



TESLA EXPLORATION LTD.

Annual Information Form

Fiscal Year Ended December 31, 2015

March 15, 2016

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Forward-looking Statements and Information

Certain information set forth in this annual information form (“AIF”), including management's assessment of Tesla Exploration Ltd.'s (“**Tesla**” or the “**Company**”) future plans and operations, contains forward-looking statements, which are based on the Company's current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as “expects”, “anticipates”, “believes”, “projects”, “intends”, “continues”, “estimates”, “objective”, “ongoing”, “may”, “will”, “should”, “might”, “plans” and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements are based on current expectations, estimates and projections that involve a number of known and unknown risks and uncertainties, which may cause the Company's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These include, but are not limited to, the risks outlined in the “Risk Factors” section of this document. In addition, the forward-looking statements contained herein are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances.

The information contained in this AIF should not be considered all-inclusive as it excludes changes that may occur in general economic, political and environmental conditions. The Company cautions that actual performance will be affected by a number of factors, many of which are beyond its control. Investors are cautioned against attributing undue certainty to forward-looking statements. The forward-looking information and statements contained in this AIF speak only as of the date hereof and, subject to its obligations under applicable law, the Company does not intend, and does not assume any obligation, to update these forward-looking statements if conditions or opinions should change.

Corporate Structure

Tesla Exploration Ltd.

General

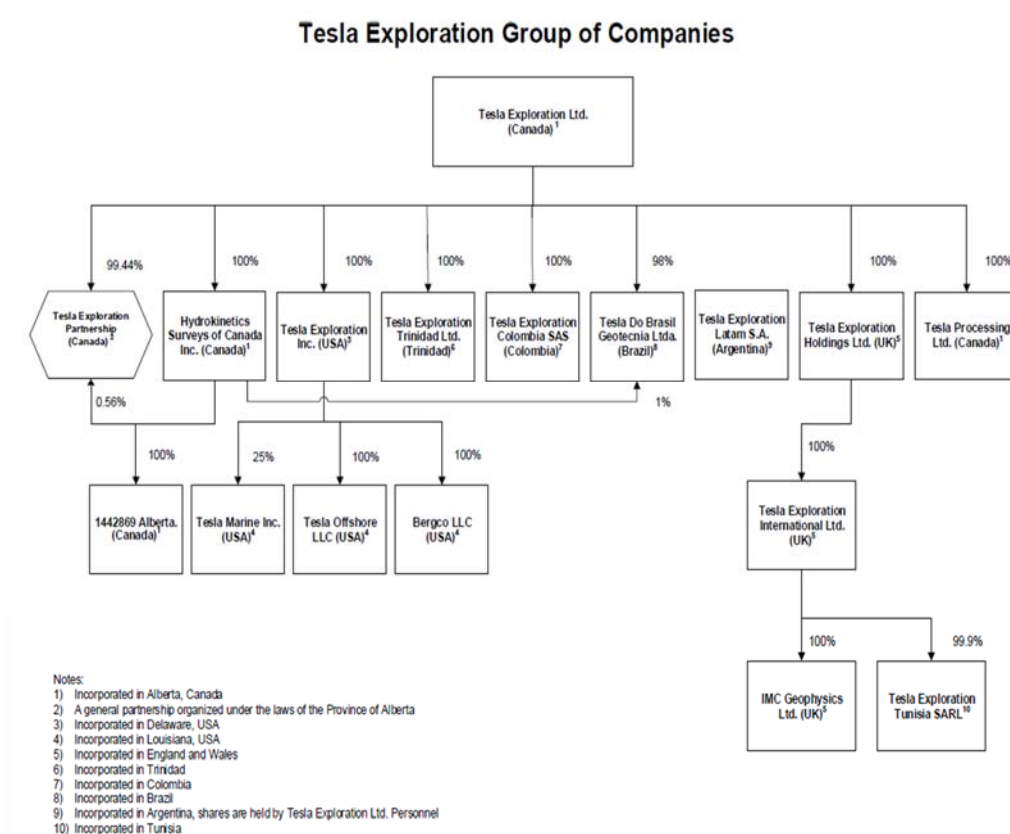
On April 16, 2010, Tesla and Norex Exploration Services Inc. (“**Norex**”) completed a business combination through a share exchange transaction under which Tesla shareholders exchanged each common share held on an exempt takeover basis, for 8.4333 common shares of Norex (the “**Business Combination**”). In summary, 15,365,000 Tesla shares were exchanged for 129,577,656 Norex shares. As a result of the transaction, Tesla’s shareholders owned approximately 70% of the shares of the combined entity and the previous Norex shareholders owned approximately 30%. On April 17, 2010 the Company amalgamated with 1529782 Alberta Ltd., 1530175 Alberta Ltd., 1528956 Alberta Ltd., 1529778 Alberta Ltd., and 1529787 Alberta Ltd., with the continuing entity remaining Tesla Exploration Ltd. On April 18, 2010, Tesla and Norex amalgamated, with the continuing entity remaining Tesla Exploration Ltd. (the “**Amalgamation**”). Following the Amalgamation the common shares of Tesla were consolidated on the basis of one post-consolidation common share for every eight pre-consolidation common shares, effective April 18, 2010, resulting in 23,111,793 common shares outstanding (the “**Consolidation**”). The common shares of the Company commenced trading on the Toronto Stock Exchange (the “**TSX**”) under the symbol “TXL”, on a post-consolidation basis, on April 22, 2010 (the “**Common Shares**”).

The corporate office of Tesla is located at 4500 – 8A Street NE, Calgary, Alberta, Canada T2E 4J7 and the registered office is 600, 815 – 8th Avenue SW, Calgary, Alberta, Canada T2P 3P2.

Unless the context indicates otherwise, a reference in this AIF to “Tesla”, the “Company”, “we”, “us” or “our” includes Tesla Exploration Ltd. and its subsidiaries.

Intercorporate Relationships

The intercorporate relationships of Tesla as at the date hereof are as set forth below. Tesla subsists under Alberta law, and the jurisdictions of formation of its subsidiaries are detailed in the following organizational chart.



General Development of Business

History

In August 1999, Tesla purchased from Roynat Capital the assets of Venture Seismic Ltd., a North American seismic acquisition company that was in receivership.

In April 2002, Tesla purchased the land acquisition business of Geophysical Services Inc., a private company providing seismic acquisition services in the northern U.S.

In September 2003, Tesla purchased the land acquisition assets of Arcis Corporation (“**Arcis**”), a Canadian publicly listed company at the time. Tesla also obtained certain key employees from Arcis.

In February 2004, Tesla Offshore, L.L.C. (“**Tesla Offshore**”) was incorporated under the laws of Louisiana (with Tesla holding a 51% interest and members of the initial

management team of Tesla Offshore holding the remaining shares). Tesla Offshore offers full services in geophysical and marine construction surveys in the Gulf of Mexico.

In August 2006, Tesla acquired the remaining 49% of Tesla Offshore.

In October 2007, all of the issued and outstanding shares of Tesla Exploration Holdings Ltd. and its wholly owned subsidiary Tesla Exploration International Ltd. (together, “**Tesla International**”), were purchased by Tesla. Tesla International was a division of United Kingdom-based and privately owned IMC Group. Tesla International provides seismic acquisition services in the United Kingdom, Europe and Africa along with processing, survey design and interpretation services.

On April 16, 2010, Tesla and Norex completed the Business Combination (see “General” under the heading “Corporate Structure”) creating the largest geophysical provider in Canada. Norex’s principal activity was the provision of seismic data acquisition services in western Canada, eastern Canada and the U.S. with offices in Calgary, Alberta, Denver, Colorado and Horse Heads, New York (now closed). The Business Combination expanded the Company’s presence across Canada and the U.S.

In February 2011, Tesla Exploration Trinidad Ltd. (“**Tesla Trinidad**”) was incorporated. Tesla Trinidad provides seismic acquisition services in Trinidad.

In February 2013, Tesla Exploration Colombia S.A.S. (“**Tesla Colombia**”) was incorporated. Tesla Colombia’s office in Bogota, Colombia provides a base for Tesla’s South and Central American marketing and seismic acquisition services. In 2014 and 2015, the Company restructured Tesla Colombia reducing its personnel to one. In 2016, Tesla is closing the office in Colombia and will coordinate any further marketing from its head office in Canada.

In May 2014, Tesla Exploration Latam SA (“**Tesla Argentina**”) was established to facilitate project tenders in Argentina.

In October 2014, Tesla Do Brasil Geotecnia Ltda. (“**Tesla Brazil**”) was incorporated to explore offshore opportunities off the coast of Brazil.

In August 2015, Tesla Exploration Tunisia SARL (“**Tesla Tunisia**”) was incorporated to facilitate project tenders in Tunisia.

North America Land Operations

In recent years, seismic exploration activity in western Canada was driven by strong oil prices leading to developments in the oil sands and shale plays creating increased activity for a large number of operators. The dramatic reduction in oil prices experienced through the latter part of 2014 with continued reductions in 2015 has significantly reduced exploration and development activity in western Canada. During this challenging market, Tesla has continued to work with long-term clients and has differentiated itself in the market by providing highly experienced field personnel along with the technology and quality recording equipment to continue to effectively meet the data acquisition needs of its clients. To service this work, Tesla Exploration Partnership (“**Tesla Canada**”) utilizes 13,000 stations (39,000 channels) of Aries 3C recording equipment it purchased during 2010 and 2011. In recent years, Tesla Canada has also been able to take advantage of

the Company's inventory of Hawk SN11 3C wireless recording equipment ("**Hawk**") which has now reached 22,000 field station units ("**FSUs**") (66,000 channels) by adding Tesla Canada's purchase of 6,000 FSUs in January 2014.

Wireless recording equipment has gained client acceptance and its use in Canada has grown considerably over the last few winters. Tesla Canada's wireless use peaked at 18,000 Hawk FSUs (54,000 channels), including rental, in the first quarter of 2014. An increased number of programs, specifically shale play targets, are requiring increased channel counts that lend themselves to the use of wireless equipment due to its increased recording capacity. The Company also benefits from improved safety due to lighter equipment loads (no cable) and reduced repairs and maintenance expenditures due to the lack of cable damage.

Tesla Canada's equipment and personnel have generally been fully utilized during the peak winter seasons. The size of crews in terms of equipment employed has grown dramatically during recent years compared to historical levels with Tesla Canada often operating over 100,000 channels, including rental channels, during the peak winter season utilizing a blend of conventional, 3C cable and Hawk recording equipment.

The seismic industry has also seen its share of challenges with several significant projects cancelled or deferred over the past two years due to client issues surrounding foreign investment, fluctuating commodity prices, along with delays in obtaining government approvals, among other issues.

In the U.S., Tesla Exploration Inc. ("**Tesla USA**") continues to face a challenging market due to natural gas pricing, the dramatic reduction in the price of oil, and a competitive landscape bidding for a reduced number of programs. However, Tesla USA continues to see some activity in oil, dry gas and liquids rich shale plays such as the Bakken, Utica (Eastern Ohio), Marcellus (Pennsylvania and West Virginia) and the Denver-Julesburg ("**DJ**") Basin (Colorado).

Wireless recording systems have been available for many years and the advancement of the technology has resulted in a rapid increase in their use, especially in the U.S. They produce high quality data and leave a light footprint in areas of high culture which is the typical environment for a large percentage of American programs. A significant portion of Tesla USA's work during 2011 and early 2012 was performed using rented single component ("**1C**") wireless systems allowing crews to gain valuable expertise in efficiently utilizing these systems. This has since transitioned to the use of multi-component systems such as the Hawk with the use of a single point receiver being the final stage of acceptance of the single 3C sensor.

In June 2012, the Company purchased 10,000 FSUs of Hawk (30,000 channels). The Company also entered into an extended seismic services agreement (the "**Agreement**") with a multi-client geophysical company for an initial 24 month period through mid-June of 2014. After utilizing this Hawk system under the Agreement for the second half of 2012, the Hawk system was re-allocated to Canada for the 2013 peak winter season for use on a significant project. The Hawk system was returned to the U.S. at the end of the 2013 Canadian winter season to resume operations on a series of 3C projects under the Agreement. In June 2013, the Company purchased an additional 6,000 Hawk FSUs to allow Tesla USA to compete with the expanding base of wireless equipment throughout the industry. This second Hawk system has been used by a second U.S. crew since its

purchase and allows the Company the flexibility to support Canadian operations during the peak winter season. In June 2014, the Agreement was not renewed due to lack of work commitments.

Under an extended service agreement with an oilfield service company, Tesla USA continues to provide personnel and support equipment for microseismic acquisition operations. The Hawk system has been used successfully when real-time data acquisition is not a client requirement.

Until the U.S. economic outlook changes and natural gas prices improve for a sustainable period of time, the U.S. marketplace will be highly competitive, due in part to the proliferation of 1C wireless recording systems and their inherent operational efficiencies. Tesla USA will continue to be selective in the programs it undertakes given the price sensitive environment. Excess equipment and personnel will be utilized where appropriate to support the seasonally busier Canadian winter season.

South America Operations

Tesla Trinidad began operations in May 2011 on a turnkey seismic program in the Guayaguayare block in the south-east corner of Trinidad for a subsidiary of an international oil and gas company. Following completion of the program in April 2012, the Company demobilized the equipment back to Canada for utilization during the winter season. There has been no seismic acquisition activity for Tesla in Trinidad since completion of this program, however Tesla Trinidad is currently working with a contractor in Trinidad to provide project management services to the contractor for a project later in 2016.

Tesla Colombia was formed in February 2013 to provide seismic acquisition services to companies in Colombia and to expand the Company's footprint in South and Central America. In recent years in this region there has been increased foreign investment in natural resources, growing exploration activity and a strong demand for experienced and reliable seismic acquisition companies with modern equipment and experience in comparable terrains and environments. Expanded marketing efforts in recent years have resulted in relationships being built with both oil and gas and mining companies operating in South and Central America. Many of these companies are Canadian-based or international operators that Tesla has done work for in other regions of the world. Management has also focused on developing relationships with local companies that can provide support to Tesla's operations in South and Central America and provide access to potential clients. Due to a lack of initial success and in keeping with the Company-wide effort to reduce overhead, the Bogota office was restructured during the fourth quarter of 2014 to ensure the ongoing viability of the Company's South America initiative. In 2015, Tesla Colombia further reduced its personnel to one to maintain a presence in the region. In 2016, Tesla is closing the office in Colombia and will coordinate any further marketing from its head office in Canada.

Tesla Argentina was formed in May 2014 to facilitate a tender in the Neuquen basin of Argentina. Due to the initial capital investment required, Tesla Argentina submitted a proposal for a five year term commitment which was unsuccessful. After the initial bid process, the operator reduced the size of this project and awarded it to the only local supplier. The management team continues to investigate and understand the risks of operating in the country and is monitoring the political climate. Management recognizes

the shortage of contractors in the country and continues to evaluate opportunities that arise while building relationships with the current operators in the region.

International Operations

Following its acquisition by Tesla in late 2007, Tesla International grew from a one to two crew operation to a three to four crew operation with the acquisition of additional equipment and the utilization of excess North American equipment.

During the last three years, Tesla International has operated one crew in the UK and European mainland with up to three crews in east Africa.

Early in 2013, Tesla International began mobilizing equipment to Somaliland after securing work for two crews for a project beginning in April 2013 and expected to last through the end of 2013. A change of scope for the Somaliland crew to a higher channel nodal crew was requested by the client due to a perception of increased security needs. During September 2013, very shortly before the Somaliland crew was to begin production, the contract was terminated by the client who cited an unacceptable level of risk that could not be mediated by existing security. The foundations of this crew remained in Somaliland to support further opportunities and has recently mobilized back into Ethiopia.

After completing a large 2D land and transition zone project in Uganda in 2010, the crew worked on a number of smaller projects in Uganda during 2011. Towards the end of 2011 and in early 2012 the crew operated on a transition zone ("TZ") project on Lake Albert, Democratic Republic of Congo ("DRC"). In late 2012 and in early 2013, the crew completed a TZ project in Tanzania before returning to Lake Albert during the second and third quarters of 2013. The TZ crew then mobilized to Lake Edward, DRC to conduct a lake bottom project during the first half of 2014. This project was located within the Virunga National Park World Heritage Site in DRC, but was supported and operated from Uganda ensuring that there was no activity within the land area of the National Park. Upon completion of the project the crew demobilized to Kampala, Uganda as there remains significant interest in the lake zones of the Rift Valley with Tesla International well placed to exploit the TZ acquisition opportunities in the area. A mobilization in the DRC was started in the fourth quarter for a program that was postponed by the client. This resulted in a fee being paid to Tesla International which was received in full prior to the end of 2014.

This crew then mobilized to Ethiopia to work with the crew from Somaliland to engage in a multi-source land and lake program around Arba Minch in southern Ethiopia. The project utilized significant resources, including eight vibrators, the entire TZ fleet, and a number of new tracked drill rigs. These rigs were designed by Tesla International to provide a low environmental impact machine that can provide air, water and auger drill options on one self-contained unit. The combined crew commenced acquisition operations in March 2015 and successfully completed the program during the third quarter of 2015. This crew has since been remobilized back to the DRC to complete a program postponed in 2014, however the marine component remains in Ethiopia pending the outcome of tenders for further TZ work in the region.

The crew in the DRC is currently operational having completed mobilization including the addition of 3,500 channels of Fairfield Z100 nodes. The project is in a remote area of

Eastern DRC and presents significant logistical challenges including security, access and weather. It is anticipated that this project will be completed by the end of Q2 2016.

A third crew was mobilized into Kenya to support two contracts in February 2014. The first of these contracts was successfully completed in the coastal region near Mombasa during the first half of 2014 and the crew remains available to undertake work in Kenya as soon as the local political and security situation stabilizes. Unfortunately, the crew has not been able to complete the second contract and is involved in a legal dispute with the client regarding this project.

Bid activity in the region remains steady, however at reduced levels than previous due to lower oil prices. Potential opportunities have been identified in DRC, Uganda, Tanzania, Tunisia and Ethiopia. Activity in countries such as South Sudan and Somalia will depend on future political stability while new exploration opportunities in Namibia, Zambia and Botswana continental will be monitored closely.

The UK and European crew has seen a sustained and growing demand for acquisition services in both the hydrocarbon and minerals sectors during the past three years. Projects have been completed throughout the UK, Ireland, Spain, and Denmark. Notable developments during 2014 include the successful deployment of Hawk 3C recording equipment on two 3D projects, and a 3D utilizing the Zland Nodel system.

The UK government has put its support behind the development of shale gas projects and has thus stimulated activity for 3D recording services that will keep our domestic crew busy through the majority of 2014 and beyond. However, anti-hydraulic fracturing organizations and certain land owners have made the approval of permits more difficult of late, delaying the start of operations in 2015.

In addition to the UK onshore acquisition, there has been a focus on providing microseismic services to both surface and downhole monitoring in the European market. In conjunction with our North American personnel and our strategic alliance with Calfrac Well Services, NanoSeis, Reservoir Imaging and Silixa, Tesla can now offer into Europe and Africa the experience gained from North American operations.

Leveraging our relationship with a German based company, we have been awarded three contracts. Additional applications of seismic data in the areas of gas storage, Geothermal, CO₂ sequestration as well as hazardous waste disposal are still a focus with some growth potential.

The UK technical services office remains steady with a number of processing and interpretation projects recently awarded and underway with high utilization of capacity expected to continue. This department also supports the increasing Geographic Information System requirements (“GIS”) of the European crews.

In August 2015, Tesla Exploration Tunisia SARL (“**Tesla Tunisia**”) was incorporated in order to further extend its operations with a number of tenders having been received and submitted to date.

Offshore Operations

The years 2011 through 2015 have seen a gradual and complex transition from the low activity levels resultant from the British Petroleum (“BP”) Macondo field tragedy of April 2010, with increasing activity followed by severely diminished levels of activity over the past year. The reduction of activity in 2015 is the result of the decline in commodity prices leading to decreased activity in the Gulf of Mexico. To combat this reduction in activity and to further diversify its operations, Tesla Offshore has continued to increase the amount of attention and effort put toward opportunities outside the Gulf of Mexico. With successful projects completed in Canada, Bahamas, Trinidad, and a number of other international locations, Tesla Offshore is pursuing several international projects with current proposals in the Gulf of California and Bay of Campeche near Mexico, along with Tunisia and the Pacific Ocean. Due to lower activity levels experienced in 2015, Tesla Offshore has reduced its employee count and has implemented salary reductions for remaining personnel.

In early 2012, one of Tesla Offshore’s significant clients presented a new industry opportunity looking at salt tops and other particular strata in a new way. This new approach required Tesla Offshore to field two medium-penetration multi-fold seismic vessels on a day-rate basis for most of the fair-weather seasons of 2012, 2013 and 2014. Following the first multi-year project defined, the same client awarded another area of almost equal size and these surveys were expected to last at least through the work season of 2015; however the decline in oil prices has delayed this project until 2017. Tesla Offshore has performed similar purpose surveys for two other clients.

In response to the BP tragedy, increased attention to safety for all ocean operations became a priority for all contractors and leaseholders in the Gulf of Mexico. Previously, systems were accepted on compliance with governing criteria for data acquisition and resolution. However, standards were implemented and strengthened to evaluate systems on the risks of their operation. This awareness led to greater demand for Autonomous Underwater Vehicle (“AUV”) technologies to reduce the usage of long, deep-tow tether cables attached to a vessel. With interest from international and domestic clients, Tesla Offshore placed an order for a Bluefin-21 AUV, taking delivery in early 2014. Tesla Offshore was able to complete ten deep-water projects in the Gulf of Mexico during 2014 despite a variety of navigational and sensory issues. The manufacturer completed their refurbishing of Tesla Offshore’s AUV and took the system to Bermuda and completed depth testing to 4,350 meters. The system was then returned to the Gulf of Mexico in August where it completed an additional seven projects. Tesla Offshore is actively pursuing AUV projects in the Gulf of Mexico, as well as on the west coast of the US, and in Mexico, Brazil, West Africa, Indonesia, Mozambique, and other potential areas.

Tesla Offshore continues a successful long-term relationship with a client for provision of survey support onboard a platform removal system. Tesla Offshore has been providing all of the client’s survey services since that company’s inception in 2005, with the utilization of a platform work and removal system. After a reduced work season in 2013, the client’s work season ran from May through November of 2014 and 2015. These activities are expected to recommence and continue through the typical busier months during 2016. In addition, the client has added additional positioning needs for the 2016 season in the form of adding a lift boat to the daily operations.

Passive Seismic Monitoring for Induced Seismicity

Wastewater injection and hydraulic fracturing are known to cause induced seismicity. Induced Seismicity Monitoring (ISM) is a way to measure earthquakes that are caused by natural processes or through induced processes and to potentially differentiate between the two. Broadband seismometers are deployed in strategic locations with low noise. They are typically deployed in an array with a minimum of three location. The data are then collected in real-time and monitored for larger events. Generally a magnitude 4 (M4) earthquake will trigger an alarm and operations should cease and governmental bodies be notified. In 2015, Tesla has completed the development of a system that is appropriate for ISM and have been actively marketing this system utilizing an interactive demonstration.

Microseismic Acquisition and Processing

One of Tesla's long-term research efforts is to be able to acquire and process, in real time, surface microseismic data to aid in the drilling and completion programs associated with hydraulic fracturing. Tesla has identified a microseismic processing company in Denver that holds unique patents that could potentially improve the accuracy and turnaround time. Furthermore, the Company entered into an agreement with the Bristol University Microseismicity Projects Consortium ("**BUMPS**"). BUMPS has developed processing software that could provide a competitive advantage to existing software packages. Tesla has signed Memorandums of Understanding and Non-disclosure Agreements with both an experienced pressure pumping service provider and a technology-advanced microseismic processing company and are pursuing potential opportunities in this field.

Strategic Alliance

In October 2014, Tesla, Calfrac Well Services Ltd. ("**Calfrac Well Services**"), NanoSeis LLC ("**NanoSeis**"), Reservoir Imaging Ltd. ("**Reservoir Imaging**") and Silixa Ltd. ("**Silixa**") announced a new strategic alliance ("**Strategic Alliance**") serving the Canadian oil and gas industry. Tesla is a leader in 2D, 3D, 4D and micro-seismic acquisition, Calfrac Well Services in pumping services including unconventional fracturing and well stimulations, NanoSeis in downhole and surface microseismic processing, Reservoir Imaging, in acquiring and processing downhole seismic data in complex situations utilising optimised downhole equipment and processing software and Silixa in distributed acoustic sensing ("**iDAS™**") and distributed temperature sensing ("**DTS**").

Silixa's iDAS technology, coupled with industry leading DST technology ("**ULTIMA™ DTS**"), offers a cost effective solution for multiple in-well applications through a single cable installation. High resolution, geophone equivalent seismic data can be acquired on demand, even in flowing wells. Data can be recorded through either single-mode or multi-mode fibre optic cables providing benefits through lower operational expenditure and increased opportunities for monitoring using existing infrastructure.

The primary goal of the Strategic Alliance is to be able to provide clients with a more complete integrated solution across all disciplines thus offering a more efficient approach for; pre-project planning, field related operations and interpretation services leading to a more accurate Earth model. The Strategic Alliance will address life of field ("**LOF**") issues through the real-time monitoring of; hydraulic fracturing, temperature, fluid flow, caprock

integrity, steam chamber growth. Furthermore, velocity model calibration and multi-offset and 3D Vertical Seismic Profiles (“VSPs”) can be acquired more efficiently with wells that have fibre.

Description of the Business and Operations

General

Tesla is one of North America's largest providers of geophysical services. Tesla provides seismic land data acquisition in a multitude of environments in Canada through Tesla Canada, in the U.S. through Tesla USA, in South and Central America through Tesla Trinidad, Tesla Colombia, Tesla Argentina and Tesla Brazil, which was incorporated in 2014 to explore offshore opportunities off the coast of Brazil. Tesla serves other markets in Europe and Africa mainly through Tesla International and recently Tesla Tunisia. Tesla has an international data processing office in the United Kingdom. Tesla Offshore operates multiple vessels for geophysical hazard and archaeological surveys utilizing conventional and state of the art AUV mounted sensors. Tesla Offshore also provides positioning services for construction and diving operations in the Gulf of Mexico and internationally using its own vessel and other chartered vessels.

Tesla's business is generally divided into three operating segments: (i) North American Land Seismic Acquisition consisting of Tesla Canada, Tesla USA, Tesla Trinidad, Tesla Colombia, Tesla Argentina and Tesla Brazil, (ii) Tesla International, and (iii) Tesla Offshore. Tesla Brazil and Tesla Tunisia have no operations to date. The specific business of each of these divisions is described further below.

North American Land Seismic Acquisition

Tesla provides seismic data acquisition services in western Canada through Tesla Canada, in the U.S. through Tesla USA and in South and Central America through Tesla Trinidad, Tesla Colombia and Tesla Argentina. Tesla maintains its head office at 4500 8A Street N.E. Calgary, Alberta and this facility is also used to mobilize Tesla's personnel and equipment for operations in Canada. Tesla maintains its sales and operations base for its U.S. operations in Castlerock, Colorado. Tesla Trinidad's corporate office is in Marabella. Tesla Colombia's corporate office is in Bogota. At the present time, Tesla Argentina has been established to facilitate bids within the country.

Tesla provides seismic services to oil and gas exploration and production companies. Oil and gas exploration and production companies rely on seismic data to identify areas where subsurface conditions are favourable for the accumulation of existing hydrocarbons, to optimize the development and production of hydrocarbon reservoirs, to better delineate existing oil and natural gas fields and to facilitate reservoir management techniques. Tesla also provides seismic services to the mining industry and engineering firms for mining and environmental applications.

Seismic data acquired by Tesla utilizing two-dimensional (“2-D”) or three-dimensional (“3-D”) survey techniques is used to image the Earth's subsurface strata. To conduct these surveys and acquire seismic data, an acoustical energy wave is introduced into the ground using vibration equipment or dynamite detonation at or near the surface of the Earth. These sound waves reflect off the underlying geological beds or strata back to the surface. The depth and structure of the strata reflecting these waves influences the time

with which these waves return to the surface. The reflected energy wave is recorded by geophones located on the surface, which is converted into a digital signal at a multi-channel recording unit and then transmitted to a central recording vehicle. The subsurface structure and zones of interest dictate the number of channels necessary to perform Tesla's services. A channel is a device utilized to digitize and record the geophysical data in the field. The number of channels a company owns reflects on the size of the corporation relative to industry peers in the geophysical data acquisition industry and the number of crews that the company can operate. The data, which is converted into digital form, is subsequently processed and interpreted by Tesla's clients to produce more precise images of the Earth's subsurface. Tesla also provides four-dimensional ("**4-D**") surveys to image the effects of time on reservoirs illustrating changes in reservoirs post production or after injection of steam, CO₂, water or fire flooding.

Tesla offers 3C technologies for full wave seismic recording services to its clients across North America. 3C technology provides Tesla's clients with the ability to acquire shear wave seismic data in addition to the pressure wave data captured and processed for seismic imaging. The inherent value of shear wave data continues to increase. For example, shear wave data enhances the ability of geophysicists to discern the existence of oil versus water in reservoirs and provides more detailed resolution of faulting and fracturing networks in shale gas reservoirs. Additionally, microseismic monitoring can record the fracturing and failure of subsurface strata in near real-time. Analysis of the 3C microseismic data can provide detailed information relating to the fracturing process and location of failures which can enhance field development and is applicable to subsurface mining operations.

Tesla continued to expand its inventory of the Hawk SN11 3C wireless recording system in early 2014 which is compatible with the use of either a single 3C analog or 3C digital sensor. The system can be modified for 1C recording with the use of an adapter between the FSU and the geophone string. Flexibility in FSU deployment increases crew operational efficiency when working in difficult terrain and avoiding "no-permit" areas. The line Quality Control ("**QC**") tools use a Wi-Fi connection that enables drive-by and fly-by QC of deployed FSUs. A reduction in line crew size and equipment deployment time is facilitated by the reduced weight of the Hawk system components.

Tesla can operate up to ten crews in western Canada optimizing their location through the various seasons and areas. The size of a crew depends on the personnel and equipment required to perform a particular seismic data acquisition program. Tesla operates in many of the western Canadian areas such as the Duvernay, Horn River and Montney shale plays in northwest Alberta and northeast British Columbia, the Bakken tight sands play in southeast Saskatchewan and certain oil sands in northern Alberta and northwest Saskatchewan.

Over the years, Tesla has operated up to four crews in the U.S. mainly in the north western and north eastern states. Demand in the U.S. market is dictated by permit restrictions, agriculture and weather cycles and can be complementary on a seasonal basis to the Canadian market.

Tesla expanded its operations into Trinidad during 2011. The Guayaguayare 3D program completed during 2011 and 2012 was 243 square kilometers with approximately 50 square kilometers of the program classified as an extreme terrain zone. There has been no seismic acquisition activity for Tesla in Trinidad since completion of this program,

however Tesla Trinidad is currently working with a contractor in Trinidad to provide project management services to the contractor for a project later in 2016.

Tesla has a regional office in Bogota, Colombia in order to provide a base for marketing and operations in South and Central America. Lower activity in the oil and gas industry has resulted in Tesla intending to close this office in 2016 and conduct any further marketing operations from Canada.

Tesla Argentina was formed in May 2014 to facilitate a tender in the Neuquen basin of Argentina. Due to the initial capital investment required, Tesla Argentina submitted a proposal for a five year term commitment which was unsuccessful. Management recognizes the shortage of contractors in the country and continues to evaluate opportunities that arise while building relationships with the current operators in the region.

Tesla owns and operates approximately 26,500 channels of Aries conventional seismic data recording equipment, 12,900 stations (38,700 channels) of Aries 3C recording equipment and 22,000 FSUs (66,000 channels) of Inova Hawk SN11 3C wireless recording equipment in North America. 6,000 of the above noted Hawk FSUs were acquired in January 2014. During peak activity levels in western Canada, Tesla has historically rented additional recording channels, mainly 3C stations (cable and wireless), to supplement its equipment requirements. Utilizing a consistent platform of recording equipment across its North American service regions assists Tesla in providing clients with a consistent level of service and seismic data quality.

The following table shows certain information about crews and equipment operating in North America for the relevant period:

As at December 31,	2013	2014	2015
Peak concurrent crew count ⁽¹⁾	10	10	10
Recording equipment owned			
-Conventional Channels	26,500	26,500	26,500
-Three-Component Stations ⁽²⁾	12,900	12,900	12,900
-Wireless Multi-Component Hawk FSUs ⁽²⁾	16,100	22,000	22,000
Total North American Channels ⁽²⁾	113,500	131,200	131,200
Vibroseis machines	40	40	40

Notes:

- (1) A crew refers to the personnel and equipment required to perform a seismic program. A crew may generally utilize between 500 channels to as many as 10,000 stations or FSUs and 20 to 100 field personnel.
- (2) A single, three component FSU or 3C station consists of three recording channels per FSU or 3C station

As at December 31, 2015, Tesla operated 40 vibroseis machines in North America. During 2013, three vibroseis machines were retired and one was not in service. In 2014, one 12,000 pound Envirovibe previously not in service was transferred to international operations. Vibroseis machines produce acoustic energy waves for seismic acquisition purposes. Tesla's 40 vibroseis machines in North America are comprised of the following:

- Fifteen 63,000 to 67,000 pound vibroseis machines designed for off-road applications;
- Four 44,000 pound truck-mounted vibroseis machines for on-road and off-road applications;
- Eleven 44,000 pound vibroseis machines designed for off-road applications; and
- Ten 15,000 pound "Envirovibes" which are also used for off-road applications. These vibroseis machines have a smaller footprint and are beneficial for low environmental impact seismic acquisition programs.

Competitive Conditions

The seismic data acquisition industry in North America consists of competitors that can be categorized into two groups based on size and scope of operations. Tesla's operations compete with the following companies that operate in both Canada and the U.S.: Geokinetics Inc. which finalized the purchase of the North American land business of Compagnie Générale de Géophysique ("CGG") in September 2014, Dawson Geophysical Company ("Dawson"), TGC Industries Inc. ("TGC") and Global Geophysical

Services Inc. (“**GGS**”). In addition, Tesla competes with smaller regional organizations such as Sourcex Seismic Ltd., GeoStrata Resources Inc., and SAE Exploration Ltd.

A material proportion of Tesla's revenue is derived from bidding for the provision of seismic services for seismic programs tendered, directly or indirectly, by oil and natural gas companies. Tesla's ability to successfully obtain this tendered work is partially based on its ability to provide its services at a competitive price. Certain jobs awarded to Tesla are on a “turnkey” pricing basis where Tesla bears the risk of field productivity levels and any increases in input and/or subcontractor costs. Large 3D or 3C seismic programs may require crews operating with up to 100 people and 10,000 channels or stations of recording equipment. Tesla believes that because of its size, financial strength and field management expertise, it is well positioned to be able to deliver its services to a wide range of clients.

Seasonality of Operations

As a result of having the majority of its operations in western Canada, Tesla's earnings follow the seasonal activity pattern of western Canada's oil and natural gas exploration industry. In northern Alberta and British Columbia, certain areas can only be accessed and seismic activities completed in the winter months creating seasonally higher revenues and earnings for Tesla. Conversely, in spring and early summer, industry oil and natural gas exploration and development activity levels decrease due to wet spring conditions that prevent the movement of heavy vehicles on certain roads as well as limited access due to the planting of crops in the prairie regions. At this time, resources can be transferred to U.S. operations to support activities in that market. Additionally, repairs and maintenance expenditures for owned equipment damaged during the winter season usually takes place during the summer and early fall to ensure equipment is ready for the following winter. This can fluctuate based on anticipated activity levels and the status of the equipment. The Company's earnings typically decline in the spring and summer as a result of these seasonal conditions and expenditures.

Employees

As at December 31, 2015, Tesla had 34 office and 7 field full-time salaried employees in Canada and 3 office and 2 field full-time salaried employees in the U.S. Trinidad, Colombia and Argentina operations are managed from Canada along with one full-time employee and contract employees as required, providing the necessary in-country support. Due to the seasonal nature of operations, a significant portion of the workforce is hired on an hourly or daily basis to meet operational demand and peaked at approximately 244 non-salaried field employees in Canada and 63 non-salaried field employees in the U.S. during 2015.

Tesla International

Tesla International provides a comprehensive range of geophysical services from its head office in Derbyshire, England to a wide client base of independent and state-owned companies with operations in the United Kingdom, Europe and Africa. The key geophysical services provided by Tesla International are described below.

Survey Design and Management

Tesla International has the ability to provide comprehensive survey design packages. Using a combination of experienced personnel and sophisticated design software, Tesla International offers a seamless progression from the development of a survey based on its geophysical objectives, through to the development and supervision of practical field acquisition techniques.

Project Management/Permits

Tesla International offers its clients a highly experienced permitting team with over 90 years of combined experience along with senior project managers with over 25 years of industry experience.

Seismic Data Acquisition

The surface acquisition capability of Tesla International comprises personnel and equipment for 2D and 3D/3C land and 2D/3D transition zone seismic surveys. Tesla International's core team of personnel has wide-ranging experience, with an average of over 25 years in the industry, in several exploration areas of the world. Tesla International has operated up to four crews concurrently. Recent surveys by Tesla International have included shallow marine/transition zone surveys in DRC, Tanzania and Uganda, land dynamite surveys in the United Kingdom, Tanzania and Uganda and vibroseis 2D and 3D surveys in the United Kingdom, Ethiopia, Germany, Italy, Kenya, Somalia and Spain.

Tesla International can offer recording equipment, comprised of approximately 5,000 channels of Aries recording equipment (including 800 marine channels), instrumentation for deep and shallow hole dynamite, vibroseis and TZ operations worldwide. This has recently been supplemented by exclusive access to 4,500 single-component Zland Nodes plus up to 6,000 Hawk FSU (18,000 channels equivalent of 3C recording) enabling Tesla International to offer a wireless nodal recording option in areas with complex infrastructure or that are environmentally sensitive. Tesla International deployed 6,000 FSU (18,000 channels) on two 3D projects in 2014. The growth of the wireless Hawk equipment available within Tesla will enable Tesla International to remain competitive in the challenging environments that in some cases would not allow for a conventional system.

Tesla International can operate up to 21 vibroseis machines and has a fleet of purpose built pontoon vessels for TZ operations. Tesla International also has the ability to draw on the equipment in North America when needed. The following table shows certain information about International crews and equipment for the relevant period:

As at December 31	2013	2014	2015
Peak concurrent crew count ⁽¹⁾	3	3	3
Recording channels owned/leased	5,000	5,000/4,500	5,000/4,500
Vibroseis machines	20	21	21

Note:

- (1) A crew refers to the personnel and equipment required to perform a seismic program. An international crew may generally utilize between 500 to 5,000 channels and 20 to 300 field personnel.

Tesla International's 21 vibroseis machines are comprised of the following:

- Five Sercel Nomad 65 vibroseis machines designed for off-road applications;
- Twelve 60,000 to 63,000 pound vibroseis machines designed for off-road applications; and
- Four 12,000 pound “Envirovibes” which are used for off-road applications. These vibroseis machines have a smaller footprint and are beneficial for low environmental impact seismic acquisition programs.

Tesla International also has a variety of drilling equipment comprised of the following:

- Little Beaver drills mounted on 8x8 Argocats, 6x6 Polaris ATV's;
- Beretta T21 drilling units mounted on Toyota Land Cruiser 4x4's;
- Beretta T21 drilling units mounted on Morooka tracked vehicles; and
- Beretta T44 drilling units mounted on 6x6 trucks configured for uphole drilling.

Seismic Data Processing and Reprocessing

Tesla International is experienced in processing high resolution seismic data from around the world. Seismic data is processed individually by specialists with training in geological and mathematical sciences. Tesla International places emphasis on attention to detail with a view to enabling clients to derive the maximum potential from their data.

Tesla International offers on-site processing in the field using Landmark ProMAX software or alternatively SPW software on a laptop thus enabling rapid assessment of the effectiveness of data acquisition parameters and of geological structures imaged. The versatility of the hardware and software utilized by Tesla International allows processing in difficult topographical conditions, areas with extreme weather and areas of the world with poor communications.

Tesla International's processing centre operates the latest version of Landmark's ProMAX 2D and 3D processing software, and regularly carries out processing and reprocessing projects requiring high resolution land and marine experience.

Tesla International is also experienced in reprocessing early seismic datasets, particularly those with static problems, missing support data such as Observer's logs and Navigation data, low signal to noise ratios and mis-ties with other datasets. Tesla

International's geophysicists have the ability to process data with incomplete associated paper data using deductive reconstruction techniques.

Seismic Data Interpretation

Tesla International has experienced exploration geophysicists specializing in 2D and 3D seismic interpretation in both sedimentary and igneous environments. The in-house experience includes structural or stratigraphic interpretation for mining, hydrocarbon, water, and major civil engineering industries.

Processed data can be directly accessed by the in-house interpretation facility. Tesla International's interpretation facilities include: workstations, GIS mapping, digitized maps and sections, contouring, depth conversion, generation of synthetic seismograms, and seismic modeling.

In-Seam Seismic Data Acquisition, Processing and Interpretation

Tesla International employs experienced practitioners of underground seismic for in-mine exploration in coal and salt mines. With experience gained on four continents, Tesla International's staff received the Queen's Award for Technological Achievement during the development of the technique. This experience has given Tesla International staff a unique background in the execution of geophysics in the confined and highly regulated environment of a mine site.

Coal Bed Methane and Gob Gas Assessments

Tesla International provides consultant services in the assessment of recoverable reserves of gob gas and coal bed methane. Gob gas is gas produced in abandoned coal mines that can be captured and extracted economically in many instances to generate electricity.

Reconnaissance desk-top studies to assess the potential for gob gas reserves in areas with abandoned coal mineworkings are carried out by Tesla International followed by detailed studies to assess the geological structure, connectivity of mineworkings and siting of wells. Minewater recovery rates are estimated using modeling techniques and detailed analysis of mine plans to establish the potential commercial life of gob gas wells. Passive and active pump testing, together with a full range of gas analysis services are provided by Tesla International.

In virgin coalfield areas, a range of services are offered by Tesla International including a geological assessment of the stratigraphy, coal seam properties and structural data for the identification of potential gas traps. The detailed optimum siting of wells can be carried out using available seismic data and borehole geophysical data.

The design, specification and supervision of the drilling of coal bed methane wells are carried out by experienced Tesla International personnel.

Borehole VSP

Tesla can provide vibroseis sources for deep hydrocarbon check shots and VSP, and for depths up to 600 meters Tesla has its own narrow gauge downhole tool and winched cable. Acquisition is fully supported with full in house VSP processing and interpretation.

Borehole Geophysics – Processing and Interpretation

Tesla International's borehole geophysics group is experienced in all aspects of the management and interpretation of downhole geophysical logs, wireline measurement and cross-hole tomography.

Site Investigation Geophysics - Acquisition, Processing and Interpretation

Tesla International is engaged in the management, development and application of novel geophysical techniques relating to the problems of non-invasive assessment of contaminated and threatened land, specializing in the mapping of contaminant plumes related to gas, coke and tar works, and the location of abandoned mineworkings. Geophysical techniques used include resistivity, magnetometry, microgravity, electromagnetic and ground-probing radar. These techniques are also available for mineral and groundwater exploration.

Competitive Conditions

Tesla International receives a significant amount of its work through word-of-mouth referrals, repeat client sales, its industry reputation and the experience and skills of its personnel.

Seismic data acquisition services and seismic data processing and interpretation services contracts are obtained either through competitive bidding in response to invitations to bid, or by direct negotiation with a prospective client. A significant portion of Tesla International's contracts result from competitive bidding. Contracts are generally denominated in U.S. Dollar, Euro or Pound Sterling and are awarded primarily on the basis of price, experience, availability, technological expertise and reputation for dependability and safety.

Tesla International's principal competitors in the seismic data acquisition services segment include Bureau of Geophysical Prospecting (“BGP”), Geophysika Torun, ProspecUni S.A., and CGG. Tesla International also competes with various smaller regional or local competitors.

Seasonality of Operations

International field operations may be seasonal depending on the location in the world. As such this division is not affected by seasonality on a cyclical basis. The weather may affect field projects and the profitability of the job, but the locations vary and revenues and margin generally do not vary on a predictable basis.

Employees

At December 31, 2015, Tesla International had approximately 134 persons on payroll with overseas in-country labour engaged through a sub-contract agreement with local suppliers. None of Tesla International's employees are a party to a collective bargaining agreement.

Tesla Offshore

Tesla Offshore provides survey services to oil and gas exploration companies, marine construction contractors and engineering firms based on regulatory requirements and field objectives provided by its clients. With safety and the protection of historic record, life and environment as foremost concerns, Tesla Offshore uses time-proven methodologies and quality assurance procedures to provide survey services.

Tesla Offshore has a primary operations office outside Baton Rouge, Louisiana. This office houses the departments responsible for Geophysical Surveys, Innovative Solutions responsible for the AUV, and Marine Construction Survey Services, as well as the computations, drafting, geographic information systems, geoscience reporting and other departments necessary to support those field operations. The Baton Rouge office also includes Tesla Offshore's Accounting; Health, Safety and Environmental; Administration and Quality Assurance departments.

Tesla Offshore also has an office in Houston, Texas that houses corporate sales. While there are regional sales personnel in other areas, the primary sales and marketing efforts are managed out of Tesla's Houston office, near the core of Tesla Offshore's client base.

Tesla Offshore's Innovative Solutions Manager is also located in the Houston office and will be responsible for the assessment of new technologies and assistance with any of the more complex projects, such as 3D sonar, 3D navigation, Lidar Laser imaging etc.

There are three revenue streams within Tesla Offshore's operations, each is described below:

Geophysical Survey Services (Prairieville, LA)

Tesla Offshore's Geophysical Operations Department maintains a minimum of one fully equipped survey vessel; with vessel numbers having climbed to as many as six simultaneous vessels, in the past. Manned almost exclusively by full-time, on-staff employees, Tesla Offshore's primary survey vessels are equipped and staffed to execute fully compliant hazard and archaeological surveys of a range of sizes and complexities.

Client survey requirements range from simple, single sensor seafloor assessment surveys, through the full instrument suite necessary for the majority of operations, to the highly specialized requirements for compliant deepwater surveys. Working water depths have required Tesla Offshore to perform projects ranging from shallow draft vessel surveys, with specialized shallow-water sensor suites, to multiple vessel deep-tow hazard and archaeological surveys in water depths to nearly 7,000 feet and AUV deep-water hazard and archaeological surveys in water depths up to almost 15,000 feet. The untethered design of the AUV separates the vehicle from the impact of sea surface conditions and allows the highest quality data acquisition even in poor weather conditions

that would prevent towed array operations. The increased depth reach and the safety and efficiency benefits of the system is expected to lead to high utilization of these systems, in both the domestic and international realms.

Tesla Offshore's currently offered geophysical survey services include, but are not limited to, the following:

- High-resolution hazard surveys;
- Seafloor assessment surveys;
- Single beam and multibeam bathymetric surveys;
- 2D multi-fold digital seismic surveys;
- Archaeological assessment surveys;
- Pipeline route hazard and archaeological surveys;
- Tow route surveys for removed structure reefing operations;
- Shallow water / boomer seismic hazard and archaeological surveys;
- Site clearance verification by remote sensing (side scan sonar);
- Deepwater AUV hazard and archaeological surveys;
- Deepwater AUV pipeline route hazard and archaeological surveys; and
- Deepwater AUV seafloor and structure assessment surveys (replaces Remote Operated Vehicle ("ROV") surveys).

Precision Navigation and Survey Service Support for Marine Construction (Louisiana)

Tesla Offshore's Marine Construction support group provides geodetic surveying services to marine construction and salvage operations primarily in the Gulf of Mexico.

Tesla Offshore's currently offered marine construction support services include, but are not limited to, the following:

- Continental shelf marine construction positioning support including:
- Pipeline installation and inspection;
- Platform installation and removal;
- Tow route navigation;
- Site clearance verification by trawling method;
- Seafloor assessment surveys;

- 360-degree scanning sonar surveys;
- Magnetometer / gradiometer surveys; and
- Moveable marine drilling rig positioning.

Innovative Solutions Department (Houston, TX)

- AUV services;
- High-resolution geo-referenced 3D sonar imaging / modeling;
- Post-processing of 3D models / prepare for 3D navigation;
- Precision Ultra Short Baseline / Long Baseline subsea positioning / navigation;
- 3D Navigation, including ROV, diver and other entities tracked in 3D;
- Navigation, video and data distribution networks, for vessels and home offices;
- Laser 3D imaging and data cloud merging with 3D sonar data; and
- Detailed water column current monitoring / mapping.

Data Interpretation, Mapping and Reporting Services (Prairieville, LA & Houston, TX)

Tesla Offshore's interpretation staff provides comprehensive data processing, interpretation, and analysis of geological and archaeological resources based on geophysical data acquired by Tesla Offshore's survey vessels. Tesla Offshore's geoscientists work closely with its geophysical operations staff to ensure the highest quality of data collection. Tesla Offshore employs a complete staff of geologists, geophysicists, and archaeologists with extensive experience in interpreting marine geophysical data for oil and gas industry concerns. A service group for the reinterpretation of 3D seismic data is operated from Tesla Offshore's Houston, TX offices.

Tesla Offshore staff primarily provides assessments based on the following types of surveys:

- Bureau of Ocean Energy Management (“**BOEM**”) block surveys (archaeological and hazard);
- Bureau of Safety and Environmental Enforcement (“**BSEE**”) Pipeline pre-lay surveys (archaeological and hazard);
- Site specific drilling assessments (archaeological and hazard);
- Site specific seafloor clearance assessments (archaeological and hazard);
- Deepwater AUV pipeline pre-lays (archaeological and hazard);
- Deepwater AUV archaeological block surveys and site specific assessments;

- Hurricane damage assessments; and
- Sonar seafloor inspections (including pipeline spanning and displacement assessments and net-guard assessments).

Tesla Offshore's interpreters have extensive experience conducting geologic and archaeological research in the Gulf of Mexico region. Tesla Offshore's survey computation staff provides comprehensive area research, project development and post-project deliverables, all within a quality controlled environment.

Upon commencement of a project, Tesla Offshore's Survey Computations Group performs comprehensive area research, utilizing proprietary software systems, with private and public databases. With a complete understanding of existing infrastructure and topographic elements, the design of a 100% compliant survey is accomplished. Tesla Offshore's computations staff works closely with its Operations groups, to assure that surveys are logistically sound, as well as being compliant with all regulatory constraints. Once a designed survey has been through Tesla Offshore's review group, a field data package is prepared and provided to the Operations group, for project execution.

Following completion of projects, the Survey Computations Group will post-process all project data. From these data, the group will prepare project deliverables, for submission to regulatory entities, and processed materials for use by Interpretation staff and others, for additional project analysis and deliverables.

Competitive Conditions

Historically, a large percentage of the work that Tesla Offshore undertakes is negotiated with repeat clients that Tesla Offshore's personnel have built strong working relationships with. A portion of that work is awarded based on competitive bids that involve Fugro, Oceaneering (formerly C&C Technologies), UTEC Survey, T Baker Smith Surveys, Gulf Ocean Services, Inc., Cochrane Technologies Inc. and selected small local operators. Tesla Offshore continues expansion into domestic operations for larger companies and international operations for companies of all sizes.

Seasonality of Operations

The majority of Tesla Offshore's operations are carried out in the open waters of the Gulf of Mexico, onboard vessels that are selected as being a favourable balance between the manoeuvrability and economy of a smaller vessel and the towed-sensor handling capabilities of a larger vessel. For this reason, these operations are highly sensitive to the impacts of inclement weather. Rough, and particularly choppy, sea conditions introduce noise into the data recorded by the various remote sensing systems used for Tesla Offshore's geophysical operations. Inclement weather is more pronounced and consistent during the winter months, with the summer months being the most productive. Tesla Offshore's earnings typically decline in the winter months as a result of these seasonal conditions. While deployment and retrieval operations will still require favorable weather, Tesla Offshore's AUV is the first real separation from the effects of

sea surface conditions, allowing the AUV to continue its submerged data gathering in inclement weather.

Employees

At December 31, 2015, Tesla Offshore had 16 employees in the Baton Rouge operations office, 9 on full-time salary and 6 on a reduced work week, and 5 in the Houston sales office, 3 on full-time salary and 2 on a reduced work week. Due to the seasonal nature of operations, a significant portion of the workforce is hired on an hourly basis to meet operational demand. At December 31, 2015, Tesla Offshore had a total of 46 employees.

Regulation and Environmental Protection

Tesla's operations are subject to numerous international, federal, state, provincial and local laws and regulations. These laws and regulations govern various aspects of operations, including the discharge of explosive materials that may harm the environment or otherwise relating to the protection of the environment and access to private and governmental land to conduct seismic surveys.

Tesla's management is responsible for Tesla meeting and remaining in compliance with certain regulatory requirements. Tesla has quality, health, safety and environmental advisors who maintain and administer the quality, health, safety and environmental programs for its field personnel. The costs of acquiring permits and remaining in compliance with environmental laws and regulations, title research, environmental studies, archaeological surveys and cultured resource surveys are generally borne by Tesla's clients. Tesla's divisions have all acquired numerous safety certifications and awards for their safety performance in their respective jurisdictions.

Although the costs of complying with applicable laws and regulations have historically not been material, the changing nature of such laws and regulations makes it impossible to predict the cost or impact of such laws and regulations on Tesla's future operations.

Risk Factors

The activities we undertake involve a number of risks and uncertainties inherent in the industry, some of which are summarized below. Additional risks and uncertainties that our management may be unaware of, or that they determine to be immaterial, may also become important factors which affect Tesla.

Dependence on Exploration and Development Activity in the Oil, Natural Gas and Minerals Industry

Tesla's business is substantially dependent upon the condition of the oil, natural gas and minerals industry and, in particular, the willingness of companies to make capital expenditures for exploration, development and production operations. The level of capital expenditures generally depends on the prevailing views of future oil, natural gas and mineral prices, which are influenced by numerous factors, including but not limited to:

- Changes in international economic conditions, including the potential for a recession;
- Demand for oil, natural gas and minerals especially in the U.S., China and India;

- Worldwide political conditions, particularly in significant oil-producing regions such as the Middle East, West Africa and Latin America;
- Actions taken by the Organization of Petroleum Exporting Countries;
- The availability and discovery rate of new reserves;
- The rate of decline of existing and new reserves;
- Access to transportation for reserves that are produced;
- The cost of exploration for, and production and transportation of, oil, natural gas and minerals;
- The ability of exploration and production companies to generate funds or otherwise obtain external capital for exploration, development, construction and production operations;
- The sale and expiration dates of leases worldwide;
- Technological advances affecting energy exploration, production, transportation and consumption;
- Weather conditions;
- Environmental or other government regulations both domestic and foreign;
- Domestic and foreign tax policies;
- The pace adopted by foreign governments for the exploration, development and production of their oil and gas reserves; and
- Activity levels in the mining of potash, salt, coal; as well as extraction of coal bed methane and coal mine methane.

A sustained period of low drilling and production activity, low commodity prices or reductions in industry budgets could reduce demand for Tesla's services and would likely have a material adverse effect on Tesla's business, financial condition and results of operations.

Access to Capital

Seismic data acquisition equipment is continually being improved with new technology. In order to remain competitive, Tesla must continue to invest additional capital to maintain, upgrade and expand its seismic data acquisition capabilities. Seismic data acquisition equipment is expensive and Tesla's ability to operate and expand its business is dependent upon the availability of internally generated cash flow and financing alternatives. Such financing may consist of bank or commercial debt, equity or debt securities or any combination thereof. There can be no assurance that Tesla will be successful in obtaining sufficient capital to upgrade and expand its current operations through cash from operations or additional financing or other transactions if and when required on terms acceptable to Tesla. Due to the uncertainties surrounding the changing market for seismic services, increases in capital and technological requirements, and other matters associated with Tesla's operations, Tesla is unable to estimate the amount or terms of any financing that Tesla may need to acquire, upgrade and maintain seismic equipment. If Tesla is unable to obtain such financing, if and when needed, Tesla may be forced to curtail its business objectives, and to finance its business activities with only

such internally generated funds as may then be available and this could have an adverse impact on Tesla.

Debt Service Requirements

Currently Tesla has significant credit and leasing facilities. Tesla's ability to meet its debt service requirements will depend on Tesla's future operations which are subject to prevailing industry conditions and other factors which are beyond Tesla's control. The credit facilities incur a floating rate interest charge, whereas the leasing facilities are generally on fixed rate interest terms set on inception of the lease. Should interest rates vary substantially, Tesla cannot guarantee it will have the funds available to meet its commitments. A significant portion of Tesla's assets are pledged as collateral for the credit and lease facilities. If in the event that Tesla is in default or does not meet defined debt covenants, Tesla cannot guarantee that the sale of such assets will be sufficient to cover its outstanding indebtedness. In 2015, Tesla's largest shareholder has provided a guarantee in the amount of \$2.5 million, in favour of the lender, which becomes operative in certain circumstances and is secured by receivables of the Company which are not used to secure any of its credit facilities.

Weather and Seasonal Fluctuations

The operations of Tesla are sensitive to inclement weather, particularly rain and heavy snowfall. Inclement weather may also impact ground conditions that inhibit or delay Tesla's ability to access field locations where seismic programs are undertaken. Tesla may periodically experience accidents and delays in the delivery of its services or loss of productivity as a result of such adverse weather conditions. In addition, excessive wind can hamper seismic recording operations as it creates background "noise" that affects the ability of Tesla's geophones to clearly record seismic signals.

The seismic acquisition industry in western Canada is characterized by considerable seasonality. During the second quarter, when the frost leaves the ground in the spring, many secondary roads are temporarily rendered incapable of supporting the weight of heavy trucks and equipment. Ground conditions are also wet which results in severe restrictions in field activity. The duration of this period, commonly referred to as the "spring breakup", has a direct impact on the level of Tesla's activities. Spring breakup, which generally occurs between March and May, is typically the slowest period of activity for Tesla. The first quarter is typically the most active quarter because many areas in northern Canada are only accessible in the winter months when the ground is sufficiently frozen to support the weight of heavy equipment. The duration and severity of winter in these regions influences the amount of seismic activity that can be completed. This seasonality creates fluctuations in Tesla's cash flow and results of operations at various times throughout the year.

The majority of Tesla Offshore's operations are carried out in the open waters of the Gulf of Mexico, onboard vessels that are selected as being a favorable balance between the manoeuvrability and economy of a smaller vessel and the towed-sensor handling capabilities of a larger vessel. For this reason, these operations are highly sensitive to the impacts of inclement weather.

Rough, and particularly choppy, sea conditions introduce noise into the data recorded by the various remote sensing systems used for Tesla Offshore's geophysical operations.

Inclement weather is more pronounced and consistent during the winter months, with the summer months being the most productive. Further, wind and resultant sea state patterns differ in different areas of the Gulf of Mexico. The southern areas of offshore Texas have consistently rougher sea states and present greater challenges to acquiring quality data than other areas of the Gulf. Where market conditions will allow, Tesla Offshore adjusts pricing for projects in these areas to compensate for reduced productivity.

While the lump-sum pricing structures employed by Tesla Offshore for geophysical surveys have been fine-tuned through decades of research and productivity monitoring, there is always a threat of extraordinary weather systems and any given project has the potential to lose money due to extended poor weather periods. Movement of the vessel(s) to more favorable work areas of the Gulf of Mexico is used to minimize these impacts, but their elimination is not possible.

While deployment and retrieval operations will still require favourable weather, Tesla Offshore's AUV is the first real separation from the effects of sea surface conditions, allowing the AUV to continue its submerged data gathering in inclement weather.

Significant Clients

Tesla currently has the capacity to field up to three international seismic data acquisition crews. However, in any given period, Tesla could have idle crews which result in a significant portion of its revenues, cash flows and earnings coming from a relatively small number of crews. Additionally, due to location, service line or particular job, some of Tesla's individual crews may achieve results that are a significant percentage of consolidated operating results. Should one or more of these crews experience significant changes in timing, Tesla's financial results would be subject to significant variations from period to period. Factors that may result in these changes in timing include, but are not limited to, weather, permits, client requirements and political unrest. Historically, Tesla has been dependent on a few clients operating in a single industry; the loss of one or more clients could adversely affect its financial condition and results of operations.

Tesla has an overall exposure to credit risk, and clients will likely be similarly affected by changes in economic and industry conditions. If any of these significant clients were to terminate their contracts or fail to contract for Tesla's services in the future because they are acquired, alter their exploration or development strategy, or for any other reason, Tesla's results of operations could be adversely affected.

Additionally, Tesla has limited control over the timing of its international operations due to the extensive planning and preparation required to perform a seismic survey. Tesla's international operations have also been affected historically by the budgeting cycle of its clients, at times resulting in higher activity levels early in the year when available exploration budgets are high, and late in the year when its clients are trying to utilize their remaining budgets.

Risk of Operating in Foreign Jurisdictions

Tesla's operations are subject to risks inherent in foreign operations and the costs associated therewith, including but not limited to:

- Political, social and economic instability;
- The loss of revenue, property and equipment from hazards such as expropriation, nationalization, war, insurrection, acts of terrorism and other political risks;
- Risks to personal safety of employees including the risk of kidnapping;
- Increased operating costs;
- Increases in taxes and governmental royalties;
- Renegotiation or abrogation of contracts with governmental entities;
- Changes in laws and policies governing operations of foreign-based companies;
- Import-export quotas;
- Currency restrictions and exchange rate fluctuations;
- World economic cycles;
- Limited market access;
- Other uncertainties arising out of foreign government sovereignty over its international operations; and
- Compliance with the *Foreign Corrupt Practices Act* (Canada) and similar applicable laws in Canada and other jurisdictions.

In addition, laws and policies of the U.S. affecting foreign trade and taxation may also adversely affect Tesla's international operations.

Fixed Price Contracts

A substantial portion of Tesla's land seismic acquisition contracts are fixed price contracts or "turnkey contracts" as Tesla bears substantially all the risk associated with such contracts. Project delays as a result of weather or reduced productivity on a "turnkey project" may reduce margins or cause a loss on such projects. Where possible, Tesla ensures an appropriate weather standby charge is included in each contract to cover standby costs and minimize the financial impact of the weather delay.

Tesla Offshore strives to secure as much day-rate work as possible, but competition for specific well defined projects requires that a lump sum price, adjusted to allow an expected amount of inclement weather impact, be offered to its clients. On these projects, Tesla Offshore bears the risks associated with productivity delays and particularly the risk of inclement weather. To the extent Tesla Offshore incurs costs in excess of those estimated to complete a project, its margins are reduced, and, in some cases, Tesla Offshore may incur loss on a particular project as a result of such excess costs.

Nature of Client Contracts

Tesla's backlog consists of written order or commitments for its services that Tesla believes to be firm. Contracts for services are occasionally varied or modified by mutual consent and in many instances are cancellable by the client on short notice without penalty. As a result, Tesla's backlog as of any particular date may not be indicative of its actual revenues for any succeeding fiscal period and even if its backlog is realized, it may not be profitable.

Competition

Tesla is in a highly competitive industry. A material proportion of Tesla's revenue is derived from bidding for the provision of seismic services for seismic programs tendered by oil and gas companies, or their consultants. Tesla's ability to successfully obtain this tendered work is partially based on its ability to provide its services at the lowest price. Tesla competes with larger organizations that may have greater financial and technical resources as well as smaller companies that, because of their size and infrastructure, may have a lower cost structure.

Given current market conditions, competition in Tesla Offshore has intensified. While Tesla Offshore's full capabilities are matched by only two competitor companies, various service offerings, based on more readily available sensor systems, fall into areas where a greater number of competitor companies are bidding on those projects. A number of the companies competing for the smaller projects are smaller companies with lower overhead and asset costs. Therefore, these companies can offer comparable service for rates lower than Tesla Offshore. The majority of Tesla Offshore's awarded projects are from repeat clients and the greatest impact on revenue and profits is the competition's effect on pricing levels that the industry will accept as the going rates for services.

Technological Obsolescence

The seismic data services industry is characterized by constantly evolving technology. Tesla may not have sufficient resources to acquire new technology, as needed, or be able to use new technology to compete effectively.

Risks Relating to Growth and Expansion

Growth of Tesla's business may place significant pressure on Tesla's management, operational and technical resources. Tesla intends to pursue a strategy for expansion and to acquire equipment to enable it to expand its operations. The success of Tesla's growth and expansion will depend upon a number of factors not entirely within Tesla's control, including, among others, the cost and availability of equipment, the ability to meet project schedules, the securing of required government permits and other regulatory approvals, the hiring and training of management and other personnel, competition in the industry, demand for seismic data, the terms and availability of financing and other general economic and business conditions. Any problems or delays encountered in any one of these areas could result in substantial increases in costs to Tesla. In connection with any growth or expansion, Tesla will be required to develop and improve operational, management and financial systems and controls. There can be no assurance that Tesla will be able to effectively manage its expanding operations and anticipate all of the

changing demands that growth will impose on its systems and controls. Failure to manage growth would have a material adverse effect on Tesla's business.

Dependence on Suppliers

Tesla depends on a limited number of third parties to supply it with specific seismic services and equipment. The Company does not have long-term supply agreements with any suppliers. Any delay in obtaining equipment could delay Tesla's implementation of additional crews and restrict the productivity of its existing crews, adversely affecting Tesla's business and results of operations.

Impact of Foreign Currency

As a company that derives a substantial amount of its revenue from sales internationally, Tesla is subject to risks relating to fluctuations in currency exchange rates. Fluctuations in the exchange rate of the Canadian Dollar, U.S. Dollar, Euro and Pound Sterling against such other currencies have had in the past, and can be expected in future periods to have, a significant effect upon Tesla's results of operations. While Tesla attempts to reduce the risks associated with such exchange rate fluctuations, Tesla cannot assure investors that it will be effective in doing so or that fluctuations in the value of the currencies in which Tesla operates will not materially affect its results of operations in the future.

Operating Hazards and Insurance

Tesla's operations are subject to the general risks incident to land and water based seismic data acquisition activities, including the use of explosives, which subject personnel to risk of injury due to accidental explosions resulting from the mishandling of equipment and supplies. Further, Tesla operates in remote areas, often characterized by difficult terrain, and under extreme weather conditions. Tesla's crews are mobile and its equipment and personnel are subject to vehicular accidents. Some or all of these hazards may result in personal injury and loss of life, severe damage to or destruction of property and equipment, environmental damage or suspension of operations.

To date, Tesla has not experienced any material losses or environmental claims, but there can be no assurance that it will not experience such losses or claims in the future. To the extent available, Tesla maintains general liability insurance coverage against these potential claims, the nature and amount of which Tesla believes to be customary in the industry. There can be no assurance that adequate insurance will be available in the future or that Tesla will be able to maintain adequate insurance on terms and conditions it finds acceptable. In the event of an uninsured or inadequately insured claim, Tesla's business and financial condition could be materially adversely affected.

Tesla Offshore's operations are subject to general risks associated with marine vessel activities in the full range of sea conditions, including embarking and disembarking of vessels in rough seas, transfer of personnel in personnel lift baskets attached to cranes and working on open back decks of survey vessels and barges. Tesla Offshore's crews are mobile and its equipment and personnel are subject to vehicular accidents. Some or all of these hazards may result in personal injury and loss of life, severe damage to or destruction of property and equipment, environmental damage or suspension of operations.

Compliance with Governmental Regulations

The oil and gas industry is subject to an extensive array of international, federal, provincial, state and local laws and regulations, which may be changed from time to time in response to economic or political conditions. Laws and regulations that have the effect of reducing or curtailing exploration and production activities by energy companies could also adversely affect Tesla's operations and its financial condition by reducing the demand for its services. In addition, oil and gas exploration is subject to regulations governing environmental quality and pollution control. Tesla is required to expend financial and managerial resources to comply with such laws in its operations, and anticipates that it will continue to be required to do so in the future. Further, in many instances, Tesla must abide by permit requirements in order to conduct its operations and must abide by environmental operating restrictions during the breeding period of certain specific wildlife. There can be no assurance that in the future Tesla will be able to acquire all of the necessary permits to conduct its business or that the costs associated with complying with laws and regulations affecting its business will not have a material adverse effect upon Tesla. In the past, certain environmental operating restrictions by which Tesla was required to abide have adversely affected Tesla's operating results, and contributed to a significant decrease in revenues and a net loss, during certain periods. Further, there can be no assurance that such laws or regulations will not change frequently. In recent years, there has been a trend toward more expansive and stricter environmental laws and regulations.

The Gulf of Mexico offshore oil and gas industry and service companies operating within that industry are subject to an extensive array of federal and various state laws and regulations, which may be changed from time to time in response to economic or political conditions, or to modify methodologies in response to increased insight into engineering and cultural considerations of operations in the Gulf of Mexico. Specifically, Tesla Offshore's operations are, to a great extent, governed by the BOEM and the BSEE sections of the U.S. Department of the Interior. The BOEM issues Notices, Letters, and Information to Lessees and Operators ("NTLs") that dictate the specific requirements for offshore activities that lessees and operators customarily perform. Specifications relating to pre and post operations surveys are defined within these NTLs. While all surveys are designed to be compliant, to the best of Tesla Offshore's knowledge, there are occasionally ill defined elements of the NTLs, which in some cases can lead to a completed survey being rejected by the BOEM or BSEE. In this event, additional field data acquisition, solely at the cost of Tesla Offshore, is usually required and can impact profitability of the project.

Key Personnel

Shareholders must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Tesla. The success of Tesla is dependent upon its personnel and key consultants. All of our businesses face competition for skilled employees and we may be required to pay higher salaries or hourly rates to attract and retain such personnel. The unexpected loss or departure of any of Tesla's key officers, employees or consultants could be detrimental to the future operations of Tesla. The success of Tesla's business will depend, in part, upon Tesla's ability to attract and retain qualified personnel as they are needed.

Inherent Limitations in Control Systems

Tesla's management, including its President and Chief Financial Officer, does not expect that its internal controls and disclosure controls will prevent all possible error and all fraud. A control system, no matter how well conceived and operated can provide only reasonable not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be relative to their costs. Because of the inherent limitations in all control systems, no evaluation of Tesla's controls can provide absolute assurance that all control issues and instances of fraud, if any, in Tesla have been detected. These inherent limitations include the realities that judgements in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Further, controls can be circumvented by the individual acts of some persons or by collusion of two or more persons. The design of any system of controls is based in part upon the likelihood of future events, and there can be no assurance that any design will succeed in achieving its intended goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions or the degree of compliance with its policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur without detection.

Conflicts of Interest

Certain Directors and officers of Tesla are engaged in and will continue to be engaged in other activities in the oil and gas industry and, as a result of these and other activities, such Directors and officers may become subject to conflicts of interest. All such conflicts will be dealt with in accordance with the requirements under all applicable laws. See also "Conflicts of Interest" section of this AIF.

Significant Shareholder

As of the date hereof, 39.3% of the issued and outstanding Tesla Shares are held by Matco Investments Ltd. ("**Matco**"). Therefore, Matco could exert significant influence over the affairs of Tesla. The interests of Matco may not in all cases be aligned with interests of the Company's other shareholders. In addition, Matco may have an interest in pursuing acquisitions, divestitures and other transactions that, in the judgment of its management, could enhance its equity investment, even though such transactions might involve risks to the Company's shareholders and may ultimately affect the market price of the Tesla Common Shares.

Dividend Record and Policy

The Company has not paid dividends on its Common Shares and does not expect to pay any dividends in the near future. Any future payment of dividends will depend upon the financial condition, capital requirements and earnings of the Company, as well as other factors that the board of directors of Tesla may deem relevant (the "**Board of Directors**").

Description of Capital Structure

Common Shares

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value. All of the outstanding Common Shares are fully paid and non-assessable.

Subject to the provisions of the *Business Corporations Act* (Alberta) (the “**ABCA**”), the holders of Common Shares are entitled to receive notice of and to attend all meetings of the shareholders of the Company and shall have one vote, in person or by proxy, for each Common Share held at all meetings of the shareholders of the Company, except meetings at which only holders of another specified class or series of shares of the Company are entitled to vote separately as a class or series.

Subject to the prior rights of the holders of preferred shares (“**Preferred Shares**”) and any other shares ranking senior to the Common Shares with respect to priority in the payment of dividends, the holders of Common Shares shall be entitled to receive dividends and the Company shall pay dividends thereon, as and when declared by the Board of Directors of the Company out of monies properly applicable to the payment of dividends, in such amount and in such form as the Board of Directors of the Company may from time to time determine and all dividends which the Board of Directors of the Company may declare on the Common Shares shall be declared and paid in equal amounts per share on all Common Shares at the time outstanding.

In the event of the dissolution, liquidation or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, subject to the prior rights of the holders of the Preferred Shares and any other shares ranking senior to the Common Shares with respect to priority in the distribution of assets upon dissolution, liquidation, winding-up or distribution for the purpose of winding-up, the holders of the Common Shares shall be entitled to receive the remaining property and assets of the Company.

Preferred Shares

The Company is also authorized to issue an unlimited number of Preferred Shares, issuable in series, without nominal or par value. Before the first shares in a series are issued, the Board of Directors of the Company shall fix the number of shares in such series and shall determine, subject to the limitations set out in the Company’s Articles, the designation, rights, privileges, restrictions and conditions to be attached to the shares of such series. No Preferred Shares have been issued as of the date of this AIF.

Subject to the provisions of the ABCA or as otherwise required by law, the holders of Preferred Shares are not entitled to receive notice of, to attend or to vote at any meeting of the shareholders of the Company.

No rights, privileges, restrictions or conditions attached to a series of Preferred Shares shall confer upon a series a priority in respect of dividends or return of capital over any other series of Preferred Shares then outstanding. The Preferred Shares shall be entitled to priority over the Common Shares of the Company and over any other shares of the Company ranking junior to the Preferred Shares with respect to priority in the payment of

dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs. If any cumulative dividends or amounts payable on a return of capital in respect of a series of Preferred Shares are not paid in full, the Preferred Shares of all series shall participate rateably in respect of such dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full; provided, however, that in the event of there being insufficient assets to satisfy in full all such claims to dividends and return of capital, the claims of the holders of the Preferred Share with respect to repayment of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards the payment and satisfaction of claims in respect of dividends.

The rights, privileges, restrictions and conditions attaching to the Preferred Shares as a class may be added to, changed or removed but only with the approval of the holders of the Preferred Shares in such manner as may be required by law, subject to a minimum requirement that such approval shall be given by resolution passed by the affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of Preferred Shares duly called for that purpose.

Market for Securities

Trading Price and Volume

The Company's Common Shares are listed and posted for trading on the TSX under the symbol "TXL". The following table sets forth the price range and trading volume of the Common Shares as reported by the TSX for the periods indicated.

Date	High \$	Low \$	Volume
January, 2015	1.35	0.99	72,190
February, 2015	1.17	0.85	11,586
March, 2015	0.90	0.59	57,700
April, 2015	0.99	0.60	48,404
May, 2015	2.81	1.01	298,876
June, 2015	1.67	1.25	45,210
July, 2015	1.44	0.70	80,063
August, 2015	1.24	0.69	111,555
September, 2015	0.89	0.62	54,750
October, 2015	0.87	0.73	42,281
November, 2015	0.78	0.65	37,139
December, 2015	0.71	0.43	39,199

Directors and Officers

The names, municipality, province and country of residence, positions with the Company, and principal occupation of the Directors and officers of the Company are set out below and, in the case of Directors, the period each has served as a Director of the Company.

Name and Residence	Position with Tesla⁽¹⁾	Director Since	Principal Occupation for Past Five Years	Common Shares Beneficially Owned or Controlled or Directed as at March 15, 2016
Ronald P. Mathison Alberta, Canada	Chairman of the Board of Directors	April 16, 2010	President, Matco Investments Ltd. (a private investment company).	8,858,087 ⁽²⁾ 39.27%
Richard R. Habiak Alberta, Canada	Director, President and CEO	April 16, 2010	President and CEO of the Company. Prior thereto, President of Tesla Exploration Ltd. (PrivateCo) from November, 1999 to April, 2010.	2,424,574 ⁽³⁾ 10.75%
Lorne A. Gartner ⁽⁴⁾⁽⁵⁾ Alberta, Canada	Director	April 16, 2010	Independent businessman. Member of the Board of Directors of Tesla Exploration Ltd. (PrivateCo) from 2007 to 2010.	105,416 <1%
David M. McGoey ⁽⁴⁾⁽⁵⁾ Alberta, Canada	Director	April 16, 2010	President of David M. McGoey Professional Corp. since its formation in 1994.	15,812 <1%
David V. Elgie ⁽⁴⁾⁽⁵⁾ British Columbia, Canada	Director	April 16, 2010	Independent businessman since May 2012. Prior thereto, Chief Executive Officer of Probe Resources Ltd. from April 2011 to May 2012. Prior thereto, Chairman of the board of Petroflow Energy Ltd. from June 2009 to September 2011.	50,559 <1%
J. Fernando Aguilar Alberta, Canada	Director	June 30, 2011	President and Chief Executive Officer of Calfrac Well Services Ltd. since January 1, 2014. Prior thereto, President and Chief Operating Officer since November 1, 2010. Prior thereto, President, Geophysical Service for the Americas, of CGG Veritas, a global geophysical company, since April 2009.	Nil
P. Daniel McArthur Alberta, Canada	Vice President	N/A	Vice President of the Company. Prior thereto, Vice President of Tesla Exploration Ltd. (PrivateCo) since 1999.	2,517,906 ⁽⁶⁾ 11.16%

Name and Residence	Position with Tesla⁽¹⁾	Director Since	Principal Occupation for Past Five Years	Common Shares Beneficially Owned or Controlled or Directed as at March 15, 2016
Graham D. Reid Alberta, Canada	Vice President, CFO and Secretary	N/A	Vice President, CFO and Secretary of the Company since January 19, 2015; prior thereto, Vice President Finance and CFO of Leader Energy Services Ltd. from November 2010 until January 2015; prior thereto, Vice President Finance and CFO of Norex from August 2008 until April 2010.	6,033 <1%
Claude D. Schempf, Jr. Texas, U.S.	President, Tesla Offshore	N/A	President of Tesla Offshore from December 15, 2014; prior thereto, Sr. VP Sales & Marketing of Tesla Offshore from February, 2004	14,758 <1%
Milton B. Tetzlaff Alberta, Canada	Senior Vice President, Tesla Canada	N/A	Vice President, Tesla Canada since April 16, 2010; prior thereto, Chief Operating Officer of Norex from February 1, 2006 until April 15, 2010.	125,388 <1%
David K. Buttle Colorado, U.S.	President, Tesla USA	N/A	President of Tesla USA since August 15, 2011; prior thereto, Operations Manager of Terraseis Limited from August 2009 to August 2011.	Nil
Chris Brown Alberta, Canada	Vice President, HSE	N/A	Vice President, HSE of the Company since March 31, 2014; prior thereto HSE Country Manager for Tesla Exploration Inc. from January 2012 until March 2014; prior thereto HSE Manager for Ardiseis, Oman from May 2011 until December 2011.	Nil
Quinten Bailey Alberta, Canada	Managing Director of Tesla International	N/A	Managing Director of Tesla International since October 14, 2015; prior thereto Tesla General Manager South America from February 2013 until October 2015; prior thereto Operations Supervisor Tesla Trinidad from September 2011 until February 2013; prior thereto Corporate Technical Supervisor for Tesla from September 2008 until September 2011.	Nil

Notes:

- (1) Directors hold office until the next annual general meeting of shareholders or until each Director's successor is appointed or elected pursuant to the ABCA.
- (2) Common Shares are registered to Matco Investments Ltd., a corporation wholly owned by Mr. Mathison.
- (3) Common Shares are registered to 1529776 Alberta Ltd., a corporation 51% owned by Mr. Habiak and 49% owned by his spouse. Mr. Habiak exercises control and direction over 100% of the Common Shares indicated.
- (4) Member of the Audit Committee.
- (5) Member of the Corporate Governance/Compensation/HSE Committee.
- (6) 2,516,406 Common Shares are registered to 1529779 Alberta Ltd., a corporation 50% owned by Mr. McArthur and 50% owned by his spouse. Mr. McArthur exercises control and direction over 100% of the Common Shares indicated.

As at March 15, 2016 the Directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 18,164,615 Common Shares, or approximately 80.53% of the issued and outstanding Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, no Director or executive officer of the Company is, as at the date of this AIF, or within ten years prior to the date of this AIF, has been, a Director, chief executive officer or chief financial officer of any company (including Tesla) that: (i) while that Director or executive officer was acting in the capacity as Director, chief executive officer or chief financial officer was the subject of a cease trade order or an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under Canadian securities legislation (any such order referred to as an “**Order**”), for a period of more than 30 consecutive days; or (ii) was subject to an order that was issued after the Director or executive officer ceased to be a Director, chief executive officer or chief financial officer.

To the knowledge of the Company, other than as described below, no Director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is, as at the date of this AIF, or has been during the ten years prior to the date of this AIF, a Director or executive officer of any company (including Tesla) that: (i) while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, during the ten years prior to the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold assets of the Director, executive officer or shareholder.

Mr. Mathison indirectly holds a controlling interest in Riverside Quays Limited Partnership (“**RQLP**”), a private Alberta limited partnership involved in the construction and sale of a 700-unit condominium project in Calgary, Alberta. Mr. Mathison is also a director of Statesman Riverside Quays Ltd. (“**SRQL**”), the former general partner of RQLP. SRQL, without Mr. Mathison’s authorization or approval, caused RQLP to default on its loan obligations to its lender and, on December 15, 2010, the lender obtained a court order appointing a receiver of SRQL and RQLP. Mr. Mathison subsequently arranged for the full payout of the loan to RQLP’s lender and for the appointment of a new general partner for RQLP. The receiver of SRQL and RQLP was discharged.

On October 16, 2008 Mr. Elgie joined the board of directors of Petroflow Energy Ltd, a gas exploration company focused in Oklahoma, USA (“**Petroflow**”), with a head office in Calgary Alberta. Following the resignation of Petroflow’s Chairman, Mr. Elgie agreed to become interim Chairman and then Chairman following Petroflow’s AGM on June 2, 2009. Petroflow became focused on finding solutions to its cash shortfall problems and with the continual weakening of natural gas prices the company was unable to obtain a source of new capital. Subsequently Petroflow’s board of directors petitioned to place the company’s 100% owned subsidiary, North American Petroleum Company, into

voluntary Chapter 11 protection. This was followed by a similar petition for Petroflow's parent, Petroflow Resources, on August 20, 2010. In August 2010, a then current Petroflow board member assumed the role of President and CEO of Petroflow. Petroflow was issued with a cease trading order from both the Toronto Stock Exchange ("TSX") (PEF) and AMEX (PED) exchanges as a result of not filing timely financial reports. On September 14, 2011, following the sale of its producing assets, a negotiated settlement with all of Petroflow's creditors, a private placement equity issuance and the hiring of a new management team, Petroflow was granted approval of its plan and subsequently exited Chapter 11 protection, Mr. Elgie remained Chairman during this process, and resigned on September 14, 2011.

Mr. Reid resigned as Chief Financial Officer of Leader Energy Services Ltd. ("**Leader**") effective January 9, 2015. On February 20, 2015, Leader filed a Notice of Intention to File a Proposal in accordance with Section 50.4(1) of the *Bankruptcy and Insolvency Act*. Pursuant to the filing, Leader received temporary protection from its creditors, other than its senior lender, in order to restructure. On March 16, 2015, the Alberta Court of Queen's Bench granted an order approving the sale procedures that govern the process for soliciting and selecting bids for the sale of the undertaking, property and assets of Leader. Range Corporate Advisors Inc. was responsible for soliciting proposals for the assets and business of Leader. Bids were due on April 20, 2015 and Leader did not file a proposal within the time period prescribed by the *Bankruptcy and Insolvency Act* and, as such, was deemed bankrupt on August 20, 2015. MNP Ltd. was named bankruptcy trustee.

No Director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, 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 investor in making an investment decision.

Conflicts of Interest

Each of the Company's Directors, officers and employees is expected to avoid any outside activity, financial interest or relationship that may present a possible conflict of interest or the appearance of a conflict of interest, and to promptly disclose any such conflict of interest that can or has not been avoided to a representative of senior management.

The President & CEO and Chair of the Corporate Governance/Compensation/HSE Committee ("**CG/C/HSE Committee**") make any required determinations in respect of any possible conflict of interest involving Directors, officers and employees unless such matters involve the President & CEO, in which case the Chair of the CG/C/HSE Committee makes any required determinations.

The Board of Directors expects Directors to act ethically at all times and to acknowledge their adherence to the policies comprising the Company's Code of Ethics and Professional Conduct.

In addition to the statutory responsibilities of Directors to disclose all actual or potential conflicts of interest and generally to refrain from voting on matters in which the Director

has a conflict of interest, the Director shall excuse himself from any discussion or decision on any matter in which the Director is precluded from voting as a result of a conflict of interest or which otherwise affects his personal, business or professional interests.

Management is not aware of any existing or potential material conflicts of interest between the Company or a subsidiary of the Company and any of its Directors or officers.

Audit Committee Information

The Audit Committee of the Board of Directors operates under a written Audit Committee Mandate (the “**Mandate**”) that sets out its responsibilities and composition requirements. A copy of the Mandate is attached as Schedule “A” to this AIF. As at the date of this AIF, the members of the Audit Committee are: David M. McGoey (Chairman), Lorne A. Gartner and David V. Elgie. The following sets out the education and experience of each Director relevant to the performance of his duties as a member of the Audit Committee:

Mr. McGoey is chair of the Audit Committee. Mr. McGoey is financially literate by virtue of having attained a Bachelor of Commerce (Honours) degree and two professional accounting designations (CA and CPA (Illinois)). Mr. McGoey has also attained his ICD.D designation and has attended additional professional education courses on governance and compensation issues for directors and has ten years of experience as a director on boards of public companies.

Mr. Gartner is an independent businessman. Formerly he was the managing Director of Royal Bank of Canada Capital Markets, a position he held from 2000 to 2006. Prior to that time, he was a Vice President of Royal Bank of Canada Calgary Energy Group. Mr. Gartner has specialized in energy finance both in Canada and the U.S. for 25 years and, in this capacity, has been involved with financial statement issues throughout this period. Mr. Gartner received a degree in Business Administration from the University of Alberta in 1972.

Mr. Elgie is financially literate as a result of over 25 years of managerial experience and 15 years as an executive officer of publicly traded companies. Mr. Elgie has held directorship positions for over 11 years dealing with all matters brought before the board.

The Audit Committee shall consist of as many members as the Board of Directors shall determine, but in any event not fewer than three Directors of Tesla, provided that each member of the Audit Committee shall be determined by the Board of Directors to be:

- (i) an “unrelated” and “independent” Director as defined in, and for the purposes of, any applicable governance guidelines or listing standards of any stock or securities exchange upon which the securities of Tesla are, from time to time, listed; and
- (ii) an “independent” and “financially literate” Director for the purposes of any applicable corporate, securities or other legislation or any rule, regulation, instrument, policy, guideline or interpretation under such legislation.

The Board of Directors has determined that all of the current members of the Audit Committee are unrelated, independent and financially literate.

Audit Committee Pre-Approval Policy

The Pre-Approval Policy adopted by the Audit Committee regarding non-audit services is attached hereto as Schedule "B".

Approval of Accounting Policies

The Approval of Accounting Policies Policy adopted by the Audit Committee regarding the adoption and approval of accounting policies, and the process for making changes to accounting policies that have been previously adopted by the Company is attached hereto as Schedule "C".

External Auditor Service Fees

The Company was billed the following fees from its external auditors, PricewaterhouseCoopers LLP, Chartered Accountants, for fiscal 2015 and 2014:

<u>Nature of Services</u>	<u>Year Ended December 31, 2015 (\$)</u>	<u>Year Ended December 31, 2014 (\$)</u>
Audit Fees ⁽¹⁾	258,100	304,150
Tax Fees ⁽²⁾	132,756	126,785
All Other Fees ⁽³⁾	18,000	-
Total	408,856	430,935

Notes:

1. Fees necessary to perform the annual and statutory audits and quarterly reviews of the Company's financial statements. 2014 fees have been updated to reflect the final fees for that year.
2. Fees for all tax services other than those included in Audit Fees and Audit-Related Fees.
3. Includes fees for all other non-audit services.

Legal Proceedings and Regulatory Actions

In the normal course of operations, the Company is involved in negotiations concerning certain events incurred while completing projects. Management believes any costs associated with these events or negotiations, other than discussed below, are covered by insurance claims, provisions or are spurious in nature.

On October 30, 2013, the Company received notice that a claim had been filed under maritime law for property damage losses against the Company and a vessel owner and operator under contract to the Company (the "**Defendants**") by an unrelated third party (the "**Plaintiff**") in the United States District Court for the Eastern District of Louisiana (the "**Court**"). The Plaintiff was seeking in excess of USD\$10 million (Cdn.\$13.8 million) in damages from the Defendants for alleged physical damages and economic losses resulting from an incident involving a time chartered vessel under contract to Tesla Offshore in November 2012. The vessel owner and operator filed its defense against the Plaintiff's claim and brought a cross-claim charge against Tesla Offshore related to the incident. Tesla Offshore has responded to the complaint by denying any and all liability and fault. In October 2014, Tesla Offshore's insurance underwriters agreed to cover the claim and associated legal fees. In March 2016, a judgment was rendered against the Defendants with Tesla's share amounting to approximately USD\$6.9 million (Cdn.\$9.6 million). The judgment indicated that the Company's obligation is joint and severable,

which could increase the Company's obligation to the full amount of the judgment, including interest, of USD\$9.2 million (Cdn.\$12.8 million). The insurer is currently evaluating its options for an appeal. As a result the Company has maintained its cross claim against the chase vessel owner and operator.

On October 20, 2014, the Company filed a statement of claim in the Court of Queen's Bench of Alberta against a client for unpaid invoices relating to work performed in the fourth quarter of 2013 and the first quarter of 2014 in the amount of \$4.8 million plus interest and associated legal fees. The client has responded by disputing this claim and on December 9, 2014 the Company received a counterclaim denying the Company's claim and claiming \$35.2 million in damages for poor data quality and additional staffing and clean-up costs. The Company does not believe there is merit to the counterclaim.

On August 14, 2015 the Company filed a statement of claim in the UK High Courts of Justice, Queen's Bench Division, against a client for unpaid invoices relating to work performed in the fourth quarter of 2014 and the first quarter of 2015 in the amount of USD\$6.5 million (Cdn.\$9.0 million) plus associated interests and costs. The client has responded by disputing this claim. On September 30, 2015 the Company received a counterclaim denying the Company's claim and claiming USD\$3.6 million (Cdn.\$5.0 million) in damages plus associated costs for unperformed duties under the contract. The Company does not believe there is merit to the counterclaim.

Interests of Management and Others in Material Transactions

Other than as set forth below, to the knowledge of the Board and management of the Corporation, none of the Directors or executive officers of the Company, nor any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the Company's outstanding voting securities, nor any associate or affiliate of the foregoing has had a material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

On November 13, 2015, Matco, being a corporation wholly owned by Mr. Mathison, Chairman of the Board, and the Company's largest shareholder, provided a guarantee in the amount of \$2.5 million, in favor of the Company's lender under its credit facility, which becomes operative in certain circumstances and is secured by a first security position on certain receivables of the Company which are not included in the accepted receivables for the borrowing base calculation used to secure the Company's credit facility. Amounts drawn on the guarantee are subject to an interest rate equal to 10.0% per annum while undrawn amounts are subject to a standby fee equal to 4.5% per annum. Overdue amounts are subject to an additional interest rate of 2% per annum. In addition, incremental equity consideration of \$251,457 was also issued to Matco for provision of the guarantee through the issuance of 349,731 Common Shares from treasury at the price of \$0.719 per Common Share. The terms of the guarantee, including the incremental equity consideration, were negotiated and recommended for approval by an independent committee of the Board.

Transfer Agent and Registrar

Computershare Trust Company of Canada, at its principal offices in Calgary, Alberta and Toronto, Ontario is the transfer agent and registrar of the Common Shares of the Company.

Material Contracts

The Company is not a party to any material contract, other than contracts entered into in the normal course of business.

Interests of Experts

The Company's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, ("PwC") who have prepared an independent auditor's report dated March 15, 2016 in respect of the Company's consolidated financial statements with accompanying notes as at and for the year ended December 31, 2015. PwC has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Additional Information

Additional financial information is contained in the Company's consolidated financial statements and Management's Discussion and Analysis for the financial year ended December 31, 2015. The aforementioned documents, as well as additional information relating to the Company, can be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, the principal holders of Tesla's securities and Tesla's securities authorized for issuance under its equity compensation plan is contained in Tesla's information circular dated April 7, 2015 and can also be found on SEDAR at www.sedar.com.

Schedule “A” – Audit Committee Mandate

PART I ESTABLISHMENT OF COMMITTEE

1. Committee Purpose

The Audit Committee (the "**Committee**") is established by the board of directors (the "**Board of Directors**") of Tesla Exploration Ltd. ("Tesla") primarily for the purpose of overseeing the accounting and financial reporting processes of Tesla and the reviews and audits of the financial statements of Tesla.

The Audit Committee shall assist the Board of Directors in fulfilling its oversight responsibilities by monitoring, among other things:

- (i) the quality and integrity of the financial statements and related disclosure of Tesla;
- (ii) compliance by Tesla with legal and regulatory requirements that could have a material effect upon the financial position of Tesla which are not subject to the oversight of another committee of the Board of Directors or the Board of Directors as a whole;
- (iii) the independent auditor's qualifications and independence; and
- (iv) performance of Tesla's independent auditor.

2. Composition of Committee

The Committee shall consist of as many members as the Board of Directors shall determine, but in any event not fewer than three directors of Tesla, provided that each member of the Committee shall be determined by the Board of Directors to be:

- i. an "unrelated" and "independent" director as defined in, and for the purposes of, any applicable governance guidelines or listing standards of any stock or securities exchange upon which the securities of Tesla are, from time to time, listed; and
- ii. an "independent" and "financially literate" director for the purposes of any applicable corporate, securities or other legislation or any rule, regulation, instrument, policy, guideline or interpretation under such legislation.

3. Appointment of Committee Members

The members of the Committee shall be appointed by the Board of Directors on the recommendation of the Corporate Governance/Compensation/HSE Committee ("CG/C/HSE"). The members of the Committee shall be appointed at the time of each annual meeting of shareholders and shall hold office until the next annual meeting, until they are removed by the Board of Directors or until their successors are earlier appointed, or until they cease to be directors of Tesla.

PART II COMMITTEE PROCEDURE

4. Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board of Directors on the recommendation of the CG/C/HSE Committee and shall be filled by the Board of Directors if the membership of the Committee is fewer than three directors. The Board of Directors may remove and replace any member of the Committee.

5. Committee Chair

The Board of Directors shall appoint a chair (the "**Chair**") for the Committee. The Chair may be removed and replaced by the Board of Directors.

6. Absence of Chair

If the Chair is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside at the meeting.

7. Secretary of Committee

The Committee shall appoint a Recording Secretary at each meeting who need not be a director of Tesla.

8. Regular Meetings

The Chair, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least quarterly. The Committee at any time may, and at each regularly scheduled Committee meeting shall, meet without management present and shall meet periodically with management and the independent auditor. The Committee shall also meet separately with the independent auditor at every regularly scheduled meeting of the Committee at which the independent auditor is present and shall also meet separately with the Chief Financial Officer at every regularly scheduled meeting of the Committee.

9. Special Meetings

The Chair, any two members of the Committee, the independent auditor or the Chief Executive Officer of Tesla may call a special meeting of the Committee.

10. Quorum

Two members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other, shall constitute a quorum.

11. Notice of Meetings

Notice of the time and place of every meeting shall be given in writing or by e-mail or facsimile communication to each member of the Committee at least 48 hours prior to the time fixed for such meeting; provided, however, that a member may, in any manner, waive notice of a meeting and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

12. Agenda

The Chair shall develop and set the Committee's agenda, in consultation with other members of the Committee, the Board of Directors and management of Tesla. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practicable, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.

13. Delegation

Subject to subsection (e) below, the Committee shall have the power to delegate its authority and duties to subcommittees or individual members of the Committee as it deems appropriate.

14. Access

In discharging its oversight role, the Committee shall have full access to all books, records, facilities and personnel of Tesla.

15. Attendance of Others at a Meeting

At the invitation of the Chair, one or more officers, directors or employees of Tesla may, and if required by the Committee shall, attend a meeting of the Committee.

16. Procedure, Records and Reporting

The Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board of Directors when the Committee may deem appropriate (but not later than the next meeting of the Board of Directors).

17. Outside Consultants or Advisors

The Committee, when it considers it necessary or advisable, may retain, at Tesla's expense, outside consultants or advisors (including independent counsel) to assist or advise the Committee independently on any matter within its mandate. The Committee shall have the sole authority to retain or terminate such consultants or advisors, including the sole authority to approve the fees and other retention terms for such persons.

PART III MANDATE OF COMMITTEE

18. Appointment of Tesla's Independent Auditor

Subject to confirmation by the independent auditor of its compliance with Canadian regulatory registration requirements, the Committee shall recommend to the Board of Directors the appointment of the independent auditor for the purpose of preparing or issuing any audit report or performing other audit, review or attest services for Tesla, such appointment to be confirmed by Tesla's shareholders at each annual meeting. The Committee shall also recommend to the Board of Directors the engagement letter with the independent auditor, the approval of fees to be paid to the independent auditor for audit services and shall pre-approve the retention of the independent auditor for any permitted non-audit service. The Committee shall also be directly responsible for overseeing the work of the independent auditor (including resolution of disagreements between management of Tesla and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for Tesla. The Committee shall communicate directly with the independent auditor. The independent auditor shall report directly to the Committee.

The Committee shall review the independence of the independent auditor including a written report from the independent auditor delineating all relationships between the auditor and Tesla, considering whether the advisory services performed by the independent auditor during the course of the year have affected its independence, and ensuring that no relationship or service between the independent auditor and Tesla is in existence that may affect the objectivity and independence of the auditor, or recommending appropriate action to ensure the independence of the independent auditor.

19. Specific Mandates

The Committee, to the extent required by applicable laws or rules, or otherwise considered by the Committee to be necessary or appropriate, shall:

(a) Oversight in Respect of Financial Disclosure

- (i) review, discuss with management of Tesla and the independent auditor, and recommend to the Board of Directors for approval:
 - a. the audited annual financial statements;
 - b. significant financial information respecting Tesla contained in the annual information form;
 - c. the annual management's discussion and analysis;
 - d. the portions of the management proxy circular, for any annual or special meeting of shareholders, containing significant financial information respecting Tesla;
 - e. all financial statements included in prospectuses or other offering documents;
 - f. any significant financial information contained in all prospectuses and all documents which may be incorporated by reference in a prospectus; and
 - g. any significant financial information respecting Tesla contained in a material change report or a business acquisition report.
- (ii) review, discuss with management of Tesla and the independent auditor, and recommend approval of:
 - a. the unaudited interim financial statements; and
 - b. the quarterly management's discussion and analysis.
- (iii) review and discuss with management of Tesla:
 - a. each press release which contains significant financial information respecting Tesla (including, without limitation, annual and interim earnings press releases), prior to public dissemination thereof;
 - b. the use of "pro forma" or "adjusted" non-GAAP information; and
 - c. financial information and earnings guidance provided in press releases to analysts and rating agencies; provided, however, that such discussion with management may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made), and the Committee need not discuss in advance each instance in which Tesla may provide earnings guidance or presentations to rating agencies;
- (iv) review with management and the independent auditor the scope of the audit, in particular the independent auditor's view of Tesla's accounting principles as applied in the financial statements in terms of disclosure

quality and evaluation methods, inclusive of the clarity of Tesla's financial disclosure and reporting, degree of conservatism or aggressiveness of Tesla's accounting principles and underlying estimates, and other significant decisions made by management in preparing the financial disclosure and reviewed by the independent auditor;

- (v) review with management of Tesla and the independent auditor major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls and procedures for financial reporting and management information systems and inquire of management and the independent auditor about significant risks and exposures to the Corporation that could significantly affect Tesla's financial statements;
- (vi) review with management of Tesla and the independent auditor, and satisfy itself as to the adequacy of the procedures that are in place for the review of Tesla's disclosure of financial information extracted or derived from Tesla's financial statements, and periodically assess the adequacy of those procedures;
- (vii) review with management of Tesla and the independent auditor (including those of the following that are contained in any report of the independent auditor): (a) all critical accounting policies and practices to be used by Tesla in preparing its financial statements; (b) all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of these alternative treatments, and the independent auditor's assessment of the alternatives; and (c) other material communications between the independent auditor and management of Tesla, such as any management letter or schedule of unadjusted differences;
- (viii) review with management of Tesla and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet transactions on Tesla's financial statements;
- (ix) review the plans of management of Tesla and the independent auditor regarding any significant changes in accounting practices or policies and the financial and accounting impact thereof;
- (x) review with management of Tesla, the independent auditor and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of Tesla, and the manner in which these matters have been disclosed in the financial statements;
- (xi) review with management of Tesla, and, if appropriate, Tesla's external auditors, internal controls over financial reporting to reasonably ensure that those controls are sufficient to meet the requirements under Canadian Securities Administrators NI 52-109;
- (xii) review disclosures by Tesla's Chief Executive Officer and Chief Financial Officer with respect to any required certification for Tesla's financial statements by such individuals; and
- (xiii) discuss with management Tesla's material financial risk exposures and the steps management of Tesla has taken to monitor and control such

exposures, including Tesla's financial risk assessment and financial risk management policies.

(b) Oversight in Respect of Legal and Regulatory Matters

- (i) review, if necessary, with legal counsel, Tesla's compliance policies, legal matters and any material reports or inquiries received from regulators or governmental agencies that could have a material effect upon the financial position of Tesla and which are not subject to the oversight of another committee of the Board of Directors or the Board of Directors as a whole.

(c) Oversight in Respect of the Chief Financial Officer

- (i) consult with management on management's appointment, replacement, reassignment or dismissal of the Chief Financial Officer of Tesla; and
- (ii) ensure the Chief Financial Officer of Tesla has access to the Chair, the Chairman of the Board of Directors and the Chief Executive Officer of Tesla, and shall meet separately with the Chief Financial Officer of Tesla to review any problems or difficulties he or she may have encountered in the performance of his or her responsibilities and report to the Board of Directors on such meetings.

(d) Oversight in Respect of the Independent Auditor

- (i) meet with the independent auditor prior to the annual audit to review the planning and staffing of the audit;
- (ii) review annually the independent auditor's formal written statement of independence delineating all relationships between itself and Tesla and review all such relationships;
- (iii) receive confirmation from the independent auditor as to its standing as a "participating audit firm" and its compliance with any restrictions or sanctions imposed by the Canadian Public Accountability Board as those concepts are set forth in National Instrument 52-108 of the Canadian Securities Administrators;
- (iv) review and evaluate the independent auditor, including the lead partner of the independent auditor team;
- (v) meet separately with the independent auditor to review with them any problems or difficulties they may have encountered and specifically:
 - a. any difficulties which were encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management of Tesla; and
 - b. any changes required in the planned scope of the audit;and report to the Board of Directors on such meetings;
- (vi) review the engagement reports of the independent auditor on unaudited financial statements of Tesla; and

- (vii) review and approve Tesla's hiring policies regarding partners, employees, former partners and former employees of Tesla's present and former independent auditor.

(e) Oversight in Respect of Audit and Non-Audit Services

- (i) have the sole authority to pre-approve all audit services (which may entail providing comfort letters in connection with securities underwritings) and all permitted non-audit services, other than non-audit services where:
 - a. the aggregate amount of all such non-audit services provided to Tesla or its subsidiaries constitutes not more than 5% of the total amount of fees paid by Tesla (and its subsidiaries) to the independent auditor during the fiscal year in which the non-audit services are provided;
 - b. such services were not recognized by Tesla (or any subsidiary) at the time of the engagement to be non-audit services; and
 - c. such services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee; and
- (ii) delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this section; provided that the decision of any member to whom authority is delegated to pre-approve an activity shall be presented to the Committee at the first scheduled meeting following such decision, and provided further that, if the Committee approves an audit service within the scope of the engagement of the independent auditor, such audit service shall be deemed to have been pre-approved for purposes of this section.

(f) Oversight in Respect of Certain Policies

- (i) establish procedures for: (a) the receipt, retention and treatment of complaints received by Tesla regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of Tesla of concerns regarding questionable accounting or auditing matters; and
- (ii) periodically review Tesla's public disclosure policy.

20. Self-Evaluation

The Committee shall conduct a performance self-evaluation no less than once every two years and shall report to the Board of Directors the results of the self-evaluation.

21. Non-Exhaustive List

The foregoing list of duties is not exhaustive, and the Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its oversight responsibilities.

22. Review of Committee's Mandate

The Committee shall assess the adequacy of this Mandate on an annual basis and recommend any changes to the Board of Directors.

23. Oversight Function

While the Committee has the responsibilities and powers set forth in this Mandate, it is not the duty of the Committee to plan or conduct audits or to determine that Tesla's financial statements are complete and accurate or are in accordance with GAAP. These are the responsibilities of management of Tesla and the independent auditor. The Committee and its Chair are members of the Board of Directors, appointed to the Committee to provide broad oversight of the financial risk and control related activities of Tesla, and are specifically not accountable nor responsible for the day to day operation or performance of such activities. The role of all Committee members is to oversee the process, not to certify or guarantee the accuracy or completeness of the external audit of Tesla's financial information or public disclosure.

Schedule “B” – Audit Committee Pre-Approval Policy

1.0 PURPOSE AND SCOPE

The Canadian Institute of Chartered Accountants (“CICA”) has specific Rules of Professional Conduct with respect to auditor independence; the rules in their current form came into effect January 1, 2004. As they relate to public entities, these new rules are very similar to the independence rules of the U.S. Securities and Exchange Commission, which came into effect during 2003. They include prohibitions or restrictions on services that may be provided by auditors to their audit clients and require that all services provided to a listed entity audit client, including its subsidiaries, be pre-approved by the client’s Audit Committee.

The rules identify the following ten types of non-audit services that are deemed inconsistent with an auditors’ independence and are thus prohibited (“**Prohibited Services**”):

- Bookkeeping or other services related to the audit client’s accounting records or financial statements.
- Financial information systems design and implementation.
- Appraisal or valuation services for financial reporting purposes.
- Actuarial services for items recorded in the financial statements.
- Internal audit outsourcing services.
- Management functions.
- Human resource services.
- Certain corporate finance and other services.
- Legal services.
- Certain expert services unrelated to the audit.

The rules provide further details as to the specific nature of services within these categories that are prohibited.

In addition, under Canadian Securities Administrators (“CSA”) rules, a public entity’s Audit Committee will be responsible for pre-approving all non-audit services to be provided to the entity or its subsidiaries by the entity’s external auditors.

Under both the CICA and CSA rules, pre-approval of services by the Audit Committee may be accomplished either (i) by specific approval of each engagement or (ii) by adopting pre-approval policies and procedures. The CSA rules require public entities to disclose in their Annual Information Form a description of the policies and procedures their Audit Committee has established to pre-approve non-audit services. The CSA rules also require public disclosure of fees paid to the external auditors under four captions. The four categories of service, as defined in the CSA rules, are:

1. Audit Services

Services that are normally provided by the external auditors in connection with statutory and regulatory filings or engagements.

2. Audit-Related Services

Professional services rendered by Tesla’s external auditor for the audit and review of Tesla’s financial statements or services that are reasonably related to the performance of the audit of the issuer’s financial statements but are not reported as Audit Services.

3. Tax Services

Assurance and related services rendered for tax compliance, tax advice and tax planning.

4. All Other Services

Services not included in one of the previous three categories.

2.0 POLICY APPLICATION

The Corporation and its subsidiaries will not engage Tesla's external auditors to carry out any Prohibited Service.

The Audit Committee will consider the pre-approval of permitted services to be performed by Tesla's external auditors as follows:

1. Audit Services

- a. annual audits of the Corporation's consolidated financial statements;
- b. audits of subsidiaries or other investees (except those with their own governance requirements);
- c. audits of benefit or pension plans;
- d. audits of financial statements of acquisitions or dispositions required under applicable securities legislation;
- e. reviews of the quarterly consolidated financial statements of the Corporation;
- f. compilation reports on pro forma financial statements.
- g. services associated with prospectuses, business acquisition reports, periodic reports and other documents filed with securities regulatory bodies; assistance in responding to comment letters from the regulators; and
- h. consultation with the Corporation's management regarding the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by accounting standard-setting bodies or securities regulators.

2. Audit-Related Services

- a. due diligence services related to accounting and tax matters in connection with potential acquisitions or dispositions;
- b. assistance with alleged fraud investigations;
- c. French translation services; and
- d. letters regarding compliance with debt covenants.

3. Tax Services

- a. tax advisory services related to: (a) planned or proposed transactions and reorganizations; (b) questions or comments from taxation authorities; and (c) ramifications for Canadian and non-resident investors;
- b. all tax compliance services;
- c. respond to questions from management regarding Canadian, U.S. and international tax compliance matters; and
- d. commodity and sales tax planning or compliance (i.e. GST, PST, HST, VAT).

4. Other Services:

- a. valuation services;
- b. information technology advisory and risk management services;
- c. forensic and related services;
- d. transaction services; and
- e. corporate finance services.

The Audit Committee will pre-approve all Audit Services and other permitted services expected to be provided during the year by Tesla's external auditors through their recommendation of Tesla's external auditors as the shareholders' auditors at the Corporation's annual meeting and through the Audit Committee's review of Tesla's external auditors' annual Audit Plan.

For services to be provided by the Auditors other than those provided in the annual Audit Plan (including Audit Services, Audit-Related Services, Tax Services and Other Services), the Corporation employee making the request will submit the request for service to the Corporation's Chief Financial Officer. The request for service should include a description of the service, the estimated fee; a statement that the service is not a Prohibited Service and the reason Tesla's external auditors are being engaged.

1. Any threshold of fee estimate for Services.

Recommendations, in respect of each engagement, will be submitted by the Chief Financial Officer to the Chairman of the Audit Committee for consideration and approval. The full Audit Committee will subsequently be informed of the service, for ratification at the Audit Committee's next meeting. The engagement may commence upon approval of the Chairman of the Audit Committee.

Schedule “C” – Approval of Accounting Policies

1.0 PURPOSE AND SCOPE

The purpose of this Policy is to describe the principles and practices regarding the adoption and approval of accounting policies, and the process for making changes to accounting policies that have been previously adopted by the Corporation.

This Policy covers each division (i.e. operating or administrative unit) of Tesla Exploration Ltd. (“**Tesla**” or the “**Corporation**”), including its subsidiaries.

2.0 POLICY

2.1. Adoption and Approval of Accounting Policies

The Corporation shall adopt accounting policies and standards for financial reporting and disclosures that are consistent with the requirements of Canadian generally accepted accounting principles (“**GAAP**”) and the securities exchanges in Canada where the Corporation’s securities are listed.

Subject to the powers and duties of the Board of Directors and in addition to any other duties and responsibilities assigned to the Audit Committee (the “Committee”) from time to time by the Board, the Committee shall have responsibility for overseeing the accounting and financial reporting processes of Tesla, and audits of the consolidated financial statements of Tesla.

The Audit Committee must approve the adoption of new accounting policies, or revisions to existing accounting policies, that are significant to the preparation of the Corporation’s interim and annual consolidated financial statements, and that are disclosed in the accompanying notes thereto. The Audit Committee is accountable for ensuring the Corporation’s external auditors have agreed to such accounting policies, or changes to such policies, in advance of their implementation. All such approvals of accounting policies are to be recorded in the minutes of the meetings of the Audit Committee in which they were approved.

The Audit Committee shall inform the Board of Directors of any changes to the accounting policies adopted by the Corporation at the time such changes are approved by the Committee, and the Board’s approval thereof is encompassed in their approval of the annual audited financial statements of the Corporation.

2.2. Accountability for Monitoring Pronouncements related to Accounting Policies

The Chief Financial Officer (“**CFO**”) is responsible for monitoring the pronouncements of the accounting profession’s standard setting boards and the reporting and disclosure related pronouncements of appropriate regulatory bodies, including the securities exchanges in Canada where the Corporation is listed, to ensure the Corporation’s accounting policies remain in compliance with such requirements.

The Chief Financial Officer is also accountable for ensuring the Corporation’s accounting policies are clearly documented and communicated on a timely basis to employees to ensure that financial transactions are initiated, authorized, recorded, processed, and reported in the financial statements and accompanying notes in accordance with such policies at all times.