



**DIVERGENT ENERGY SERVICES CORP.  
BOARD OF DIRECTORS - TERMS OF REFERENCE**

The board of directors (the "**Board**") of Divergent Energy Services Corp. (the "**Corporation**") is responsible for overseeing the conduct of the business of the Corporation and the activities of management, who are responsible for the day-to-day conduct of the business.

**Composition and Operation**

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains responsibility for managing its own affairs, including selecting its chair, planning its composition and size, nominating candidates for election to the Board, constituting committees of the Board (and delegating to such committees specific responsibilities pursuant to their respective mandate, as approved by the Board), determining director compensation, and assessing the effectiveness of the Board, committees and directors in fulfilling their responsibilities. Subject to the articles and by-laws of the Corporation and the *Business Corporations Act* (Alberta) (the "**ABCA**"), the Board may constitute, seek the advice of, and delegate powers, duties and responsibilities to, committees of the Board.

**Responsibilities**

The Board's primary responsibility is for the stewardship of the Corporation and the Board's fundamental objectives are to enhance and preserve long-term shareholder value and to ensure that the Corporation meets its obligations on an on-going basis and operates in a reliable and safe manner. In performing its duties, the Board may also consider the legitimate interests other stakeholders, such as employees, customers and communities, may have in the Corporation. In broad terms, the stewardship of the Corporation involves the Board in strategic planning, risk management and mitigation, senior management determination, communication planning, and internal control integrity.

**Specific Duties**

The Board's specific duties, obligations and responsibilities fall into the categories outlined below.

- (a) Legal Requirements
  - (i) The Board has oversight responsibility for the Corporation's satisfaction of its legal obligations and for properly preparing, approving and maintaining the Corporation's documents and records.
  - (ii) The Board has the statutory obligation to:
    - (A) manage, or supervise the management of, the business and affairs of the Corporation;
    - (B) act honestly and in good faith with a view to the best interests of the Corporation;
    - (C) exercise the care, diligence and skill that reasonably prudent people would exercise in comparable circumstances; and

- (D) act in accordance with its obligations contained in the ABCA and the regulations thereunder, the Corporation's articles and by-laws, and other relevant legislation and regulations.
- (iii) The Board has the statutory obligation to consider as a board of directors, and may not delegate to management or to a committee of directors, certain matters including but not limited to the following matters:
- (A) submission to the shareholders of any question or matter requiring the approval of the shareholders;
  - (B) filling a vacancy among the directors or in the office of auditor;
  - (C) appointing additional directors;
  - (D) issuing securities, including granting of options, except in the manner and on the terms authorized by the Board;
  - (E) declaring dividends;
  - (F) purchasing, redeeming or otherwise acquiring shares issued by the Corporation, except in the manner and on the terms authorized by the Board;
  - (G) paying a commission to any person in consideration of the person's 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 shares of the Corporation;
  - (H) approving any management proxy circular relating to a solicitation of proxies by or on behalf of the management of the Corporation;
  - (I) approving any takeover bid circular or directors' circular;
  - (J) approving any annual or interim financial statements of the Corporation;
  - (K) approving the Annual Information Form of the Corporation; and
  - (L) adopting, amending or repealing by-laws.

(b) Governance Policies

The Board is responsible for developing the Corporation's approach to corporate governance, including:

- (A) approving a set of corporate governance guidelines for the Corporation;
- (B) approving and monitoring compliance with all significant policies and procedures relating to corporate governance; and
- (C) implementing appropriate structures and procedures to permit the Board to function independently of management.

## (c) Strategy Determination

The Board is responsible for ensuring that there are long-term goals and a strategic planning process in place for the Corporation and participating with management directly or through its committees in approving the mission of the Corporation and the strategic plan by which the Corporation proposes to achieve its goals including:

- (A) adopting a strategic planning process and reviewing and approving annually a corporate strategic plan and vision which takes into account, among other things, the opportunities and risks of the business on a long-term and short-term basis;
- (B) reviewing and approving management's strategic and operational plans to ensure they are consistent with the corporate vision; and
- (C) monitoring performance against both short-term and long-term strategic plans and annual performance objectives.

## (d) Managing Risk

The Board is responsible for understanding the principal risks of the business in which the Corporation is engaged, and reviewing whether the Corporation achieves a proper balance between risks incurred and the potential return to shareholders, and confirming that there are systems in place that effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

## (e) Appointment, Training and Monitoring Senior Management

The Board is responsible for:

- (A) appointing the Chief Executive Officer of the Corporation (the "**CEO**"), monitoring and assessing the CEO's performance, determining the CEO's compensation, and providing advice and counsel to the CEO in the execution of the CEO's duties;
- (B) approving or developing the corporate objectives that the CEO is responsible for meeting and assessing the CEO against those objectives;
- (C) approving the appointment and remuneration of all executive officers of the Corporation;
- (D) confirming that adequate provision has been made for the training and development of management and for the orderly succession of management; and
- (E) approving, as recommended by the Human Resources and Compensation Committee, the succession plans for the Chief Executive Officer and Chief Financial Officer.

## (f) Ethics, Integrity and Corporate Social Responsibility

The Board is responsible for:

- (A) taking all reasonable steps to satisfy itself of the integrity of the CEO and management and satisfying itself that the CEO and management create a culture of integrity throughout the organization;
- (B) approving the Corporation's Code of Conduct policy; and

- (C) monitoring compliance with the Corporation's Code of Conduct policy and grant and disclose, or decline, any waivers of the Code of Conduct policy for officers and directors.

(g) Reporting and Communication

The Board is responsible for:

- (A) verifying that the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;
- (B) verifying that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely, consistent and regular basis;
- (C) verifying that the Corporation's financial results are reported fairly and in accordance with generally accepted accounting principles;
- (D) verifying the timely reporting of any other developments that have a significant and material effect on the value of the Corporation; and
- (E) annually reviewing the Corporation's Whistleblower Policy and providing an awareness program to all employees.

(h) Financial Reporting and Management

The Board will:

- (A) approve financial statements and with assistance from the Audit Committee, will review and oversee compliance with applicable audit, accounting and financial reporting requirements;
- (B) approve annual operating and capital budgets;
- (C) satisfy itself that management has appropriate systems in place to ensure the integrity of internal control and management information systems, and review the effectiveness of internal control procedures annually; and
- (D) review operating and financial performance results relative to established strategy, budgets and objectives and revise and alter its direction through management in response to changing circumstances.

(i) Monitoring and Acting

The Board is responsible for:

- (A) ensuring that the Corporation operates at all times within applicable laws and regulations to the highest ethical and moral standards;
- (B) approving and monitoring compliance with the significant policies and procedures by which the Corporation is operated;

- (C) ensuring that the Corporation sets high environmental standards in its operations and is in compliance with environmental laws and legislation;
  - (D) ensuring that the Corporation has in place appropriate programs and policies for the health and safety of its employees in the workplace;
  - (E) annually reviewing and approving third party liability insurance, including directors' and officers' insurance and indemnification matters;
  - (F) reviewing and considering for approval all material amendments or departures proposed by management from established strategy, capital and operating budgets or matters of policy;
  - (G) reviewing and approving director's compensation, as recommended by the Human Resources and Compensation Committee;
  - (H) approving individual director mandates that establish the expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials; and
  - (I) annually conducting and reviewing a Board and committee effectiveness assessment.
- (j) Outside Consultants or Advisors

At the Corporation's expense, the Board may retain, when it considers it necessary or desirable, outside consultants or advisors to advise the Board independently on any matter. The Board shall have the sole authority to retain and terminate any such consultants or advisors, including sole authority to review a consultant's or advisor's fees and other retention terms.

- (k) Review of the Board Terms of Reference

The Board shall assess the adequacy of these Terms of Reference annually and shall make any changes deemed necessary or appropriate.

- (l) Other

The Board may perform any other activities consistent with these Terms of Reference, the Corporation's articles and by-laws, the ABCA and any other governing laws, as the Board deems necessary or appropriate.

At the invitation of the Chair, one or more officers or employees or other advisors of the Corporation may, and if required by the Board shall, attend a meeting of the Board. However, with respect to issues relating directly to the Chief Executive Officer or management of the Corporation, the Committee may bar those individuals from attending meetings during a deliberation or voting process during that period of time.