

**BELLATRIX EXPLORATION LTD.**  
**COMPENSATION COMMITTEE**  
**MANDATE AND TERMS OF REFERENCE**

**Role and Objective**

The purpose of the Compensation Committee (the "**Committee**") is to assist the board of directors (the "**Board**") of Bellatrix Exploration Ltd. ("**Bellatrix**" or the "**Corporation**") in fulfilling its responsibility by reviewing matters relating to the human resource policies and compensation of the directors, officers and employees of the Corporation and its subsidiaries in the context of the budget and business plan of the Corporation.

**Membership of the Committee**

1. The Committee will be comprised of at least three (3) Directors or such greater number as the Board may determine from time to time and all members of the Committee shall qualify as independent for purposes of (a) National Policy 58-101 – *Disclosure of Corporate Governance Practices* and (b) the rules of the New York Stock Exchange, including, without limitation, the additional independence requirements applicable to compensation committees set forth in Section 303A.02(a)(ii) of the New York Stock Exchange Listed Company Manual.
2. The Board may from time to time designate one of the members of the Committee to be the Chair of the Committee.

**Mandate and Responsibilities of the Committee**

3. The Compensation Committee shall formulate and make recommendations to the Board in respect of compensation issues relating to directors and employees of the Corporation and its subsidiaries, as applicable. Without limiting the generality of the foregoing, the Committee shall have the following duties:
  - (a) to review the compensation philosophy and remuneration policy for employees of the Corporation and to recommend to the Board changes to improve the Corporation's ability to recruit, retain and motivate employees;
  - (b) to consider the implications and the risks associated with the Corporation's compensation policies and practices;
  - (c) to review and recommend to the Board the retainer and fees to be paid to members of the Board, members of committees of the Board, and chairs of the various committees of the Board;
  - (d) to review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer ("**CEO**"), evaluate the CEO's performance in light of those corporate goals and objectives, and determine the CEO's compensation level based on such evaluation (the CEO shall not be present during any voting or deliberations by the Committee with respect to the compensation of the CEO);

- (e) to make recommendations to the Board with respect to non-CEO officer and director compensation including to review management's recommendations for proposed stock option or other incentive-compensation plans and equity-based plans for non-CEO officer and director compensation and make recommendations in respect thereof to the Board;
- (f) to administer the stock option plan and other incentive plans (collectively, the "**Incentive Plan**") approved by the Board in accordance with its terms including recommending to the Board (and if delegated authority thereunder, approve) the grant of stock options or other incentives under the Incentive Plans in accordance with the terms thereof;
- (g) to determine and recommend for approval of the Board bonuses to be paid to officers and employees of the Corporation and its subsidiaries, as applicable, and to establish targets or criteria for the payment of such bonuses, if appropriate;
- (h) to review the disclosure as to compensation matters included in the information circular and proxy statement of the Corporation as mandated by applicable securities laws including, without limitation, the Compensation Discussion and Analysis included therein, prior to the Corporation publicly disclosing the same; and
- (i) reviewing periodically, as determined necessary, but at least annually, the Committee's Mandate and Terms of Reference and recommend to the Board and the Corporate Governance Committee of the Board amendments as the Committee believes are necessary or desirable.

#### **Meetings and Administrative Matters**

1. At all meetings of the Committee every resolution shall be decided by a majority of the votes cast. In case of an equality of votes, the Chair of the meeting shall be entitled to a second or casting vote.
2. The Chair will preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee that are present will designate from among such members the Chair for purposes of the meeting.
3. A quorum for meetings of the Committee will be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee will be the same as those governing the Board unless otherwise determined by the Committee or the Board.
4. Meetings of the Committee should be scheduled to take place at least one time per year and at such other times as the Chair of the Committee may determine.
5. Agendas, approved by the Chair, will be circulated to Committee members along with background information on a timely basis prior to the Committee meetings;
6. The Committee may invite such officers, directors and employees of the Corporation as it sees fit from time to time to attend at meetings of the Committee and assist in the discussion and consideration of the matters being considered by the Committee.
7. To the extent permitted by law and applicable stock exchange rules, the Committee may delegate its responsibilities to subcommittees.

8. Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.
9. The Committee may, in its sole discretion, retain or obtain the advice of persons having special expertise, including without limitation, from a compensation consultant, independent legal counsel or other adviser, and may obtain independent professional advice to assist in fulfilling its responsibilities as determined by the Committee. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel or other adviser retained by the Committee. The Corporation shall provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to any compensation consultant, independent legal counsel or other adviser retained by the Committee. Subject to the availability of an exception, prior to selecting a compensation consultant, independent legal counsel or other adviser, the Committee shall take into consideration all relevant factors, including the factors set forth in Section 805(c)(4) of the New York Stock Exchange Listed Company Manual.
10. Any members of the Committee may be removed or replaced at any time by the Board and will cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy exists on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, following appointment as a member of the Committee, each member will hold such office until the Committee is reconstituted.
11. Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chairman of the Board by the Committee Chair.
12. The performance of the Committee shall be evaluated annually by the Corporate Governance Committee of the Board.

**October 6, 2014**

**SCHEDULE A**  
**DEFINITION OF INDEPENDENT FOR PURPOSES OF**  
**NATIONAL INSTRUMENT 58-101 – *DISCLOSURE OF CORPORATE GOVERNANCE***  
***PRACTICES***

**As at October 6, 2014**

Meaning of Independence (for all purposes other than for directors serving on audit and reserve committees) –

1. A director is independent if he or she has no direct or indirect material relationship with the issuer.
2. For the purposes of subsection (1), a "material relationship" is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement.
3. Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
  - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
  - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
  - (c) an individual who:
    - (i) is a partner of a firm that is the issuer's internal or external auditor,
    - (ii) is an employee of that firm, or
    - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
  - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
    - (i) is a partner of a firm that is the issuer's internal or external auditor,
    - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
    - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
  - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and

- (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than CDN\$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
4. Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because
    - (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or
    - (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
  5. For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
  6. For the purposes of clause (3)(f), direct compensation does not include:
    - (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
    - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
  7. Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
    - (a) has previously acted as an interim chief executive officer of the issuer, or
    - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.
  8. For the purpose of determination of independence, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

## **SCHEDULE B**

### **DEFINITION OF INDEPENDENT FOR PURPOSES OF THE NEW YORK STOCK EXCHANGE**

**As at October 6, 2014**

For purposes of the independence rules of the New York Stock Exchange and this Schedule B, an "independent director" means a director, other than an executive officer or employee of the company, who meets the criteria contained in Section 303A.02 of the New York Stock Exchange Listed Company Manual and set forth in this Schedule B. In particular, no director qualifies as "independent" unless the company's board of directors affirmatively determines that the director has no material relationship with the company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company).

In addition, in affirmatively determining the independence of any director who will serve on the compensation committee of the company's board of directors, the board of directors must consider all factors specifically relevant to determining whether a director has a relationship to the company which is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to: (A) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the company to such director; and (B) whether such director is affiliated with the company, a subsidiary of the company or an affiliate of a subsidiary of the company.

For certainty, but without limitation, a director is not independent under the rules of the New York Stock Exchange if:

1. The director is, or has been within the last three years, an employee of the company, or an immediate family member is, or has been within the last three years, an executive officer, of the company, other than prior employment as an interim executive officer.
2. The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than US\$120,000 in direct compensation from the company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), other than:
  - (a) Compensation received by a director for former service as an interim Chairman or CEO or other executive officer; and
  - (b) Compensation received by an immediate family member for service as an employee of the company (other than an executive officer).
3. (A) The director is a current partner or employee of a firm that is the company's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the company's audit; or (D) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the company's audit within that time.

4. The director or an immediate family member is, or has been with the last three years, employed as an executive officer of another company where any of the company's present executive officers at the same time serves or served on that company's compensation committee.
5. The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of US\$1 million, or 2% of such other company's consolidated gross revenues.

In the Schedule B, an "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home. When applying the look-back provisions contained in the foregoing paragraphs and Section 303A.02(b) of the New York Stock Exchange Listed Company Manual, companies need not consider individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or become incapacitated.

In addition, references in this Schedule B to the "company" include any parent or subsidiary in a consolidated group with the company or such other company as is relevant to any determination under the independence standards set forth in this Schedule B and Section 303A.02(b) of the New York Stock Exchange Listed Company Manual.

## **SCHEDULE C**

### **COMPENSATION CONSULTANT INDEPENDENCE AS PER IN SECTION 303A.05(c)(iv) OF THE NEW YORK STOCK EXCHANGE LISTED COMPANY MANUAL**

**As at October 6, 2014**

The Compensation Committee may select a compensation consultant, legal counsel or other adviser to the Compensation Committee only after taking into consideration all relevant factors, including the following:

1. the provision of other services to the listed company by the person that employs the compensation consultant, legal counsel or other adviser;
2. the amount of fees received from the listed company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
3. the policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
4. any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the compensation committee;
5. Any stock of the listed company owned by the compensation consultant, legal counsel or other adviser; and
6. any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the listed company.