



## **Mandate for the Directors of Candax Energy Inc.**

### **Purpose**

The primary function of the directors (individually a "Director" and collectively the "Board") of Candax Energy Inc. (the "Corporation") is to supervise the management of the business and affairs of the Corporation. The Board has the responsibility to supervise the management of the Corporation which is responsible for the day-to-day conduct of the business of the Corporation. 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 ongoing basis and that the Corporation conducts its operations in a reliable, ethical and safe manner. In performing its functions, the Board should consider the legitimate interests that its stakeholders, such as employees, customers and communities, may have in the Corporation. In carrying out its stewardship responsibility, the Board, through the Chief Executive Officer (the "CEO"), shall set the standards of conduct for the Corporation.

### **Procedure and Organization**

The Board operates by delegating certain of its responsibilities and duties set out below to management or committees of the Board constituted by it and by reserving certain of such responsibilities and duties to itself. The Board retains the responsibility for managing its own affairs including selecting its Chair and constituting committees of the Board.

### **Responsibilities and Duties**

The Board's principal responsibilities and duties fall into a number of categories which are summarized below.

#### **(a) Legal Requirements**

- (i) The Board has the responsibility to ensure that applicable legal requirements have been met and documents and records have been properly prepared, approved and maintained.
- (ii) The Board has the statutory responsibility to, among other things:
  - 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 *Business Corporations Act* (Ontario), the regulations thereunder, the articles and by-laws of the Corporation, the securities laws of the provinces of British Columbia, Alberta, Ontario and Quebec and other applicable legislation and regulations.

- (iii) 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:
- a) any submission to the shareholders of any question or matter requiring the approval of the shareholders;
  - b) the filling of a vacancy among the directors or in the office of auditor, the appointing or removing any of the chief executive officer, the chair or the president of the Corporation;
  - c) the issue of securities except as authorized by the Board;
  - d) the declaration of dividends;
  - e) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;
  - f) the payment of 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 any such shares except as authorized by the Board;
  - g) the approval of a management proxy circular;
  - h) the approval of a take-over bid circular, directors' circular or issuer bid circular;
  - i) the approval of an amalgamation of the Corporation;
  - j) the approval of an amendment to the articles of the Corporation;
  - k) the approval of annual financial statements of the Corporation; and
  - l) the adoption, amendment or repeal of by-laws of the Corporation.

In addition to those decisions which at law cannot be delegated, the Board must consider and approve all major decisions affecting the Corporation, including all acquisitions and dispositions, capital expenditures, debt financings and the issue of shares and granting of options.

(b) **Strategy Development**

The Board has the responsibility to ensure that there are long-term goals and a strategic planning process in place for the Corporation and to participate with management directly or through its committees in developing and approving, on an annual basis, the strategy by which it proposes to achieve these goals (taking into account, among other things, the opportunities and risks of the business in which the Corporation operates and competes).

(c) **Risk Management**

The Board has the responsibility to safeguard the assets and business of the Corporation, identify and understand the principal risks of the business in which the Corporation operates and to ensure that there are appropriate systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

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

The Board has the responsibility to:

- (i) appoint the CEO and, together with the CEO, to develop a clear position description for the CEO;
- (ii) with the advice of the compensation committee of the Board (the "Compensation Committee"), develop corporate goals and objectives that the CEO is responsible for meeting and to monitor and assess the CEO's performance in light of those corporate goals and objectives and to determine the CEO's compensation;
- (iii) provide advice and counsel to the CEO in the execution of the CEO's duties;
- (iv) develop, to the extent considered appropriate, clear position descriptions for its Chair and the chair of each committee of the Board;
- (v) approve the appointment of all corporate officers;
- (vi) approve, upon the recommendation of the Compensation Committee and the CEO, the remuneration of all corporate officers;
- (vii) approve, upon the recommendation of the Compensation Committee, incentive-compensation plans and equity-based plans of the Corporation; and
- (viii) ensure that adequate provision has been made to train and develop management and members of the Board and for the orderly succession of management, including the CEO.

(e) **Ensuring Integrity of Management**

The Board has the responsibility, to the extent feasible, to satisfy itself as to the integrity of the CEO and other senior officers of the Corporation and to ensure that the CEO and other senior officers are creating a culture of integrity throughout the Corporation.

(f) **Policies, Procedures and Compliance**

The Board has the responsibility to:

- (i) ensure that the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards;
- (ii) approve and monitor compliance with significant policies and procedures by which the Corporation is operated;
- (iii) ensure that the Corporation sets appropriate environmental standards in its operations and is in compliance with environmental laws and legislation;
- (iv) ensure that the Corporation has a high regard for the health and safety of its employees in the workplace and has in place appropriate programs and policies;
- (v) develop the approach of the Corporation to corporate governance, including developing a set of governance principals and guidelines that are specifically applicable to the Corporation; and

- (vi) examine the corporate governance practices observed within the Corporation and alter such practices when circumstances warrant.

(g) **Reporting and Communication**

The Board has the responsibility to:

- (i) ensure that the Corporation has in place policies and programs to enable the Corporation to communicate effectively with management, its shareholders, other stakeholders and the public generally;
- (ii) ensure that the financial results of the Corporation are adequately reported to its shareholders, other security holders and regulators on a timely and regular basis;
- (iii) ensure that the financial results are reported fairly and in accordance with generally accepted accounting standards;
- (iv) ensure the timely and accurate reporting of any other developments that have a significant and material impact on the value of the Corporation; and
- (v) report annually to the shareholders of the Corporation on its stewardship of the affairs of the Corporation for the preceding year.

(h) **Monitoring and Acting**

The Board has the responsibility to:

- (i) monitor the Corporation's progress towards its goals and objectives and to revise and alter its direction through management in response to changing circumstances;
- (ii) take action when performance falls short of its goals and objectives or when other special circumstances warrant;
- (iii) review and approve material transactions involving the Corporation that are not in the ordinary course;
- (iv) ensure that the Corporation has implemented adequate internal control and management information systems which ensure the effective discharge of its responsibilities;
- (v) assess the individual performance of each Director and the collective performance of the Board as a whole; and
- (vi) oversee the size and composition of the Board as a whole to facilitate more effective decision-making.

## **Board's Expectations of Management**

The Board expects each member of management to perform his or her duties, as may be reasonably assigned by the Board from time to time, faithfully, diligently, to the best of his or her ability and in the best interests of the Corporation. Each member of management is expected to devote substantially all of his or her business time and efforts to the performance of such duties, unless stated otherwise in such member of management's employment or consulting agreement. Management is expected to act in compliance with and to ensure that the Corporation is in compliance with any and all laws, rules and regulations applicable to the Corporation.

## **Responsibilities and Expectations of Directors**

The responsibilities and expectations of each Director are as follows:

(a) **Commitment and Attendance**

All Directors should make every effort to attend all meetings of the Board and meetings of committees of which they are members. Members may attend by telephone to mitigate conflicts.

(b) **Participation in Meetings**

Each Director should be sufficiently familiar with the business of the Corporation, including its financial statements and capital structure and the risks and competition it faces, to facilitate active and effective participation in the deliberations of the Board and of each committee on which he or she serves. Upon request, management makes appropriate personnel available to answer any questions a Director may have about any aspect of the Corporation's business. Directors should also review the materials provided by management and the Corporation's advisors in advance of meetings of the Board and its committees and should arrive prepared to discuss the issues presented.

(c) **Code of Business Conduct and Ethics**

The Corporation has adopted a Code of Business Conduct and Ethics, certain portions of which deal with the business conduct of Directors and officers of the Corporation, particularly with respect to transactions in the securities of the Corporation, potential conflicts of interest, the taking of corporate opportunities for personal benefit and competing with the Corporation. Directors should be familiar with the provisions of the Code of Business Conduct and Ethics in these areas and should consult with the Corporation's counsel in the event of any issues or concerns.

(d) **Other Directorships**

The Corporation values the experience Directors bring from other boards on which they serve, but recognizes that those boards may also present demands on a Director's time and availability, and may also present conflicts or legal issues. Directors should advise a member of the Compensation Committee before accepting any new membership on other boards of directors or any other significant commitment involving an affiliation with other related businesses or governmental units.

(e) **Contact with Management**

All Directors are invited to contact the CEO at any time to discuss any aspect of the Corporation's business. Directors also have complete access to other members of management. The Board expects that there will be frequent opportunities for Directors to meet with the CEO and other members of management in Board and committee meetings and in other formal or informal settings.

(f) **Confidentiality**

The proceedings and deliberations of the Board and its committees are confidential. Each Director shall maintain the confidentiality of information received in connection with his or her services.

(g) **Evaluating Board Performance**

The Board, acting through the Corporate Governance Committee, will appoint a lead independent Director who shall oversee the process of self-evaluation for the Board overall and for each of the committees of the Board. Such evaluation will be conducted at least annually to assess their respective levels of effectiveness through the completion of questionnaires by each Director and committee member and a one-on-one meeting between each Director and committee member with the lead Director. In addition, the Corporate Governance Committee periodically considers the mix of skills and experience that Directors bring to the Board to assess, on an ongoing basis, whether the Board has the necessary tools to perform its oversight function effectively.

**Qualifications and Directors' Orientation**

Directors should have the highest personal and professional ethics and values and be committed to advancing the best interests of the Corporation. They should possess skills and competencies in areas that are relevant to the Corporation's activities. The CEO or CFO is responsible for providing an orientation and education program for new Directors.

**Meetings**

The Board shall meet on at least a quarterly basis and shall hold additional meetings as required or appropriate to deal with other issues. In addition, the Board shall meet on an annual basis to deal with strategic planning on behalf of the Corporation. Financial and other information shall be made available to the Directors in advance of Board meetings in order to assure effectiveness of actions at such meetings. Attendance at each meeting of the Board shall be recorded.

Management may be asked to participate in any meeting of the Board but in such event the Board is expected to meet separately from management immediately before and after such meeting to ensure that the Board functions independently of management. The independent Directors shall meet regularly with no members of management of the Corporation present. The Board shall appoint a lead Director to chair these meetings.

**Committees**

The Board has established an audit committee, a compensation committee, a corporate governance committee, a disclosure committee and a technical advisory committee to assist the Board in discharging its responsibilities. Special committees are established from time to time to assist the Board in connection with specific matters. The chair of each committee reports to the Board following meetings of the committee. The terms of reference of each standing committee are reviewed annually by the Board.

**Evaluation**

Each Director is expected to agree to an evaluation of his or her individual performance as well as to a review of the collective performance of the Board and of each committee of the Board. In that regard, the Directors are expected to submit annually a written evaluation which compares: (a) the performance of the Board to this mandate; (b) the performance of the committees of the Board to their respective charters; and (c) the performance of Directors to their applicable position descriptions and expected competencies and skills. Directors shall be encouraged to exercise their duties and responsibilities in a manner that is consistent with this mandate and with the best interests of the Corporation and its shareholders generally.

## **Resources**

The Board shall have the authority to retain independent legal, accounting and other consultants to advise it. The Board may request any officer or employee of the Corporation or its outside counsel or the external/internal auditors to attend a meeting of the Board or to meet with any members of, or consultants to, the Board.

Directors shall be permitted to engage an outside legal or other adviser at the expense of the Corporation where for example he or she is placed in a conflict position through activities of the Corporation, but any such engagement shall be subject to the prior approval of the Audit Committee.

**Approved by the Board of Directors on November 21, 2006.**