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**Part I: Overview**

The *Alberta Business Corporations Act* (the “**Act**”), Cervus Equipment Corporation’s (“**Cervus**”) governing statute, provides “that the directors shall manage or supervise the management of the business and affairs of a corporation . . .”. In practice, as a board of directors cannot “manage” a company such as Cervus in the sense of directing its day-to-day operations, the overarching role and legal duty of Cervus’ board of directors (the “**Board**”, each member of the Board a “**Director**”) is to “supervise” the management of Cervus’ business and affairs. Accordingly, the Board oversees development of the overall strategic direction and policy framework for Cervus. This responsibility is discharged through Board oversight of Cervus’ management (“**Management**”), which is responsible for the day-to-day conduct of the business of Cervus. The Board, through the Chief Executive Officer (“**CEO**”), sets standards of conduct (including Cervus’ general moral and ethical tone), compliance with applicable laws, standards for financial practices and reporting, qualitative standards for operations and products/services and other standards that reflect the views of the Board as to the conduct of the business in the best interests of Cervus.

In general, then, the Board is responsible for the selection, monitoring and evaluation of executive Management, and for overseeing the ways in which Cervus’ business and affairs are managed. In this way, the Board assumes responsibility for the stewardship of Cervus. Specific responsibilities which facilitate the discharge of the Board’s stewardship responsibilities include: the strategic planning process, risk identification and management, ensuring that effective stakeholder communication policies are in place, and ensuring the integrity of internal controls and management information systems. These responsibilities, and others, are addressed in more detail in the Board’s mandate, comprising Part IV of these Terms of Reference.

The Board discharges its responsibilities with the assistance of committees of the Board (the “**Committees**”). The Committees advise and formulate recommendations to the Board but, except in limited and specifically identified circumstances, do not have the authority to approve matters on behalf of the Board. General guidelines relating to the Committees comprise Part III of these Terms of Reference. In addition, each Committee has a written mandate, setting out the scope of its operations, and its key roles and responsibilities. Position descriptions of the chair of each of the Committees (“**Committee Chairs**”) and the chair of the Board (the “**Board Chair**”), who may be an executive officer or non-executive officer of Cervus, as applicable, set out the related principles, framework and accountabilities for those key roles in Cervus’ governance.

The CEO of Cervus is delegated the responsibility for the day-to-day management of Cervus and for providing Cervus with leadership. The CEO discharges these responsibilities by formulating Cervus’ policies and proposed actions, and, where appropriate, presenting them to the Board for approval. The Board explicitly identifies actions which have been specifically delegated to the CEO, and those which are reserved to the Board. In addition, the Board has plenary power, and has the power to specify and

modify the authority and duties of Management as it sees fit with a view to Cervus' best interests and in accordance with current standards.

Notwithstanding the foregoing, the Board, the Act, applicable securities legislation and applicable stock exchange rules have collectively identified certain matters which must be considered by the Board as a whole and may not be delegated to a Committee or to Management. These matters include:

- Any submission to Cervus' shareholders of a question or matter requiring the approval of the shareholders;
- The filling of a vacancy among the directors or in the office of the auditor;
- The appointment of additional directors;
- The manner of and terms for the issuance of securities by Cervus;
- The declaration of dividends by Cervus;
- The purchase, redemption or any other form of acquisition of shares issued by Cervus;
- The approval of the audited annual or unaudited quarterly financial statements of Cervus, the related management discussion and analysis of financial results for such statements and the related press release disclosing such financial results;
- The approval of certain of Cervus' other core public disclosure documents under the continuous disclosure requirements of applicable securities legislation including annual information forms, annual reports and management proxy circulars;
- The approval of any prospectus or other similar public offering document of Cervus;
- The approval of any take-over bid circular, issuer bid circular, directors' circular or rights offering circular of Cervus; and
- The adoption, amendment or repeal of bylaws of Cervus.

One of the key stewardship responsibilities of the Board is to approve Cervus' goals, strategies and plans, and the fundamental objectives and policies within which the business of Cervus is operated, and evaluate the performance of executive Management. Once the Board has approved the goals, strategies and plans, it acts in a unified and cohesive manner in supporting and guiding the CEO. The CEO keeps the Board fully informed of the progress of Cervus toward the achievement of its goals, strategies and plans, in a timely and candid manner, and the Board continually evaluates the performance of executive Management toward these achievements.

## **Part II: Board Guidelines**

The following have been adopted by the Board as the guidelines applicable to the Board and its operations:

- These Terms of Reference for the Board (which include the Board Guidelines, Committee Guidelines and Board Mandate (all as hereinafter defined)), and the mandates of the Committees, constitute the charters of the Board and Committees respectively, and are reviewed by the Board annually and updated as deemed appropriate. These charters are supplemented by the position descriptions for the Board Chair and Committee Chairs, as well as the Director Accountability Statement.
- The CEO is responsible for leading the development of long range plans for Cervus, including its goals and strategies. The Board, both directly and through its Committees, participates in discussions of strategy by responding to and contributing ideas. At least annually and more frequently if required, the Board (i) reviews and approves Cervus' strategic plans taking into account, among other items, the opportunities and risks related to the business of Cervus and (ii) reviews operating and financial performance results relative to established strategy, budgets and objectives.
- The Board believes that the appropriate size for the Board is between five and seven members.
- Directors stand for re-election annually.
- The Board maintains a policy permitting Directors to retain outside advisors at the expense of Cervus, subject to the written approval of any of the Board Chair, the Chair of the Committee proposing to retain outside advisors, or the Governance Committee (as hereinafter defined). In exercising their approval authority, the Board, Board Chair, Committee Chair or Governance Committee, as the case may be, will establish, on a case by case basis, reasonable monetary limits and other controls as deemed appropriate.
- The Board should be comprised of a majority of independent directors. The Board has defined an independent director in written independence criteria based on the definition adopted by the Canadian Securities Administrators. On an annual basis, the Board shall consider and affirmatively determine whether each individual Director is independent, in accordance with the criteria.
- The membership of the CEO on the Board is valuable and conducive to effective decision making.
- The Board will evaluate the performance of the CEO at least annually. The evaluation will be based on criteria which includes the performance of the business of Cervus and the accomplishment of the CEO's qualitative and quantitative objectives as established at the beginning of each fiscal year of Cervus, and the creation and fostering of a culture of integrity within Cervus.
- The Board Chair will work with the CEO, CFO and Secretary to establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda.
- Whenever feasible, important issues should be dealt with over the course of two meetings. The first such meeting would allow for a thorough briefing of the Board, and the second would allow for final discussion and a decision.
- The Board will hold at least five Board meetings per year, one of which shall be principally devoted to strategy. If necessary, an additional Board meeting shall be scheduled for approval of the annual proxy circular, annual information form and other annual disclosure documents.

- Whenever feasible, the Board will receive materials at least one full weekend in advance of Board and Committee meetings. Presentations on specific subjects at Board meetings will only briefly summarize the material sent so discussion at such meeting can focus on questions and issues. Directors are expected to have reviewed these materials prior to attendance at Board and Committee meetings, and are expected to be prepared to engage in meaningful discussion and provide considered, constructive and thoughtful feedback and commentary at such meetings.
- Board meeting dates will be established sufficiently in advance to minimize conflict with other commitments on Directors' schedules. Directors are accordingly expected to make every reasonable effort to attend all meetings of the Board and its Committees, if not in person then by telephone.
- While the Board does not restrict the number of public company boards that a Director may serve on, each Director should ensure that he or she is able to devote sufficient time and energy to carrying out their duties effectively.
- The Board encourages the CEO to bring other executive officers into Board meetings. The presence of such executives is expected to bring additional insights into the discussions, because of the executives' personal involvement in, and knowledge of, specific agenda items. The benefit of exposing the Board to other executives, for succession planning and career development purposes, is recognized.
- The Board is responsible for selecting its own members (subject to the approval of shareholders), and for assessing the performance of individual directors, as well as the effectiveness of Board Committees and the Board as a whole. The Board delegates management of the selection processes to the Nominating and Governance Committee (the "**Governance Committee**"). The Board has established a policy for director selection. The selection process includes consideration of the competencies and skills the Board, as a whole, should possess, against those of existing Directors, and a consideration of the competencies and skills each new nominee will bring to the Board, as well as their ability to devote sufficient time and attention to fulfilling the role of director.
- The Board supports the principle that its membership should represent a diversity of backgrounds, experience and skills.
- Succession and management development plans will be reviewed by the Compensation Committee, and reported on annually to the Board.
- At any time during a Board meeting, a member of the Board may request a meeting on an "in camera" basis without Management. Such "in camera" meetings shall be presided over by the independent Audit Committee Chair.

### **Part III: Committee Guidelines**

- The Board has three standing committees: The Audit Committee, the Governance Committee and the Compensation Committee. From time to time the Board may create ad hoc Committees to examine specific issues on behalf of the Board. Each Committee maintains a written mandate and reviews that mandate annually. Any recommendations to amend Committee mandates are reviewed by the Governance Committee for recommendation to the Board.

- The Governance Committee, with input from the Board Chair, plans Committee appointments (including the designation of a Committee Chair) for recommendation to and appointment by the Board. The Committees shall be reconstituted annually on or about the time of the annual general meeting of shareholders of Cervus, with Committee appointments intended, to the extent practical and appropriate, to be alternated for participating Board members, where appropriate, in order to allow such members to gain experience. Unless otherwise determined by resolution of the Board, a majority of the members of a Committee shall constitute a quorum for meetings of Committees.
- Each Committee shall be comprised of a minimum of three and a maximum of five directors. The chair of each Committee, in consultation with the secretary of the Committee, if any, shall determine the agenda for each Committee meeting.
- Except where otherwise specified in these Terms of Reference or in Cervus' bylaws, each Committee shall have the power to determine its own rules of procedure.
- Unless otherwise exempted from these requirements under applicable Canadian securities legislation: (i) the Audit Committee will consist entirely of independent directors; and (ii) all members of the Audit Committee must be, in the judgment of the Board, financially literate.
- The Compensation Committee will consist entirely of independent directors.
- The Governance Committee shall consist of a majority of independent directors.
- The Board Chair is also an ex-officio of those Committees of which he is not a listed member, provided such person is a non-executive Board Chair. However, the Board Chair will be an ex-officio of the Governance Committee alone where such person is an executive Board Chair, if he/she is not a listed member of such Committee.
- At any time during a Committee meeting, any member of the Committee may request an "in camera" meeting without Management. Where such a request is made, the Committee Chair shall chair such "in camera" meeting. At least once annually at the conclusion of a Committee meeting, any independent member of the Committee may request an "in camera" session without Management or any Director/member who is not independent, as determined under the Board independence criteria, and the Committee Chair shall Chair such "in camera" meeting.

#### **Part IV: Mandate of the Board**

##### **Objectives and Responsibilities**

The Board's fundamental objectives are to enhance and preserve long-term shareholder value, to ensure Cervus meets its obligations on an ongoing basis and that Cervus operates in a reliable and safe manner. In broad terms, the stewardship of Cervus involves the Board in strategic planning, financial reporting, risk management and mitigation, senior Management determination, communication planning and internal control integrity.

The major responsibilities of the Board are to:

- Establish policy direction and the fundamental objectives of Cervus;
- Supervise the management of the business and affairs of Cervus;
- Ensure Cervus has an effective strategic planning process;
- Identify the principal risks of Cervus' business, and ensure that there are systems in place to effectively monitor and manage these risks;
- Protect and enhance the assets of Cervus;
- Ensure the continuity of Cervus by assuming responsibility for the appointment of and succession to the office of the CEO and by seeing that an effective Board is maintained;
- Make certain decisions that are not delegable, such as the declaration of dividends; and
- Provide leadership and direction for Cervus in establishing and maintaining a high standard of corporate ethics and integrity.

### **Major Duties**

The major duties of the Board are to:

1. Foster the long-term success of Cervus. Represent and safeguard the interests of all shareholders while recognizing that the interests of employees, customers, suppliers, and the general public should also be taken into account for the enterprise to continue being able to serve its shareholders. Monitor and work to improve return on, security of, and prospects for enhancement of the value of shareholder investment.
2. Determine and control in broad terms the purposes, goals, activities and general characteristics of Cervus. These duties range from establishing objectives, scope of operations, and fundamental policies for Cervus, reviewing and approving Cervus' strategic plans, reviewing Cervus' operating and financial performance results relative to established strategy, budgets and objectives, declaring dividends, considering annual budgets, approving major capital investments, approving mergers and significant acquisitions, approving the issuance or retirement of debt and equity securities, and considering and approving other specific actions that are likely to have a substantial effect on Cervus or that the Board is legally required to take.
3. Review and assess emerging risk areas for Cervus that do not fall under the mandate of any Committee.
4. Review with Management the mission of Cervus, its objectives and goals, and the strategies whereby it proposes to achieve them. Monitor Cervus' progress toward its goals and plans, and assume responsibility to revise and alter Cervus' direction where warranted.
5. Appoint a CEO, monitor and evaluate his or her performance, provide for adequate succession to that position, and replace the CEO when appropriate. Also appoint the other officers of Cervus

and, in respect of the senior officers, monitor their performance and ensure that there is adequate succession to their positions and that they are replaced when appropriate.

6. Ensure that the CEO is providing for achievement of acceptable current financial results relative to Cervus' objectives, budgets, and the economic environment, and the development of resources necessary to future success. These resources include:
  - Management competence, organization and depth;
  - Technology in product/service design and product/service application;
  - Fixed assets;
  - Marketing capability, customer loyalty, distribution organization and market knowledge;
  - Work force and employee relations;
  - Financial resources, including relations with the financial community; and
  - Reputation.
7. Oversee corporate financial operations, including:
  - Capital structure management, maintaining reasonable financial flexibility and safety while achieving an appropriate return on equity;
  - Financial results reporting;
  - Allocation of assets;
  - Maintaining access to suitable sources of new capital;
  - Pension funds, if any, and other major employee benefit programs;
  - Dividend payout policy and action; and
  - Insurance.
8. Identify the principal risks of Cervus' business and ensure implementation and monitoring of systems to effectively manage these risks.
9. Ensure that processes are in place to monitor and maintain the integrity of Cervus internal control and management information systems.
10. Ensure that Cervus has in place appropriate environmental, health and safety policies, having regard to legal, industry and community standards, and ensure implementation of management systems to monitor the effectiveness of those policies.

11. Ensure that systems are in place for communication and relations with stakeholder groups, including, but not limited to: shareholders; the investing public; government; employees; the financial community; and the communities in which Cervus operates.
12. Ensure that Cervus has systems in place which accommodate stakeholder feedback.
13. Collectively and individually respond constructively to requests for advice and assistance from the CEO.
14. Provide leadership and policy direction to Management with a view to establishing and maintaining a high standard of legal and ethical conduct for Cervus, by:
  - Taking reasonable steps to ensure that Cervus complies with applicable laws and regulations, and with its constating documents, including articles and bylaws, and operates to high ethical and moral standards;
  - Being on the alert for and sensitive to situations that could be considered illegal, unethical or improper, and taking corrective steps;
  - Establishing the means of monitoring performance in this area;
  - Approving and monitoring compliance with key policies and procedures by which Cervus is operated; and
  - Acting honestly and in good faith with a view to the best interests of Cervus, and exercising the care, diligence and skill that reasonably prudent people exercise in comparable circumstances.
15. Manage Board operations, including, without limitation:
  - Subject to any required shareholder approval, fix the size of the Board, review its composition and, when appropriate, identify new nominees to the Board;
  - Elect a Board Chair, appropriate Committees and Committee Chairs;
  - Define the duties of the Board Chair, the Committees and the Committee Chairs;
  - Determine when and where the Board meets;
  - Influence the structuring of agendas and how meeting time is spent; and
  - Meet legal requirements with respect to corporate administration.

### **Standards of Liability**

Nothing contained in this mandate, or in the Terms of Reference for the Board generally, is intended to expand applicable standards of liability under statutory, regulatory, common law or any other legal requirements for the Board or its members. The purposes and responsibilities outlined in this mandate,



and the information, guidelines and other statements contained in the Terms of Reference for the Board generally, 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 fulfill its responsibilities.

**Part V: Document Control Information**

Approved by Board of Directors: Yes

Originally dated: October 22, 2009

Last amended: N/A

Last reviewed: October 22, 2009

**Appendix A to the Terms of Reference:**

**Financial Literacy**

For the purpose of making appointments to the Audit Committee, and in addition to the independence requirements, all Directors nominated to the Audit Committee must meet the test of Financial Literacy as determined in the judgment of the Board.

Financial Literacy can be generally defined as the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Cervus' financial statements. In assessing a potential appointee's level of Financial Literacy the Board must evaluate the totality of the individual's education and experience including, but not limited to:

- The level of the person's accounting or financial education and experience, including whether the person has earned an advanced degree in finance or accounting;
- The person's past or current membership on one or more audit committees of companies that, at the time the person held such membership, were required to file reports pursuant to provisions of securities laws;
- The person's level of familiarity and experience with the use and analysis of financial statements of public companies; and
- Whether the person has any other relevant qualifications or experience that would assist him or her in understanding and evaluating Cervus' financial statements and other financial information and to make knowledgeable and thorough inquiries whether:
  - (i) The financial statements fairly present the financial condition, results of operations and cash flows of Cervus in accordance with Canadian generally accepted accounting principles; and
  - (ii) The financial statements and other financial information, taken together, fairly present the financial condition, results of operations and cash flows of Cervus.