

# ***AKITA Drilling Ltd.***

## **AKITA Drilling Ltd. Board of Directors Mandate**

The board of directors (the "Board") of AKITA Drilling Ltd. (the "Corporation") is responsible for the stewardship of the Corporation and 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. The Board is also responsible for appointing the chair, approving composition, size, director compensation and candidates to the boards of its two subsidiary corporations: AKITA Equipment, Inc. and AKITA Drilling USA Corp.

### **Composition and Operation**

The Board operates by reserving certain powers to itself and delegating certain of its authorities to management. The Board retains responsibility for managing its own affairs, including selecting its chair, approving its composition and size, nominating candidates for election to the Board, determining independence of Board members, constituting committees of the Board, approving director compensation, periodically discussing matters of interest separate from and independent of any influence from management, 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 Board may constitute, seek the advice of, and delegate powers, duties and responsibilities to, committees of the Board.

### **Responsibilities**

The Board's primary responsibilities 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 prudent manner. In performing its duties, the Board should also consider the legitimate interests of other interested parties, 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. More specifically, the Board is responsible for:

- (a) satisfying itself as to the integrity of the Chief Executive Officer ("CEO") and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization;
- (b) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan for the Corporation which takes into account, among other things, the opportunities and risks of the business;
- (c) identifying the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks;

- (d) succession planning (including appointing and monitoring officers);
- (e) adopting a communication policy for the Corporation that includes measures for receiving feedback from interested parties;
- (f) the Corporation's internal control and management information systems;
- (g) developing the Corporation's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Corporation; and
- (h) on an individual basis, attending all Board meetings, reviewing meeting materials in advance of meetings, and complying with the other expectations and responsibilities of directors of the Corporation established by the Board.

### **Specific Duties**

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

#### 1. *Legal Requirements*

- (a) 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.
- (b) The Board has the statutory obligation to:
  - (i) supervise the management of 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 a reasonably prudent person would exercise in comparable circumstances; and
  - (iv) act in accordance with its obligations contained in the *Business Corporations Act* (Alberta) and the regulations thereunder, the Corporation's articles and by-laws, and other relevant legislation and regulations.
- (c) The Board has the statutory obligation to consider certain matters as a board of directors. The Board may not delegate to management or to a committee of the Board the authority to:
  - (i) submit to the shareholders any question or matter requiring the approval of the shareholders;

- (ii) fill a vacancy among the directors or in the office of auditor, or appoint additional Directors;
- (iii) issue securities except in the manner and on the terms authorized by the Board;
- (iv) declare dividends;
- (v) purchase, redeem or otherwise acquire shares issued by the Corporation, except in the manner and on the terms authorized by the Board;
- (vi) pay a commission to any person in consideration of the person 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;
- (vii) approve any management proxy circular relating to a solicitation of proxies by or on behalf of the management of the Corporation;
- (viii) approve any take-over bid circular or directors' circular;
- (ix) approve any annual financial statements of the Corporation; or
- (x) adopt, amend or repeal by-laws.

## 2. *Independence*

The Board is responsible for implementing appropriate structures and procedures to permit the Board to function independently of management.

## 3. *Strategic Planning*

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, at least annually, directly or through its committees in approving the strategic plan by which the Corporation proposes to achieve its goals.

## 4. *Risk Management*

The Board is responsible for understanding the principal risks of the business in which the Corporation is engaged, achieving 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.

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

The Board is responsible for:

- (a) appointing the CEO of the Corporation, 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 the appointment and remuneration of all officers of the Corporation; and
- (c) confirming that adequate provision has been made for the training and development of management and for the orderly succession of management.

6. *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 interested parties 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 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) reporting annually to shareholders on the Board's stewardship of the affairs of the Corporation for the preceding year.

7. *Monitoring and Acting*

The Board is responsible for:

- (a) verifying 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) verifying that the Corporation sets appropriate environmental standards in its operations and is in compliance with environmental laws and legislation;
- (d) verifying that the Corporation has in place appropriate programs and policies for the health and safety of its employees in the workplace;
- (e) monitoring the Corporation's progress toward its goals and objectives and revising and altering its direction through management in response to changing circumstances;

- (f) taking action when the Corporation's performance falls short of its goals and objectives or when other special circumstances warrant;
- (g) verifying that the Corporation has implemented adequate disclosure controls and procedures and internal control and information systems;
- (h) ensuring that the Board receives from senior management on a timely basis the information and input required to enable the Board to effectively perform its duties;
- (i) adopting a written code of business conduct and ethics and monitoring compliance with the code; and
- (j) conducting and acting upon annual assessments and evaluations of the Board, committees of the Board and individual directors.

8. *Other*

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

9. *Review of Mandate*

On an annual basis, the Board shall review its objectives and responsibilities, and consider any changes to its Mandate, as the Board deems necessary or as recommended by the Corporate Governance, Nomination, Compensation and Succession Committee, prior to approving same.