



## **Board of Directors Terms of Reference**

The Board of Directors (the "Board") of Cequence Energy Ltd. (the "Corporation") shall have the oversight responsibility, authority and specific duties as described below.

### **Composition**

#### Directors and Chairman

The Board shall appoint a chairman (the "Chairman") from amongst the directors which comprise the Board. The majority of the directors and the Chairman must to the extent possible be independent, as defined under applicable securities laws, rules or guidelines, any applicable stock exchange requirements or guidelines and any other applicable regulatory rules.

To ensure efficient, independent functioning of the Board, the Chairman shall be the effective leader of the Board. As such, the Chairman is responsible for ensuring that the Board's agenda enables the Board to successfully carry out its duties.

#### Committees

In addition to any other committees (including special committees) which the Board may in its discretion constitute from time to time, the Board shall have the following standing committees:

- Audit Committee;
- Reserves and Environment, Health and Safety Committee;
- Compensation Committee; and
- Corporate Governance and Nominating Committee.

Certain of the responsibilities of the Board may be delegated to these or other committees of the Board. The composition and responsibilities of these standing committees and any other standing committees of the Board will be as set forth in their terms of reference, as amended from time to time, and approved by the Board.

Committee members shall be appointed by the Board. The Corporate Governance and Nominating Committee shall provide the Board with its recommendation for filling any vacancies on any committees. The chair of each committee may be designated by the Board or, failing that, by the members of the particular committee. At each meeting of the Board, the chair of each committee (or such committee member as the chair may designate) shall report the results of meetings and any associated recommendations.

### **Board Membership Nomination and Evaluation**

The Board has delegated the responsibility of recommending new director nominees to the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee shall, among other things, be responsible for recommending director candidates to the full Board. As well, the Corporate Governance and Nominating Committee will ensure an orientation program is provided to new directors.

In addition, the Board has delegated the responsibility of annually evaluating the effectiveness and contribution of the Board, the committees of the Board and the individual directors to the Corporate Governance and Nominating Committee.

### **Communication**

To ensure that the Corporation has in place policies and programs that enable the Corporation to communicate effectively and in a timely manner with its shareholders, other stakeholders, analysts and the public generally the Board has adopted a corporate disclosure policy.

### **Meetings and Record Keeping**

- The Board shall meet regularly and at least quarterly at such times and at such locations as the Chairman or a majority of the directors shall determine.
- Notice of meetings shall be given to each director not less than 48 hours before the time of the meeting (unless such notice period is waived). Meetings of the Board may be held without formal notice if all of the directors are present and do not object to notice not having been given, or if those absent waive notice in any manner before or after the meeting. The notice of the meeting may be delivered personally, given by mail, facsimile or other electronic means of communication.
- Each member of the Board is expected to attend Board meetings and meetings of committees on which he or she is a member and to be familiar with deliberations and decisions as soon as possible after any missed meetings. Members of the Board are expected to prepare for meetings by reviewing the meeting materials distributed to members of the Board prior to such meetings.
- The independent directors of the Board shall regularly hold *in camera* sessions of the Board, with only independent directors present and at such times as the independent directors or Chairman determine advisable.
- A quorum for meetings shall be a majority of the members of the Board, present in person or by telephone or by other telecommunication device that permits all persons participating in the meeting to hear each other.
- If the Chairman is not present at any meeting, one of the other directors who is present at the meeting shall be chosen by the Board to preside at the meeting.
- The Chairman shall, in consultation with management, establish agendas for the meetings that enable the Board to successfully carry out its duties and instruct management to circulate appropriate agenda materials to the Board with sufficient time for study prior to the meeting.
- Every question at a Board meeting shall be decided by a majority of the votes cast.
- Management shall receive notice of meetings and may attend meetings of the Board at the invitation of the Chairman.
- The Corporate Secretary of the Corporation, or any other person selected by the Board, shall act as secretary for the purpose of recording the minutes of each meeting.

The minutes of the meeting of the Board shall be placed in the Corporation's minute book.

## **Duties and Responsibilities**

In accordance with applicable laws, the Board is required to always act honestly and in good faith with a view to the best interests of the Corporation.

The Board is responsible for the stewardship of the Corporation and overseeing the management of the business of the Corporation. The responsibilities of the Board include:

- to the extent feasible, satisfying itself as to the integrity of the executive officers and that the executive officers create a culture of integrity throughout the Corporation;
- satisfying itself that the executive officers are complying with the Corporation's policies and Code of Business Conduct;
- adopting a strategic planning process and approving, at least on an annual basis, a strategic plan/budget for the Corporation which takes into account, among other things, the opportunities and risks of the business;
- identifying the principal risks of the Corporation's business, and ensuring appropriate systems are implemented to manage these risks;
- reviewing on an annual basis the Corporation's compliance with the Disclosure Policy and that the Disclosure Committee is effectively implementing the disclosure policy;
- ensuring that the Corporation has appropriate processes in place to effectively communicate with its employees, government authorities, other stakeholders and the public;
- ensuring the necessary internal controls and management systems are in place that effectively monitor the Corporation's operations and ensure compliance with applicable laws, regulations and policies, including reviewing on an annual basis the controls and procedures established for the certification of financial and other disclosure made by the Corporation;
- satisfying itself that the Corporation is taking appropriate actions with regards to health and safety matters;
- developing clear position descriptions for the Chairman and the President and Chief Executive Officer;
- reviewing and approving, as appropriate, the recommendations of any committees of the Board;
- developing or approving the corporate goals and objectives that the President and Chief Executive Officer is responsible for meeting; and
- establishing, with the assistance of the Corporate Governance and Nominating Committee, if requested, an appropriate system of corporate governance principles and guidelines applicable to the Corporation.

## **Stakeholder Communication**

Any stakeholder may contact the Board by e-mail or in writing addressed to: Chairman of the Board of Directors, Suite 1400, 215 9<sup>th</sup> Avenue SW, Calgary, Alberta T2P 1K3, Telephone: (403) 660-8906, Email: d.archibald@cequence-energy.com. Matters relating to the Corporation's accounting, internal accounting control or audit matters will be referred to the Audit Committee. Other matters will be referred to the Chairman.

**Review of Terms of Reference**

The Board or, at the request of the Board, the Corporate Governance and Nominating Committee, shall review and assess these Terms of Reference and any governance principles and guidelines established by the Board at least annually.