

## AUDIT COMMITTEE

### Audit Committee Mandate (Effective March 6, 2018)

#### Policy Statement

Distinction Energy Corp. (the “**Corporation**”) has established and maintains an Audit Committee (the “**Committee**”), composed entirely of independent directors, to assist the Board of Directors (the “**Board**”) in carrying out its oversight responsibility with respect to public reporting related to the Corporation’s internal controls, financial reporting and risk management processes. The Committee will be provided with resources commensurate with the duties and responsibilities set out herein and assigned to it by the Board from time to time, including administrative support. If determined necessary by the 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.

#### Composition

1. The Committee shall consist of at least three directors. The Board shall appoint the members of the Committee. The Board shall appoint one member of the Committee to be the chair of the Committee ( the “**Chair**”).
2. Each director appointed to the committee by the Board shall be “independent” as required under the applicable securities laws and the applicable rules of any stock exchange on which the securities of the Corporation are listed.
3. Each member of the Committee shall be “financially literate” as required under the applicable securities laws, including National Instrument 52-110 – *Audit Committees*. To be financially literate, a director must have 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 the Corporation’s financial statements.
4. A director appointed by the Board to the Committee shall be a member of the Committee until replaced by the Board or until his or her resignation.

#### Meetings

1. The Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair and whenever a meeting is requested by the Board, a member of the Committee, the external auditors (the “**auditors**”), or an officer of the Corporation. Meetings of the Committee shall correspond with the review of the interim and annual financial statements and the associated management’s discussion and analysis (“**MD&A**”).
2. Notice of each meeting of the Committee shall be given to each member of the Committee and to the auditors, who shall be entitled to attend each meeting of the Committee and who shall attend whenever requested to do so by a member of the Committee.

3. A quorum for the transaction of business at a meeting of the Committee shall consist of two members of the Committee.
4. A member or members of the Committee may participate in a meeting of the 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.
5. In the absence of the Chair, the members of the Committee shall choose one of the members present to be chair of the meeting. In addition, the members of the Committee shall choose one of the persons present to be the secretary of the meeting.
6. The President and Chief Executive Officer and the Vice President, Finance and Chief Financial Officer and other members of senior management shall be invited to attend meetings of the Committee upon the request of the Committee; subject, however, to the requirement that the Committee (i) hold in camera sessions of the members of the Committee, without management representatives present at every meeting of the Committee, and (ii) meet with the auditors separately and independent of management at every meeting at which the auditors are in attendance.
7. Minutes shall be kept of all meetings of the Committee.

### **Authority and Reporting**

1. In discharging its duties and responsibilities, the 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 staff of the Corporation, any affected party, contractors and consultants of the Corporation and the auditors, such accounts, records and other matters as any member of the Committee considers necessary and appropriate;
  - (c) engage independent counsel and other advisors (including a second firm of external auditors) as it determines necessary to carry out its duties; and
  - (d) set and pay the compensation for any advisors employed by the Committee.
2. The Committee shall 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.

### **Primary Duties and Responsibilities**

1. The primary role of the Committee is to assist the Board in fulfilling its oversight responsibilities with regard to:
  - (a) the integrity of financial reporting to shareholders;
  - (b) the integrity of the accounting and financial reporting process and internal controls;

- (c) the Corporation's compliance with legal and regulatory requirements as they relate to financial reporting matters; and
- (d) the auditors' qualifications and independence.

### ***Audit Oversight***

2. In connection with audit oversight matters, the Committee will:

- (a) consider the independence and performance of the auditors and annually recommend to the Board the appointment or discharge of the auditors when circumstances are warranted and recommend to the Board the compensation of the auditors;
- (b) review the annual external audit plan with the Corporation's auditors and with management and approve the audit engagement;
- (c) review with the auditors the audit function generally, the objectives, staffing, locations, co-ordination, and scope of proposed audits of the financial statements of the Corporation;
- (d) review with management and the auditors, and recommend to the Board for approval and release to shareholders, the interim and annual financial statements of the Corporation, together with related reports to shareholders, MD&A associated with such financial statements and, when applicable, other public filings (such as prospectus or annual information forms) containing financial disclosure;
- (e) review with the auditors and management, and monitor the management of, the principal risks that could affect the financial reporting of the Corporation;
- (f) deal directly with the auditors to approve the annual external audit plan, other services (if any) and associated fees;
- (g) pre-approve all non-audit services (including estimated fees) to be provided to the Corporation or its subsidiary entities by the auditors or their affiliates, and consider the prospective impact on the independence of the external audit. This pre-approval may be delegated to the Chair where circumstances warrant;
- (h) when there is to be a change of 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 related documentation required pursuant to National Instrument 51-102 – *Continuous Disclosure Obligations*, with respect to a change of auditors (or any successor legislation) and the planned steps for an orderly transition period;
- (i) provide an avenue of communication among the auditors (both external and internal, if any), management and the Board, and direct the external auditors to report directly to the Committee;

- (j) review all material written communications between the auditors and management; and
- (k) 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 auditors.

### ***Financial Reporting***

3. In connection with financial reporting matters, the Committee will:

- (a) discuss with management and the auditors any proposed changes in major accounting policies or principles, the presentation and effect of significant risks and uncertainties and key estimates and judgements of management that may be material to financial reporting;
- (b) review with management and with the auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;
- (c) review any problems experienced or concerns expressed by the auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
- (d) review, independently of management, and without management present, the results of the annual external audit, the audit report and the auditors' review of the related MD&A, and discuss with the auditors the quality of accounting principles used, any alternative treatments of financial information that have been discussed with management, the ramifications of their use, the auditors' preferred treatment and any other material communication with management;
- (e) review with management any unadjusted errors identified by the auditors;
- (f) review with management the process of identifying, monitoring and reporting the Corporation's risk management policies and procedures and the principal risks affecting financial reporting;
- (g) review and evaluate any recommendations of the auditors and decide the appropriate course of action;
- (h) review with management and the auditors the audited annual financial statements and related MD&A and make recommendation to the Board with respect to their approval before release to the public;
- (i) review with management and the auditors the unaudited interim financial statements and related MD&A, and either approve them or make recommendation to the Board with respect to their approval before release to the public;
- (j) before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial

information or earnings guidance, including any prospectus, material change report, annual information form, MD&A or press release;

- (k) consider consistency of the data reported in the interim and annual financial statements, MD&A and other public disclosure documents;
- (l) review and discuss with management and the auditors and legal counsel, if necessary, any litigation, claim or other contingency, including tax assessments, that could have a material effect on the financial position or operating results of the Corporation, and the manner in which these matters have been disclosed or reflected in the financial statements; and
- (m) review with management the Corporation's relationship with regulators and the timeliness and accuracy of the Corporation's filings with regulatory agencies.

#### ***Internal Controls and Disclosure Controls and Procedures***

- 4. In connection with the Corporation's internal controls and disclosure controls and procedures, the Committee will:
  - (a) consider and review with management and the auditors, the adequacy and effectiveness of internal controls over accounting and financial reporting within the Corporation and any proposed significant changes in such controls;
  - (b) review annually the disclosure controls and procedures, including:
    - (i) the certification thereof and related process; and
    - (ii) the procedures that are in place for the review of the Corporation's disclosure of financial information extracted from its financial statements and the adequacy of such procedures;
  - (c) obtain reasonable assurance from management and/or external sources as to the effectiveness of the Corporation's disclosure controls and procedures, and whether there are any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize and report financial information or detect any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal control over financial reporting;
  - (d) review management's annual report and any auditors' report on the assessment of the effectiveness of the Corporation's internal control over financial reporting;
  - (e) receive confirmation from the Chief Executive Officer and the Chief Financial Officer that they are prepared to sign the annual and interim certificates required by applicable securities law;
  - (f) review management steps to implement and maintain appropriate internal control procedures; and

- (g) oversee investigations of alleged fraud and illegality relating to the Corporation's finances and any resulting actions.

### ***Financing Matters***

- 5. In connection with financing matters, the Committee will:
  - (a) review all securities offering documents (including documents incorporated therein by reference) of the Corporation;
  - (b) review findings, if any, from examinations or reviews performed by regulatory agencies with respect to financial matters;
  - (c) review management's consideration of the Corporation's compliance with laws and regulations;
  - (d) review management's assessment of current and expected future compliance with covenants under any financing agreements;
  - (e) if requested by the Board, review the proposed issuance of debt and equity instruments, including public and private debt, equity and hybrid securities, credit facilities with banks and others, and other credit arrangements such as material capital and operating leases, as well as any related securities filings;
  - (f) if requested by the Board, review the proposed repurchase of public and private debt, equity and hybrid securities; and
  - (g) in consultation with management, understand the Corporation's capital structure and financial risks arising from exposure to such things as commodity prices, interest rates, foreign currency exchange rates and credit and review the management of these risks including any proposed hedging of the exposures, including receiving a summary report of the hedging activities and hedge-related instruments.

### ***Other Responsibilities***

- 6. The Committee will:
  - (a) consider 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;
  - (b) consider the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process;
  - (c) enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters, which are directed to the Committee by any member of the Board, a shareholder of the Corporation, the auditors, or management;

- (d) establish and monitor procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the anonymous submission by employees of concerns regarding questionable accounting or auditing matters or other “whistleblower” issues, and review the minutes of any Committee meetings held in connection with any subsidiary companies of the Corporation;
- (e) review and approve the Corporation’s hiring policies regarding employees and former employees of the present and former auditors;
- (f) review with management all related party transactions and the development of policies and procedures related to those transactions; and
- (g) review policies and procedures for the review and approval of directors’ and officers’ expenses, including the use of corporate assets, and consider the results of any review of these areas by an internal audit function, if available, or by the auditors or a third party consultant, as the Committee deems appropriate.

#### **Other**

1. The Committee shall review, on an annual basis this mandate and recommend any changes to the Board.
2. The Committee will perform any other activities consistent with this mandate, the Corporation’s bylaws and applicable laws as the Committee or the Board deems necessary or appropriate.

#### **Scope and Reliance**

1. While the Committee has the responsibilities, duties and authorities herein, it is not required to plan or conduct audits or to determine that the Corporation’s financial statements and disclosures are complete and accurate or are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the auditors. The Committee, its Chair and any of its members who have accounting or related financial management experience or expertise, are members of the Board, appointed to the Committee to provide broad oversight to the financial disclosure, financial risk and control related activities of the Corporation, and are specifically not accountable nor responsible for the day-to-day operation of such activities. Although designation of a member or members as being “financially literate” is based on each such individual’s education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, designation as being “financially literate” does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of any financially literate individual or financial expert, like the role of all Committee members, is to oversee the process and not to certify or guarantee the internal or external audit of the Corporation’s financial information or public disclosure.

2. Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Corporation from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations, and (iii) representations made by management of the Corporation and the external auditors of the Corporation, as to any information technology, internal audit and other non-audit services provided by the external auditors to the Company and its subsidiaries.