



## MANAGEMENT INFORMATION CIRCULAR

### For the Annual Meeting of Shareholders to be held on May 9, 2019

Dated: March 25, 2019

PFB Corporation (the “**Corporation**”) is utilizing the “notice-and-access” process that came into effect on February 11, 2013, under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”) and National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”), for distribution of meeting materials, including this management information circular (the “**Circular**”), to non-registered holders (“**Beneficial Shareholders**”) of common shares (“**Common Shares**”) of the Corporation. Further information on notice-and-access, including how Beneficial Shareholders may obtain a paper copy of this Circular, is contained below under the heading “NOTICE-AND-ACCESS”.

#### PURPOSE OF SOLICITATION

**This Circular is furnished in connection with the solicitation of proxies by or on behalf of the management of the Corporation for use at the annual meeting (the “Meeting”) of holders of Common Shares (the “Shareholders”) of the Corporation.** The Meeting will be held at the office of the Corporation located at 300, 2891 Sunridge Way N.E., Calgary, Alberta, on Thursday, May 9, 2019, at 11:00 a.m. (Mountain Daylight Time) or at any adjournment thereof, for the purposes set forth in the notice of meeting (“**Notice of Meeting**”) accompanying this Circular.

#### GENERAL PROXY INFORMATION

This Circular provides the information you need to vote at the Meeting. Registered Shareholders will receive paper copies of all Meeting materials. Beneficial Shareholders will receive, by prepaid mail, a notice package under the new notice-and-access rules, including the Notice of Meeting, a voting instruction form (“**VIF**”) and a supplemental mail card (collectively, the “**Notice Package**”), as described below under the heading “NOTICE-AND-ACCESS”. The Circular will not be included in the Notice Package. The Circular will be available to Beneficial Shareholders on the Corporation’s website at [www.pfbcorp.com](http://www.pfbcorp.com) under Investors/Shareholder Information, or on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) at [www.sedar.com](http://www.sedar.com). Beneficial Shareholders will also have the option to contact the Corporation’s transfer agent, Alliance Trust Company, at the contact information described under the heading “NOTICE-AND-ACCESS” below. Alternatively, you may contact the Corporation’s Executive Chairman of the Board by e-mail at [asmith@pfbcorp.com](mailto:asmith@pfbcorp.com) for a full set of paper copies of the Meeting materials. Please ensure that requests for paper copies are made by Thursday April 18, 2019.

**This solicitation of proxies for use at the Meeting is made on behalf of the management of the Corporation.** The solicitation is being made primarily by mail and may also be solicited in person by telephone or other electronic communication by directors, officers and regular or temporary employees of the Corporation. The total cost of preparing and mailing this Circular and the cost of soliciting proxies will be borne by the Corporation.

The holders of Common Shares are entitled to vote and are encouraged to participate in the Meeting.

Unless otherwise stated, the information contained herein is given as of March 25, 2019.

#### NOTICE-AND-ACCESS

Canadian securities laws allow the Corporation to post its Circular, the audited consolidated financial statements for the years ended December 31, 2018 and 2017 to be tabled at the Meeting (the “**Financial Statements**”) and management’s discussion and analysis for the year ended December 31, 2018 (“**MD&A**”) online rather than mailing paper copies of such materials to certain Shareholders. This process is known as the “notice-and-

access” rule and the Corporation is distributing its Meeting materials to Beneficial Shareholders by way of the “notice-and-access” rule and the procedures known as “stratification”.

The rule allows the Corporation to post electronic copies of the Circular, Financial Statements and MD&A online on SEDAR at [www.sedar.com](http://www.sedar.com), on the Corporation’s website at [www.pfbcorp.com](http://www.pfbcorp.com) under Investors/Shareholder Information, and at [www.alliancetrust.ca/shareholders](http://www.alliancetrust.ca/shareholders).

The Corporation has elected to use procedures known as “stratification” in relation to its use of the notice-and-access rule. Stratification occurs when the Corporation, while using the notice-and-access rule, provides paper copies of the Meeting materials to certain Shareholders. In relation to the Meeting, if you are a registered Shareholder you will receive a paper copy of each of the Notice of Meeting, the Circular, the Financial Statements and the associated MD&A, and a form of proxy (a “**Form of Proxy**”), whereas if you are Beneficial Shareholder you will only receive the Notice Package consisting of a Notice of Meeting, VIF and a supplemental mail card.

If you are a Beneficial Shareholder and you would like to receive a paper copy of the Meeting materials prior to the voting deadline, you must send your request well in advance in order to ensure that either Alliance Trust Company (registrar and transfer agent the Corporation), or the Corporation, receives your request by Thursday, April 18 2019. This deadline should ensure sufficient time for you to receive paper copies of the Meeting materials. If your request is made before the Meeting date, the Meeting materials will be sent within three business days of receipt of the request.

Beneficial Shareholders may obtain paper copies of the Circular, the Financial Statements and related MD&A free of charge by contacting Alliance Trust Company toll free at 1-877-537-6111 or by e-mail at [inquiries@alliancetrust.ca](mailto:inquiries@alliancetrust.ca), or from the Corporation’s Executive Chairman of the Board at e-mail [asmith@pfbcorp.com](mailto:asmith@pfbcorp.com).

Shareholders with questions about notice-and-access may contact Alliance Trust Company, toll-free at 1-877-537-6111 or by e-mail at [inquiries@alliancetrust.ca](mailto:inquiries@alliancetrust.ca), or from the Corporation’s Executive Chairman of the Board at e-mail [asmith@pfbcorp.com](mailto:asmith@pfbcorp.com).

Pursuant to the notice-and-access rules, the Corporation will also provide a paper copy of Meeting materials to any Beneficial Shareholder free of charge upon request for a period of one year from the date the Circular is filed on SEDAR. If your request is made after May 9, 2019, the date of the Meeting, the Meeting materials will be sent to you within 10 calendar days of receipt of your request.

Beneficial Shareholders will be mailed the Notice Package by their respective broker, custodian, or other financial institution. Beneficial Shareholders should follow the completion and delivery instructions contained in the Notice Package and are reminded to review the Circular before voting. For further information, please see the information contained under the heading “Who Can Vote – Notice to Beneficial Shareholders” below.

Shareholders who are unable to attend the Meeting and who wish to ensure that their Common Shares will be voted at the Meeting are requested to complete, sign and date the enclosed Form of Proxy solicited by management of the Corporation in accordance with the instructions set out therein. All proxies must be received at the office of Alliance Trust Company, 1010, 407-2nd Street S.W., Calgary, Alberta, T2P 2Y3, not later than 48 hours (excluding Saturdays, Sundays, and statutory holidays) before the time set for the Meeting or, if the Meeting is adjourned, not later than 48 hours preceding the time of such adjourned Meeting, otherwise the Form of Proxy will be invalid.

## WHO CAN VOTE

### Appointment of Proxies

Shareholders of record on March 25, 2019 the Record Date (as defined herein), may vote in person at the Meeting, or they may appoint a nominee (who need not be a Shareholder) to represent the Shareholder at the Meeting and vote on his or her behalf. The Form of Proxy is provided for the convenience of Shareholders. However, any other proper form of proxy may be used. Unless you are able to attend the Meeting in person, you must complete and deposit a form of proxy for the Meeting in order to be able to vote at the Meeting. The two persons named in the enclosed Form of Proxy are directors of the Corporation.

**A Shareholder has the right to appoint a nominee other than the persons designated in the enclosed Form of Proxy (who need not be a Shareholder) to represent the shareholder at the Meeting,** by inserting the name of the desired representative in the blank space provided for that purpose on the Form of Proxy and by striking out the other names, or by completing another appropriate form of proxy. A Shareholder should notify the nominee of the appointment, obtain the nominee's consent to act as proxy and instruct the nominee on how the Shareholder's Common Shares are to be voted. The form of proxy should be dated and executed by the Shareholder or by the Shareholder's attorney authorized in writing.

### **Deposit of Proxies**

The completed Form of Proxy or Proxies must be addressed to the Secretary of the Corporation, and delivered to the offices of Alliance Trust Company, 1010, 407-2nd Street S.W., Calgary, Alberta, T2P 2Y3, or at the corporate office of the Corporation at 300, 2891 Sunridge Way N.E., Calgary, Alberta, T1Y 7K7, at least 48 hours before the time of the Meeting.

### **Validity of Proxies**

The instrument appointing a proxy must be in writing in any effectual form, dated and be executed by the Shareholder or his attorney authorised in writing, or if the Shareholder is a corporation, under its corporate seal, properly executed by an officer or attorney thereof, duly authorised, and, in any case, shall cease to be valid one year from its date. The proxy is valid for the Meeting on Thursday, May 9, 2019, and for all adjournments thereof. All information regarding proxies, and revocations, applies to adjournments, with the appropriate time limitation changes.

### **Revocation of Proxies**

A Shareholder, or an Intermediary (as defined herein) acting on behalf of a Beneficial Shareholder, which has given a proxy, has the power to revoke it. If a person who has given a proxy attends personally at the Meeting, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing, executed by the Shareholder or his attorney authorized in writing, or if the Shareholder is a corporation, under its corporate seal and signed by an officer or attorney thereof duly authorised. The revocation of proxy must be deposited with the Secretary of the Corporation, in care of Alliance Trust Company, 1010, 407-2nd Street S.W., Calgary, Alberta, T2P 2Y3, or at the corporate office of the Corporation at 300, 2891 Sunridge Way, N.E., Calgary, Alberta, T1Y 7K7, at any time up to and including the last business day preceding the day of the Meeting or with the Executive Chairman at the Meeting, and, upon such deposit, the proxy is revoked.

### **Voting of Common Shares Represented by Proxies**

The persons named in the enclosed Form of Proxy will vote the Common Shares in respect of which they are appointed in accordance with the direction of the Shareholders who appoint them and if the Shareholder specifies a choice with respect to any matter the Common Shares will be voted accordingly. **In the absence of such direction, such Common Shares will be VOTED IN FAVOUR OF ALL MATTERS identified in the Notice of Meeting accompanying this Circular.**

### **Notice to Beneficial Shareholders**

The information set forth in this section is of significant importance to Beneficial Shareholders. Beneficial Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting or any adjournment(s) thereof. A Shareholder is not the registered holder of Common Shares if such Common Shares are held through a nominee such as broker, investment dealer, bank, trust company, or other intermediary (collectively, an "**Intermediary**").

Common Shares held by Intermediaries can only be voted upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries are prohibited from voting Common Shares for Beneficial Shareholders. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their**

**Common Shares are communicated to the appropriate person or that the Common Shares are duly registered in their name prior to the Meeting.**

Applicable regulatory policy requires Intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. Every Intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the VIF provided to a Beneficial Shareholder is identical to the Form of Proxy provided to registered Shareholders; however, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. (“**Broadridge**”). Broadridge typically mails a scannable VIF to Beneficial Shareholders in lieu of the Form of Proxy. Beneficial Shareholders will be requested to complete and return the VIF to Broadridge by mail or facsimile. Alternatively, Beneficial Shareholders can call a toll-free telephone number or access Broadridge’s dedicated internet voting site to vote the Common Shares held by the Beneficial Shareholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting or any adjournment(s) thereof.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of its Intermediary, the Beneficial Shareholder may attend the Meeting as a proxyholder for the registered Shareholder and vote its Common Shares in that capacity. Should a Beneficial Shareholder wish to attend the Meeting and vote its Common Shares, it must enter its own name in the blank space on the form of proxy provided to the Beneficial Shareholder and return the document to its Intermediary (or the agent of its Intermediary) in accordance with the instructions provided by such Intermediary well in advance of the Meeting.

The Corporation will not send proxy-related materials directly to non-objecting Beneficial Shareholders. Such materials will be delivered to non-objecting Beneficial Shareholders through their Intermediary.

The Corporation does not intend to pay the costs for an Intermediary to deliver to objecting Beneficial Shareholders the proxy-related materials and Form 54-101F7 – *Request for Voting Instructions Made by Intermediary* of NI 54-101, and objecting Beneficial Shareholders will not receive the materials unless their Intermediary assumes the costs of delivery.

### **Voting Securities and Principal Holders of Voting Securities**

The board of directors of the Corporation (the “**Board**”) has fixed the close of business on March 25, 2019, as the record date for determining which Shareholders are entitled to receive notice of the Meeting (the “**Record Date**”). Only Shareholders of record at the close of business on March 25, 2019, shall be entitled to vote at the Meeting, except to the extent that: (i) the holder has transferred the ownership of any of the Shareholder’s Common Shares after that date; and (ii) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that the transferee owns the Common Shares, and demands, not later than 10 days before the Meeting, that the transferee’s name be included in the list of persons entitled to vote at the Meeting, in which case the transferee will be entitled to vote the transferee’s Common Shares at the Meeting.

A quorum for the transaction of business at any meeting of Shareholders shall be two persons present in person, each being a Shareholder entitled to vote thereat or a duly appointed proxy holder or representative for a Shareholder so entitled, irrespective of the number of Common Shares held by such persons.

On the Record Date set for the Meeting there were 6,716,003 issued and outstanding Common Shares. On all matters to be considered and acted upon at the Meeting, holders of Common Shares are entitled to one vote for each Common Share held.

To the knowledge of the directors and executive officers of the Corporation, the only persons or companies beneficially owning, directly or indirectly, or exercising control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation on the Record Date are:

Name	Number of Common Shares Held or over which Control or Direction is Exercised	Percentage of Issued and Outstanding Common Shares
C. Alan Smith	2,972,168	44.26 %
Kernwood Limited	1,127,100	16.78 %

The information as to Common Shares owned by the Shareholders listed in the above table has been furnished by either the Shareholders individually or by public filings and has not been verified by management of the Corporation.

### **BUSINESS TO BE TRANSACTED AT THE MEETING**

The business to be conducted at the Meeting is described in detail below. The matters to be considered are as follows:

- To receive the consolidated financial statements of the Corporation and auditors' report thereon for the financial years ended December 31, 2018 and 2017;
- To elect the directors for the ensuing year;
- To appoint the auditors of the Corporation for the ensuing year and authorize the Board to fix their remuneration;
- To transact such other business as may properly be brought before the Meeting or at any adjournment thereof.

### **CONSOLIDATED FINANCIAL STATEMENTS**

The Corporation's audited consolidated financial statements for the financial years ended December 31, 2018 and 2017, together with notes thereto and the report of the auditors thereon, are included in the Corporation's 2018 annual report ("**2018 Annual Report**"). Copies of the 2018 Annual Report can be viewed or downloaded in portable document format (PDF) from the Corporation's website at [www.pfbcorp.com](http://www.pfbcorp.com) by selecting the "Investors" option on the menu bar followed by selecting the "Public Reporting Documents" option from the drop down menu.

A copy of the Corporation's Financial Statements and MD&A were filed on SEDAR on March 8, 2019, and are accessible under the Corporation's profile at [www.sedar.com](http://www.sedar.com).

### **ELECTION OF DIRECTORS**

The directors of the Corporation are elected to serve until the next annual meeting of Shareholders. All Shareholders are entitled to vote their Common Shares for the election of directors. The articles of the Corporation provide for a minimum of 3 directors and a maximum of 15 directors.

The Corporation has adopted a majority voting policy which requires that any nominee for director who receives a greater number of votes withheld than for his or her election shall tender his or her resignation to the Executive Chairman of the Board immediately following the meeting at which the election occurred. This policy applies only to uncontested elections, meaning elections where the number of nominees for director is equal to the number of directors to be elected. The Corporate Governance and Nominating Committee (the "**CG&NC**") and the Board shall consider the resignation and whether or not it should be accepted. The nominee shall not participate in any committee or Board deliberations on the resignation offer. Resignations are expected to be accepted except in situations where circumstances warrant the applicable director continuing to serve as a member of the Board. The Board shall disclose its election decision, via press release, within 90 days of the applicable meeting. If a resignation is accepted, the Board may appoint a new director to fill the vacancy created by the resignation.

The Board has determined that the number of directors to be elected at the Meeting is eight. Management of the Corporation proposes to nominate each of the following persons for election as a director. As you will note from the enclosed Form of Proxy and voting instruction form, Shareholders are required to vote for each proposed director individually as opposed to voting for directors as a slate. **Unless otherwise directed, it is the intention of**

management to vote proxies in the accompanying Form of Proxy in favour of the election as directors of the eight nominees hereinafter set forth:

Name, Position with the Corporation and Municipality of Residence	Principal Occupation and Business for the Past 5 Years	Director Since	No. of Common Shares Owned, Controlled, or Directed
Bruce M. Carruthers Director Alberta, Canada	Corporate Director Former Chief Operating Officer of PFB Corporation from July 1971 to December 2018	1992	51,500
Donald J. Douglas <sup>(2) (3) (4) (5)</sup> Director Alberta, Canada	Chairman Emeritus, United Communities Inc. since 2014 and, prior thereto, President and Chief Executive Officer, from 1984 to 2014	2005	30,000
Leslie A. Lundquist <sup>(2)</sup> Director Alberta, Canada	Director at Lundquist Investment Management Inc., since June 26, 2018 and, prior thereto, Senior Vice President, Portfolio Manager, Franklin Bissett Investment Management, from 1992 to 2015	2018	Nil
Vanessa H. Rennie <sup>(7)</sup> Director Alberta, Canada	Vice President, Aeonian Capital Corporation, a private investment company	2015	1,500
John K. Read <sup>(2) (4) (5) (6)</sup> Director Alberta, Canada	President of Picante Capital Corp., a privately held investment firm	2005	36,000
C. Alan Smith <sup>(1) (4) (5)</sup> Executive Chairman of the Board and a Director Alberta, Canada	President, Aeonian Capital Corporation, a private investment company	1993	2,972,168
William H. Smith, Q.C. <sup>(8)</sup> Corporate Secretary and Director Alberta, Canada	Principal of William H. Smith Professional Corporation, LLP, a law firm.	1992	42,600
Gordon G. Tallman <sup>(2) (4)</sup> Director Alberta, Canada	Corporate Director	2002	25,000

Notes:

- (1) Mr. C. Alan. Smith controls Aeonian Capital Corporation, which, together with affiliates, owns 2,972,168 (44.26%) Common Shares.
- (2) Member of the Audit Committee.
- (3) Member of the Environmental and Safety Committee (includes management members).
- (4) Member of the Corporate Governance and Nominating Committee.
- (5) Member of the Human Resources and Compensation Committee.
- (6) Mr. John K. Read holds 36,000 Common Shares indirectly in the Read Family Foundation.
- (7) Vanessa H. Rennie is a Director and Officer of Larkspur Investments Corporation, which holds 1,500 Common Shares of the Corporation, and, is a director and officer of Aeonian Capital Corporation, a 10% security holder of the Corporation.
- (8) William H. Smith is a director of Aeonian Capital Corporation, a 10% security holder of the Corporation.

The information as to Common Shares owned by directors listed in the above table has been furnished by the respective directors individually and has not been independently verified by management of the Corporation.

Other than as disclosed below, no proposed director:

- (a) is, as at the date hereof, or has been, within the past 10 years, a director, chief executive officer or chief financial officer of any company (including the Corporation) that,
  - (i) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
  - (ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) is, as at the date hereof, or has been, within the past 10 years, a director or executive officer of any company that, while acting in that capacity, or within a year of ceasing to act in that capacity, became

- bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the past 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets; or
- (d) has been subject to:
- (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
  - (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

***William H. Smith***

William H. Smith was a director and officer of Oilexco Incorporated (“**Oilexco**”) when, as a consequence of the severe disruption in the financial and commodity markets during the fall of 2008, it filed for protection under the *Companies Creditors’ Arrangement Act* (Canada) (“**CCAA**”) and its wholly-owned subsidiary in the United Kingdom filed for administration for the benefit of its creditors. Oilexco was subsequently suspended from trading by the TSX Venture Exchange (the “**TSX-V**”) and a cease trade order was issued by Alberta Securities Commission for failure by Oilexco to file financial statements. In addition, the directors of Oilexco, including Mr. Smith, were reprimanded by the TSX-V based on the TSX-V finding that Oilexco ought to have issued certain press releases when it was insolvent. Mr. Smith was a director of SemBioSys Genetics Inc. (“**SemBioSys**”) until May 2012. Subsequently, a creditor obtained the appointment of a receiver for certain assets of SemBioSys over which the creditor held security.

***Gordon G. Tallman***

Gordon Tallman was a director of Oilsands Quest Inc. (“**OQI**”) on November 28, 2011, when it filed for creditor protection under the CCAA. The NYSE Amex (“**NYSE**”) also halted trading in the common shares of OQI on that date. Mr. Tallman formally resigned from the board of OQIs effective December 20, 2011. On June 1, 2012 the NYSE MKT LLC delisted OQI for failure to meet its continued listing requirements. In August 2012, the Alberta Securities Commission and other securities commissions in Canada issued cease trade orders for failure to file audited financial statements and MD&A for the year ended April 30, 2012. All assets of OQI have been sold and the company is no longer in existence.

***John K. Read***

John K. Read resigned from the board of directors of OQI in September 2011. On November 28, 2011, OQI filed for creditor protection under the CCAA. The NYSE also halted trading in the common shares of the OQI on that date. On June 01, 2012 the NYSE MKT LLC delisted OQI for failure to meet its continued listing requirements. In August 2012, the Alberta Securities Commission and other securities commissions in Canada issued cease trade orders for failure to file audited financial statements and MD&A for the year ended April 30, 2012. All assets of OQI have been sold and the company is no longer in existence.

***Donald J. Douglas***

Donald J. Douglas resigned from the board of directors of Trafina Energy Ltd. on June 13, 2012. On June 13, 2012, the board of directors of Trafina Energy Ltd. authorized the signing officers of the Corporation to consent to the National Bank of Canada’s receivership order. Subsequently, the company ceased operations.

**APPOINTMENT OF AUDITORS**

At the Meeting, the Shareholders will vote to appoint Deloitte LLP, Chartered Professional Accountants, of Calgary, Alberta, as auditors of the Corporation to hold office until the next annual meeting of Shareholders or until a successor is appointed, and to authorize the Board to fix the auditors’ remuneration. Deloitte LLP was first appointed auditors of the Corporation in 1985.

## STOCK OPTION PLAN

Under the Corporation's stock option plan (the "**Stock Option Plan**"), the Board may from time to time designate directors, officers, employees of, or providers of services to, the Corporation to whom options to purchase Common Shares ("**Options**") may be granted and the number of Common Shares to be optioned to each.

The Stock Option Plan is in place to assist the Corporation in attracting, retaining and motivating directors, officers, employees, consultants and advisors (the "**Participants**") and to closely align their personal interests with those of the Shareholders by providing them with the opportunity, through Options, to acquire Common Shares.

The Stock Option Plan is administered by the Board, which has final authority and discretion, subject to the express provisions of the Stock Option Plan, to interpret the Stock Option Plan, to prescribe rules and regulations relating to it and to make all other determinations deemed necessary or advisable for the administration of the Stock Option Plan. This includes discretion to determine who will be entitled to participate in the Stock Option Plan.

Except as hereinafter described, the Board may amend, suspend or terminate the Stock Option Plan, and to the extent any such amendment, suspension or termination adversely affects any Options previously granted under the Stock Option Plan, the consent of the holder of such Option is required. Shareholder approval is not required to implement ANY amendments, save and except for amendments related to: (i) an increase in the maximum number of Common Shares reserved for issuance under the Stock Option Plan; (ii) a reduction in the exercise price for Options held by insiders; (iii) an extension to the term of Options held by insiders; (iv) an increase in the 10% limits on grants to insiders set out in the Stock Option Plan; and (v) an amendment in the provisions of the amending procedures of the Stock Option Plan.

The term for Options is determined by the Board at the time the options are granted (the "**Grant Date**"), but such term may not exceed ten years from the Grant Date. Options granted under the Stock Option Plan are non-transferable. Vested Options granted under the Stock Option Plan terminate immediately if a Participant is dismissed with cause or within 30 days if a Participant ceases to be a director, officer, employee, consultant or advisor by reason of death, disability or retirement. For other discretionary circumstances where an adjustment of the option exercise period is approved by the Board, vested Options granted under the Stock Option Plan will terminate on the earlier of: (i) the expiry of the Option; or (ii) six months from the date of ceasing to be a director, officer, employee, consultant, or advisor. The Board determines when Options granted under the Stock Option Plan expire, as long as the expiry date determined by the Board does not exceed ten years from the Grant Date and the period during which the Options may be exercised by the Participant. If the date on which granted Options expire occurs during or within 10 days after the last day of a black out period, the expiry date for the Options will be the last day of such 10 day period.

The maximum number of Common Shares that may be reserved for issuance to any one eligible person pursuant to Options granted under the Stock Option Plan is 5% of the number of Common Shares issued and outstanding at the time of reservation.

The maximum number of Common Shares that may be reserved for issuance to insiders pursuant to the Stock Option Plan and any other previously established or proposed share compensation arrangement is 10% of the number of Common Shares outstanding. The maximum number of Common Shares that may be issued to any one insider under the Stock Option Plan and any other previously established or proposed share compensation arrangement within a one-year period is 5% of the number of Common Shares outstanding.

If, at any time during the period when an Option has been granted to a Participant but remains unexercised, there is a take-over bid as defined in any applicable securities legislation (including an exempt take-over bid other than an exempt take-over bid which permits purchases of up to 5% of issued capital per year through the facilities of a recognized stock exchange), the Corporation shall provide each Participant with any information that is in the public domain that it has in its possession on a timely basis. The provisions of any option agreement notwithstanding, the vesting time for the exercise of the Options will be accelerated to allow the Participant to exercise all outstanding Options to facilitate the tendering of Common Shares to the takeover bid.

If a dilution of value or a reorganization of the Common Shares occurs by way of a share dividend, share split, issuance of shares or instruments convertible into Common Shares (other than pursuant to the Stock Option Plan) for less than market value, share consolidation, share reclassification, exchange of Common Shares,



recapitalization, amalgamation, merger, consolidation, corporate arrangement, reorganization, liquidation or the like, the Participant shall be entitled to a pro rata adjustment to the number of Options, or to the exercise price, or both, as shall be appropriate to give proper effect to such event, including to prevent, to the extent possible, substantial dilution or enlargement of rights granted to Participants under the Plan. If because of a proposed merger, amalgamation or other corporate arrangement or reorganization, the exchange or replacement of shares for those in another corporation is imminent, the Board will determine the manner in which all unexercised Options will be treated including adjustment to the time period for the exercise of such rights by the Participants.

The aggregate number of Common Shares reserved for issuance to insiders of the Corporation within any twelve-month period, or issuable to insiders of the Corporation at any time, under the Stock Option Plan and any other share compensation arrangement of the Corporation, may not exceed 10% of the total number of issued and outstanding Common Shares at such time.

The exercise price for the Common Shares issued pursuant to the Stock Option Plan is determined by the Board but cannot be less than the closing market price of the Common Shares on the TSX on the trading day immediately prior to the grant of the Option (if no trades occurred on such a day, then on the next previous day on which trading took place) or such other price as may be set by the Board and approved by the TSX.

The maximum number of Common Shares that may be reserved for issuance under the Stock Option Plan is 10% of the Common Shares that are issued and outstanding from time to time. As a result, Shareholder approval of the Stock Option Plan must be obtained every three years. The Stock Option Plan was last approved by the Shareholders at the annual meeting of Shareholders held on May 11, 2017, which provided the Corporation with a continuing ability to grant options under the Stock Option Plan until May 11, 2020.

As at December 31, 2018 there were 400,000 stock options granted and an additional 100,000 stock options were granted prior to the date of this Circular. In total, there are 500,000 stock options granted under the Stock Option Plan.

***Any increase in the issued and outstanding common shares will result in an increase in the available number of common shares issuable under the Stock Option Plan, and any exercises of options will make new grants available under the Stock Option Plan effectively resulting in a re-loading of the number of options available to grant under the Stock Option Plan.***

## **Burn Rate**

As mandated by TSX rules, the following table sets forth the annual burn rate for each of the three most recently completed fiscal years for the Corporation's Stock Option Plan. In accordance with TSX rules, the burn rate has been calculated by dividing the number of Options granted under the Stock Option Plan during the applicable fiscal year, by the weighted average number of Common Shares outstanding for the applicable fiscal year:

<b>Plan</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Stock Option Plan <sup>(1)</sup>	0%	0%	5.96%

Note:

<sup>(1)</sup> The Corporation did not grant any Options during the fiscal years ended December 31, 2016 and 2017.

## **Equity Compensation Plan Information**

The following table sets out certain information in respect of the Company's equity compensation plans (being the Stock Option Plan) as at December 31, 2018.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights <sup>(2)</sup> #	Weighted-average exercise price of outstanding options, warrants and rights \$	Number of securities remaining available for future issuance under equity compensation plans <sup>(1), (2)</sup> #
Equity compensation plans approved by security holders	400,000	\$8.47	271,600
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	400,000	\$8.47	271,600

Notes:

<sup>(1)</sup> The number of securities available for issuance at any given time under the Stock Option Plan is equal to 10% of the Common Shares that are issued and outstanding at such time. For a description of the Stock Option Plan, see “STOCK OPTION PLAN” above.

<sup>(2)</sup> Subsequent to the year ended December 31, 2018 and prior to the date of this Circular, 100,000 Options were granted under the Stock Option Plan. The number of securities remaining available for future issuance under equity compensation plans: (i) at December 31, 2018 is equal to 4.04% of the Common Shares outstanding, at such time, and (ii) at the date of this Circular, is equal to 2.56% of the Common Shares outstanding, at such time.

## EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

On September 18, 2008, the Canadian Securities Administrators announced the adoption of new rules under Form 51-102F6 – *Statement of Executive Compensation* (“**Form 51-102F6**”) which came into effect on December 31, 2008, and applies to all management information circulars issued by companies with financial years ending on or after that date. This Circular includes the required disclosures under Form 51-102F6.

#### Overview of Executive Compensation

Compensation for the Executive Chairman and for the Chief Executive Officer (“**CEO**”) of the Corporation is established by the Human Resources and Compensation Committee (“**HR&CC**”) who make a recommendation to the Board. The Executive Chairman of the Board of Directors of the Corporation (“**Executive Chairman**”) is C. Alan Smith who controls Aeonian Capital Corporation (“**Aeonian**”) which owns, together with affiliates, 2,972,168 or 44.26% of the issued and outstanding Common Shares as at the date of this Circular. The Corporation has been charged annual fees of \$350,000, by Aeonian, which included fees for management services provided by Mr. Smith. The annual fee was approved by the Board. The annual fee decisions for the Executive Chairman are not based on specific objective measures. The CEO of the Corporation is Robert Graham. The annual compensation of the CEO and other named executive officers (“**NEOs**”) is reviewed and approved by the HR&CC based on recommendations made by the Executive Chairman and the HR&CC, which take into consideration individual circumstances including the scope of an executive’s relevant competencies and experience.

#### Composition and Responsibilities of the Human Resources and Compensation Committee

In the most recently completed fiscal year, the HR&CC was comprised of, Mr. John K. Read (Chair), Mr. C. Alan Smith and Mr. Donald J. Douglas. Mr. Read and Mr. Douglas are independent directors who have never been officers or employees of either the Corporation or any of its subsidiaries. Mr. C. Alan Smith is not an independent director because he is the former President and Chief Executive Officer of the Corporation and the current full-time Executive Chairman of the Corporation.

All members of the HR&CC have direct experience in compensation matters arising from holding current or former executive positions in other companies or by serving in similar capacities on other public company boards. Collectively, this experience provides the HR&CC with the knowledge, skills, experience and background in executive compensation and human resources matters to makes decisions regarding the suitability of the Corporation’s compensation policies and practices.

The primary responsibilities of the HR&CC include the following:

- reviewing the CEO's compensation and recommend approval by the independent directors of the Board;
- evaluating the CEO's performance on an annual basis;
- reviewing with the CEO the compensation plans for NEOs and make recommendations to the Board;
- annually reviewing and consider management succession planning;
- annually reviewing and recommend the compensation to be paid to the directors;
- reviewing public disclosure with respect to executive compensation made by the Corporation; and
- reviewing and assessing the adequacy of the Corporation's human resources policies to ensure that the Corporation's legal and ethical obligations to its employees are being fulfilled.

No members of the HR&CC, have any indebtedness to the Corporation or any of its subsidiaries nor have they any material interest, or have any associates or affiliates which may have any material interest, direct or indirect, in any actual or proposed transactions in the last financial year which materially affected or would materially affect the Corporation or any of its subsidiaries.

### **Managing Compensation Risk**

The HR&CC, as part of its annual review process, considered the implications of potential risks associated with the Corporation's compensation policies and practices. The HR&CC concluded that, given the nature of the Corporation's business and the role that the HR&CC fulfills with regards to overseeing the Corporation's executive compensation practices, the compensation policies and practices did not serve to encourage any NEO or other individual to take inappropriate or excessive risks. Furthermore, no risks were identified as arising from the Corporation's compensation policies and practices that are reasonably likely to have a material adverse effect on the Corporation.

### **Objectives of Executive Compensation**

The Corporation's executive compensation program is structured to be industry competitive and attract, motivate and retain high performing senior executives and reward superior personal performance that supports the short and long-term goal of the Corporation to create long-term value for Shareholders. Total compensation for the Corporation's NEOs, excluding the Executive Chairman, includes a base salary, an annual incentive plan consisting of a cash bonus, eligibility for Option grants and a car allowance. In determining compensation for the Corporation's NEOs, the Corporation periodically benchmarks both the base salary element and total compensation levels against data available in the public domain either from other companies or from data made available by independent compensation professionals who publish compensation surveys. Compensation objectives are formulated by positioning total compensation at above the median level which is defined as the 50th percentile of corresponding positions identified in comparable companies or in compensation surveys used for comparison purposes. No peer group benchmarking was undertaken in fiscal 2018.

In fulfilling its mandate, the HR&CC may engage, at the Corporation's cost, outside consultants to provide expertise and advice on matters relating to executive compensation. Such information and/or advice may be used by the HR&CC in connection with the development and oversight of executive compensation policies and programs. No outside consultants were engaged in fiscal 2018.

### **Performance Reward Programs**

The compensation of each of the Corporation's NEOs, except the Executive Chairman, is impacted by how well each individual has performed as well as overall business success. The overall compensation package has an 'at-risk' component which may vary from year-to-year depending on business results and individual performance.

The executive incentive program (the "**Program**") is designed to motivate participants of the Program to focus on maximizing cash flows from operations to ultimately strengthen the financial performance and condition of the Corporation. In 2018, all participants in the Program were incentivised based on the Corporation's consolidated financial results for the purpose of determining operating cash flows. Participants of the Program in 2018 included

the following: the Chief Executive Officer; the former Chief Operating Officer; the Chief Financial Officer; the Chief Information Officer; Vice President, Sales; Vice President, Manufacturing; and two other functional managers. In 2018, annual incentive plans for the Corporation's NEOs and other participants included a discretionary payment for one NEO.

The Corporation has an employee profit sharing plan (the "EPSP") which is approved by the Board. Under the EPSP, 5% of the Corporation's audited consolidated pre-tax income in each fiscal year is paid out to all eligible employees on a proportional basis to their eligible gross payroll earnings for that year. Participants in the Program are excluded from the EPSP.

### Trades in Securities of the Corporation

The Corporation does not have any written policies which prohibit an NEO or a director from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

### Summary Compensation Table

The following table sets forth the compensation earned by the NEOs of the Corporation for each of the Corporation's three most recently completed financial years:

Name and Principal position	Year	Salary <sup>(1)</sup> (\$)	Share-based awards (\$)	Option-based awards <sup>(2)</sup> (\$)	Non-equity incentive Plan compensation		Pension Value (\$)	All other <sup>(4)</sup> Compensation (\$)	Total Compensation (\$)
					Annual incentive plans <sup>(3)</sup> (\$)	Long-term incentive plans (\$)			
C. Alan Smith <sup>(5)</sup> Executive Chairman and a director, former President and CEO	2018	-	-	-	-	-	-	350,000	350,000
	2017	-	-	-	-	-	-	350,000	350,000
	2016	-	-	-	-	-	-	350,000	350,000
Robert Graham <sup>(6)</sup> Chief Executive Officer	2018	243,808	-	190,592	74,667	-	-	9,000	518,067
	2017	202,923	-	-	45,909	-	-	-	248,832
	2016	124,038	-	-	-	-	-	-	124,038
Bruce M. Carruthers Former Chief Operating Officer Plasti-Fab Ltd. and a director	2018	216,391	-	-	136,890	-	-	12,000	365,281
	2017	212,148	-	-	84,166	-	-	12,000	308,314
	2016	209,093	-	-	124,189	-	-	12,000	345,282
James Lawrence Banner <sup>(7)</sup> Division President	2018	255,257	-	-	56,206	-	-	-	311,463
	2017	241,716	-	-	24,245	-	-	-	265,961
	2016	253,139	-	-	32,140	-	-	-	285,279
Gregory J. MacKenzie Vice President, Manufacturing Plasti-Fab Ltd.	2018	171,641	-	-	50,671	-	-	12,000	234,312
	2017	168,884	-	-	45,909	-	-	12,000	226,793
	2016	166,451	-	-	67,740	-	-	12,000	246,191
Marc Brisebois Vice President, Sales Plasti-Fab Ltd.	2018	181,439	-	-	48,745	-	-	-	230,184
	2017	177,881	-	-	45,909	-	-	-	223,790
	2016	175,319	-	-	67,740	-	-	-	243,059
Ethelred Ortega Chief Information Officer	2018	172,064	-	-	33,186	-	-	-	205,250
	2017	168,690	-	-	20,404	-	-	-	189,094
	2016	166,260	-	-	30,106	-	-	-	196,366
Mirko Papuga Chief Financial Officer	2018	177,608	-	95,296	41,482	-	-	-	314,386
	2017	168,306	-	-	20,404	-	-	-	188,710
	2016	142,082	-	-	30,106	-	-	-	172,188

Notes:

(1) Figures represent annualized basic salary amounts, which are adjusted by the Board (at its discretion) effective April 1<sup>st</sup> in each stated year.

(2) Based on the fair value of the applicable Options on the date of grant. The fair value of each Option granted is determined on the date of grant using the Black-Scholes option pricing model. There were no Options granted in 2017 or 2016. In 2018, the Corporation used the following pricing model for Options: the risk free interest rate was 2.11%; volatility was 18.04%; an average expected life of 9.69 years; and an estimated forfeiture rate of 0%. These amounts are not necessarily reflective of actual amounts that may be realized on exercise. See

"Outstanding Share-Based Awards and Option-Based Awards for Named Executive Officers" which reflect the value of the Options at December 31, 2018.

(3) Figures represent amounts paid or accrued with respect to annual incentive plans applicable to each stated year.

(4) Figures represent annualized vehicle allowance payments to Mr. Graham, Mr. Carruthers and Mr. MacKenzie and management fees paid to Aeonian.

(5) Mr. C. Alan Smith's compensation with respect to management fees is paid directly to Aeonian. Mr. Smith retired as President and Chief Executive Officer of the Corporation on March 8, 2018 and assumed the role of Executive Chairman of the Board.

(6) Mr. Graham was appointed Chief Executive Officer effective March 8, 2018.

(7) The table states Mr. Banner's fees in Canadian dollars. Mr. Banner received these fees in U.S. dollars. The amounts are translated at the Bank of Canada's closing exchange rate of approximately \$1.4006 USD/CAD, \$1.2964 USD/CAD and \$1.3004 USD/CAD in 2016, 2017 and 2018, respectively.

### Outstanding Share-Based Awards and Option-Based Awards for Named Executive Officers

No Options were exercised by any of the Corporation's NEOs during the year ended December 31, 2018. Subsequent to the year ended December 31, 2018 and prior to the date of this Circular, 100,000 Options were granted and a Restricted Share Unit Award was granted that entitles the holder to acquire 100,000 Common Shares.

The granting of Options to the Corporation's NEOs is aimed at recognizing and rewarding the impact of longer-term strategic actions undertaken by management, providing an added retention incentive, and aligning the interests of the Corporation's NEOs with those of its Shareholders. When considering new grants, the HR&CC takes into account previous grants.

The HR&CC is responsible for reviewing, monitoring, approving and ratifying awards made under the Stock Option Plan, including amendments to existing awards. The granting of Options to the Corporation's NEOs is approved by the Board upon recommendations made by the HR&CC. The Stock Option Plan is described under the heading "STOCK OPTION PLAN" above.

The following table discloses, for each of the Corporation's NEOs, all option-based awards and share-based awards outstanding at the end of the most recently completed financial year:

Named executive officer	Option-Based Awards				Share-Based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of shares or units that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of share-based awards not paid out or distributed (\$)
C. Alan Smith	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Bruce M. Carruthers	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Gregory J. MacKenzie	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Marc Brisebois	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Ethelred Ortega	Nil	N/A	N/A	N/A	N/A	N/A	N/A
James Lawrence Banner	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Mirko Papuga	125,000	8.50	Mar 12, 2028	125,000	N/A	N/A	N/A
Robert Graham	250,000	8.50	Mar 12, 2028	250,000	N/A	N/A	N/A

Note:

(1) Calculated based on the difference between the market price of PFB's Common Shares at December 31, 2018 (\$9.50) and the exercise price of the options (\$8.50).

The following table discloses, for each of the Corporation's NEOs, the aggregate dollar value that would have been realized if Options under the option-based awards had been exercised on the vesting date as well as the aggregate dollar value of share-based awards vested during the year and non-equity incentive plan compensation earned during the year:

Named executive officer	Option-based awards – value vested during the year (\$)	Share-based awards – value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
C. Alan Smith	Nil	Nil	Nil
Bruce M. Carruthers	Nil	Nil	136,890
Gregory J. MacKenzie	Nil	Nil	50,671
Marc Brisebois	Nil	Nil	48,745
Ethelred Ortega	Nil	Nil	33,186
James Lawrence Banner	Nil	Nil	31,886
Mirko Papuga	Nil	Nil	41,482
Robert Graham	Nil	Nil	74,667

### Termination and Change of Control Benefits

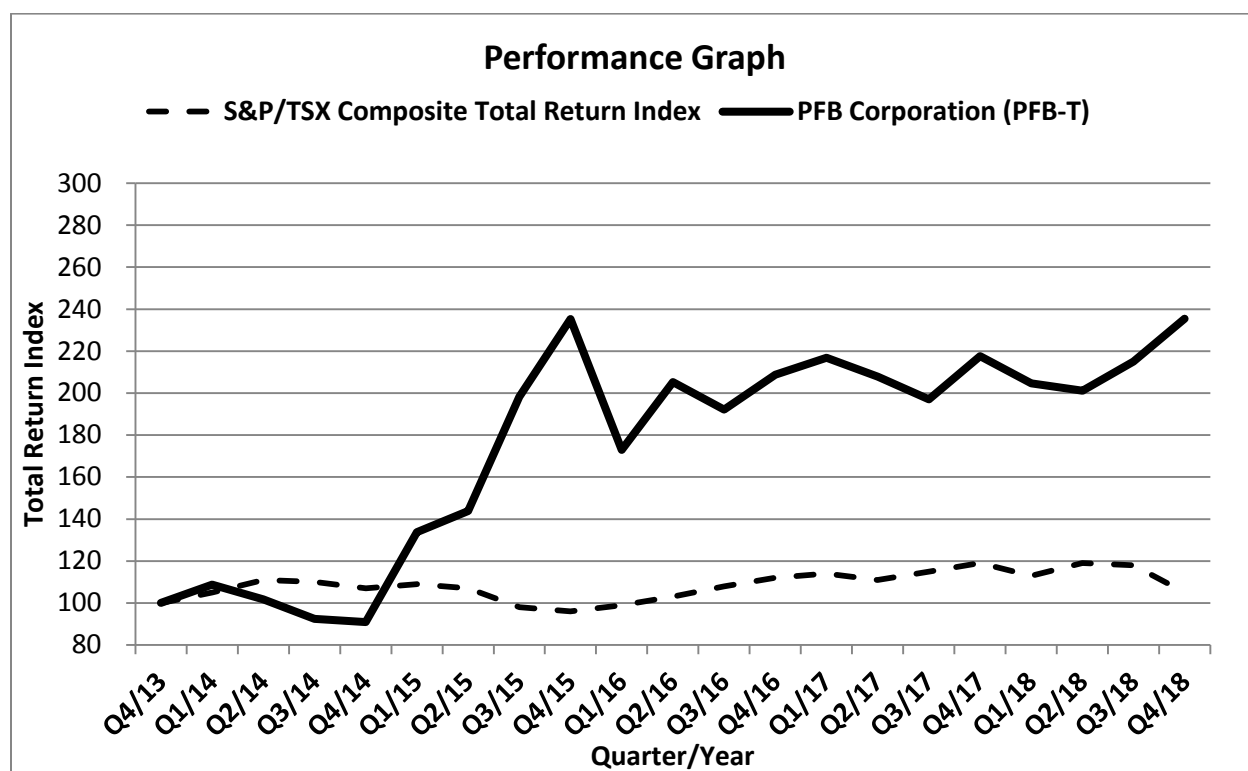
Mr. Carruthers retired as an officer of PFB effective December 31, 2018. In connection with Mr. Carruthers' retirement and pursuant to his employment agreement with PFB, Mr. Carruthers' was paid \$9,204 (prior to applicable tax withholdings) for accrued vacation. In addition, as part of his retirement and to incentivize Mr. Carruthers to remain on the Board, PFB entered into a Restricted Share Unit Award Agreement (the "**Agreement**") dated January 1, 2019 with Mr. Carruthers. Pursuant to the Agreement, the Corporation granted Mr. Carruthers a Restricted Share Unit Award (the "**RSU Award**") that provides him with the right to acquire 100,000 Common Shares ("**RSU Shares**") at his election. The RSU Award vested immediately on January 1, 2019 such that all of the RSU Shares may be acquired by Mr. Carruthers as of January 1, 2019.

Except as described below, the Corporation does not have a contract, agreement, plan or arrangement with any of its NEOs that provides for payments to an NEO at, following or in connection with any termination, resignation, retirement, change in control of the Corporation or a change in an NEO's responsibilities.

Under the Corporation's Stock Option Plan, in the event of a change of control (as defined therein) the vesting of unvested Options is accelerated to allow the Participant to exercise all outstanding Options. Messrs. Graham and Papuga were both granted Options in the year ended December 31, 2018. Assuming a change of control (as defined in the Stock Option Plan) event occurred on December 31, 2018, the value of the unvested accelerated exercised in-the-money Options would be \$250,000 and \$125,000, respectively. The value is calculated based upon the difference between the exercise price of the Options and the closing price of the Corporation's Common Shares on the TSX on December 31, 2018 of \$9.50.

### Performance Graph

The following graph compares the cumulative total shareholder return over a five year period of \$100 investment in the Common Shares relative to the cumulative total return on \$100 invested in the S&P/TSX Composite Index. The shareholder return assumes all dividends are reinvested.



The change in the total compensation of the Corporation's NEOs does not in all cases correlate directly with the market price trend of the Common Shares as shown by this performance graph. Share price is impacted by a number of external factors beyond the control of management. The increase or decrease in the price per Common Share is not a determining factor for the Board in establishing the annual compensation of the Corporation's NEOs. The incentive component of the Corporation's NEOs compensation over recent years has been focused on generating cash flows from operations through revenue growth and cost control which management believes will be reflected in increased earnings and book value per Common Share and, ultimately, be reflected in the Corporation's share price. Certain NEOs have also been granted Options, which would benefit from any such share price increase.

### Compensation of Directors

The Corporation currently has nine directors, five of whom are independent, and four of whom are non-independent.

In 2018, compensation for directors who were not NEO's of the Corporation comprised an annual retainer paid in equal amounts on a quarterly basis and in the case of one director who was elected to the Board in 2018 for the first time, a grant of Options. The directors who receive compensation are all members or participants of various Board committees. The annual retainer was doubled during the course of 2018. The annual retainer of \$24,000 is payable to each of those directors as compensation for their participation in Board and Board committee meetings. The director who is also the chair of the Audit Committee receives an additional annual retainer of \$4,000 as compensation for the additional duties that come with that position bringing the total annual retainer to \$28,000 for that director. In 2018, the chair of the Audit Committee was Mr. Gordon G. Tallman. Directors who are employees or consultants of the Corporation do not receive director's compensation.

The following table discloses for each director of the Corporation who received compensation the actual compensation amount received during the most recently completed fiscal year. Mr. C. Alan Smith and Mr. Bruce M. Carruthers were NEO's of the Corporation in 2018 and their compensation is included above under "Summary Compensation Table". Ms. Vanessa Rennie, a director of the Corporation, is also an employee of Aeonian Capital Corporation which provides services to the Corporation and receives no compensation from the Corporation.

Name	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Frank B. Baker <sup>(1)</sup>	28,648	Nil	Nil	Nil	Nil	Nil	28,648
Donald Douglas	21,000	Nil	Nil	Nil	Nil	Nil	21,000
Edward H. Kernaghan <sup>(2)</sup>	3,000	Nil	Nil	Nil	Nil	Nil	3,000
John K. Read	21,000	Nil	Nil	Nil	Nil	Nil	21,000
Leslie A. Lundquist <sup>(3)(4)</sup>	12,000	Nil	20,349	Nil	Nil	Nil	32,349
Vanessa H. Rennie	Nil	Nil	Nil	Nil	Nil	Nil	Nil
William H. Smith	21,000	Nil	Nil	Nil	Nil	Nil	21,000
Gordon G. Tallman	24,500	Nil	Nil	Nil	Nil	Nil	24,500

Notes:

<sup>(1)</sup> The table states Mr. Baker's fees in Canadian dollars. Mr. Baker received three fees in U.S. dollars (US\$21,000 translated at the Bank of Canada's closing exchange rate of approximately \$1.3642 USD/CAD on December 31, 2018).

<sup>(2)</sup> Mr. Kernaghan was a director until May 10, 2018.

<sup>(3)</sup> Ms. Lundquist became a director on May 10, 2018.

<sup>(4)</sup> Based on the fair value of the applicable Options on the date of grant. The fair value of each Option granted is determined on the date of grant using the Black-Scholes option pricing model. There were no Options granted in 2017 or 2016. In 2018 the pricing model for Options: the risk free interest rate was 2.11%; volatility was 18.04%; an average expected life of 5 years; and an estimated forfeiture rate of 0%. These amounts are not necessarily reflective of actual amounts that may be realized on exercise. See "Outstanding Share-Based Awards and Option-Based Awards for Named Executive Officers" which reflect the value at December 31, 2018.

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

Options have been granted in the past to directors at the time of their appointment to the Board. The following table discloses, for each director who was not an NEO, all option-based awards and share-based awards outstanding at the end of the most recently completed financial year:

Name	Option-Based Awards				Share-Based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(3)</sup>	Number of shares or units that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of share-based awards not paid out or distributed (\$)
Frank B. Baker	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Donald Douglas	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Edward H. Kernaghan <sup>(1)</sup>	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Leslie A. Lundquist <sup>(2)</sup>	25,000	8.05	May 10, 2023	36,250	N/A	N/A	N/A
John K. Read	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Vanessa H. Rennie	Nil	N/A	N/A	N/A	N/A	N/A	N/A
William H. Smith	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Gordon G. Tallman	Nil	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

<sup>(1)</sup> Mr. Kernaghan was a director until May 10, 2018.

<sup>(2)</sup> Ms. Lundquist became a director on May 10, 2018.

<sup>(3)</sup> Calculated based on the difference between the market price of PFB's Common Shares at December 31, 2018 (\$9.50) and the exercise price of the options (\$8.05).



The following table discloses, for each director who was not an NEO in 2018, the aggregate dollar value that would have been realized if Options under the option-based award had been exercised on the vesting date as well as the aggregate dollar value of share-based awards vested during the year and non-equity incentive plan compensation earned during the year:

Name	Option-based awards – value vested during the year (\$)	Share-based awards – value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Frank B. Baker	Nil	Nil	Nil
Donald Douglas	Nil	Nil	Nil
Edward H. Kernaghan <sup>(1)</sup>	Nil	Nil	Nil
Leslie A. Lundquist <sup>(2)</sup>	Nil <sup>(3)</sup>	Nil	Nil
John K. Read	Nil	Nil	Nil
Vanessa H. Rennie	Nil	Nil	Nil
William H. Smith	Nil	Nil	Nil
Gordon G. Tallman	Nil	Nil	Nil

Notes:

<sup>(1)</sup> Mr. Kernaghan was a director until May 10, 2018.

<sup>(2)</sup> Ms. Lundquist became a director on May 10, 2018.

<sup>(3)</sup> All of Ms. Lundquist's Options vested on the grant date. On the grant date, since the exercise price of such Options was equal to the market price of such Options, there is no value reportable in the above table.

### Directors' and Officers' Liability Insurance

The Corporation maintains directors' and officers' liability insurance and excess directors' and officers' liability insurance. Each policy has an aggregate annual limit of liability for each loss of \$10,000,000 with a \$50,000 deductible. The insurance covers claims against any duly elected director of the Corporation, or any of its subsidiary companies, or duly elected or appointed executive officers for wrongful acts, including any actual or alleged act, error, omission, misstatement, neglect or breach of duty in the discharge of their legal duties solely in their capacity as a director or executive officer.

### OTHER PUBLIC COMPANY DIRECTORSHIPS AND COMMITTEE APPOINTMENTS

The following table indicates whether a current director is independent or non-independent pursuant to National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101"), and lists other public company directorships and committee appointments:

Name of Current Director or Nominee	Independent or Non-Independent	Other Public Company Directorships / Committee Appointments	
		Name of Company	Committee Appointments
Donald J. Douglas	Independent	None	None
Leslie A. Lundquist	Independent	None	None
John K. Read	Independent	None	None
Gordon G. Tallman	Independent	None	None
Frank B. Baker	Independent	None	None
Bruce M. Carruthers	Non-Independent	None	None
C. Alan Smith	Non-Independent	None	None
Vanessa H. Rennie	Non-Independent	None	None
William H. Smith, QC	Non-Independent	Mosaic Capital Corporation Orca Exploration Group Prospex Oil & Gas PLC	Audit, Compensation, Governance Audit, Remuneration, Reserves

## **INDEBTEDNESS OF NAMED EXECUTIVES, DIRECTORS AND SENIOR OFFICERS**

None of the current or former directors, executive officers, proposed nominees or employees of the Corporation were indebted to the Corporation nor had any indebtedness to another entity that was the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Corporation or any of its subsidiaries as of December 31, 2018, or at the date of this Circular, other than routine indebtedness as defined under applicable securities laws.

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

No director or officer of the Corporation, proposed nominee or other informed person has had a material interest, direct or indirect, in any material transaction affecting the Corporation during the most recently completed fiscal year or in any proposed transaction which, in either case, has materially affected or would materially affect the Corporation.

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

Management of the Corporation is not aware of any material interest, direct or indirect, of any director or proposed nominee for director, executive officer or any associate or affiliate of any of the foregoing in any matter to be acted upon at the Meeting, except as it relates to the election of directors as herein described.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Corporation's compliance with the corporate governance guidelines contained in NI 58-101 are described in Schedule A hereto. Audit Committee disclosures required by Form 52-110F1 – *Audit Committee Information Required in an AIF* are contained in the Corporation's Annual Information Form for the year ended December 31, 2018, dated March 8, 2019, which was filed on SEDAR on March 8, 2019.

### **Mandate of the Board of Directors**

The Board is responsible for overseeing the operation of the business of the Corporation, acting as a whole and through Board appointed committees. The Board fulfils this responsibility through the adoption of specific corporate policies; consideration of general and specific business objectives; review, amendment and approval of annual plans and budgets; formal and informal meetings with management and regular reviews of operating results.

Acquisitions, divestitures and significant expenditures require specific approval by the Board. The written mandate of the Board is attached as Schedule B hereto. The Board as a whole, and through the Audit Committee, identifies areas of risk to the Corporation and adopts policies to monitor areas of risk and mitigate risks.

All committees of the Board have adopted formal mandates. The Corporation is attentive to environmental regulations and concerns and corporate employees, having responsibility for environmental regulatory compliance, report directly to independent directors who sit on the Environmental and Safety Committee.

Management is expected to provide effective day-to-day operations within the scope of the Corporation's annual plan, to facilitate long range planning, to provide accurate and timely operating and financial information to the Board and the Shareholders.

## **OTHER MATTERS WHICH MAY COME BEFORE THE MEETING**

Management knows of no amendment, variation or other matters to come before the Meeting. However, if any other matter properly comes before the Meeting, the proxy named in the accompanying Form of Proxy will vote on such matter in accordance with the best judgement of such proxy.

## **ADDITIONAL INFORMATION AND AVAILABILITY OF DOCUMENTS**

Additional information concerning the Corporation, including Financial Statements for the years ended December 31, 2018 and 2017, and MD&A for the year ended December 31, 2018, were filed on SEDAR on March 8, 2019, and are available online at [www.sedar.com](http://www.sedar.com). The Corporation's Annual Information Form for the year ended December 31, 2018, was also filed on SEDAR on March 8, 2019.

In addition, the Corporation will provide to any person and, in the case of a Shareholder, without charge, upon request to the Corporation at 300, 2891 Sunridge Way NE, Calgary, Alberta T1Y 7K7, the following documents:

- (a) one copy of the Corporation's Annual Information Form for the year ended December 31, 2018;
- (b) one copy of the Corporation's comparative audited consolidated financial statements and management's discussion and analysis for its most recently completed financial year; and
- (c) this Circular.

## SCHEDULE A

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Form 58-101F1 Requirements	PFB Corporation Compliance	Comments Regarding the Corporation's Corporate Governance Practices
<b>1. BOARD OF DIRECTORS</b>		
(a) Disclose the identity of the directors who are independent.	Yes	The Corporation currently has five independent directors: Donald J. Douglas, Leslie A. Lundquist, John K. Read, Frank B. Baker and Gordon G. Tallman.
(b) Disclose the identity of the directors who are not independent, and describe the basis for that determination.	Yes	The Corporation currently has four directors who are not independent pursuant to NI 58-101 as a result of being current or past executive officers of either the Corporation, a related Corporation or a subsidiary of the Corporation: C. Alan Smith, former President and CEO and current Executive Chairman, Bruce M. Carruthers, former COO, Vanessa H. Rennie and William H. Smith, QC, Secretary. Vanessa Rennie is not independent as she is a director and officer of Aeonian Capital Corporation, a 10% security holder of the Corporation. William H. Smith, QC is not independent as he is a director of Aeonian Capital Corporation, a 10% security holder of the Corporation.
(c) Disclose whether or not a majority of the directors are independent. If a majority of directors are not independent, describe what the board of directors (the " <b>Board</b> ") does to facilitate its exercise of independent judgment in carrying out its responsibilities.	Yes	Currently, five of the nine directors are independent pursuant to NI 58-101.  Four of the eight nominees for directors proposed by management for election to the Board at the Annual Meeting of Shareholders to be held on May 9, 2019, are independent pursuant to NI 58-101. Independent directors are given the opportunity to meet on an ad hoc basis during regularly scheduled Board meetings, or otherwise as appropriate.
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	Yes	Please refer to the table under "Other Public Company Directorships and Committee Appointments" in the Management Information Circular.
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.	Yes	The independent directors hold discussions without the attendance of management and non-independent directors on an 'as required' basis usually during or after regularly scheduled board and/or committee meetings which are held at least each quarter. The Audit Committee also has discussions with the external auditors each quarter without management and non-independent directors being present.

Form 58-101F1 Requirements	PFB Corporation Compliance	Comments Regarding the Corporation's Corporate Governance Practices																																																																
(f) Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither an independent chair nor a lead director who is independent, describe what the Board does to provide leadership for its independent directors.	No	<p>Mr. C. Alan Smith is Executive Chairman of the Board and he is not considered to be an independent director as he retired from the role of President and Chief Executive Officer effective March 8, 2018 and is currently acting as Executive Chairman on a full-time basis.</p> <p>The Executive Chairman of the Board is responsible to ensure that the shareholders receive accurate, relevant and timely information with respect to Board actions and critical corporate issues and initiatives.</p> <p>The Chair of the Audit Committee has been appointed to act as Chair of the Board in the event the independent directors meet in the absence of the non-independent directors.</p>																																																																
(g) Discuss the attendance record of each director for all board meetings held since the beginning of the issuer's last completed financial year.	Yes	<p>A total of 4 board meetings were held in fiscal 2018. The attendance record for each current director was as follows:</p> <table><tr><th colspan="2"><u>Board Meetings attended</u></th></tr><tr><th><u>Director's Name</u></th><th><u>in Fiscal 2018</u></th></tr><tr><td>Frank B. Baker</td><td>4 of 4</td></tr><tr><td>Bruce M. Carruthers</td><td>4 of 4</td></tr><tr><td>Donald J. Douglas</td><td>4 of 4</td></tr><tr><td>Leslie A. Lundquist</td><td>3 of 4</td></tr><tr><td>John K. Read</td><td>3 of 4</td></tr><tr><td>C. Alan Smith</td><td>4 of 4</td></tr><tr><td>William H. Smith, Q.C.</td><td>4 of 4</td></tr><tr><td>Gordon G. Tallman</td><td>4 of 4</td></tr><tr><td>Vanessa H. Rennie</td><td>4 of 4</td></tr></table> <p>The attendance record by current directors at committee meetings was as follows:</p> <table><tr><th colspan="2"><u>Governance &amp; Nominating Committee</u></th></tr><tr><th><u>Director's Name</u></th><th><u>meetings attended in Fiscal 2018</u></th></tr><tr><td>Donald J. Douglas</td><td>1 of 1</td></tr><tr><td>John K. Read</td><td>1 of 1</td></tr><tr><td>Gordon G. Tallman</td><td>1 of 1</td></tr><tr><td>C. Alan Smith (Chair)</td><td>1 of 1</td></tr></table> <table><tr><th colspan="2"><u>Audit Committee meetings</u></th></tr><tr><th><u>Director's Name</u></th><th><u>attended in Fiscal 2018</u></th></tr><tr><td>Donald J. Douglas</td><td>4 of 4</td></tr><tr><td>John K. Read</td><td>3 of 4</td></tr><tr><td>Leslie A. Lundquist</td><td>2 of 4</td></tr><tr><td>Gordon G. Tallman (Chair)</td><td>4 of 4</td></tr></table> <table><tr><th colspan="2"><u>HR &amp; Compensation Committee</u></th></tr><tr><th><u>Director's Name</u></th><th><u>meetings attended in Fiscal 2018</u></th></tr><tr><td>John K. Read (Chair)</td><td>2 of 2</td></tr><tr><td>Donald J. Douglas</td><td>2 of 2</td></tr><tr><td>C. Alan Smith</td><td>2 of 2</td></tr></table> <table><tr><th colspan="2"><u>Environmental &amp; Safety Committee</u></th></tr><tr><th><u>Director's Name</u></th><th><u>meetings attended in Fiscal 2018</u></th></tr><tr><td>Frank B. Baker</td><td>1 of 1</td></tr><tr><td>Donald J. Douglas (Chair)</td><td>1 of 1</td></tr></table>	<u>Board Meetings attended</u>		<u>Director's Name</u>	<u>in Fiscal 2018</u>	Frank B. Baker	4 of 4	Bruce M. Carruthers	4 of 4	Donald J. Douglas	4 of 4	Leslie A. Lundquist	3 of 4	John K. Read	3 of 4	C. Alan Smith	4 of 4	William H. Smith, Q.C.	4 of 4	Gordon G. Tallman	4 of 4	Vanessa H. Rennie	4 of 4	<u>Governance &amp; Nominating Committee</u>		<u>Director's Name</u>	<u>meetings attended in Fiscal 2018</u>	Donald J. Douglas	1 of 1	John K. Read	1 of 1	Gordon G. Tallman	1 of 1	C. Alan Smith (Chair)	1 of 1	<u>Audit Committee meetings</u>		<u>Director's Name</u>	<u>attended in Fiscal 2018</u>	Donald J. Douglas	4 of 4	John K. Read	3 of 4	Leslie A. Lundquist	2 of 4	Gordon G. Tallman (Chair)	4 of 4	<u>HR &amp; Compensation Committee</u>		<u>Director's Name</u>	<u>meetings attended in Fiscal 2018</u>	John K. Read (Chair)	2 of 2	Donald J. Douglas	2 of 2	C. Alan Smith	2 of 2	<u>Environmental &amp; Safety Committee</u>		<u>Director's Name</u>	<u>meetings attended in Fiscal 2018</u>	Frank B. Baker	1 of 1	Donald J. Douglas (Chair)	1 of 1
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Form 58-101F1 Requirements	PFB Corporation Compliance	Comments Regarding the Corporation's Corporate Governance Practices
<b>9. ASSESSMENTS</b>  Disclose whether or not the Board, its committees and individual directors are assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.	Yes	The Board has adopted a formal program self-assessment of its effectiveness as a whole to be conducted every two years. The CG&NC Chair is responsible for the design and implementation of the self-assessment process. The evaluation consists of a director's questionnaire, the results of which are tabulated and provided to the CG&NC and to the Board.
<b>10. DIRECTOR TERM LIMITS AND OTHER MECHANISMS OF BOARD RENEWAL</b>  Disclose whether or not the issuer has adopted term limits for the directors on its board or other mechanisms of board renewal and, if so, include a description of those director term limits or other mechanisms of board renewal. If the issuer has not adopted director term limits or other mechanisms of board renewal, disclose why it has not done so.	No	The Board has not currently adopted term limits for directors. The Board is composed of inside directors and independent directors that represent the shareholder base of the Corporation. The complexity of the Corporation's operations require independent directors to develop an in depth knowledge of the Corporation's operations for them to be effective in the dispatch of their duties and as a result longer term tenure is desirable.
<b>11. POLICIES REGARDING THE REPRESENTATION OF WOMEN ON THE BOARD</b>  (a) Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women directors. If the issuer has not adopted such a policy, disclose why it has not done so.	No	The Board has not adopted a written policy regarding the identification and nomination of women directors. However, the Corporation has a general policy of diversity in the workplace and is a registered Equal Opportunity Employer in the USA. This policy extends to all levels throughout the Corporation including the Board. The overriding prerequisite for nomination for election to the Board is competency in matters relating to the business of the Corporation and nominees are selected without any other discrimination.
<b>12. CONSIDERATION OF THE REPRESENTATION OF WOMEN IN THE DIRECTOR IDENTIFICATION AND SELECTION PROCESS</b>  Disclose whether and, if so, how the board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. If the issuer does not consider the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board, disclose the issuer's reasons for not doing so.		Nominations of individuals for election to the Board are based on their unique contribution to a broad distribution of competencies possessed by individual candidates that are deemed to be beneficial to the Corporation. All candidates, including individual women candidates, are considered for nomination when they possess the required competencies that complement the competency of the Board; however, there is no policy to make the inclusion of women candidates mandatory.

<p><b>13. CONSIDERATION OF THE REPRESENTATION OF WOMEN IN EXECUTIVE OFFICER APPOINTMENTS</b></p> <p>Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer position when making executive officer appointments, disclose the issuer's reasons for not doing so.</p>		<p>The Board does not consider the level of representation of women in executive officer positions when making executive officer appointments. However, the Corporation has a general policy of diversity in the workplace and is a registered Equal Opportunity Employer in the USA. This policy extends to all levels throughout the Corporation including the executive officers. The overriding prerequisite for appointment to any position is competency in matters relating to the business of the Corporation and individuals are selected without any other discrimination.</p>
<p><b>14. ISSUER'S TARGETS REGARDING THE REPRESENTATION OF WOMEN ON THE BOARD AND IN EXECUTIVE OFFICER POSITIONS</b></p> <p>(a) For the purposes of this Item, a "target" means a number or a percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer's board or in executive officer positions of the issuer by a specified date.</p> <p>(b) Disclose whether the issuer has adopted a target regarding women on the issuer's board. If the issuer has not adopted a target, disclose why it has not done so.</p> <p>(c) Disclose whether the issuer has adopted a target regarding women in executive officer position of the issuer. If the issuer has not adopted a target, disclose why it has not done so.</p>	<p>No</p> <p>No</p>	<p>The Corporation has not adopted targets regarding women nominations for the Board. All candidates, including individual women candidates, are considered for nomination when they possess the required competencies that complement the competency of the Board.</p> <p>The Board has not adopted a target regarding women in executive officer positions. The overriding prerequisite for appointment to any position is competency in matters relating to the business of the Corporation and individuals are selected without any other discrimination.</p>
<p><b>15. NUMBER OF WOMEN ON THE BOARD AND IN EXECUTIVE OFFICER POSITIONS</b></p> <p>(a) Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women</p> <p>(b) Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women</p>	<p>N/A</p> <p>N/A</p>	<p>Two of the nine (representing 22.2%) directors are women.</p> <p>Two of the nine (representing 22.2%) executive officers of the Corporation are women.</p>

**SCHEDULE B**  
**PFB CORPORATION**  
**MANDATE OF THE BOARD OF DIRECTORS**

**I. OVERALL PURPOSE / OBJECTIVES**

The Board of Directors (the “Board”) is responsible for the overall stewardship of the Corporation on behalf of all Shareholders. It operates by delegating certain of its authority and responsibilities to committees and management and reserving certain powers to itself. It will retain full effective control over the Corporation and will monitor senior management.

**II. COMPOSITION**

The Board should be constituted of a majority of individuals who qualify as independent directors. The Corporation expects and requires directors to be and remain free of conflicts of interests or relationships and to refrain from acting, in ways which are actually or potentially harmful, conflicting or detrimental to the Corporation’s best interests.

The Board is responsible for evaluating its composition and determining the appropriate number of directors.

The membership of the Board will also include an appropriate number of individuals who are Financially Literate and who have Accounting or Related Financial Experience to ensure that the individual members appointed to the Audit Committee fulfill the requirements of applicable regulations relating to Audit Committees.

**III. MEETINGS**

The Board will meet at least four times per year. The Board will have an in camera session excluding non-independent directors and management at each meeting. The Board will implement structures and procedures to ensure that it functions independently of management. Minutes of all meetings of the Board shall be maintained.

**IV. INTERPRETATION**

**“Accounting or Related Financial Experience”** means the ability to analyse and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.

**“Financially Literate”** means able to read and understand a balance sheet, an income statement and a cash-flow statement and the notes attached thereto.

**“Independent Director”** means a director who is independent of management and is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholdings.

**“Non-Independent Director”** means a director who is a member of management.

**V. RESPONSIBILITIES AND DUTIES**

**The Principal Functions of the Board are as follows:**

**Selection of Directors**

1. The Board is responsible for approving new nominees to the Board and for assessing directors based upon the recommendations of the Corporate Governance and Nominating Committee.

2. The Board will every two years consider the skills and competencies of the members of the Board from the perspective of determining what additional skills and competencies would be helpful to the Board. The Board will convey its findings to the Corporate Governance and Nominating Committee to be used to identify specific candidates.
3. The Board will ensure that prospective candidates for Board membership have received the appropriate information to permit them to fully understand the role of the Board and its committees and the contributions expected from individual directors.
4. The Board will every two years review the assessment of the Board's performance and recommendations provided by the Corporate Governance and Nominating Committee and evaluate its own effectiveness, the whole in accordance with the Corporation's corporate governance policy. The Board will take appropriate action based upon the results of the review process.

### **Committees**

1. The Board shall appoint committees to assist it in performing its duties and processing the quantity of information it receives.
2. Subject to paragraphs 4, 5, and 6 of this section, committee members appointed by the Board should be composed of Independent Directors.
3. The Board shall name members of committees after considering the recommendations of the Corporate Governance and Nominating Committee and the input of the Chairman of the Board as well as the skills and desires of individual Board members, all in accordance with the mandates of such committees approved by the Board.
4. The Audit Committee will be composed only of Independent Directors. All members of the Audit Committee will be Financially Literate and at least one member will have Accounting or Related Financial Experience.
5. The Corporate Governance and Nominating Committee and the Human Resources and Compensation Committee will be composed only of Independent Directors.
6. The Environmental and Safety Committee will be composed of Independent Directors and may include non-voting members who are management or employees of the Corporation.
7. The Board will receive reports from each committee as to the work undertaken by the committee and, in each case, the committee's recommendations, if any, for change with respect to its responsibilities. The Board will evaluate and approve, if appropriate, such recommendations. The Board will also receive minutes of all committee meetings.
8. The Board will annually evaluate the performance and review the work of its committees, including their respective mandates and the sufficiency of such mandates.
9. The Board will annually appoint a member of each of its committees to act as Chair.

### **Senior Management**

1. The Board will oversee management through an ongoing review process.
2. The Board will appoint and determine the remuneration of the Chief Executive Officer upon recommendation of the Human Resources and Compensation Committee.
3. The Board will, together with the Chief Executive Officer, and with the assistance of the Human Resources and Compensation Committee, develop a position description for the Chief Executive Officer. The Board will review and approve the objectives developed for the Chief Executive Officer by the Human Resources and Compensation Committee and review the assessment of the Chief Executive Officer's performance in relation to such objectives made by the Human Resources and Compensation Committee.

## **General Responsibilities of the Board of Directors**

1. The Board will oversee the management of the Corporation. In doing so, the Board will establish a productive working relationship with the Chief Executive Officer and other members of senior management.
2. The Board will oversee the formulation of long-term strategic, financial and organizational goals for the Corporation.
3. As part of the responsibility of the Board to oversee management of the Corporation, the Board will engage in active monitoring of the Corporation and its affairs in its stewardship capacity.
4. The Board will, through its Audit Committee, review the integrity of the Corporation's internal controls and management information systems.
5. The Board will engage in a review of short and long-term performance of the Corporation in accordance with approved plans.
6. The officers of the Corporation, headed by the Chief Executive Officer, shall be responsible for general day-to-day management of the Corporation and for making recommendations to the Board with respect to long-term strategic, financial, organization and other related objectives.
7. The Board will annually review the significant risks and opportunities affecting the Corporation and its businesses and the systems and controls in place to manage and monitor risks and opportunities. The Board may impose such limits as may be in the interests of the Corporation and its shareholders.
8. The Board will oversee an annual strategic planning process within the Corporation and will approve the Corporation's strategic plan. This plan will take into account the opportunity and risks of the Corporation's business. The Board will also, from time to time, approve annual business plans and multi-year business plans for the Corporation and its businesses.
9. The Board will approve material capital expenditures or material dispositions or other material financial commitments.
10. The Board will monitor compliance with the Corporation's Code of Business Conduct and Ethics Policy and will be responsible for granting any waivers from compliance with the Code for directors and officers.
11. The Board will also consider and approve:
  - a. Transactions outside the ordinary course of business;
  - b. Special employment contracts, upon recommendation of the Human Resources and Compensation Committee;
    - i. All matters that would be expected to have a major impact on shareholders;
    - ii. The appointment of any person to any position that would qualify such person as an officer of the Corporation;
    - iii. Any amendments to the Corporation's pension plans relating to governance structure and design of benefits.
12. The Board will also receive reports verbal or otherwise and consider:
  - a. The quality of relationships between the Corporation and its key customers;
  - b. Changes in the shareholder base of the Corporation from time to time and relationships between the Corporation and its significant shareholders;
  - c. Periodic reports from Board committees with respect to matters considered by such committees;
  - d. Health, safety and environmental matters as they affect the Corporation and its businesses.
13. The Board will oversee how the Corporation communicates its goals and objectives to its shareholders and other relevant constituencies, including the approval of policies relating to:
  - a. How the Corporation interacts with analysts, investors, other key stakeholders and the public;
  - b. Continuous disclosure obligations and selective disclosure. Such policies shall be reviewed annually.

14. The Board will review and approve the Corporation's management information circular and annual information form following review by the Corporate Governance and Nominating Committee.
15. The Board will review and approve the Corporation's annual audited consolidated financial statements, quarterly consolidated financial statements and management's discussion and analysis disclosure on recommendation of the Audit Committee.
16. The Board will consider and review the means by which shareholders can communicate with the Corporation including the opportunity to do so at the annual meeting, communications interfaces through the Corporation 's website and the adequacy of resources available within the Corporation to respond to shareholders through the office of the Secretary and otherwise.
17. The Board has the responsibility for monitoring compliance by the Corporation with the corporate governance guidelines of the Toronto Stock Exchange. The Board will approve the disclosure of:
  - a. The Corporation's system of governance;
  - b. The operation of its system of governance prepared by the Corporate Governance and Nominating Committee.

### **Remuneration of the Directors**

The Board of Directors will consider and approve the adequacy and form of the compensation of directors, upon recommendation of the Corporate Governance and Nominating Committee, and ensure the compensation realistically reflects the responsibilities and time involved in being an effective director.

### **General**

The Board will consider and approve such other matters as the Board may, from time to time, determine.