



## **EXECUTIVE COMPENSATION**

The information contained below is provided as required under Form 51-102F6 for Venture Issuers (the “**Form**”), as such term is defined in National Instrument 51-102.

### **Compensation Discussion and Analysis**

This Compensation Discussion and Analysis provides information about the Corporation’s executive compensation objectives and processes and discusses compensation decisions relating to its named executive officers (“**Named Executive Officers**”) listed in the Summary Compensation Table that follows. During its fiscal year ended December 31, 2018, the following individuals were Named Executive Officers (as determined by applicable securities legislation) of the Corporation:

- Dr. Charlotte Moore Hepburn, Chief Executive Officer (formerly Interim Chief Executive Officer), effective August 13, 2015;
- Michael D. Kindy, CPA, CA, Chief Financial Officer, effective April 21, 2015;

The Corporation does not employ or retain any other individuals who would qualify as a “Named Executive Officer” because no executive officer or employee of the Corporation received total compensation (including without limitation salary and bonus) in excess of \$150,000.

### **Compensation Objectives and Principles**

Phoenix Canada Oil Company Limited is evaluating new opportunities that would generate additional shareholder value through the acquisition of operating assets and continues to hold minority interests in mature gas fields in western Canada.

Since the preservation of cash is an important goal of the Corporation, an important element of the compensation awarded to the Named Executive Officers is the granting of stock options, which do not require cash disbursement by the Corporation. The granting of stock options also helps to align the interests of the Named Executive Officers with the interests of the Corporation. The other element of the compensation the Corporation awards to its Named Executive Officers is consulting fees. The Corporation does not provide its Named Executive Officers with perquisites or personal benefits.

### **Compensation Processes and Goals**

The Corporation’s Governance and Compensation Committee is comprised of three Directors of the Corporation, being Michael Detlefsen, Greg Nuttall, and Charles Burns, each of whom are independent Directors. The Governance and Compensation Committee is responsible for the compensation program for the Corporation’s Named Executive Officers.

The deliberations of the Governance and Compensation Committee are conducted in a special session from which management is absent. These deliberations are intended to advance the key objectives of the compensation program for the Corporation’s Named Executive Officers. At the request of the Governance and Compensation Committee, the Named Executive Officers may, from time to time, provide advice to the Governance and Compensation Committee with respect to the compensation program for the Corporation’s Named Executive Officers. The Governance and Compensation Committee makes recommendations regarding the compensation to be awarded to the Named Executive Officers to the full Board of Directors (either on its own volition or based upon the advice it receives from the Named Executive Officers).

The Corporation relies on its Governance and Compensation Committee and its Board of Directors, through discussion without any pre-defined objectives, targets, or criteria, in determining the compensation of its Named Executive Officers. The Board of Directors is responsible for determining all forms of compensation, including the provision of long-term incentives through the granting of stock options to the Named Executive Officers of the Corporation, and to others, including, without limitation, to the Corporation’s Directors.



The Board is also responsible for reviewing the Governance and Compensation Committee's recommendations regarding the compensation to be awarded to any other officers of the Corporation to ensure such arrangements reflect the responsibilities and risks associated with each such officer's position. The Board of Directors incorporates the following goals when it makes its compensation decisions with respect to the Corporation's Named Executive Officers: (i) the recruiting and retaining of executives who are critical both to the success of the Corporation and to the enhancement of shareholder value; (ii) the provision of fair and competitive compensation; (iii) the balancing of the interests of management with the interests of the Corporation's Shareholders; (iv) the rewarding of performance, both on an individual basis and with respect to the operations of the Corporation as a whole; and (v) the preservation of available financial resources.

### **The Implementation of the Corporation's Compensation Policies**

#### *Base Consulting Fee*

The Corporation paid the Chief Executive Officer a consulting fee at a per week rate agreed upon between the Chief Executive Officer and the Corporation. The payment of consulting fees was not dependent on the Chief Executive Officer's fulfillment of any specific performance goals or similar criteria. The terms of the Chief Executive Officer's consulting contract also include a bonus structure tied to the creation of shareholder value. The Chief Executive Officer's contract will be subject to renewal and/or renegotiation in July 2019.

The Corporation paid the Chief Financial Officer a consulting fee at a per hour rate based upon the number of hours of service provided by the Chief Financial Officer. This amount was agreed upon between the Chief Financial Officer and the Corporation. The payment of consulting fees was not dependent on the Chief Financial Officer's fulfillment of any specific performance goals or similar criteria.

#### *Stock Options*

The granting of options to the Named Executive Officers under the Corporation's Stock Option Plan provides an appropriate long-term incentive to management to create shareholder value. The number of options the Corporation grants to each Named Executive Officer reasonably reflects the Named Executive Officer's specific contribution to the Corporation in the execution of such person's responsibilities. However, historically the number of options granted has not depended upon nor does it reflect the fulfillment of any specific performance goals or similar conditions. Previous grants of options to Named Executive Officers are taken into consideration by the Compensation Committee in developing its recommendations with respect to the granting of new options. No new stock options were granted to the Named Executive Officers during the year ended December 31, 2018 however 25% of the options granted December 2015 vested in December 2018.

The granting of options to the non-management Directors of the Corporation under the Corporation's Stock Option Plan provides an appropriate long-term incentive to these Directors to provide proper independent oversight to the Corporation, with a view to maximizing shareholder value. The number of options the Corporation grants to each of these Directors reasonably reflects each Director's contributions to the Corporation in her/his capacity as a Director and as a member of one or more committees of the Board of Directors (if applicable), including without limitation the Audit Committee, the Governance and Compensation Committee, and the Science Committee. Previous grants of options awarded to the non-management Directors of the Corporation are taken into consideration when the Corporation considers the granting of new options to the non-management Directors. No new stock options were granted to the Corporation's non-management Directors during the year ended December 31, 2018 however 25% of the options granted December 2015 vested in December 2018.

The compensation of non-management Directors and the granting of options under the Corporation's Stock Option Plan is determined by the full Board. Non-management Directors were paid a fee of \$500 for each meeting of the Board of Directors or Committee of the Board of Directors attended in fiscal 2018.



### Summary Compensation Table

The following table contains information about the compensation paid to, earned by and payable to, the Corporation's Named Executive Officers for the years ending December 31, 2018, December 31, 2017 and December 31, 2016. In accordance with the Form, the Corporation does not have any other "Named Executive Officers" given that no executive officer receives total salary and bonus in excess of \$150,000. Specific aspects of compensation payable to the Named Executive Officers of the Corporation are dealt with in further detail in subsequent tables.

Summary Compensation Table									
Name and Principal Position	Year	Fees (\$)	Share-Based Awards (\$)	Option-Based Awards (\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
Dr. Charlotte Moore Hepburn <sup>(1)</sup> C.E.O.	2018	55,000	Nil	1,262	Nil	Nil	Nil	Nil	56,262
	2017	98,875	Nil	3,513	Nil	Nil	Nil	Nil	102,388
	2016	72,196	Nil	8,523	Nil	Nil	Nil	Nil	80,719
Michael D. Kindy <sup>(2)</sup> C.F.O.	2018	114,525	Nil	789	Nil	Nil	Nil	Nil	115,314
	2017	47,000	Nil	2,196	Nil	Nil	Nil	Nil	49,196
	2016	40,000	Nil	5,327	Nil	Nil	Nil	Nil	45,327

<sup>(1)</sup> Dr. Moore Hepburn was appointed Interim C.E.O. August 13, 2015 and her Interim status was removed February 22, 2018.

<sup>(2)</sup> Mr. Kindy was appointed C.F.O April 21, 2015.

<sup>(3)</sup> The stock options were granted December 22, 2015 with 25% vesting on the grant date, and an additional 25% vesting on each of the first three anniversaries of the grant. The fair value of the options was estimated using the Black-Scholes Option pricing model with the following assumptions: expected dividend yield of Nil; risk free interest rate of 0.74%; estimated life of 4-7 years and expected volatility of 38.02%.

### Outstanding Share-Based and Option-Based Awards Granted to Named Executive Officers as of December 31, 2018

The following table summarizes all share-based and option-based awards granted by the Corporation to its Named Executive Officers which are outstanding as of December 31, 2018.

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>(1)</sup>	Number of Shares or Units of Shares that have not Vested	Market or Payout Value of Share-Based Awards that have not Vested (\$)
Dr. Charlotte Moore Hepburn	40,000 <sup>(2)</sup>	1.40	Dec. 30, 2022	2,000	Nil	Nil
Michael D. Kindy	25,000 <sup>(2)</sup>	1.40	Dec. 30, 2022	1,250	Nil	Nil

<sup>(1)</sup> The value of the unexercised in-the-money options was calculated based on the difference between the closing price of the Common Shares underlying the options as at December 31, 2018, which was \$1.45, and the exercise price of vested options.

<sup>(2)</sup> 100% of these stock options had vested as at December 31, 2018.

<sup>(3)</sup> Excludes options arising as a consequence of Mr. Burns' capacity as a Director, and when he was not a Named Executive Officer. See Director Compensation data below.



**Value Vested or Earned by Named Executive Officers During the Year Ended December 31, 2018 Under Option-Based Awards, Share-Based Awards and Non-Equity Incentive Plan Compensation**

The following table summarizes the value vested or earned during the year by Named Executive Officers in respect of option-based awards, share-based awards and non-equity incentive plan compensation during the year ended December 31, 2018.

Name	Option-Based Awards- Value Vested During the Year (\$) <sup>(1)</sup>	Share-Based Awards- Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation- Value Earned During the Year (\$)
Dr. Charlotte Moore Hepburn	Nil	Nil	Nil
Michael D. Kindy	Nil	Nil	Nil

<sup>(1)</sup> Determined based on the difference between the market price of \$1.40 of the underlying Common Shares on the vesting date of December 22, 2018 and the exercise price of the options.

**Termination and Change of Control Benefits**

Other than as noted above, the Corporation has no compensatory plan or arrangement with respect to the Named Executive Officers that results or will result from the resignation, retirement or any other termination of employment of any such officer’s employment with the Corporation, from a change of control of the Corporation or a change in the responsibilities of a Named Executive Officer following a change in control.

**Compensation of Directors**

The following table contains information about the compensation awarded to, earned by, paid to or payable to, the Corporation’s directors, other than its Named Executive Officers, the compensation of whom is detailed above under “Summary Compensation Table”, for the fiscal year ended December 31, 2018.

Director Compensation Table								
Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total (\$)
				Annual Incentive Plans	Long-Term Incentive Plans			
Charles Burns	18,000	Nil	2,366	Nil	Nil	Nil	Nil	20,366
Michael Detlefsen	17,500	Nil	2,840	Nil	Nil	Nil	Nil	20,340
William Alexander Mills	500	Nil	789	Nil	Nil	Nil	Nil	1,289
Greg Nuttall	11,500	Nil	2,840	Nil	Nil	Nil	Nil	14,340

<sup>(1)</sup> The stock options were granted December 22, 2015 with 25% vesting on the grant date, and an additional 25% vesting on each of the first three anniversaries of the grant. The fair value of the options was estimated using the Black-Scholes Option pricing model with the following assumptions: expected dividend yield of Nil; risk free interest rate of 0.74%; estimated life of 4-7 years and expected volatility of 38.02%.



**Outstanding Share-Based and Option-Based Awards Granted to Directors (Other Than Directors Who are Named Executive Officers) as of December 31, 2018**

The following table summarizes all share-based and option-based awards granted by the Corporation to its directors (other than directors who are Named Executive Officers whose share-based and option-based awards outstanding as of December 31, 2018 are detailed above) which are outstanding as of December 31, 2018.

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>(1)</sup>	Number of Shares or Units of Shares that have not Vested	Market or Payout Value of Share-Based Awards that have not Vested (\$)
Charles Burns	75,000 <sup>(2)</sup>	1.40	Dec. 30, 2022	3,750	Nil	Nil
Michael Detlefsen	90,000 <sup>(2)</sup>	1.40	Dec. 30, 2022	4,500	Nil	Nil
William Alexander Mills	25,000 <sup>(2)</sup>	1.40	Dec. 30, 2022	1,250	Nil	Nil
Greg Nuttall	90,000 <sup>(2)</sup>	1.40	Dec. 30, 2022	4,500	Nil	Nil

- <sup>(1)</sup> The value of the unexercised in-the-money options was calculated based on the difference between the closing price of the Common Shares underlying the options as at December 31, 2018, which was \$1.45, and the exercise price of vested options.
- <sup>(2)</sup> 100% of these stock options had vested as at December 31, 2018.
- <sup>(3)</sup> These options expired May 21, 2018.

**Value Vested or Earned During the Year Ended December 31, 2018 by Directors (Other Than Directors Who are Named Executive Officers) Under Option-Based Awards, Share-Based Awards and Non-Equity Incentive Plan Compensation**

The following table summarizes the value vested or earned during the year ended December 31, 2018 by directors of the Corporation (other than directors who are Named Executed Officers whose value vested or earned during the year ended December 31, 2018 under option-based awards, share-based awards and non-equity incentive plan compensation is detailed above) in respect of option-based awards, share-based awards and non-equity incentive plan compensation.

Name	Option-Based Awards- Value Vested During the Year (\$) <sup>(1)</sup>	Share-Based Awards- Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation- Value Earned During the Year (\$)
Charles Burns	Nil	Nil	Nil
Michael Detlefsen	Nil	Nil	Nil
William Alexander Mills	Nil	Nil	Nil
Greg Nuttall	Nil	Nil	Nil

- <sup>(1)</sup> Determined based on the difference between the market price of \$1.40 of the underlying Common Shares on the vesting date of December 22, 2018 and the exercise price of the options.