a beneficial shareholder, send your voting instructions right away to allow enough time for your nominee to receive the information and then send it to Computershare.

Changing your vote

You can revoke a proxy form you previously submitted by sending us a revocation notice in writing from you or an attorney to whom you have given written authorization. If the shareholder is a corporation, the change must be made under its corporate seal or by an authorized officer or attorney. The written revocation notice must be delivered to our head office any time **before 4:30 p.m. (Calgary time) on the last business day before the meeting** or to the chair of the meeting before the start of the meeting. You can also revoke your proxy in any other way the law allows.

If you are a beneficial shareholder, contact your broker, financial institution or the nominee that holds your common shares to revoke your voting instructions.

DIRECTOR PROFILES

The following profiles give information about each nominated director, including their background and experience, meeting attendance, security ownership and other public company boards on which they serve.

All information is as of the date of the circular unless indicated otherwise. Holdings of common shares and options are as of December 31, 2015, include all securities beneficially owned, or controlled or directed, directly or indirectly, and are based on \$0.105, the closing price of our common shares on the TSXV on December 31, 2015.

Colin Witwer

Director since: November 5, 2014
Alberta, Canada

Colin Witwer is currently the President and Chief Executive Officer of the corporation. Mr. Witwer has more than 16 years of experience in the oil and gas industry and served as President and Chief Executive Officer of Second Wave Petroleum Inc. Prior thereto, Mr. Witwer served as Vice President, Operations for Bear Ridge Resources Ltd. and held various operational focused engineering roles at Bear Creek Energy Ltd., Talisman Energy and Schlumberger Oilfield Services. He holds a Chemical Engineering degree from the University of Alberta.

Board and committee membership and attendance since April 14, 2015

Board Member	3/3
Overall attendance	100%

Other public company boards

None



Common Shares held	Options held	Total Value Market Value of Common Shares and Options as at December 31, 2015
1,536,002	197,242	\$181,991

John Brussa

Director since: April 14, 2015 (since March 2010 as a director of Pinecrest)
Alberta, Canada

John Brussa is Vice Chairman of Burnet, Duckworth & Palmer LLP and focuses on tax law. He was admitted to the Alberta Bar in 1982. He holds a Bachelor of Laws degree and a Bachelor of Arts, History and Economics degree from the University of Windsor.

Board and committee membership and attendance since April 14, 2015		Other public company boards
Board Member	3/3	Crew Energy Inc.
CGC&N Committee	0/0	Cardinal Energy Ltd.
Overall attendance	100%	Enseco Energy Services Corp.
		Just Energy Group Inc.
		Leucrotta Exploration Inc.
		Long Run Exploration Ltd.
		RMP Energy Inc.
		Storm Resources Ltd.
		TORC Oil & Gas Ltd.
		Twin Butte Energy Ltd.
		Yoho Resources Inc.

Common Shares held	Options held	Total Value Market Value of Common Shares and Options as at December 31, 2015
601,686	147,931	\$78,710

Howard Crone

Director since: April 14, 2015 (since May 2013 as a director of Pinecrest)
Alberta, Canada

Howard Crone has more than 30 years experience in the oil and gas industry and is currently a director of Cequence Energy Ltd. and Journey Energy Inc. Before assuming his current position as director of Cequence, Mr. Crone served as its Executive Vice President and Chief Operating Officer, and its President and Chief Executive Officer. Formerly, Mr. Crone served as a director for Progress Energy Resources Corp. and Iteration Energy Ltd., was the Vice President of Operations and Chief Operating Officer at Cypress Energy Inc., and was also the Vice President and Chief Operating Officer of Cequel Energy Inc. Additionally, Mr. Crone has served as the President of a privately held oil and gas company and worked as an independent businessman for a number of years. Mr. Crone holds a Chemical Engineering degree (1984) from the University of Alberta.

Board and committee membership and attendance since April 14, 2015		Other public company boards
Board Member	3/3	Cequence Energy Ltd.
Audit Committee	3/3	Journey Energy Inc.
Reserves Committee	0/0	
CGC&N Committee	0/0	
Overall attendance	100%	

Common Shares held	Options held	Total Value Market Value of Common Shares and Options as at December 31, 2015
615,446	147,931	\$80,155



Robert Zakresky

Director since: April 14, 2015 (since May 2010 as a director of Pinecrest)
Alberta, Canada

Robert Zakresky has held the position of President and Chief Executive Officer of Leucrotta Exploration Inc. since August 2014. From 1993 to August 2014, Mr. Zakresky has sequentially held the positions of President, Chief Executive Officer and director of Bellator Exploration Inc., Viracocha Energy Inc., Chamaelo Energy Inc., Chamaelo Exploration Ltd. and Crocotta Energy Inc. Mr. Zakresky obtained his Bachelor of Commerce from the University of Saskatchewan in 1988. He obtained his Chartered Accountant designation with PricewaterhouseCoopers in 1990.

Board and committee membership and attendance since April 14, 2015		Other public company boards
Board Member	3/3	Leucrotta Exploration Inc.
Audit Committee	3/3	
CGC&N Committee	0/0	
Overall attendance	100%	
		Total Value Market Value of Common Shares and Options as at December 31, 2015
Common Shares held	Options held	
9,200	187,379	\$20,641

Additional Disclosure Relating to Proposed Directors

None of the proposed directors (nor any personal holding company of any of such persons) is, as of the date hereof, or was within ten years before the date hereof, a director, chief executive officer or chief financial officer of any company (including us), that was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an *Order*) that was issued while the director was acting in the capacity as director, chief executive officer or chief financial officer; or was subject to an Order that was issued after the director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

None of the proposed directors (nor any personal holding company of any of such persons) is, as of the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company (including us) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than Mr. Brussa, who was formerly a director of Calmena Energy Services Inc. (a public oilfield service company) which was placed in receivership on January 20, 2015 and of Enseco Energy Service Corp. (a public oilfield equipment supplier) which was placed in receivership on October 14, 2015. Mr. Brussa resigned as a director of Calmena on June 30, 2014 and resigned as a director of Enseco on October 14, 2015.

None of the proposed directors (nor any personal holding company of any of such persons) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

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 that certain prescribed disclosure respecting corporate governance matters be included in its management information circular.



Board of Directors

Under NI 58-101, a director is considered independent if he or she does not have a material relationship with the company which could, in the view of the board, be reasonably expected to interfere with the exercise of such director's independent judgement. A majority of the proposed nominees for election as directors of the corporation (75%) are independent. Our board has determined that three of our four proposed nominees are independent for the purposes of NI 58-101. The three proposed independent directors are: John Brussa, Howard Crone and Robert Zakresky. Colin Witwer is not independent as he is the President and Chief Executive Officer of the corporation.

For additional information about each of our proposed directors, including with respect to other directorships that such directors hold, see "*Director Profiles*".

Board Mandate

The board mandate is attached to this circular as Appendix "A".

Orientation and Continuing Education

While we do not currently have a formal orientation and educational program for new recruits to the board, we intend to provide such orientation and education on an informal basis for any future appointees. Our management will provide new members of our board with corporate policies and information on our performance and strategic plan. In addition, new members of our board will be provided with an outline of the general duties and responsibilities entailed in carrying out their duties. Our board believes that these procedures are and will prove to be a practical and effective approach in light of our particular circumstances, including our size and the experience and expertise of the members of the board.

Our management provides directors with regular opportunities to increase their knowledge and understanding of our business. Pre-reading materials are provided in quarterly board packages sent to directors in advance of our regularly scheduled board meetings. Briefings on strategic issues are conducted annually or on an as needed basis and typically include reviews of the competitive environment and our performance relative to our peers. From time to time, our management may bring in industry experts to brief our directors on activity and trends in the oil and gas sector, including mergers and acquisitions, financings, and market activity, and to assist our board in making strategic decisions. Information on any other developments that could materially affect our business is provided as developments occur. In addition, our board is briefed periodically on governance developments and emerging best practices in governance.

Ethical Business Conduct

Our board has adopted a code of business conduct and ethics (the *Code*) applicable to our directors, officers and employees. A copy of the Code is available for review on SEDAR (www.sedar.com). All employees and consultants are provided with a copy of the Code on commencement of service and are required to confirm in writing that they have read and understand the Code and acknowledge his or her agreement to abide by the Code. There have been no material change reports filed since the beginning of our most recently completed financial year that pertain to any conduct of a director or executive officer that constitutes a departure from the Code.

In addition to the Code, our board has also adopted a "whistleblower policy" wherein our employees are provided with the mechanics by which they may raise concerns in a confidential, anonymous process.

In accordance with the ABCA, directors who are a party to, or are a director or an officer of a person which is a party to, a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. In addition, in certain cases, an independent committee of the board may be formed to deliberate on such matters in the absence of the interested party.



Nomination of Directors

The corporate governance, compensation and nominating committee (the *CGC&N Committee*), which is responsible for nominating directors, is comprised of three independent directors. The members of the CGC&N Committee are John Brussa, Howard Crone and Robert Zakresky, each of whom have been determined to be independent. See "*Corporate Governance Disclosure – Board of Directors*".

The CGC&N Committee is responsible for recommending suitable candidates for nominees for election or appointment as directors and recommending the criteria governing the overall composition of our board and governing the desirable characteristics for directors. The CGC&N Committee is also charged with reviewing on a periodic basis the composition of our board to ensure that an appropriate number of independent directors sit on our board and analyze the needs of our board and recommend nominees who meet such needs.

During the year ended December 31, 2015, the nominating functions of the CGC&N Committee were carried out by the board as a whole.

Compensation

The CGC&N Committee is also responsible for formulating and making recommendations to our board in respect of human resources and compensation issues relating to our directors, officers and employees. As discussed under "*Executive and Director Compensation*", during the year ended December 31, 2015, the board as a whole assumed the human resources and compensation duties of the CGC&N Committee, as described below.

The mandate of the CGC&N Committee provides it with the authority and responsibility for compensation matters including, but not limited to: (a) recommending to the board compensation policies and guidelines concerning executive compensation and benefits; (b) ensuring that the corporation has in place programs to attract and develop high calibre management and a process to provide for the orderly succession of management; (c) reviewing and approving corporate goals and objectives relevant to compensation of the President and Chief Executive Officer and evaluating the President and Chief Executive Officer's performance in light of such corporate goals and objectives; (d) making recommendations to the board with respect to the annual salary, bonus and other benefits, direct and indirect, of the President and Chief Executive Officer having consideration to the evaluation of the Chief Executive Officer's performance and to approve compensation for all other designated officers in the corporation after considering the recommendations of the Chief Executive Officer, all within the compensation policies and general human resources policies and guidelines concerning employee compensation and benefits; (e) implementing and administering compensation policies and guidelines concerning executive compensation and benefits concerning the following: (A) executive compensation, contracts, stock plans or other incentive plans; and (B) proposed personnel changes involving officers reporting to the President and Chief Executive Officer; (f) determining and recommending for board approval bonuses to be paid to officers and employees of the corporation, and establishing targets or criteria for the payment of such bonuses, if appropriate; (g) administering the Option Plan, Incentive Plan and any other security-based compensation arrangements approved by the board in accordance with its terms, including recommending the grant of options or incentive awards as applicable; (h) from time to time, reviewing the corporation's broad policies and programs in relation to benefits; (i) to annually receive from the President and Chief Executive Officer recommendations concerning annual compensation policies; (j) from time to time, reviewing with the President and Chief Executive Officer the corporation's broad policies on compensation; (k) reviewing and endorsing major changes in the organizational structure of management as proposed by the President and Chief Executive Officer; (l) reviewing and recommending to the board for approval, the statement of executive compensation for inclusion in the public disclosure documents; (m) reviewing with the President and Chief Executive Officer any significant outside commitments the President and Chief Executive Officer is considering before the commitment is made; (n) reviewing annually director compensation and recommending compensation terms that adequately reflect the responsibilities being assumed by directors, the board chair and committee chairs and members; (o) reviewing and recommending annually changes to the CGC&N committee's mandate; and (p) reporting regularly to the board on the CGC&N committee's activities and findings during that year.



Other Board Committees

In addition to the Audit Committee and the CGC&N Committee, our board also has a Reserves Committee. The current members of the Reserves Committee are David Johnson, Howard Crone and Robert Zakresky, all of whom are independent directors in accordance with NI 58-101.

The Reserves Committee is responsible for overseeing the evaluation of the corporation's petroleum and natural gas reserves, including the retention of one or more "qualified reserves evaluators or auditors" (as defined in National Instrument 51-101 – *Standards for Oil and Gas Activities (NI 51-101)*), to report to the Reserves Committee (or, if requested, the board) on our "reserves data" (as defined in NI 51-101). During the year ended December 31, 2015 the functions of the Reserves Committee were carried out by the board as a whole.

In addition to the responsibilities of our CGC&N Committee relating to nominations and compensation, our CGC&N Committee has a number of responsibilities relating to corporate governance matters. The responsibilities of the Reserves Committee and the corporate governance responsibilities of our CGC&N Committee are described below.

During the year ended December 31, 2015, the corporate governance functions of the CGC&N Committee were carried out by the board as a whole.

Reserves Committee

The Reserves Committee's general responsibilities include: (a) considering and reviewing with the independent reserve evaluators the matters required to be discussed pursuant to NI 51-101, as may be modified or supplemented from time to time; (b) discussing and reviewing with management the selection of the independent reserve evaluator which is qualified to prepare a report (the *Report*) of an evaluation of the corporation's "reserves data"; (c) reviewing, with reasonable frequency, the corporation's procedures relating to the disclosure of information with respect to "oil and gas activities" (as defined in NI 51-101) including its procedures for complying with disclosure requirements and restrictions of NI 51-101; (d) reviewing the appointment of the independent reserve evaluator and, in the case of any proposed change in such appointment, determining the reasons for the proposal and whether there have been any disputes between the independent reserve evaluator and management of the corporation; (e) reviewing with reasonable frequency, Virginia Hills' procedures for providing information to the independent reserve evaluator for the purposes of NI 51-101; (f) before approving the filing of the "reserves data" and other information required by Form 51-101F1 under NI 51-101 (*Form 51-101F1*), meeting with management and the independent reserve evaluator to: (i) determining whether any restrictions affect the ability of the independent reserve evaluator to report on "reserves data" without reservation; and (ii) reviewing the "reserves data" and other information required by Form 51-101F1; (g) reviewing and approving for recommendation to the board: (A) the content and filing with the appropriate securities regulatory authorities of the "reserves data" and other information specified in Form 51-101F1, (B) the filing of the report of the independent reserve evaluator in accordance with Form 51-101F2 of NI 51-101, and (C) the content and filing of the report of management and directors of the corporation in accordance with Form 51-101F3 of NI 51-101, (Forms 51-101F1, F2 and F3 are collectively referred to as the *NI 51-101 Reports*); (h) as appropriate, requesting a report from management as to the corporation's compliance with NI 51-101, including the corporation's compliance with Part 5 and Part 6 of NI 51-101 entitled "*Requirements Applicable to all Disclosure*" and "*Material Changes and Ceasing to Engage in Oil and Gas Activities*", respectively; (i) receiving the NI 51-101 Reports and considering the principal assumptions upon which they are based; (j) considering and reviewing management's input into the NI 51-101 Reports and the key assumptions used therein; (k) presenting a report (the *Committee Report*) to the board of the results of such review and to recommend whether the NI 51-101 Reports should be accepted by the board as the corporation's evaluation of its "reserves data" prior to public disclosure; (l) reviewing and discussing with management and the independent reserve evaluators at the completion of the annual examination: (A) the corporation's reserves and related notes; (B) the corporation's management's discussion and analysis and news releases related to the corporation's reserves; (C) the independent reserve evaluator's evaluation and reports thereon; (D) any significant changes required in the independent reserve evaluator's evaluation plan; and (E) any serious difficulties or disputes with management encountered during the course of the reserves evaluation; (m) meeting separately with the independent reserve evaluators and management, as necessary or appropriate, to discuss any matters that the Reserves Committee or any of these groups believe should be discussed privately with the Reserves Committee; and (n) reviewing with



management and the independent reserve evaluators any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the corporation's reserves.

CGC&N Committee Corporate Governance Responsibilities

The CGC&N Committee has the authority and responsibility for corporate governance matters including: (a) developing and monitoring the corporation's overall approach to corporate governance issues and, subject to approval by the board, implementing and administering a system of corporate governance which reflects superior standards of corporate governance practices; (b) reporting annually to the corporation's shareholders, through the corporation's annual management information circular prepared in accordance with NI 58-101, on the corporation's system of corporate governance and the operation of its system of governance, having reference to the corporate governance guidelines set forth in National Policy 58-201 - *Corporate Governance Guidelines* and such other laws, rules, regulations, policies and instruments as may affect the corporate governance of the corporation from time to time; (c) evaluating regularly the effectiveness and contribution of the board, the board chair and the chair of each committee and the effectiveness and contribution of individual directors, having regard for the mandate of the board and position description, the results of surveys of the directors, attendance at board committee meetings, overall contribution and, in the case of individual directors, the competencies and skills the individual director is expected to bring to the board; (iv) in consultation with the board, establishing criteria for board membership, considering the competencies and skills that the board, as a whole, should possess; assessing the competencies and skills of each existing director and any new nominees; and, recommending board composition; (v) in conjunction with the chair of the board, proposing to the board, annually, the members proposed for re-election to the board and identify and, where appropriate, recommending new nominees for the board; and (vii) establishing and administering a process (including a review by the full board and discussion with management) for assessing the effectiveness of the board as a whole and the committees of the board.

The CGC&N Committee is authorized to engage outside advisors to assist the CGC&N Committee in compensation and corporate governance matters and has the authority to approve such advisors' fees and other retention terms.

Assessments

The CGC&N Committee is responsible for evaluating the effectiveness of the board, committees and individual directors. While no formal evaluation has been conducted to date, the members of the CGC&N Committee relies on informal evaluation of the effectiveness through informal communications with board members.

AUDIT COMMITTEE INFORMATION

National Instrument 52-110 – *Audit Committees (NI 52-110)* requires the corporation, as a venture issuer, to disclose annually in its management information circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor in accordance with Form 52-110F2.

Audit Committee Mandate and Terms of Reference

The mandate and terms of reference of the audit committee of the board is attached hereto as Appendix "B".

Composition of the Audit Committee

The current members of the Audit Committee are Robert Zakresky, Howard Crone and David Johnson are considered independent in accordance with NI 52-110. See "*Corporate Governance Disclosure – Board of Directors*". All of the members of the Audit Committee are considered financially literate. The following is a description of the education and experience of each member of the Audit Committee.



Name and Place of Residence	Independent	Financially Literate	Relevant Education and Experience
Robert Zakresky Calgary, Alberta	Yes	Yes	Mr. Zakresky obtained his Bachelor of Commerce from the University of Saskatchewan in 1988. He obtained his Chartered Accountant designation with Pricewaterhouse LLP in 1990. Mr. Zakresky has held the position of President and Chief Executive Officer of Leucrotta Exploration Inc. since August 2014 and prior thereto as President and Chief Executive Officer of Crocotta Energy Inc. since November 2006.
Howard Crone Calgary, Alberta	Yes	Yes	Mr. Crone has a Bachelor of Science degree in Chemical Engineering from the University of Alberta and is a member of the Association of Professional Engineers. From September 2010 until August 2014, Mr. Crone was the Executive Vice President & COO and a Director of Cequence Energy Ltd.
David Johnson Calgary, Alberta	Yes	Yes	Mr. Johnson has over 30 years of diverse experience in the oil and gas industry including a background in production, reservoir evaluation and operations. He has a B.Sc. in Petroleum Engineering, is a member of the Association of Engineers, Geologists and Geophysicists of Alberta and has served twice as a governor of the Canadian Association of Petroleum Producers.

Pre-Approval of Policies and Procedures

The Audit Committee has adopted a policy to review and pre-approve any non-audit services to be provided to the corporation by the external auditors and consider the impact on the independence of such auditors. The Audit Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member reports to the Audit Committee at the next scheduled meeting such pre-approval and the member comply with such other procedures as may be established by the Audit Committee from time to time.

External Auditor Service Fees

The Audit Committee has reviewed the nature and amount of non-audit services provided by PWC to the corporation (and prior to the Arrangement, to Pincrest) to ensure auditor independence. Fees incurred with PWC for audit and non-audit services in the last fiscal year are outlined in the following table:

Nature of Services	Fees Paid to PWC for Period Ended December 31, 2014 ⁽⁵⁾	Fees Paid to PWC for Period Ended December 31, 2015 ⁽⁵⁾
Audit Fees ⁽¹⁾	\$155,120	\$195,530
Audit-Related Fees ⁽²⁾	\$nil	\$91,665
Tax Fees ⁽³⁾	\$19,517	\$19,950
All Other Fees ⁽⁴⁾	\$nil	\$nil
Total	\$174,637	\$307,145

Notes:

- (1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the corporation's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters



- reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
 - (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
 - (4) "All Other Fees" include all other non-audit services.
 - (5) The corporation began operations on April 15, 2015. Prior thereto, all fees incurred were with respect to audit and audit related services provided to Pinecrest.

Exemption

The corporation is relying upon the exemption in section 6.1 of NI 52-110 in respect of its reporting obligations under NI 52-110.

EXECUTIVE AND DIRECTOR COMPENSATION

Executive Compensation Discussion and Analysis

This section of our circular describes Virginia Hills' executive and director compensation program. It includes information relating to our philosophy and approach to executive and director compensation, the methodologies and market research we use in determining compensation, as well as actual compensation paid to our executive officers and directors.

Compensation Governance

We have adopted a mandate for the CGC&N Committee, which provides that its responsibility is to formulate and make recommendations to the board in respect of human resources and compensation issues relating to directors, officers and employees of the corporation. The mandate of the CGC&N Committee is further described under "*Corporate Governance Disclosure – Compensation*". The CGC&N Committee is comprised of John Brussa, Howard Crone and Robert Zakresky, each of whom are considered to be independent directors as determined in accordance with NI 58-101.

During the year ended December 31, 2015, the human resources and compensation functions of the CGC&N Committee were carried out by the board as a whole.

Compensation Philosophy

Our employee compensation, including executive officer compensation, is comprised of three elements: base salary, short-term incentive compensation (cash bonuses) and long-term incentive compensation (LTIP (as defined below), Option Plan, Incentive Plan and ESPP (as defined below)). The board reviewed all three components in assessing the compensation of our individual executive officers and of the corporation as a whole. Salaries and bonuses are intended to provide current compensation and a short-term incentive for employees to meet our corporate goals, as well as to remain competitive with the industry. Options, incentive awards and participation in the ESPP and LTIP encourage long-term commitment to the corporation's success.

The compensation philosophy includes a "pay-for-performance" element which supports our commitment to delivering continuous strong performance for our shareholders. In addition, our compensation philosophy is aimed at attracting and retaining quality and experienced people which is critical to our success for the benefit of our shareholders.

Our "named executive officers" (as defined in Form 51-102F6V as prescribed by National Instrument 51-102 – *Continuous Disclosure Obligations (NI 51-102)*) for the year ended December 31, 2015 were Colin Witwer, President and Chief Executive Officer, Tracie Noble, Vice President, Finance and Chief Financial Officer, Brent



Conrad, Vice President, Engineering and Chief Operating Officer and Mark Mallamo, Vice President, Exploration (each a *Named Executive Officer* or a *NEO*). In addition, the following discussion also includes information with respect to former executive officers of Pinecrest - Wade Becker, former President and Chief Executive Officer of Pinecrest and Dan Toews, former Vice President, Finance and Chief Financial Officer of Pinecrest (each a *Former NEO*). When making determinations with respect to salaries for the executive officers, the board reviews the recommendations of the President and Chief Executive Officer and compensation information obtained by management from comparable issuers.

Base Salaries

Base salaries for our NEOs, including the President and Chief Executive Officer, are intended to be competitive with salaries paid to executive officers by the companies of a similar size and stage of development. In determining salaries, the board reviews the proposed salaries in the context of the total compensation packages for the NEOs. The board reviews the salaries paid to the Named Executive Officers in light of the other components forming part of the total compensation package to ensure that the total compensation package is both competitive and reasonable relative to the total compensation packages of executive officers of the corporation's peers. Based on the recent precipitous drop and continuing volatility in oil prices, the corporation chose to reduce the 2016 base salaries of all NEOs by 10% from the 2015 levels effective February 1, 2016, resulting in an annual salary of \$166,500 for Ms. Noble and Messrs. Conrad and Mallamo, and an annual salary of \$184,500 for Mr. Witwer. The board will continue to monitor oil prices, corporate performance and other factors to determine whether it is appropriate to make any changes to salaries of our executive team.

Annual Bonuses

Our short-term incentives include annual bonuses that may be awarded to employees including the Named Executive Officers. During the year ended December 31, 2015, we did not award bonuses as a result of the low commodity prices and continuing market volatility. The award of a bonus is recommended, in all cases (excluding the President and Chief Executive Officer) by the President and Chief Executive Officer to the board for final approval. The President and Chief Executive Officer's bonus is established by the board in consultations with members of the CGC&N Committee. Bonus awards are ultimately approved by the board and are based principally on corporate performance but individual performance may be taken into account.

LTIP

Although not part of the NEO's compensation during the year ended December 31, 2015, the corporation has adopted a long term incentive plan (*LTIP*) which provides for a maximum bonus pool of \$2.5 million to be allocated on April 1, 2018 to employees of the corporation. The ultimate amount of the bonus pool will be determined on April 1, 2018 based on the corporation's net present value per fully diluted share and the closing price of the common shares on the TSXV or such other exchange as the shares may then be listed. Each employee will receive a proportion of the resulting bonus pool equal to the percentage of the corporation's options held by such employee at the time of allocation. Payments to employees from the bonus pool may be made in cash or, subject to TSXV and other regulatory approval, in shares.

Option Plan

Long-term incentives are awarded through security-based compensation arrangements, including the Option Plan. We maintain a "rolling" Option Plan reserving a maximum of 10% of the issued and outstanding common shares for issuance pursuant to options and other security-based compensation arrangements, including the Incentive Plan. A description of the principal provisions of the Option Plan can be found above under "*About the Shareholders Meeting – Approval of the Option Plan*".

As of March 1, 2016, we had outstanding options to purchase 1,733,199 common shares, at a weighted average exercise price of \$0.26 per share, representing approximately 9% of our issued and outstanding common shares.



Incentive Plan

We have adopted the Incentive Plan pursuant to which incentive awards may be granted to Virginia Hills Service Providers. The principal purpose of the Incentive Plan is to: (i) retain and attract qualified service providers that Virginia Hills requires; (ii) promote a proprietary interest by such service providers and to encourage such persons to remain in Virginia Hills' employ or service and put forth maximum efforts for the success of its business; and (iii) focus Virginia Hills' management on operating and financial performance and long-term total shareholder return and profitability.

The board, or any committee which may be delegated by the board, has the authority to administer the Incentive Plan.

Under the terms of the Incentive Plan, any Virginia Hills Service Provider may be granted restricted awards, performance awards or a combination thereof. In determining the Virginia Hills Service Providers to whom incentive awards may be granted, the number of incentive awards and the allocation of the incentive awards between restricted awards and performance awards, the committee shall take into account such factors as it shall determine in its sole discretion, including any one or more of the following factors, as applicable: (i) compensation data for comparable benchmark positions among the Peer Comparison Group (as defined in the Incentive Plan); (ii) the duties, responsibilities, position and seniority of the Virginia Hills Service Provider; (iii) the Corporate Performance Measures (as defined in the Incentive Plan) for the applicable period compared with internally established performance measures approved by the board or committee and/or similar performance measures of members of the Peer Comparison Group for such period; (iv) the individual contribution and potential contribution of the Virginia Hills Service Provider to the success of Virginia Hills; (v) any bonus payments paid or to be paid to the Virginia Hills Service Provider in respect of his or her individual contribution and potential contribution to Virginia Hills' success; (vi) the Fair Market Value (as defined below) or current market price of the Virginia Hills Shares at the time of grant of such incentive awards; and (vii) such other factors as the board or committee shall deem relevant in its sole discretion in connection with accomplishing the purposes of the Incentive Plan.

Restricted Awards

Subject to the terms and conditions of the Incentive Plan, restricted awards will entitle the holder to be paid in equal installments as to one-third of the aggregate value of the restricted award (the *Award Value*) on each of the first, second and third anniversaries of the date of grant of such restricted awards. In the case of restricted awards, the Award Value is calculated at the Payment Date(s) (as defined in the Incentive Plan) by multiplying the number of restricted awards (as adjusted by the Adjustment Ratio (as defined in the Incentive Plan) in accordance with the Incentive Plan) by the Fair Market Value of the common shares. The "Fair Market Value" is determined on the Payment Date as the closing trading price of the shares on the TSXV (or other stock exchange on which the common shares may be listed) for the trading day immediately preceding such date.

Performance Awards

Subject to the terms and conditions of the Incentive Plan, performance awards will entitle the holder to be paid in equal installments as to one third of the aggregate Award Value on each of the first, second and third anniversaries of the date of grant of such performance awards. In the case of performance awards, the Award Value is adjusted immediately before each Payment Date by multiplying the Award Value by the Adjustment Ratio applicable to such performance award and the Payout Multiplier (as defined in the Incentive Plan) applicable to such performance award at such time.

The Payout Multiplier is determined annually by the board or committee based on an assessment of the achievement of the Corporate Performance Measures in respect of the applicable period. Corporate Performance Measures may include: Relative Total Shareholder Return (as defined in the Incentive Plan); Recycle Ratio (as defined in the Incentive Plan); activities related to Virginia Hills' growth; average production volumes; Virginia Hills' total proved and probable reserves; health, safety and environmental performance; the execution of Virginia Hills' strategic plan and such additional measures as the Committee shall consider appropriate in the circumstances. The Payout Multiplier for a particular period can be one of 0x (for fourth quartile ranking), 1x (for third quartile ranking), 1.5x (for second quartile ranking) or 2x (for first quartile ranking).



Method of Payment of Award Value

On the applicable Payment Date, Virginia Hills, at its sole and absolute discretion, shall have the option of settling the Award Value to which the holder of incentive awards is entitled in the form of either cash or in common shares which may either be acquired by Virginia Hills on the TSXV.

Employee Share Purchase Plan

In the second quarter of 2015, we implemented an employee share purchase plan (the *ESPP*) which, among other things, authorizes us to make contributions into the ESPP for the purchase of our common shares in the open market for the benefit of our participating full time and part time employees and consultants (in this section, collectively, *Participants*). Pursuant to the ESPP, a Participant may contribute up to 10% of their annual base salary or consulting fee (in increments of 1%) up to a maximum aggregate value of \$15,000. For each \$1.00 contribution to the ESPP by a Participant, we will contribute \$1.00 on behalf of the Participant. Each of the Participant's contribution and our contribution in each calendar month will be used to acquire common shares on the open market.

The purpose of the ESPP is to provide our employees and consultants with the opportunity to acquire an increased proprietary interest in our business through the purchase of our shares.

Our board may amend the ESPP, in whole or in part, at any time, provided the amendment or termination does not deprive a Participant of any benefits accrued under the ESPP on or prior to the date of amendment or termination.

Director Compensation

During the year ended December 31, 2015, director compensation was determined by the board as a whole. Director compensation is determined by taking into account the following considerations, amongst other things: (i) the importance of attracting experienced and skilled directors; (ii) aligning our non-management director's interests with those of our shareholders; (iii) compensation of directors of companies of similar size and stage of development; (iv) the time commitment and responsibilities of serving on our board; and (v) the fiduciary nature of the role. Director compensation is determined on an annual basis concurrently with executive officer compensation.

Given the size and stage of development of the corporation, we did not pay cash to our non-executive directors; however, we issued option-based awards under the Option Plan, and reimbursed our non-management directors for all reasonable expenses incurred in carrying out their duties as directors.

Director and Names Executive Officer Compensation Excluding Compensation Securities

The following table sets forth information concerning the compensation paid to our Named Executive Officers, Former NEOs and directors for the years ending December 31, 2014 and December 31, 2015.

Name and principal position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation ⁽⁹⁾ (\$)	Total compensation (\$)
<i>Colin Witwer</i> ⁽¹⁾							
President and Chief	2015	145,208	Nil	Nil	Nil	6,687	151,895
Executive Officer and a Director	2014	Nil	Nil	Nil	Nil	Nil	Nil
<i>Tracie Noble</i> ⁽²⁾							
Vice President, Finance and Chief Financial Officer	2015	131,041	Nil	Nil	Nil	2,458	133,499
<i>Brent Conrad</i> ⁽³⁾							
Vice President, Engineering and Chief Operating Officer	2015	131,041	Nil	Nil	Nil	4,996	136,037



Name and principal position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation ⁽⁹⁾ (\$)	Total compensation (\$)
<i>Mark Mallamo</i> ⁽⁴⁾ Vice President, Exploration	2015	96,753	Nil	Nil	Nil	6,675	103,428
<i>Wade Becker</i> ⁽⁵⁾⁽⁷⁾ Former President and Chief Financial Officer, and a director	2015	65,981	Nil	Nil	Nil	406,000 ⁽⁶⁾	471,981
	2014	235,000	Nil	Nil	Nil	15,372	251,000
<i>Dan Toews</i> ⁽⁵⁾ Former Vice President, Finance and Chief Financial Officer	2015	63,173	Nil	Nil	Nil	391,000 ⁽⁶⁾	454,173
	2014	225,000	100,000	Nil	Nil	15,372	240,372
<i>John Brussa</i> ⁽⁸⁾ Director	2015	Nil	Nil	Nil	Nil	Nil	Nil
	2014	Nil	Nil	9,000	Nil	Nil	9,000
<i>Howard Crone</i> ⁽⁸⁾ Director	2015	Nil	Nil	Nil	Nil	Nil	Nil
	2014	Nil	Nil	9,000	Nil	Nil	9,000
<i>David Johnson</i> ⁽⁸⁾ Director	2015	Nil	Nil	Nil	Nil	Nil	Nil
	2014	Nil	Nil	9,000	Nil	Nil	9,000
<i>Robert Zakresky</i> ⁽⁸⁾ Director	2015	Nil	Nil	Nil	Nil	Nil	Nil
	2014	Nil	Nil	9,000	Nil	Nil	9,000

Notes:

- (1) Colin Witwer was appointed to his position as President, Chief Executive Officer and a director upon incorporation of Virginia Hills on November 5, 2014. Mr Witwer did not receive any compensation from the corporation until it began operations on April 15, 2015. Mr. Witwer's annual salary for the year ended December 31, 2015 was 205,000. All compensation received by Mr. Witwer is in respect of his role as President and Chief Executive Officer of the corporation.
- (2) Tracie Noble was appointed to her position as an officer of the corporation on February 13, 2015. Ms. Noble did not receive any compensation from the corporation until it began operations on April 15, 2015. Ms. Noble's annual salary for the year ended December 31, 2015 was \$185,000. Prior to being appointed to her position with the corporation, Ms. Noble was the Controller of Pinecrest from July 5, 2010 to on her resignation on April 15, 2015.
- (3) Brent Conrad was appointed to his position as an officer of the corporation on February 13, 2015. Mr. Conrad did not receive any compensation from the corporation until it began operations on April 15, 2015. Mr. Conrad's annual salary for the year ended December 31, 2015 was \$185,000.
- (4) Mark Mallamo was appointed to his position as an officer of the corporation on June 23, 2015. Mr. Mallamo's annual salary for the year ended December 31, 2015 was \$185,000.
- (5) Messrs. Becker and Toews resigned as officers (and in the case of Mr. Becker, as an officer and a director) of Pinecrest on April 10, 2015. All compensation received by the Former NEOs (other than their Severance Entitlement (as defined below) described in further detail in note 5 above) was paid by Pinecrest.
- (6) In connection with the Arrangement, Messrs. Becker and Toews each entered into an agreement with Pinecrest (who, pursuant to the terms of the Arrangement transferred substantially all of its liabilities and obligations to Virginia Hills). Pursuant to the terms of the agreements, Mr. Becker received \$402,500 and Mr. Toews received \$387,500 (each, the *Severance Entitlement*) of which 43% of the Severance Entitlement for each Former NEO was used to subscribe for Virginia Hills Subscription Receipts, 19% of the Severance Entitlement was used to pay applicable withholding taxes and the remainder (39% of the Severance Entitlement) is paid out in increments of \$10,000 per month to each Former NEO. See "*Employment Contracts, Termination and Change of Control Benefits*".
- (7) All compensation received by Mr. Becker was in respect of his position as an officer of Pinecrest.
- (8) Messrs. Brussa, Crone, Johnson and Zakresky were appointed as directors of Virginia Hills on April 14, 2015 and were each previously directors of Pinecrest prior to their resignation in connection with the Arrangement on April 15, 2015.
- (9) For our Named Executive Officers, the amounts under the heading "All other compensation" reflect payments made in respect of fitness benefits (other than to Mr. Mallamo) and contributions made by the corporation in respect of the



ESPP. For the Former NEOs, the amounts under the heading "All other compensation" reflect the Severance Entitlements, fitness benefits and contributions made by Pinecrest in respect of Pinecrest' employee share purchase plan.

Stock Options and Other Compensation Securities

The following table sets forth for each of the Named Executive Officers and directors all compensation securities granted or issued during the year ended December 31, 2015 by the corporation. During the year ended December 31, 2015, we did not issue any incentive awards under our Incentive Plan.

Name and Position	Type of Compensation Security	Number of Compensation Securities, number of underlying securities and percentage of class	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing Price of security or underlying security on the date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date
Colin Witwer President and Chief Executive Officer, and a Director	options	197,242	May 25, 2015	0.255	0.255	0.105	May 25, 2020
Tracie Noble Vice President, Finance and Chief Financial Officer	options	157,793	May 25, 2015	0.255	0.255	0.105	May 25, 2020
Brent Conrad Vice President, Engineering and Chief Operating Officer	options	157,793	May 25, 2015	0.255	0.255	0.105	May 25, 2020
Mark Mallamo Vice President, Exploration	options	157,793	June 25, 2015	0.26	0.26	0.105	June 25, 2020



John Brussa Director	options	147,931	May 25, 2015	0.255	0.255	0.105	May 25, 2020
Howard Crone Director	options	147,931	May 25, 2015	0.255	0.255	0.105	May 25, 2020
David Johnson Director	options	147,931	May 25, 2015	0.255	0.255	0.105	May 25, 2020
Robert Zakresky Director	options	187,379	May 25, 2015	0.255	0.255	0.105	May 25, 2020

Notes:

- (1) Other than customary black-out restrictions and regulatory restrictions preventing the exercise of options during a time when the NEO or director is in receipt of material undisclosed information, there are no restrictions or conditions for converting, exercising or exchanging the above noted compensation securities.
- (2) Options vest as to one-third on each of the first, second, and third anniversaries from the date of grant. See "*About the Shareholder Meeting – Approval of the Option Plan*".
- (3) There were a total of 1,301,793 options outstanding as at December 31, 2015 and as at March 1, 2016 held by NEOs and directors. Each NEO holds 157,793 options other than Mr. Witwer who holds 197,242 options, and each director holds 147,931 options except for Mr. Zakresky who holds 187,379 options.
- (4) Messrs. Becker and Toews did not receive any compensation securities as they were not employed by the corporation.

Exercise of Compensation Securities by Named Executive Officers and Directors

During the most recently completed financial year no Named Executive Officers or directors exercised any compensation securities of the corporation.

Employment Contracts, Termination and Change of Control Benefits

There are no agreements between us and our Named Executive Officers that provide for payments to the Named Executive Officers upon termination, retirement or change of control.

All of the Named Executive Officers' options would become fully vested upon a Change of Control (as defined herein). Under the terms of our Option Plan, the vesting of all unvested options will be accelerated upon the acquisition of more than 50% of the outstanding common shares, the approval by the shareholders of an amalgamation, arrangement, merger or other combination of the corporation with another company which would result in the shareholders of Virginia Hills owning less than 50% of the outstanding shares in the resulting entity, the election at a meeting of shareholders of a number of persons which would represent the majority of the board as directors of the corporation who were not included on the slate for election, approval by the shareholders of the liquidation, dissolution or winding up of the corporation, approval by the shareholders of the sale, lease or other disposition of all or substantially all of the assets of the corporation, or the completion of any transaction or series of transactions which would have a similar effect to the transactions abovementioned, (each, a *Change of Control*).

As at December 31, 2015, Ms. Noble, Messrs. Conrad and Mallamo each had held 157,793 unvested options with an exercise price of \$0.255 (or \$0.26 in the case of Mr. Mallamo); therefore, as result, if a Change of Control occurred on December 31, 2015 the value of the accelerated unvested options held by each of such Named Executive Officer would have been \$40,237. As at December 31, 2015, Colin Witwer held 197,242 unvested options with an exercise price of \$0.255; therefore, as result, if a Change of Control occurred on December 31, 2015 the value of the accelerated unvested options held by Mr. Witwer would have been \$50,297.



In connection with the Arrangement, Messrs. Becker and Toews ceased to be officers of Pinecrest. As previously disclosed, each of Messrs. Becker and Toews entered into an agreement with Pinecrest (who, pursuant to the terms of the Arrangement transferred substantially all of its liabilities and obligations to Virginia Hills). Pursuant to the terms of the agreements, Mr. Becker received \$402,500 and Mr. Toews received \$387,500 of which 43% of the Severance Entitlement for each Former NEO was used to subscribe for Virginia Hills Subscription Receipts, 19% of the Severance Entitlement was used to pay applicable withholding taxes and the remainder (39% of the Severance Entitlement) is paid out in increments of \$10,000 per month to each Former NEO.

Securities Authorized for Issuance under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under our equity compensation plans, as at December 31, 2015.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders ⁽¹⁾⁽²⁾	1,773,199 common shares	\$0.26	199,217 common shares
Equity compensation plans not approved by securityholders	Nil	N/A	Nil
Total	1,773,199 common shares	\$0.26	199,217 common shares

Notes:

- (1) Our Option Plan is a "rolling" option plan, which reserves a maximum of 10% of the common shares for options. Any increase in the issued and outstanding common shares will result in an increase in the available number of common shares issuable under the Option Plan, and any exercises of options will make new grants available under the Option Plan. The Option Plan was approved by the shareholders of Pinecrest at a special meeting held on March 19, 2015 to approve, amongst other things, the Arrangement, amongst other things. See "About the Shareholder Meeting – Approval of the Option Plan".
- (2) The Incentive Plan is a fixed plan which reserves a maximum of 1,972,416 common shares for incentive awards, provided at no time shall the number of incentive awards, options and other equity based incentive securities issued under other equity based compensation plans exceed 10% of the issued and outstanding common shares. The Incentive Plan was approved by the shareholders of Pinecrest at a special meeting held on March 19, 2015 to approve, amongst other things, the Arrangement, amongst other things. See "Executive and Director Compensation – Compensation Philosophy – Incentive Plan".

OTHER INFORMATION

Interest in the business of the meeting

To the best of our knowledge, none of the following people have a material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the meeting (other than the election of directors):

- anyone who has been a director or executive officer of Virginia Hills at any time since the beginning of January 1, 2015;
- any of the nominees for director; or
- any of their associates or affiliates.



Interest in material transactions

Other than as disclosed below, to the best of our knowledge, none of the following people have a material interest, direct or indirect, in any transaction since January 1, 2015, or in any proposed transaction, that has materially affected or will materially affect the corporation:

- anyone who beneficially owns or exercises control or direction over 10% or more of our common shares;
- any of the nominees for director; or
- any of their associates or affiliates.

As part of a financing that closed on April 14, 2015, certain directors and officers purchased an aggregate of 4,200,000 Virginia Hills Subscription Receipts at a price of \$0.25 per Virginia Hills Subscription Receipt, on a private placement basis. The Virginia Hills Subscription Receipts purchased by the directors and executive officers are set out below:

Name and Title	Number of Subscription Receipts
Colin Witwer <i>President and Chief Executive Officer and a director</i>	1,500,000 Subscription Receipts
Tracie Noble <i>Vice President, Finance and Chief Financial Officer</i>	100,000 Subscription Receipts
Brent Conrad <i>Vice President, Engineering and Chief Operating Officer</i>	600,000 Subscription Receipts
David Johnson <i>Director</i>	600,000 Subscription Receipts
Howard Crone <i>Director</i>	600,000 Subscription Receipts
John Brussa <i>Director</i>	600,000 Subscription Receipts

Indebtedness to the corporation

None of the following people is currently indebted to the corporation or has been at any time since January 1, 2015:

- anyone who has been a director or executive officer of Virginia Hills at any time since the beginning of January 1, 2015;
- any of the nominees for director; or
- any of their associates or affiliates.



APPENDIX "A"
BOARD MANDATE



VIRGINIA HILLS OIL CORP.

BOARD OF DIRECTORS MANDATE AND TERMS OF REFERENCE

Role and Objective

Virginia Hills Oil Corp. (the "**Corporation**") is an Alberta based junior oil and gas exploration and development company. The Board of Directors of the Corporation (the "**Board**") has the responsibility for the overall stewardship of the conduct of the business of the Corporation and its subsidiaries and the activities of management of the Corporation, which is responsible for the day-to-day conduct of the business.

The Board's fundamental objectives are to enhance and preserve long-term shareholder value, to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates its business in a reliable and safe manner. In performing its functions, the Board should also consider the legitimate interests that other stakeholders such as employees; customers and communities may have in the Corporation. In overseeing the conduct of the business, the Board, through the Chief Executive Officer, shall set the standards of conduct for the Corporation.

Procedures and Organization

The Board operates by delegating certain of its powers to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its Chair, nominating candidates for election to the Board, constituting committees of the Board and determining Director compensation. Subject to the Articles and By-Laws of the Corporation and the *Business Corporations Act* (Alberta) (the "**Act**"), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

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

The Board's set of criteria for addressing composition of the Board is based upon the principles of meritocracy. The Board will consider the broadest group of individuals with the skills, knowledge, experience and character to provide the leadership needed to achieve its business objectives of the Corporation, without reference to their age, gender, race, ethnicity or religion.

Duties and Responsibilities

The Board's principal duties and responsibilities fall into a number of categories, which are outlined below.

1. Legal Requirements

- (a) The Board will endeavour to ensure that legal requirements have been met and documents and records have been properly prepared, approved and maintained;
- (b) The Board has the responsibility to:
 - (i) manage the business and affairs of the Corporation,
 - (ii) act honestly and in good faith with a view to the best interests of the Corporation;

- (iii) to exercise the care, diligence and skill that a reasonable, prudent Director would exercise in comparable circumstances; and
 - (iv) act in accordance with its obligations contained in the Act and the regulations thereto, the Corporation's Articles and By-Laws, securities legislation of each province and territory of Canada, and other relevant legislation and regulations;
- (c) The Board has the responsibility for considering the following matters as a full Board which shall not be delegated to management or to a committee of the Board:
- (i) any submission to the Shareholders of the Corporation of a question or matter requiring the approval of the Shareholders;
 - (ii) the filling of a vacancy among the directors, in the office of auditor or the office of the President and Chief Executive Officer ("CEO");
 - (iii) the issuance of securities of the Corporation except in the manner and on the terms permitted by law and authorized by the Board;
 - (iv) the declaration of dividends of the Corporation;
 - (v) the purchase, redemption or any other form of acquisition of securities issued by the Corporation;
 - (vi) the payment of a commission to any person in consideration of his/her purchasing or agreeing to purchase securities of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares;
 - (vii) the approval of the Corporation's legal structure, name and brands, mission statement, and vision statements, and any amendments thereto;
 - (viii) the approval of management proxy circulars of the Corporation;
 - (ix) the approval of agendas for Shareholder meetings;
 - (x) the approval of takeover bids circulars;
 - (xi) the approval of the annual and interim financial statements of the Corporation, the Corporation's management discussion and analysis and annual information form; and
 - (xii) the adoption, amendment or repeal of By-Laws or Articles of Incorporation of the Corporation.

2. Independence

The Board has the responsibility to ensure that appropriate structures and procedures are in place to facilitate the Board to function independently of management. In this regard, the Board shall consist of a majority of "independent directors", as that term is defined in Section 1.4 of National Instrument 52-110 — *Audit Committees* or such guidelines as may hereafter replace the same. On at least an annual basis, the Board will conduct an analysis and make a determination as

to the "independence" of each board member. The independent board members should hold separate regularly scheduled meetings at which non-independent directors and members of management are not in attendance.

3. Strategy Determination

The Board has the responsibility to ensure there are long-term goals and a strategic planning process in place for the Corporation and to participate with management directly or through its committees in developing and approving, as required, the mission of the business of the Corporation and the strategic plan by which it proposes to achieve its goals, which strategic plan takes into account, among other things, the opportunities and risks of the Corporation's business.

4. Managing Risk

The Board has the responsibility to understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to Shareholders, and to ensure there are appropriate systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

5. Division of Responsibilities

The Board has the responsibility to:

- (a) appoint and delegate responsibilities to committees where appropriate to do so. The responsibilities of these committees will be as set forth in their respective mandates, as amended from time to time; and
- (b) develop position descriptions for:
 - (i) the Chair of the Board (if appointed);
 - (ii) the CEO; and
 - (iii) the Chair of each Board Committee.

6. Appointment, Training and Monitoring Senior Management

The Board has the responsibility:

- (a) to appoint the CEO, to monitor and assess the CEO's performance, to determine and approve the CEO's compensation, and to provide advice and counsel in the execution of the CEO's duties;
- (b) to approve the appointment and remuneration of all other designated corporate officers, acting upon the advice of the CEO;
- (c) to the extent feasible, to satisfy itself as to the integrity of the CEO and other corporate officers and that the CEO and other corporate officers create a culture of integrity throughout the organization;
- (d) approving a position description or terms of reference for the CEO;

- (e) reviewing CEO performance at least annually against agreed upon written goals and objectives that the CEO is responsible for meeting and that have been approved by the Board;
- (f) approving decisions relating to senior management, including appointment and discharge of officers; compensation and benefits for executive officers; acceptance of outside directorships on public companies by executive officers (other than not-for-profit organizations); and special arrangements with executive officers, or other employee groups;
- (g) approving certain matters relating to all employees, including:
 - (i) the annual salary policy/program for employees;
 - (ii) new benefit programs or material changes to existing programs; and
 - (iii) material benefits granted to retiring employees outside of benefits received under any approved pension and other benefit programs.
- (h) to endeavour to ensure that adequate provision has been made to train and develop management and for the orderly succession of management; and
- (i) to endeavour to ensure that management is aware of the Board's expectations of management.

7. Managing the Affairs of the Board and Governance

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

- (a) developing the Board's approach to governance;
- (b) planning its composition and size;
- (c) selecting the Board Chair who is currently a director of the Corporation;
- (d) nominating candidates for election to the Board and developing and implementing and orientation and continuing education program for directors as required;
- (e) appointing committees;
- (f) determining director compensation;
- (g) assessing the effectiveness of the Board itself, committees and individual directors in fulfilling their responsibilities at least annually.

8. Policies, Procedures and Compliance

The Board has the responsibility:

- (a) to endeavour to ensure that the Corporation and its affiliates operate at all times within applicable laws and regulations and with high ethical and moral standards;
- (b) to approve and monitor compliance with significant policies and procedures by which the Corporation and its affiliates are operated;
- (c) to endeavour to ensure the Corporation and its affiliates sets high environmental standards in its operations and is in compliance with environmental laws and legislation; and
- (d) to endeavour to ensure the Corporation and its affiliates has in place appropriate programs and policies for the health and safety of its employees in the workplace.

9. Reporting and Communication

The Board has the responsibility:

- (a) to endeavour to ensure the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its Shareholders, other stakeholders and the public generally;
- (b) to endeavour to ensure that the financial performance of the Corporation is adequately reported to Shareholders, other security holders and regulators on a timely and regular basis;
- (c) to endeavour to ensure that the financial results are reported fairly and in accordance with generally accepted accounting standards;
- (d) to endeavour to ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation;
- (e) to report annually to Shareholders on its stewardship of the affairs of the Corporation for the preceding year;
- (f) approve any significant political or charitable donations policy or budget;
- (g) approve the entering into, or withdrawing from, lines of business or geographic markets that are, or are likely to be, material to the Corporation;
- (h) approve material divestitures and acquisitions;
- (i) approve major leases;
- (j) monitor the Corporation's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances.; and
- (k) to develop appropriate measures for receiving Shareholder feedback.

10. Monitoring and Acting

The Board has the responsibility:

- (a) to monitor the Corporation's progress towards its goals and objectives and to revise and alter its direction through management in response to changing circumstances;
- (b) to take action when performance falls short of its goals and objectives or when other special circumstances warrant;
- (c) to endeavour to ensure that the Corporation has implemented adequate internal control and management information systems which ensure the effective discharge of its responsibilities; and
- (d) to make regular assessments of the Board's effectiveness, as well as the effectiveness and contribution of each Board Committee and each individual director, which responsibility has been delegated to the Corporate Governance, Compensation and Nominating Committee in conjunction with the Chairman of the Board.

11. Financial and Corporate Issues

The Board has oversight responsibility to:

- (a) take reasonable steps to ensure the implementation and integrity of the Corporation's internal control and management information systems;
- (b) monitor operational and financial results;
- (c) approve the Audit Committee recommendation to recommend appointment of external auditors and approve auditors' fees;
- (d) approve annual and interim financial statements as approved by the Audit Committee and to approve release thereof by management;
- (e) approve any management proxy circular, annual information form and any documents incorporated by reference therein;
- (f) approve financings, changes in authorized capital, issue and repurchase of securities, issue of debt securities, listing of securities, issue of commercial paper, and related prospectuses;
- (g) approve banking resolutions and significant changes in banking relationships;
- (h) approve appointments, or material changes in relationships;
- (i) review coverage, deductibles and key issues regarding corporate insurance policies;
- (j) approve contracts, arrangements or commitments that may have a material impact on the Corporation; and
- (k) approve the commencement or settlement of litigation that may have a material impact on the Corporation.

12. Policies and Procedures

The Board has oversight responsibility to:

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

13. Standards of Liability

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

APPENDIX "B"
AUDIT COMMITTEE MANDATE



VIRGINIA HILLS OIL CORP.

AUDIT COMMITTEE CHARTER AND POSITION DESCRIPTION FOR AUDIT COMMITTEE CHAIR

Introduction

Virginia Hills Oil Corp. (the "**Corporation**") is an Alberta based junior oil and gas exploration and development company. The Board of Directors of the Corporation (the "**Board**") has the responsibility for the overall stewardship of the conduct of the business of the Corporation and its subsidiaries and the activities of management of the Corporation, which is responsible for the day-to-day conduct of the business.

Purpose

The primary function of the Audit Committee (the "**Committee**") is to assist the Board in fulfilling its responsibilities by reviewing: the financial reports and other financial information provided by the Corporation to any governmental body or the public; the Corporation's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; and the Corporation's auditing, accounting and financial reporting processes generally. Consistent with this function, the Committee should endeavour to encourage continuous improvement of, and should endeavour to foster adherence to, the Corporation's policies, procedures and practices at all levels. In performing its duties, the external auditor is to report directly to the Committee. The Committee's primary objectives are:

- (1) To assist directors meet their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of the Corporation and related matters;
- (2) To assist in the nature and scope of the annual audit;
- (3) To provide better communication between directors and external auditors;
- (4) To assist the Board's oversight of the auditor's qualifications and independence;
- (5) To assist the Board's oversight of the credibility, integrity and objectivity of financial reports;
- (6) To strengthen the role of the outside directors by facilitating discussions between directors on the Committee, management and external auditors;
- (7) To assist the Board's oversight of the performance of Corporation's internal audit function and external auditors; and
- (8) To assist the Board's oversight of the Corporation's compliance with legal and regulatory requirements.

Composition, Procedures And Organization

- (1) The Committee shall consist of at least three members of the Board, a majority of whom shall be "independent", as that term is defined in Sections 1.4 and 1.5 of National Instrument 52-110–*Audit Committees* ("**NI 52-110**") (provided that, if the Common Shares of the Corporation are

listed and posted on the Toronto Stock Exchange, then all of the members of the Audit Committee shall be "independent").

- (2) All of the members of the Committee shall be "financially literate" as such term is defined in Section 1.6 of NI 52-110 to mean "able to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of those of the Corporation and that can be reasonably expected to be raised by the Corporation's financial statements".
- (3) The Committee composition, including the qualifications of its members, shall comply with the applicable requirements of stock exchanges on which the Corporation lists its securities and of securities regulatory authorities, as such requirements may be amended from time to time.
- (4) The Board shall appoint the members of the Committee. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
- (5) Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair from among their members.
- (6) The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
- (7) The Committee shall have access to such officers and employees of the Corporation and to the Corporation's external auditors, and to such information respecting the Corporation, as it considers necessary or advisable in order to perform its duties and responsibilities.
- (8) Meetings of the Committee shall be conducted as follows:
 - (a) the Committee shall meet at least four times annually at such times and at such locations as may be requested by the chair of the Committee. The external auditors or any member of the Committee may request a meeting of the Committee;
 - (b) the external auditors may receive notice of and have the opportunity to attend meetings of the Committee; and
 - (c) the following management representatives may be invited to attend meetings, except executive sessions and private sessions with the external auditors:

President and Chief Executive Officer
Vice President, Finance and Chief Financial Officer
Controller (if any)

other management representatives may be invited to attend as necessary.

- (9) The external auditors shall report directly to the Committee and the external auditors and internal auditors (if any) shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee of the Corporation as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

- (10) The Committee may retain, at the Corporation's expense, legal, accounting or other consultants or experts it deems necessary in the performance of its duties and may set and pay the compensation for any advisor engaged. The Committee will notify the Board Chair whenever independent consultants are engaged.

Handling of Complaints

The Committee shall maintain procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters (a "**Whistleblower Policy**").

Annual Review

The Committee shall review and assess the adequacy of this Charter annually, report to the Board thereon and recommend any proposed changes to the Board for approval. The Committee shall also perform an annual evaluation of the performance of the Committee and shall report the results of the evaluation to the Board Chair.

Roles And Responsibilities

- (1) The overall duties and responsibilities of the Committee shall be as follows:
 - (a) to assist the Board in the discharge of its responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls and its approval of the Corporation's annual and quarterly financial statements and management's discussion and analysis;
 - (b) to establish and maintain a direct line of communication with the Corporation's internal (if any) and external auditors and assess their performance;
 - (c) to assist the Board in the discharge of its responsibilities relating to oversight of the Company's internal, financial and disclosure controls and procedures;
 - (d) to pre-approve all non-audit services to be provided by the Corporation's external auditor and to periodically review the audit and non-audit services pre-approval policy and recommend to the Board any changes which the Committee deems appropriate. The Committee may delegate to one or more members of the Committee authority to pre-approve non audit services in satisfaction of this requirement and if such delegation occurs, the pre-approval of non-audit services by the Committee member to whom authority has been delegated must be presented to the Committee at its first scheduled meeting following such pre-approval. The Committee shall be entitled to adopt specific policies and procedures for the engagement of non-audit services if:
 - (i) the pre-approval policies and procedures are detailed as to the particular service;
 - (ii) the Committee is informed of each non-audit service; and
 - (iii) the procedures do not include delegation of the Committee's responsibilities to management.

The Committee will satisfy the pre-approval requirement set forth above if:

- (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than 5% of the total amount of fees paid by the Corporation and its subsidiary entities to the external auditors during the fiscal year in which the services are provided;
 - (ii) the Corporation or the subsidiary entity, as the case may be, did not recognize the services as non-audit services at the time of the engagement;
 - (iii) the services are promptly brought to the attention of the Committee and approved, prior to completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee;
- (e) to periodically consider whether there is a need to outsource internal audit functions or create an internal audit department;
 - (f) to review the reports to management prepared by the external auditors and management's responses;
 - (g) to receive and review complaints received pursuant to the Corporation's Whistleblower Policy and oversee and provide direction on the investigation and resolution of such concerns and to periodically review the said policy and recommend to the Board changes which the Committee may deem appropriate;
 - (h) to report regularly to the Board on the fulfilment of its duties and responsibilities;
 - (i) to review significant findings during the year, including the status of previous significant audit recommendations;
 - (j) to identify and monitor the management of the principal risks that could impact the financial reporting of the Corporation;
 - (k) to ensure that it satisfies those responsibilities set out in Part 2 of NI 52-110 and provisions contained within the Companion Policy to NI 52-110; and
 - (l) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.
- (2) The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:
- (a) to be directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting;

- (b) to recommend to the Board a firm of external auditors to be nominated for appointment by the shareholders of the Corporation, and to monitor and verify the independence of such external auditors;
 - (c) to review and approve the fee, scope and timing of the audit and other audit related and non-audit services rendered by the external auditors;
 - (d) review the audit plan of the external auditors prior to the commencement of the audit;
 - (e) to review with the external auditors, upon completion of their audit:
 - (i) contents of their report;
 - (ii) scope and quality of the audit work performed;
 - (iii) adequacy of the Corporation's financial and auditing personnel;
 - (iv) co-operation received from the Corporation's personnel during the audit;
 - (v) internal resources used;
 - (vi) significant transactions outside of the normal business of the Corporation;
 - (vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
 - (viii) the non-audit services provided by the external auditors, as pre-approved pursuant to the audit and non-audit services pre-approval policy;
 - (f) to discuss with the external auditors the quality and not just the acceptability of the Corporation's accounting principles;
 - (g) when there is to be a change in external auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change;
 - (h) to review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation;
 - (i) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management; and
 - (j) to receive a written statement from the external auditor describing in detail all relationships between the auditor and the Corporation that may impact the objectivity and independence of the auditor. The Committee shall review with the Board the independence of the external auditors and either confirms to the Board that the external auditors are independent or recommend that the Board take appropriate action to satisfy itself of the external auditor's independence.
- (3) The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:

- (a) review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to insurance, accounting, information services and systems and financial controls, management reporting and risk management;
 - (b) review compliance under the Corporation's Code of Business Conduct and Ethics with those matters addressed in the policy which affect the financial integrity of the Corporation and to periodically review this policy, management's monitoring of it, and recommend to the Board changes which the Committee may deem appropriate; and
 - (c) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal accounting staff or by the external auditors have been implemented.
- (4) The Committee is also charged with the responsibility to:
- (a) review and recommend to the Board for its approval, the Corporation's financial statements, management's discussion and analysis and annual and interim earnings News Releases before the Corporation publicly discloses this information;
 - (b) review and approve the Corporation's interim financial statements, interim management's discussion and analysis including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto and interim earnings News Releases before the Corporation publicly discloses this information;
 - (c) review the financial sections of:
 - (i) the annual report to shareholders;
 - (ii) prospectuses;
 - (iii) other public reports containing financial information requiring approval by the Board including but not limited to business acquisition reports and material change reports; and
 - (iv) news releases related thereto,and report to the Board with respect thereto;
 - (d) review regulatory filings and decisions as they relate to the Corporation's financial statements;
 - (e) review the appropriateness of any policies and procedures used in the preparation of the Corporation's financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
 - (f) review and report on the integrity of the Corporation's financial statements;
 - (g) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Corporation and the

manner in which such matters have been disclosed in the consolidated financial statements;

- (h) review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of material facts;
- (i) endeavour to ensure all material public documents relating to the financial performance, financial position or analysis thereon are reviewed by the Committee or another appropriate committee, as designated by the Board of Directors. In certain cases, including in respect of "roadshow" or other investor materials, the Committee may designate the responsibility for review to the Chair of the Committee, the Vice President, Finance and Chief Financial Officer of the Corporation or to legal counsel. The Committee shall review and monitor practices and procedures adopted by the Corporation to assure compliance with applicable listing requirements, laws, regulations and other rules, and where appropriate, make recommendations or reports thereon to the Board;
- (j) The Committee shall review significant changes in the accounting principles to be observed in the preparation of the accounts of the Corporation and its subsidiaries, or in their application, and in financial disclosure presentation; and
- (k) The Committee shall review such reports as may be required by any applicable securities regulatory authority to be included in the Corporation's Information Circular or any other disclosure document of the Corporation.

Accountability

The Committee shall report its activities and proceedings to the Board by distributing the minutes of its meetings or by oral or written report at the next Board meeting.

Standards of Liability

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

Annual Review And Assessment

The Committee shall conduct an annual review and assessment of its performance, including compliance with this Charter and its role, duties and responsibilities, and submit such report to the Board. The Committee shall also update this Charter periodically as conditions dictate.

Committee Timetable

The major activities of the Committee with respect to scheduled meetings will be outlined in an annual schedule, a sample of which can be found attached hereto as Schedule "A".

POSITION DESCRIPTION FOR AUDIT COMMITTEE CHAIR

The Chair's primary role is managing the affairs of the Committee, including ensuring the Committee is organized properly, functions effectively and meets its obligations and responsibilities. The Chair works with the Vice President, Finance and Chief Financial Officer ("CFO") of the Corporation to ensure effective relations with Committee members. The Chair maintains on-going communications with the CFO and with such other officers of the Corporation as the Chair determines appropriate. The Chair, in conjunction with the Committee, maintains ongoing communications with the Corporation's external auditors. The Chair has the responsibility to lead the Committee and report to the Board after each Committee meeting.

Duties And Responsibilities

1. Working With the Corporation's External Auditors

The Chair has the responsibility to:

- (a) lead the Committee in overseeing the work of the Corporation's management team in respect of the Corporation's financial reporting and the Corporation's external auditors;
- (b) lead the Committee in overseeing the integrity of the Corporation's financial information and financial data reporting process, including the Corporation's internal controls and procedures, the preparation of the report prepared by the Corporation's external auditors in respect of the Corporation's financial statements, and compliance with related legal and regulatory requirements; and
- (c) report to the Board after each Committee meeting at the Board's next meeting.

2. Managing the Committee

The Chair has the responsibility to:

- (a) serve as the focal point of all activity in relation to financial reporting matters, overseeing all aspects of direction and administration of the Committee, endeavouring to ensure that the Committee works as a team and provide effective oversight over the matters set forth in the Committee Charter;
- (b) be accountable for the Committee's ability to meet its established responsibilities as set forth in its Charter;
- (c) ensure the Committee is aware to its obligations to the Board and pursuant to law;
- (d) chair Committee meetings;
- (e) establish the frequency of Committee meetings and review such frequency from time to time, as considered appropriate (provided, however, that Committee meetings may be called by the Chair at any time or at the request of two members of the Committee);
- (f) endeavour to ensure that all business required to come before the Committee is brought to a meeting in a timely manner;

- (g) endeavour to ensure that all business set out in the agenda of Committee meetings is discussed and brought to resolution, as required;
- (h) endeavour to ensure sufficient time during Committee meetings to fully discuss agenda items.
- (i) encourage Committee members to ask questions and express viewpoints during meetings;
- (j) deal effectively with dissent and work constructively towards arriving at decisions and achieving consensus;
- (k) endeavour to ensure that the Committee meets in separate, regularly scheduled, non-management, closed sessions with internal personnel or outside advisors, as needed or appropriate;
- (l) assist the Board in its recommendation of Committee members and its review of the performance and suitability of the Committee members;
- (m) ensure the co-ordination of the agenda, information packages and related events for Committee meetings in conjunction with the CFO and/or Corporate Secretary;
- (n) maintain a liaison and communication with Committee members, other directors and the Board Chair to co-ordinate input from Committee members and directors, and optimize the effectiveness of the Committee;
- (o) in collaboration with the CFO, ensure information requested by Committee members is provided and meets their needs;
- (p) in conjunction with the Board (or a committee of the Board to which responsibility in respect thereof may be delegated), review and assess Committee attendance, performance and compensation and the size and composition of the Committee; and
- (q) in conjunction with the Corporate Governance, Nominating and Compensation Committee, lead the Committee in assessing the performance of the Corporation's financial management team.

3. Committee/Management Relations

The Chair has the responsibility to:

- (a) endeavour to ensure that the boundaries between Committee and management responsibilities are clearly understood and respected and that relationships between the Committee and management are conducted in a professional and constructive manner;
- (b) facilitate effective communication between directors and management, both inside and outside of Committee meetings; and
- (c) investigate, and escalate any issues brought forth through the Whistleblower Policy to the Board.

4. General

The Chair shall carry out any other appropriate duties and responsibilities assigned by the Committee.

SCHEDULE "A"

Example of Audit Committee Meeting Agenda for Year

As noted previously, it is important to review the completeness of the Audit Committee charter as well as the agenda established for each meeting. The following is an example of topics that could be covered in each Audit Committee meeting. This example assumes a December 31 year-end with four audit committee meetings scheduled in connection with quarterly earnings releases

Charter step	Scheduled Meetings			
	May	August	November	April
I. Audit Committee Purpose				
Conduct special investigations	*	*	*	*
II. Audit Committee Composition and Meetings				
Assess independence and financial literacy of Audit Committee			X	
Establish number of meetings			X	
Audit Committee Chair to establish meeting agenda			X	
Enhance financial literacy - update on current financial events	X	X	X	X
Executive sessions with auditors, management, committee	X	X	X	X
III. Audit Committee Responsibilities and Duties				
1. Review charter, publish relevant information in proxy			X	
2. Review annual financial statements - discuss with management, auditors			X	
3. Consider internal controls and financial risks			X	
4. Review quarterly results and findings	X	X	X	
5. Recommend appointment of auditors			X	
6. Approve audit fees		X	X	
7. Discuss auditor independence			X	
8. Review auditor plan		X	X	
9. Discuss year-end results		X		X
10. Discuss quality of accounting principles	*	*	*	X
11. Review legal matters with counsel and auditors		*	*	X
12. Prepare report to shareholders				X
13. Perform other activities as appropriate	*	*	*	*
14. Maintain minutes and report to Board of Directors	X	X	X	X
15. Review Code of Conduct	X	X	X	X
16. Perform self-assessment of Audit Committee performances				X
17. Review financial personnel succession planning				X
18. Review director and officer expenses and related party transactions				X

X = RECOMMENDED TIMING * = AS NEEDED