



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 Chairperson

The Board shall appoint a chairperson (the "Chairperson") from amongst the directors which comprise the Board. The majority of the directors and the Chairperson 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 Chairperson shall be the effective leader of the Board. As such, the Chairperson 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; and
- Compensation 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 chairperson of each committee may be designated by the Board or, failing that, by the members of the committee. At each meeting of the Board, the chairperson of each committee (or such committee member as the chairperson may designate) shall report the results of meetings and any associated recommendations.

Board Membership Nomination and Evaluation

The Board will annually evaluate the effectiveness and contribution of the Board, the committees of the Board and the individual directors of the Board. The Board will recruit and recommend candidates as director nominees for each annual meeting of shareholders of the Corporation, nominees for election to fill vacancies on the Board and ensure an orientation program is provided to new directors.

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 Chairperson 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 Chairperson 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 Chairperson 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 Chairperson 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 Chairperson.
- 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 considers, 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 Corporation's 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 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 and reviewing on an annual basis position descriptions for the Chairperson and the Chief Executive Officer ("CEO");
- reviewing and approving, as appropriate, the recommendations of any committees of the Board;
- developing or approving the corporate goals and objectives that the CEO is responsible for meeting;
- considering the corporate governance practices of the Corporation, monitoring developments in corporate governance issues and ensuring the Corporation follows appropriate and proper corporate governance practices;
- assessing the functioning and effectiveness of the Board and its individual members on an annual basis;
- assessing, from time to time, the need for, and the performance and suitability of, the committees of the Board and their individual members;
- developing and reviewing on an annual basis the mandates for the Board and the committees of the Board;
- reviewing annually and revising as required the Code of Business Conduct and Ethics for directors, officers and employees of the Corporation (the "Code") and its procedures;
- monitoring compliance with the Code, employee training and the status of investigations conducted into complaints received;

- assessing the effectiveness of the working relationship and communications between the Board and management of the Corporation and satisfying itself that any issues relating to governance which are identified by the Board are raised with management;
- reviewing all significant proposed related party transactions and situations involving a potential conflict of interest;
- reviewing Board structures and procedures to be satisfied that the Board functions independently of management;
- assessing the availability, relevance and timeliness of information required by the Board;
- reviewing and approving, the annual corporate governance disclosure of the Corporation in its Annual Information Form, Information Circular and/or Annual Report.
- determining the competencies and skills the Board considers necessary for the Board, as a whole, to possess;
- identifying potential Board members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity, such assessment will include a consideration of diversity, age, skills, competencies and experience in the context of the needs of the Board;
- recommending nominees for election at the next annual meeting of shareholders or to be appointed to fill vacancies between annual meetings of the shareholders;
- approaching nominees to ascertain their willingness to serve as a member of the Board;
- considering, when suggesting new nominees, whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board, including a review of other boards of which the nominee is a member;
- allocating directors to each Board committee, including filling any vacancies on such committees;
- ensuring there is a succession plan for the position of Chairperson of the Board and the Corporation's CEO and for the appointment, training and monitoring of senior management; and
- reviewing the comprehensive orientation of new directors and providing continuing education opportunities for all directors so they may maintain or enhance their skills and abilities as directors as well as to ensure their knowledge and understanding of the Corporation's business remains current.

Stakeholder Communication

Any stakeholder may contact the Board by e-mail or in writing at Don Archibald, Attention: Chairperson of Board of Directors, 1400, 215 - 9th Avenue SW, Calgary, Alberta T2P 1K3, Telephone: (403) 660-8906, Email: Darchibald@cypresscapital.ca. 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 Chairperson.

Review of Terms of Reference

The Board, shall review and assess these Terms of Reference and any governance principles and guidelines established by the Board at least annually.