



BOARD OF DIRECTORS

TERMS OF REFERENCE

The board of directors (the "Board") of Pure Energy Services Ltd. ("Pure") is responsible for overseeing the conduct of the business of Pure 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, 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 Pure 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 responsibility is for the stewardship of Pure and the Board's fundamental objectives are to enhance and preserve long-term shareholder value and to ensure that Pure 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 Pure. In broad terms, the stewardship of Pure 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 Pure's satisfaction of its legal obligations and for properly preparing, approving and maintaining Pure's documents and records.
 - (ii) The Board has the statutory obligation to:
 - (A) manage the business and affairs of Pure, in accordance with applicable laws;
 - (B) act honestly and in good faith with a view to the best interests of Pure;
 - (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* (Alberta) and the regulations thereunder, Pure'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, 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 except in the manner and on the terms authorized by the Board;
 - (E) declaring dividends;
 - (F) purchasing, redeeming or otherwise acquiring shares issued by Pure, 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 Pure from Pure or from any other person, or procuring or agreeing to procure purchasers for shares of Pure;
 - (H) approving any management proxy circular relating to a solicitation of proxies by or on behalf of the management of Pure;
 - (I) approving any take over bid circular, directors' circular, or issuer bid circular;
 - (J) approving any annual financial statements and related M D & A of Pure;
 - (K) approving the execution of any prospectus certificate; and
 - (L) adopting, amending or repealing by-laws.

(b) Independence

The Board is responsible for 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 Pure and participating with management directly or

through its committees in approving the mission of Pure and the strategic plan by which Pure 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 Pure is engaged, and reviewing whether Pure 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 Pure.

- (e) Appointment, Training and Monitoring Senior Executive Management

The Board is responsible for:

- (A) appointing the chief executive officer of Pure (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 senior executive officers of Pure; and
- (D) confirming that adequate provision has been made for the training and development of Senior Executive Officers and for the orderly succession of Senior Executive Officers.

(f) Corporate Social Responsibility, Ethics and Integrity

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

(g) Reporting and Communication

The Board is responsible for:

- (A) verifying that Pure has in place policies and programs to enable Pure to communicate effectively with its shareholders, other stakeholders and the public generally;
- (B) verifying that the financial performance of Pure is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;
- (C) verifying that Pure'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 Pure;
- (E) reporting annually to shareholders on the Board's stewardship of the affairs of Pure for the preceding year; and
- (F) adopting measures for receiving feedback from stakeholders and ensuring appropriate disclosures of the measures are made in accordance with applicable laws.

(h) Financial Reporting and Management

The Board will:

- (A) approve financial statements and review and oversee compliance with applicable audit, accounting and financial reporting requirements;
- (B) approve annual operating and capital budgets;
- (C) in accordance with the CAPEX Expenditure Policy previously approved by the Board, approve all capital commitments which results in expenditures in

excess of the approved annual capital expenditure budget for Pure in accordance with such Policy, subject to the discretionary authority granted under such Policy to management to expend up to \$250,000 per quarter in addition to the approved annual capital expenditure budget; and

- (D) satisfying itself that management has an appropriate system in place to ensure the integrity of internal control and management information systems, and reviewing the effectiveness of internal control procedures annually;
 - (E) confirming that Pure has a system in place for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
 - (F) reviewing operating and financial performance results relative to established strategy, budgets and objectives and revising and altering its direction through management in response to changing circumstances; and
 - (G) approving significant changes in accounting practices or policies.
- (i) Monitoring and Acting

The Board is responsible for:

- (A) ensuring that Pure 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 Pure is operated to the extent Board approval is required by applicable law or to the extent requested by Management for review and approval;
- (C) ensuring that Pure sets high environmental standards in its operations and is in compliance with environmental laws and legislation;
- (D) ensuring that Pure has in place appropriate programs and policies for the health and safety of its employees in the workplace;
- (E) reviewing and considering for approval all material amendments or departures proposed by management from established strategy, capital and operating budgets or matters of policy;
- (F) taking action when Pure's performance falls short of its goals and objectives or when other special circumstances warrant; and
- (G) 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.

(j) Outside Consultants or Advisors

At Pure'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, Pure's articles and by-laws, and any other governing laws, as the Board deems necessary or appropriate.