

## **DISTINCTION ENERGY CORP.**

### **Board of Directors Mandate (Effective March 6, 2018)**

#### **Policy Statement**

Distinction Energy Corp. (the “**Corporation**”) has established this mandate for the Board of Directors (the “**Board**”) of the Corporation to assist it in fulfilling its responsibility to oversee the business and affairs of the Corporation and the activities of management who are responsible for the day to day conduct thereof.

#### **Composition**

A majority of the directors shall be resident Canadian and shall be “independent” as such term is defined in Section 1.4 of National Instrument 52-110 – *Audit Committees* and any other applicable securities legislation.

#### **Meetings**

1. The Board will meet at least four times annually and at such other times as it considers necessary for the purpose of governing the business and affairs of the Corporation. In addition the Board will meet separately at least once each year or as part of one or more of its other meetings to review the longer term strategies and prospects of the Corporation.
2. Information and data that is important to the Board’s understanding of the business and affairs of the Corporation should be distributed by management to the Board on a timely basis in advance of the meetings. Care should be taken to ensure that the Board is not called upon too late in the decision making process.
3. As a general rule, presentations on specific subjects should be sent by management to the Board members in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material.
4. The President and Chief Executive Officer (the “**CEO**”) will be responsible for the extent and quality of the information sent to members of the Board.
5. Senior management should be invited to attend the Board meetings as appropriate to expose the directors to key members of management and to provide additional insight into the items being considered by the Board.
6. The Board will hold in camera sessions, without management or any other individuals present, at every Board meeting.

#### **General Responsibilities**

The Board has the responsibility to oversee management of the Corporation with a view to ensuring corporate conduct in an ethical and legal manner through an appropriate system of corporate governance and internal control processes and procedures. In that regard the Board will

strive to ensure that the Corporation meets its obligations on an ongoing basis and that it operates in a reliable and safe manner.

1. The Board will review and approve the interim and annual financial statements of the Corporation and the communication of such results and operations to the shareholders.
2. The Board will approve material disclosure by the Corporation, including the Corporation's annual information form, annual report (if any) and annual proxy disclosure.
3. The Board will oversee the overall development of the business of the Corporation by reviewing, discussing and approving the Corporation's strategic planning and organizational structure for the purposes of growth and preservation of the business of the Corporation and its underlying value.
4. The Board will be responsible for the appointment of the Chief Executive Officer and all other senior management and approving their compensation.
5. The Board will oversee that succession planning programs are in place, including programs to train and develop management.
6. The Board will consider management's procedures for risk management and mitigation, communication, safety and environment and internal control of the Corporation.
7. The Board may discharge its responsibility for overseeing the management of the Corporation's business and affairs, by delegating to management the day to day responsibility for the same and by reserving certain powers to itself. The Board will retain the responsibility of managing its own affairs and procedures, including selecting a Chair or the lead director of the Board, if any, nominating candidates for election to the Board, constituting committees of the Board and determining director compensation. Notwithstanding the foregoing general responsibilities, the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board, subject to the articles and by-laws of the Corporation, applicable securities legislation and the *Business Corporations Act* (Alberta).
8. The Board will approve a Code of Business Conduct and Ethics ("**Code**") applicable to the Corporation's directors, officers, employees and consultants, monitor compliance with the Code and approve any waivers from the Code for directors and officers.

### **Specific Duties**

To carry out its general responsibilities, the Board will, as it determines appropriate from time to time:

1. *Legal Requirements*
  - (a) endeavour to ensure the Corporation meets its legal requirements and properly prepares, approves and maintains its documents and records;
  - (b) oversee the management of the business and affairs of the Corporation;

- (c) act honestly and in good faith with a view to the best interest of the Corporation;
- (d) exercise the care, diligence and skill that reasonably prudent people would exercise in comparable circumstances;
- (e) act in accordance with its obligations contained in the *Business Corporation Act (Alberta)* and the regulations thereto, the Corporation's articles and by-laws, and other relevant legislation and regulations;
- (f) comply with applicable statutory duties and obligations set out in applicable legislation;
- (g) consider the following matters as a full Board which in law may not be delegated to management or to the committee of the Board:
  - (i) any submission to the shareholders of a question or matter requiring the approval of the shareholders;
  - (ii) filling of a vacancy among the Board;
  - (iii) appointing additional directors to the Board;
  - (iv) issuance of securities;
  - (v) declaration of dividends;
  - (vi) purchase, redemption or any other form of acquisition by the Corporation of securities issued by the Corporation;
  - (vii) payment of a commission to any person in consideration of his/her purchasing or agreeing to purchase securities of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchases for any such securities;
  - (viii) approval of management proxy circulars;
  - (ix) approval of any take-over bid circular or directors' circular;
  - (x) approval of public financial statements of the Corporation; and
  - (xi) adoption, amendment or repeal of any by-laws of the Corporation; and
- (h) upon recommendation of the Reserves Committee, review and approve the content and filing of the annual disclosure of the Corporation's oil and gas activities, including reports and statements required under National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

## 2. *Governance*

- (a) oversee the implementation of appropriate structures and procedures to permit the Board to function independently of management; and

- (b) in consultation with management, be aware of and consider whether the Corporation complies with applicable securities legislation or polices of any stock exchange on which the Corporation's securities are listed for trading regarding corporate governance.

3. *Strategic and Budgetary Oversight*

- (a) review and approve any strategic plan prepared by management with the input and oversight of the Board, which takes into account, among other things, the opportunities and risks of the Corporation's business;
- (b) review and approve the Corporation's annual capital budget and any variations or supplements thereto;
- (c) approve any material divestitures and acquisitions, the determination of materiality to be established by the Board and revised from time to time; and
- (d) approve all other significant transactions involving the Corporation, including all banking relationships and key borrowing and financing decisions.

4. *Managing Risk*

- (a) in consultation with management, understand the principal risks of the Corporation's business, oversee the achievement of a proper balance between risks incurred by the Corporation and the potential return of shareholders, and review the systems in place to effectively monitor and manage those risks with a view to the long-term viability of the Corporation, it having recognized that it is the responsibility of management to ensure that the Board and the appropriate committees are kept well informed of new and changing risks on a timely basis.

5. *Appointment, Training and Monitoring of Senior Management*

- (a) appoint the CEO, monitor and assess CEO performance, determine CEO compensation, and provide advice and counsel in the execution of the CEO's duties;
- (b) approve the appointment and remuneration of all officers of the Corporation;
- (c) consider whether adequate provision has been made for training and developing management and for the orderly succession of management; and
- (d) consider the integrity of the CEO and other officers and whether the CEO and other officers create a culture of integrity throughout the Corporation.

6. *Reporting and Communication*

- (a) satisfy itself that the Corporation has in place policies and programs to enable the Corporation to make accurate, timely and effective communication of all material information to its shareholders, other stakeholders and the public generally, and to receive feedback from stakeholders;

- (b) review the resources and procedures in place such that the financial performance of the Corporation is reported to shareholders, other securityholders and regulators on a timely and regular basis;
- (c) review and, if applicable, obtain assurance from management and the auditors that the financial results are reported in accordance with applicable legislation; and
- (d) report annually to shareholders on the Board's stewardship of the affairs of the Corporation for the preceding year.

7. *Monitoring and Acting*

- (a) make reasonable efforts to consider whether the Corporation operates within applicable legislation and to proper ethical standards;
- (b) approve environmental policies and periodically consider the application of appropriate environmental standards and legislation on the operations of the Corporation;
- (c) approve health and safety policies and periodically consider the application of appropriate programs for the health and safety of its employees in the workplace;
- (d) consider the Corporation's progress towards its goals and objectives and, if necessary, revise and alter its direction through management in response to changing circumstances;
- (e) take appropriate action when performance falls materially short of the Corporation's goals and objectives or when other special circumstances warrant; and
- (f) take reasonable steps, in conjunction with management, to direct the implementation and integrity of the Corporation's internal control, disclosure control and management information systems.

**Other**

1. The Board may perform any other activities consistent with this mandate, the Corporation's by-laws or any other governing laws as the Board determines necessary or appropriate.
2. The Board shall have the right to engage, where necessary, external advisors and experts to assist the Board in fulfilling its duties and responsibilities.