

CORPORATE GOVERNANCE

Seventh's Corporate Governance practices have been strengthened over the past several years in response to regulatory requirements and we expect further enhancements to our governance practices as these regulations evolve. The following is an outline of current Board and corporate practices. Responses to the 14 specific Toronto Stock Exchange questions are provided in the Company's Management Proxy Circular for the Annual and Special Meeting.

Responsibilities of the Board

Management has been given the responsibility for the day-to-day operations of the Company, subject to the Board's general supervision and direction. Management has been directed to fully inform the Board on a timely basis of any material matter affecting the Company.

Specifically, the Board's responsibilities include (but are not limited to) the approval of:

- Annual capital budgets;
- Annual general and administration budgets;
- The sale or purchase of assets or commitments exceeding \$1,000,000 in value;
- Annual financial results;
- The content of annual reports, Management Proxy Circular, the Annual Information Form, offering documents and other similar public documents.

The Board also reviews the contents of:

- News releases;
- Interim financial results.

The Board also reviews on a quarterly basis:

- Production rates;
- Drilling results;
- Commodity hedging activity and the status of any existing fixed price contracts, options or collars;
- Environmental and safety issues and their potential liability to the Company.

The Board reviews on a quarterly basis (or more often if there are material changes) actual operating and financial results and their variance to budgeted amounts, and determines the need to adjust future expenditures in response to actual results.

Policies Affecting Corporate Governance

The Board of Directors has established policies to provide a framework for certain corporate governance issues.

Corporate Communications, Disclosure and Insider Trading/Reporting Policy

A written policy has been established to:

- Ensure Seventh has consistent standards and procedures for communication of both material and non-material information;
- Ensure that corporate communication of material information to the investing public regarding Seventh (whether positive or negative) is timely, factual and accurate, and is broadly disseminated in a non-selective manner in accordance with all applicable legal and regulatory requirements;
- Provide the directors, officers and employees of Seventh with guidelines regarding trading in securities of the Company

The full text of this document is also available on the Company's website.

Share Ownership and Tenure Policy

The Board has approved a policy that directors should hold a minimum of 25,000 Class A shares of the Company. At the present time, all directors significantly exceed this minimum. Directors in the aggregate hold 3,834,939 Class A shares, while directors and officers hold in the aggregate 4,883,039 Class A shares. The Board policy is that directors must retire at age 70.

Evaluation of Board Performance

The Board is composed of directors who have in the past served on the boards of several successful exploration companies. The Corporate Governance Committee evaluates the current performance of the Board and the Board's relationship with management through an annual confidential questionnaire. Areas of concern are addressed by the Board to improve communication and the processes through which the Board performs its role.

Board Members

The Board is currently composed of seven directors, five of whom are independent or unrelated as defined by The Toronto Stock Exchange. The remaining two directors are senior officers of Seventh (the Chief Executive Officer and the Chief Operating Officer).

Independent Board members have been chosen for their experience and training, their record of integrity, and their ability to provide direction and constructive criticism to the Board and management.

Committees of the Board

Certain comprehensive review duties have been delegated to four Committees of the Board. Members of these Committees have been chosen to utilize the strengths of various directors. It is a Board policy that all Committee members be independent directors. Each Committee has written terms of reference approved by the Board.

Audit Committee

Members: Mark L. Shilling (Chairman), John F. Costello, S. Wilfred Hansen

Mandate: To oversee Seventh's financial procedures and reporting. The primary responsibilities of the Audit Committee include:

- Recommending to the Board of Directors the appointment of the auditors to audit the year-end financial statements and review the quarterly interim financial statements;
- Reviewing the compensation of the auditors;
- Reviewing with the auditors and management the Company's year-end financial statements, Management's Discussion and Analysis, and any financial statements contained in an offering document or similar document, and recommending their approval to the Board;
- Reviewing the interim financial statements;
- Reviewing the Annual Information Form and recommending its approval to the Board;
- Maintaining direct access to the Company's auditors and meeting "in camera" with the auditors at least on an annual basis;
- Examining the scope of the auditors' duties, reviewing the independence of the auditors, and approving non-audit services that may be provided to the Company by the auditors;
- Overseeing the Company's internal accounting and financial systems and controls.

Compensation Committee

Members: Robin C. Mann (Chairman), Gregory G. Turnbull

Mandate: To fairly determine compensation for the senior officers and the directors of the Company, and to monitor the overall compensation practices of the Company with reference to industry standards. The primary responsibilities of the Compensation Committee include:

- Recommending to the Board compensation for the Chief Executive Officer and Chief Operating Officer;
- Recommending to the Board compensation for the independent directors;
- Recommending to the Board stock option grants and annual bonus payments;
- Preparing annually a Report on Executive Compensation as required by securities regulations.

Reserves Evaluation, Environmental, and Safety Committee

Members: S. Wilfred Hansen (Chairman), Robin C. Mann

Mandate: To oversee the preparation of independent evaluations of the Company's reserves, and to review management's compliance with environmental and safety policies and practices used in the conduct of the Company's operations. Specific responsibilities include:

- Appointing and approving the compensation of the independent engineering evaluators of the Company;
- Determining the scope and frequency of such independent reserve evaluations;
- Maintaining direct access to the evaluators and meeting with them "in camera" at least annually;
- Meeting with management at least quarterly to review reserve additions or revisions that may occur between independent evaluations;
- Reviewing and monitoring management's compliance with regulated and corporate standards for environmental, safety, and health practices;
- Commissioning periodic environmental audits of the Company's producing properties.

Nominating and Corporate Governance Committee

Members: Gregory G. Turnbull (Chairman), John F. Costello

Mandate: To oversee the composition of the Board and evaluate the performance of the Directors, and to coordinate the Company's corporate governance policies. Specific responsibilities include:

- Evaluating and monitoring the effectiveness of the Board through annual questionnaires to directors;
- Recommending to the Board of Directors tenure and minimum shareholding requirements for directors;
- Reviewing the Company's corporate governance practices and processes.