



SEVEN GENERATIONS  
E N E R G Y

## SEVEN GENERATIONS ENERGY LTD.

### Mandate of the Board of Directors

The Board of Directors (the “**Board**”) has the responsibility to oversee the conduct of the business of Seven Generations Energy Ltd. (the “**Corporation**”) and to oversee the activities of management who are responsible for the day-to-day conduct of the business.

#### **Section 1      Composition**

The Board shall be comprised of a majority of independent Directors. The definition of independence is as provided by applicable law and stock exchange listing requirements. A Director will not be considered independent unless the Director has no “material relationship” (as such term is defined in National Instrument 52-110 of the Canadian Securities Administrators) with the Corporation

The Chair of the Board shall be independent.

The Board may, from time to time, engage consultants or members of the Corporation’s management team that are not directors of the Corporation and these persons may attend meetings or portions of meetings as invited guests of the Board. Otherwise, the Board will consist only of Directors and only Directors and a Corporate Secretary, appointed by the Board, may attend meetings of the Board.

#### **Section 2      Operation**

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility of managing its own affairs including selecting its Chair, nominating candidates for election to the Board, constituting Committees of the full Board and determining Director compensation. Subject to the Articles and the *Canada Business Corporations Act*, the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to Committees of the Board.

The full Board considers all major decisions of the Corporation, except that certain analyses and work of the Board will be performed by standing Committees empowered to act on behalf of the Board. The Corporation has a number of standing Committees, including the Audit and Finance Committee, the Governance and Nominating Committee, the Human Resources and Compensation Committee, the Reserves Committee, the Risk Management Committee and the Health, Safety,

Environment and Community Engagement Committee, and has the authority to appoint other committees to steward certain other matters. Each standing committee must have a mandate that has been approved by the Board.

Each Committee shall operate according to the mandate approved by the Board and outlining its duties and responsibilities and the limits of authority delegated to it by the Board. Annually, the Board shall review the Governance and Nominating Committee's recommendations regarding the adequacy of each Committee mandate and the Board mandate.

The Chair of the Board shall annually propose the leadership and membership of each Committee. In preparing recommendations, the Chair of the Board will take into account the preferences, skills and experience of each Director. Committee Chairs and members are appointed by the Board at the first Board meeting after the annual shareholder meeting or as needed to fill vacancies during the year.

The Board will hold four regularly scheduled meetings each year. The Board shall meet at the end of its regular quarterly meetings without members of management being present. Special meetings will be called as necessary. Directors are expected to attend all Board and Board Committee meetings, although it is understood that conflicts may occasionally arise that prevent a Director from attending a meeting. Attendance at Board meetings in person is preferred, but attendance by teleconference is permitted. In advance of each regular Board and Board Committee meeting and, to the extent feasible each special meeting, information and presentation materials relating to matters to be addressed at the meeting will be distributed to each Director. It is expected that each Director will review presentation materials in advance of a meeting.

The Chair of the Board presides at all meetings of the Board and shareholders. Minutes of each meeting shall be prepared by the Corporate Secretary (or in his or her absence a secretary who has been appointed for the purposes of the meeting). The Chief Executive Officer (the "CEO"), if he or she is not a Director, shall be available to attend all meetings of the Board or Committees of the Board upon invitation by the Board or any such Committee. The President and Vice-Presidents and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board. Following each meeting, the Corporate Secretary will promptly report to the Board by way of providing draft copies of the minutes of the meetings. Supporting schedules and information reviewed by the Board at any meeting shall be available for examination by any Director upon request to the CEO.

### **Section 3            Responsibilities**

The Board is responsible under law to supervise the management of the business and affairs of the Corporation. In broad terms, the stewardship of the Corporation involves the Board in strategic planning, risk identification, management and mitigation, senior management determination and succession planning, communication planning and internal control integrity.

## **Section 4        Specific Duties**

Without limiting the foregoing, the Board shall have the following specific duties and responsibilities:

### **(1)    *Legal Requirements***

- (a)    The Board has the oversight responsibility for meeting the Corporation's legal requirements and for approving and maintaining the Corporation's documents and records;
- (b)    The Board has the statutory responsibility to:
  - (i)     manage the business and affairs of the Corporation;
  - (ii)    act honestly and in good faith with a view to the best interests of the Corporation;
  - (iii)    exercise the care, diligence and skill that responsible, prudent people would exercise in comparable circumstances; and
  - (iv)    act in accordance with its obligations contained in the *Canada Business Corporations Act* and the regulations thereto, the Corporation's Articles and other relevant legislation and regulations.
- (c)    The Board has the statutory responsibility for considering the following matters as a full Board which in law may not be delegated to management or to a committee of the Board:
  - (i)     any submission to the shareholders of a question or matter requiring the approval of the shareholders;
  - (ii)    the filling of a vacancy among the Directors;
  - (iii)    the issuance of securities;
  - (iv)    the declaration of dividends;
  - (v)     the purchase, redemption or any other form of acquisition of shares issued by the Corporation;
  - (vi)    the payment of a commission to any person in consideration of his/her purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares;
  - (vii)   the approval of management proxy circulars;

- (viii) the approval of any take-over bid circular or directors' circular;  
and
- (ix) the approval of financial statements of the Corporation.

**(2) *Strategy Determination***

The Board has the responsibility to adopt a strategic planning process for the Corporation and to participate with management directly or through its Committees in approving goals and the strategic plan for the Corporation by which the Corporation proposes to achieve its goals. The Board shall monitor the implementation and execution of the tasks constituent to the corporate strategy.

To be effective, the strategy will result in creation of value over the long term while always preserving the Corporation's license to conduct its business among its various stakeholders. For the purpose of this clause, "stakeholder" will mean any party, group or institution whose reasonable approval is required for the Corporation to execute its Board-approved strategy.

**(3) *Managing Risk***

The Board has the responsibility to identify and understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to establish systems to monitor and manage those risks with a view to the long-term viability of the Corporation. It is the responsibility of management to ensure that the Board and its Committees are kept well informed of changing risks. The principle mechanisms through which the Board reviews risks are through the execution of the duties of the Risk Management Committee, as well as the Audit and Finance Committee, the Governance and Nominating Committee, the Human Resources and Compensation Committee, the Reserves Committee and the Health, Safety, Environment and Community Engagement Committee, and through the strategic planning process. It is important that the Board understands and supports the key risk decisions of management.

**(4) *Appointment, Training and Monitoring Senior Management***

The Board has the responsibility:

- (a) to appoint the CEO and establish a description of the CEO's responsibilities and other senior management's responsibilities, to monitor and assess the CEO's performance, to determine the CEO's compensation, and to provide advice and counsel in the execution of the CEO's duties;
- (b) to approve the appointment and remuneration of the Corporation's senior management; and

- (c) to establish provisions for the training and development of management and for the orderly succession of management.

**(5) *Reporting and Communication***

The Board has the responsibility:

- (a) to ensure compliance with the reporting obligations of the Corporation, including that the financial performance of the Corporation is properly reported to shareholders, other security holders and regulators on a timely and regular basis;
- (b) to recommend to shareholders of the Corporation a firm of chartered accountants to be appointed as the Corporation's auditors;
- (c) to ensure that the financial results of the Corporation are reported fairly and in accordance with generally accepted accounting principles;
- (d) to ensure the timely reporting of any change in the business, operations or capital of the Corporation that would reasonably be expected to have a significant effect on the market price or value of the common shares of the Corporation;
- (e) to ensure the corporate oil and gas reserve report of the Corporation fairly represents the quantity and value of corporate reserves in accordance with generally accepted engineering principles;
- (f) to establish a process for direct communications with shareholders and other stakeholders through appropriate Directors, including through the Whistleblower Policy;
- (g) to ensure that the Corporation has in place a policy to enable the Corporation to communicate effectively with its shareholders and the public generally; and
- (h) to report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year.

**(6) *Monitoring and Acting***

The Board has the responsibility:

- (a) to establish policies and processes for the Corporation to operate at all times within applicable laws and regulations to the highest ethical and moral standards (advancing the interests of the Corporation, including the pursuit of differentiating performance in meeting the reasonable needs of all stakeholders of the Corporation);

- (b) to ensure that management has and implements procedures to comply with, and to monitor compliance with, significant policies and procedures by which the Corporation is operated;
- (c) to promote, and to ensure that management promotes, high environmental standards in the Corporation's operations in compliance with environmental laws and legislation;
- (d) to ensure that management establishes appropriate programs and policies for the health and safety of the Corporation's employees in the workplace;
- (e) to monitor the Corporation's progress towards its goals and objectives and to revise and alter its direction through management in response to changing circumstances;
- (f) to take action when performance falls short of its goals and objectives or when other special circumstances warrant or when changing circumstances in the business environment create risks or opportunities for the Corporation;
- (g) to approve annual (or more frequent as the Board feels to be prudent from time to time) operating and capital budgets and review and consider amendments or departures proposed by management from established strategy, capital and operating budgets or matters of policy which diverge from the ordinary course of business that may significantly impact the value of or opportunities available to the Corporation; and
- (h) to implement internal control and information systems and to monitor the effectiveness of same so as to allow the Board to conclude that management is discharging its responsibilities with a high degree of integrity and effectiveness. The confidence of the Board in the ability and integrity of management is the paramount control mechanism.

(7) *Governance*

The Board has the responsibility:

- (a) to develop a position description for the Chair of the Board and the Chair of each Committee;
- (b) to facilitate the continuity, effectiveness and independence of the Board by, among other things:
  - (i) appointing from amongst the Directors an Audit and Finance Committee, a Governance and Nominating Committee, a Human Resources and Compensation Committee, a Reserves Committee, a Risk Management Committee and a Health, Safety,

Environment and Community Engagement Committee and such other Committees of the Board as the Board deems appropriate;

- (ii) defining the mandate, including both responsibilities and delegated authorities, of each Committee of the Board;
- (iii) establishing a system to enable any Director to engage an outside adviser at the expense of the Corporation;
- (iv) ensuring that processes are in place and are utilized to assess the effectiveness of the Chair of the Board, the Board as a whole, each Director, each Committee of the Board and its chair; and
- (v) reviewing annually the composition of the Board and its Committees and assess Directors' performance on an ongoing basis, and propose new members to the Board; and
- (vi) reviewing annually the adequacy and form of the compensation of the Directors.

## **Section 5          New Director Orientation**

New Directors will be provided with an orientation which will include written information about the duties and obligations of Directors and the business and operations of the Corporation, documents from recent Board meetings and opportunities for meetings and discussion with senior management and other Directors.

While not an absolute requirement, certification of directors through the Institute of Corporate Directors ("ICD") or other such competent body that educates and assesses directors for competence to direct Canadian corporations is preferred. The Corporation will reimburse directors for fees associated with taking training to achieve ICD certification.

## **Section 6          Conflicts of Interest**

- (a) Directors have a duty to act honestly and in good faith with a view to the best interests of the Corporation and to exercise the care, diligence and skill a reasonably prudent person would exercise in comparable circumstances.

Each director serves in his or her personal capacity and not as an employee, agent or representative of any other corporation, organization or institution, even if the Director is employed by a shareholder or any other entity which does business with the Corporation. In providing direction to the Corporation, Directors acknowledge that the wellbeing of the Corporation is their sole concern. Any Director must not be affected in his or her deliberations and decision making by any relationship with any outside person or party including any specific shareholder no matter

which one and no matter what the relationship between the Director and that Shareholder. Directors shall not allow personal interests to conflict with their duties to the Corporation and shall avoid and refrain from involvement in situations of conflict of interest.

- (b) A Director shall disclose promptly any circumstances such as an office, property, a duty or an interest, which might create a conflict or perceived conflict with that Director's duty to the Corporation.
- (c) A Director shall disclose promptly any interest that Director may have in an existing or proposed contract or transaction of or with the Corporation.
- (d) The disclosures contemplated in paragraphs (b) and (c) above shall be immediate if the perception of a possible conflict of interest arises during a meeting of the Board or any Committee of the Board, or if the perception of a possible conflict arises at another time then the disclosure shall occur by e-mail to the other directors immediately upon realization of the conflicting situation and then confirmed at the first Board and/or Committee meeting after the Director becomes aware of the potential conflict of interest that is attended by the conflicted Director.
- (e) A Director's disclosure to the Board or a Committee of the Board shall disclose the full nature and extent of that Director's interest either in writing or by having the interest entered in the minutes of the meeting of the Board or such Committee of the Board.
- (f) A Director with a conflict of interest or who may be perceived as being in a conflict of interest with respect to the Corporation shall abstain from discussion and voting by the Board or any Committee of the Board on any motion to recommend or approve the subject matter of such conflict unless the matter relates primarily to the Director's remuneration or benefits. If the conflict of interest is obvious and direct, the Director shall withdraw while the item is being considered.
- (g) Without limiting the generality of "conflict of interest", it shall be deemed a conflict of interest if a Director, a Director's relative, a member of the Director's household in which any relative or member of the household is involved has a direct or indirect financial interest in, or obligation to, or a party to a proposed or existing contract or transaction with the Corporation.
- (h) Directors shall not use information obtained as a result of acting as a Director for personal benefit or for the benefit of others.
- (i) Any Director shall not use or provide to the Corporation any information known by the Director that through a relationship with a third party the Director is not legally able to use or provide.

- (j) Directors shall maintain the confidentiality of all information and records obtained as a result of acting as a Director.

**Section 7        Mandate Review**

This Mandate shall be reviewed by the Governance and Nominating Committee on an annual basis and any recommended changes to the Mandate shall be reviewed and approved by the Board.

**Section 8        General**

The Board may perform any other activities consistent with this Mandate, the Corporation's Articles and any governing laws as the Board deems necessary or appropriate.

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