

## **MANDATE AND TERMS OF REFERENCE OF THE BOARD OF DIRECTORS**

The Board of Directors (the "Board") of Palliser Oil & Gas Corporation ("Palliser" or the "Corporation") is responsible for the stewardship of the Corporation. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of the Corporation. In general terms, the Board will:

- A. in consultation with the chief executive officer of the Corporation (the "CEO"), define the principal objective(s) of the Corporation;
- B. supervise the management of the business and affairs of the Corporation with the goal of achieving the Corporation's principal objective(s) as defined by the Board;
- C. discharge the duties imposed on the Board by applicable laws; and
- D. for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

Without limiting the generality of the foregoing, the Board will perform the following duties:

### **Strategic Direction, Operating, Capital and Financial Plans**

1. Require the CEO to present annually to the Board a longer range strategic plan and a shorter range business plan for the Corporation's business, which plans must:
  - (a) be designed to achieve the Corporation's principal objectives,
  - (b) identify the principal strategic and operational opportunities and risks of the Corporation's business, and
  - (c) be approved by the Board as a pre-condition to the implementation of such plans;
2. Approve the annual operating and capital plans
3. Monitor and review progress towards the achievement of the Corporation's goals established in the strategic, operating and capital plan and to revise and alter its direction through management in light of changing circumstances.
4. Identify the principal risks of the Corporation's business and take all reasonable steps to ensure the implementation of the appropriate systems to manage these risks.
5. Approve issuances of additional common shares or other securities to the public.

### **Management and Organization**

1. Appoint the CEO and determine the terms of the CEO's employment with the Corporation.
2. In consultation with the CEO, develop a position description for the CEO.
3. Evaluate the performance of the CEO at least annually.
4. In consultation with the CEO, establish the limits of management's authority and responsibility in conducting the Corporation's business.
5. In consultation with the CEO, consider appointment of the senior officers of the Corporation.
6. Receive annually from the CEO the CEO's evaluation of the performance of each senior officer who reports to the CEO.
7. In consultation with the CEO, develop a system under which succession to senior management positions will occur in a timely manner.
8. Approve any proposed significant change in the management organization structure of the Corporation.
9. Approve all retirement plans for officers and employees of the Corporation.
10. In consultation with the CEO, establish a communications policy for the Corporation.
11. Generally provide advice and guidance to management.

### **Finances and Controls**

1. Monitor the appropriateness of the Corporation's capital structure.
2. Ensure that the financial performance of the Corporation is properly reported to shareholders, other security holders and regulators on a timely and regular basis.
3. In consultation with the CEO, establish the ethical standards to be observed by all officers and employees of the Corporation and use reasonable efforts to ensure that a process is in place to monitor compliance with those standards.
4. Require that the CEO institute and monitor processes and systems designed to ensure compliance with applicable laws by the Corporation and its officers and employees.
5. Require that the CEO institute, and maintain the integrity of, internal control and information systems, including maintenance of all required records and documentation.
6. Review and approve credit facilities to be entered into by the Corporation.
7. Review and approve material contracts to be entered into by the Corporation.
8. Recommend to the shareholders of the Corporation a firm of chartered accountants to be appointed as the Corporation's auditors.

9. Take all necessary actions to gain reasonable assurance that all financial information made public by the Corporation (including the Corporation's annual and quarterly financial statements) is accurate and complete and represents fairly the Corporation's financial position and performance.

### **Governance**

1. In consultation with the Chairman of the Board, develop a position description for the Chairman of the Board.
2. Facilitate the continuity, effectiveness and independence of the Board by, amongst other things:
  - (a) selecting nominees for election to the Board,
  - (b) appointing a Chairman of the Board who is not a member of management or if that person is a member of management, appointing a Lead Director;
  - (c) appointing from amongst the independent directors an audit committee, a compensation committee, a reserves committee and such other committees of the Board as the Board deems appropriate,
  - (d) defining the mandate of each committee of the Board,
  - (e) ensuring that processes are in place and are utilized to assess the size of the Board, the effectiveness of the Chairman of the Board, the Lead Director (if any), the Board as a whole, each committee of the Board and each director,
  - (f) review the orientation and education program for new members to the Board to ensure that it is adequate and effective; and
  - (g) establishing a system to enable any director to engage an outside adviser at the expense of the Corporation; and
3. review annually the adequacy and form of the compensation of directors.

### **Delegation**

The Board may delegate its duties to and receive reports and recommendations from any committee of the Board.

### **Meetings**

1. The Board shall meet at least four times per year and/or as deemed appropriate by the Board or the Chairman of the Board.
2. Minutes of meetings will be recorded and maintained.
3. The CEO may be present at all meetings of the Board unless otherwise excused from all or part of any meeting by the Chairman or the Board.
4. Vice-Presidents and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Chairman of the Board or the Board for the duration of the item with respect to which they are involved.

**Review of Mandate**

The Chairman of the Board, in consultation with the Board as a whole or in consultation with any appropriate committee of the Board, shall meet at least annually or more frequently, if required, with the Board or with any appropriate committee of the Board, to review and consider amendments to this Mandate.

Approved: August 7, 2008