

## **Critical Control Energy Services Corp.**

### **MANDATE OF THE AUDIT COMMITTEE**

#### **Adoption**

The Board of Directors (the “Board”) of Critical Control Energy Services Corp. (the “Corporation”) adopted this Mandate by resolution dated March 6, 2013.

#### **Policy Statement**

1. It is the policy of the Corporation to establish and maintain an Audit Committee, composed entirely of independent directors, to assist the Board in carrying out their oversight responsibility for the Corporation’s accounting and financial reporting processes and audits of the Corporation’s financial statements, internal controls, financial reporting and risk management processes.
2. The Audit Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board including administrative support.
3. If determined necessary by the Audit Committee, it will have the discretion to institute investigations of improprieties, or suspected improprieties within the scope of its responsibilities, including the standing authority to retain special counsel or experts at the expense of the Corporation.
4. It is the responsibility of the chair to ensure that the mandate of the committee is accomplished. Without restricting the generality of this statement, the chair is specifically responsible for the following:
  - a. In consultation with committee members and management, schedule all meetings and set agendas.
  - b. Arrange for minutes to be taken of all meetings and certify that such minutes have been approved.
  - c. Arrange for such legal or consultative services as the committee may require.
  - d. Meet or discuss with the independent auditors and management regarding audit progress and audit costs.
  - e. Report to the Audit Committee on items of significance from discussions with the independent auditors or management and bring recommendations to the committee.
  - f. Report to the Board of Directors on committee deliberations and bring for their approval all recommendations approved by the committee.

#### **Composition**

1. The Audit Committee shall consist of at least three directors and may from time to time be comprised of the entire Board. The Board shall appoint the members of the Audit Committee. Every member of the Audit Committee must be a director of the Corporation. The Board shall appoint one member of the Audit Committee to be the Chair of the Audit Committee.
2. Except for such times as when the entire Board assumes the responsibilities of the Audit Committee and in circumstances where there is an exemption from the following requirement available to the Corporation in Multilateral Instrument 52-110 of the Canadian Securities Administrators entitled “Audit

Committees" ("MI 52-110"), each director appointed to the Audit Committee by the Board shall be independent (as such term is defined in MI 52-110).

3. Unless there is an exemption from the following requirement available to the Corporation in MI 52-110, each member of the Audit Committee shall be "financially literate" (as such term is defined in MI 52-110).
4. A director appointed by the Board to the Audit Committee shall be a member of the Audit Committee until replaced by the Board or until his or her resignation.
5. The Chairman of the Board shall be an *ex officio* member of the Audit Committee.

### **Meetings**

1. The Audit Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair of the Audit Committee, and whenever a meeting is requested by the Board, a member of the Audit Committee, the auditors, or a senior officer of the Corporation. Meetings of the Audit Committee shall correspond with the review of the quarterly financial statements and management discussion and analysis.
2. Notice of each meeting of the Audit Committee shall be given to each member of the Audit Committee and to the auditors, who shall be entitled to attend each meeting of the Audit Committee and shall attend whenever requested to do so by a member of the Audit Committee. However the Audit Committee (i) shall also meet with the external auditors independent of management at any time, (ii) may meet separately with management at any time; and (iii) may meet independent of both the external auditors and management at any time. Unless a specific request to the contrary is made by a member of the Audit Committee, it shall be presumed that the auditors are to attend meetings of the Audit Committee.
3. Notice of a meeting of the Audit Committee shall:
  - a. be in writing;
  - b. state the nature of the business to be transacted at the meeting in reasonable detail;
  - c. to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and
  - d. be given at least two business days prior to the time stipulated for the meeting or such shorter period as the members of the Audit Committee may permit.
4. A quorum for the transaction of business at a meeting of the Audit Committee shall consist of a majority of the members of the Audit Committee (excluding the Chairman of the Board). However, it shall be the practice of the Audit Committee to require review, and, if necessary, approval of certain important matters by all members of the Audit Committee.
5. A member or members of the Audit Committee may participate in a meeting of the Audit Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
6. In the absence of the Chair of the Audit Committee, the members of the Audit Committee shall choose one of the members present to be Chair of the meeting.
7. In addition, the members of the Audit Committee shall choose one of the persons present, although not necessarily required to be an Audit Committee member, to be the Secretary of the meeting.
8. Minutes shall be kept of all meetings of the Audit Committee and shall be signed by the Chair and the Secretary of the meeting. Such minutes shall be filed with the Corporate Secretary of the Corporation at the earliest opportunity after each meeting.

9. A resolution in writing, signed by all of the members of the Audit Committee entitled to vote on that resolution at a meeting of the Committee and filed with the Corporate Secretary of the Corporation, is valid as if it had been passed at a meeting of the Audit Committee.
10. The Audit Committee shall, at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.

#### **Relationship with External Auditor**

1. An external auditor must report directly to the audit committee.

#### **Responsibilities**

1. The Audit Committee must have a written charter, such as this one, that sets out its mandate and responsibilities.
2. The Audit Committee must recommend to the Board:
  - a. the external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation; and
  - b. the compensation of the external auditors.
3. The Audit Committee must be directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting.
4. The Audit Committee must pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by its external auditors or the external auditors of the Corporation's subsidiary entities. The Audit Committee may satisfy the pre-approval requirement if:
  - a. the aggregate amount of all the non-audit services that were not pre-approved constitutes no more than five per cent of the total amount of revenues paid by the Corporation to its external auditors during the fiscal year in which the services are provided;
  - b. the services were not recognized by the Corporation at the time of the engagement to be non-audit services; and
  - c. the services are promptly brought to the attention of the Audit Committee and approved, prior to the completion of the audit, by the Audit Committee or by one or more members of the Audit Committee to whom authority to grant such approvals has been delegated by the Audit Committee.
5. The Audit Committee must review the Corporation's financial statements, management discussion and analysis and earnings press releases and make an appropriate recommendation to the Board before the Corporation publicly discloses this information.
6. The Audit Committee must be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements, other than the disclosure referred to in subsection (5), and must periodically assess the adequacy of those procedures.
7. The Audit Committee must establish procedures for:
  - a. the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

- b. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
8. An Audit Committee must review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present or former auditor of the Corporation.

#### **Authority**

1. The Audit Committee shall have the authority to:
  - a. inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates;
  - b. discuss with the management of the Corporation, its subsidiaries and affiliates, and with employees of the Corporation, any affected party and the external auditors, such accounts, records and other matters as any member of the Audit Committee considers necessary and appropriate;
  - c. engage independent counsel and other advisors as it determines necessary to carry out its duties;
  - d. to set and pay the compensation for any advisors employed by the Audit Committee; and
  - e. to communicate directly with the internal and external auditors.

#### **Specific Duties**

1. The Audit Committee shall:
  - a. review the audit plan with the Corporation's external auditors and with management;
  - b. discuss with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgements of management that may be material to financial reporting;
  - c. review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;
  - d. review any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
  - e. review with senior management the process of identifying, monitoring and reporting the principal risks affecting financial reporting;
  - f. consider and review with management, the internal control memorandum or management letter containing the recommendations of the external auditors and management's response, if any, including an evaluation of the integrity, adequacy and effectiveness of the internal financial controls of the Corporation and subsequent follow-up to any identified weaknesses;
  - g. review audited annual financial statements and related documents in conjunction with the report of the external auditors and obtain an explanation from management of all significant variances between comparative reporting periods;
  - h. before release review with financial management and the external auditors the quarterly unaudited financial statements and management discussion and analysis and obtain an explanation from management of all significant variances between comparative reporting periods;
  - i. before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including any prospectuses, offering memorandums, annual reports, annual information forms, management discussion and analysis and press releases; and

- j. oversee any of the financial affairs of the Corporation, its subsidiaries or affiliates, and, if deemed appropriate, make recommendations to the Board, external auditors or management.
2. The Audit Committee shall:
    - a. evaluate the independence and performance of the external auditors and annually recommend to the Board the appointment of the external auditor or the discharge of the external auditor when circumstances are warranted;
    - b. consider the recommendations of management in respect of the appointment of the external auditors;
    - c. approve the engagement letter for non-audit services to be provided by the external auditors or affiliates, together with estimated fees, and consider the potential impact of such services on the independence of the external auditors;
    - d. when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the Notice of Change of Auditors and documentation required pursuant to National Instrument 51-102 (or any successor legislation) as adopted by the relevant securities commissions in Canada and the planned steps for an orderly transition period; and
    - e. review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities policies, on a routine basis, whether or not there is to be a change of external auditors.
  3. The Audit Committee shall:
    - a. review with management at least annually, the financing strategy and plans of the Corporation; and
    - b. review all securities offering documents (including documents incorporated therein by reference) of the Corporation.
  4. The Audit Committee shall review the amount and terms of any insurance to be obtained or maintained by the Corporation with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities.
  5. The Audit Committee shall review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.
  6. The Audit Committee shall enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters, which are directed to the Audit Committee by any member of the Board, a shareholder of the Corporation, the external auditors, or senior management.
  7. The Audit Committee shall periodically review with management the need for an internal audit function.
  8. The Audit Committee shall review with the Corporation's legal counsel as required but at least annually, any legal matter that could have a significant impact on the Corporation's financial statements, and any enquiries received from regulators, or government agencies.
  9. The Audit Committee shall assess, on an annual basis, the adequacy of this Mandate and the performance of the Audit Committee.