



MANDATE OF THE BOARD

Introduction to Stewardship Duties

The purposes and responsibilities outlined in this Mandate and accompanying Board materials are meant to serve as guidelines rather than inflexible rules and the Board may adopt such additional procedures and standards as it deems necessary from time to time to fulfil its responsibilities.

The Board is responsible to shareholders and others for the stewardship of Essential Energy Services Ltd. (the "Corporation" or "Essential"). The Board is responsible to oversee management of the business affairs of the Corporation and to act with a view to the best interests of the Corporation, growing value and maximizing return to shareholders.

The Board has plenary power with respect to the Corporation. Any responsibility not delegated to management or a Committee of the Board remains with the Board.

General Legal Obligations of the Board

The Board is responsible for the following legal matter oversight:

- (a) overseeing management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained;
- (b) approving changes in the By-laws, Articles of Incorporation, matters requiring shareholder or shareholder approval, and agendas for shareholder and shareholder meetings;
- (c) approving Essential's legal structure, names and brands, mission statement and vision statement, and any amendments thereto;
- (d) overseeing management to ensure compliance by the Corporation with all applicable securities laws, including continuous disclosure obligations and in relation to an offering of securities of the Corporation; and
- (e) overseeing management to ensure compliance by the Corporation with stock exchange rules.

The following business matters are the responsibility of the Board generally:

- (f) to oversee the management of the business and affairs of Essential including the relationships among the Corporation and its respective affiliates with their executives, affiliates, shareholders, Directors and Officers;

- (g) to act honestly and in good faith with a view to the best interests of Essential;
- (h) to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
- (i) to act in accordance with its obligations contained in the *Business Corporations Act* (Alberta), the *Securities Act* of each province and territory of Canada, other relevant legislation, regulations and policies, and the Corporation's Articles and By-laws;
- (j) in particular, it should be noted that the following matters must be considered by the Board as a whole:
 - (i) submit to the shareholders of the Corporation any question or matter requiring the approval of the shareholders of the Corporation;
 - (ii) fill a vacancy among the Directors or in the office of auditor;
 - (iii) issue securities except in the manner and on the terms permitted by law and authorized by the Board;
 - (iv) declare dividends;
 - (v) purchase, redeem or otherwise acquire shares issued by the Corporation;
 - (vi) the payment of a commission to any person in consideration of that person purchasing or agreeing to purchase shares of the Corporation;
 - (vii) approve management proxy circulars;
 - (viii) approve take-over bid circulars or Directors' circulars;
 - (ix) approve any financial statements; or
 - (x) adopt, amend or repeal By-laws of the Corporation.

Composition and Board Organization

Nominees for Directors are initially considered and recommended by the Compensation and Governance Committee of the Board, approved by the entire Board and appointed annually by the Corporation, in accordance with the direction given to the Corporation by vote of the shareholders of the Corporation.

The appropriate number of Directors from time to time will be determined to fairly reflect the investment in Essential by those shareholders other than a significant shareholder or significant group of shareholders.

A majority of Directors comprising the Board must qualify as "independent" Directors in accordance with the definition of "independent" Director from time to time under the requirements or guidelines for Board service under applicable securities laws and the rules of any stock exchange on which the Corporation's shares are listed for trading. On at least an

annual basis, the Board will conduct an analysis and make a determination as to the "independence" of each Board member.

Certain of the responsibilities of the Board referred to herein may be delegated to Committees of the Board. The responsibilities of those Committees will be as set forth in their respective mandates, as amended from time to time.

The Board's set of criteria for addressing composition of the Board will include the present and anticipated skill set needed by the Board, experience, ethics, education, time availability, involvement in activities that conflict with Essential's business, term and the number of other directorships held. Consideration will be given to the requirements set out in Essential's Board Diversity Policy. Other matters may be included that vary from time to time.

Duties and Responsibilities

Managing the Affairs of the Board and Governance

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. The legal obligations of the Board are described under the heading "General Legal Obligations of the Board". Subject to these legal obligations and to the Articles and By-laws of the Corporation, the Board retains the responsibility for managing its own affairs, including:

- (k) developing the Board's approach to governance, including the development and maintenance of the Board Manual and the Governance Guidelines, which may be delegated to the Compensation and Governance Committee;
- (l) planning its composition and size;
- (m) selecting the Board Chair, or, as applicable, a "Lead Director";
- (n) nominating candidates for election to the Board;
- (o) appointing Committees;
- (p) determining Director compensation;
- (q) developing position descriptions or terms of reference for the Board Chair and the Chair of each Committee of the Board, as well as for the President, Chief Executive Officer and for individual Directors; and
- (r) assessing the effectiveness of the Board itself, Committees and individual Directors in fulfilling their responsibilities at least annually.

Management and Human Resources

The Board has oversight responsibility for:

- (s) the appointment and succession of the Chief Executive Officer and evaluating the Chief Executive Officer's performance, approving Chief Executive Officer compensation and providing advice and counsel to the Chief Executive Officer in the execution of the Chief Executive Officer's duties;

- (t) satisfying itself as to the integrity of the Chief Executive Officer and that the Chief Executive Officer and other Executive Officers create a culture of integrity throughout the organization;
- (u) approving a position description or terms of reference for the Chief Executive Officer;
- (v) reviewing Chief Executive Officer performance at least annually against agreed upon written goals and objectives that the Chief Executive Officer is responsible for meeting and that have been approved by the Board;
- (w) approving decisions relating to senior management, including appointment and discharge of Officers, compensation and benefits for the Chief Executive Officer, acceptance of outside directorships on public or private companies by Executive Officers (other than not-for-profit organizations), acceptance of an advisory position with an entity that has an oil and gas focus by Executive Officers, and special arrangements with Executive Officers, or other employee groups;
- (x) ensuring succession planning programs are in place, including programs to train and develop management; and
- (y) approving certain matters relating to all employees, including:
 - (i) the annual salary policy/program for employees;
 - (ii) new benefit programs or material changes to existing programs; and
 - (iii) material benefits granted to retiring employees outside of benefits received under any approved pension and other benefit programs.

Strategy and Plans

The Board has oversight responsibility to:

- (z) participate with management in the development of, and ultimately approve, Essential's strategic plan, which strategic plan will take into account, among other things, the opportunities and risks of the business;
- (aa) approve the annual business plans that enable Essential to realize its objectives;
- (bb) approve annual capital and operating budgets that support Essential's ability to meet its strategic objectives;
- (cc) approve any political or charitable donations policy or budget;
- (dd) approve the entering into, or withdrawing from, lines of business or geographic markets that are, or are likely to be, material to Essential;
- (ee) approve financial and operating objectives used in determining compensation if they are different from the strategic, capital or operating plans referred to above;
- (ff) approve material divestitures and acquisitions;

- (gg) approve major leases; and
- (hh) monitor Essential's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances.

Financial and Corporate Issues

The Board has oversight responsibility to:

- (ii) take reasonable steps to ensure the implementation and integrity of Essential's internal control and management information systems;
- (jj) monitor operational and financial results;
- (kk) approve the Audit Committee recommendation to recommend appointment of external auditors and approve auditors' fees;
- (ll) approve annual and quarterly financial results as approved by the Audit Committee and to approve release thereof by management;
- (mm) approve any management proxy circular, annual information form and any documents incorporated by reference therein;
- (nn) approve dividends in respect of the Corporation's shares;
- (oo) approve financings, changes in authorized capital, issue and repurchase of shares, issue, reissue, sell or pledge debt obligations of the Corporation, listing of shares and other securities, issue of commercial paper, and related prospectuses;
- (pp) approve banking resolutions and significant changes in banking relationships;
- (qq) review coverage, deductibles and key issues regarding corporate insurance policies;
- (rr) approve contracts, arrangements or commitments that may have a material impact on Essential;
- (ss) approve the commencement or settlement of litigation that may have a material impact on Essential; and
- (tt) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation owned or subsequently acquired to secure any obligation of the Corporation.

Business and Risk Management

The Board has oversight responsibility for the following functions, which may be delegated to one or more Committees of the Board:

- (uu) ensure management identifies the principal business and financial risks and implements appropriate systems to manage these risks;

- (vv) ensure management procures appropriate insurance including Director and Officer insurance;
- (ww) review operating and financial performance relative to budgets or objectives;
- (xx) receive reports from management on matters relating to, among others, ethical conduct, environmental management, employee health and safety, human rights, and related party transactions;
- (yy) to the extent the same have not been delegated to the Audit Committee, assess and monitor management control systems:
 - (i) assess information provided by management and others (e.g., external auditors) about the effectiveness of management control systems; and
 - (ii) understand principal risks and review whether Essential achieves a proper balance between risk and returns, and that management ensures that systems are in place to address the risks identified.
- (zz) monitor Essential's risk management process.

Policies and Procedures

The Board has oversight responsibility to:

- (aaa) approve and monitor compliance with all significant policies and procedures by which Essential is operated;
- (bbb) direct management to ensure Essential operates at all times within applicable laws and regulations and according to the Code of Conduct adopted by Essential; and
- (ccc) review significant new corporate policies or material amendments to existing policies.

Compliance Reporting and Communications

The Board has oversight responsibility to:

- (ddd) ensure Essential has in place effective communication processes with its shareholders and other stakeholders and financial, regulatory and other recipients;
- (eee) approve interaction with shareholders on all items requiring shareholder response or approval;
- (fff) ensure that the financial performance of the Corporation is reported to shareholders, other security holders and regulators in compliance with applicable law and regulations on a timely and regular basis, fairly and in accordance with generally accepted accounting principles;

- (ggg) ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation; and
- (hhh) report annually to shareholders on the Board governance for the preceding year.

Standards of Liability

Nothing contained in this Mandate is intended to expand applicable standards of liability under statutory, regulatory, common law or any other legal requirements for the Board or members of its Committees. The purposes and responsibilities outlined in this Mandate and accompanying Board materials are meant to serve as guidelines rather than inflexible rules and the Board may adopt such additional procedures and standards as it deems necessary from time to time to fulfil its responsibilities.