

I. PURPOSE

The primary function of the Audit Committee (the “**Committee**”) is to assist the Board of Directors (the “**Board**”) of Tenaz Energy Corp. (the “**Corporation**”) in fulfilling its oversight responsibilities with respect to the Corporation’s accounting and financing reporting processes and the audit of the Corporation’s financial statements, including oversight of:

- A. the integrity of the Corporation’s financial statements;
- B. the Corporation’s compliance with legal and regulatory requirements;
- C. the external auditors’ qualifications and independence and the performance of the audit processes;
- D. the financial information and the internal controls associated with the preparation of information, that will be provided to the shareholders and others;
- E. the Corporation’s risk management, legal compliance and ethics, which management and the Board have established; and
- F. such other matters required by applicable laws and rules of any stock exchange on which the Corporation’s shares are listed for trading.

While the Committee has the responsibilities and powers set forth in its terms of reference, it is not the duty of the Committee to prepare financial statements, plan or conduct audits or to determine that the Corporation’s financial statements and disclosures are complete and accurate and are in accordance with International Financial Reporting Standards and applicable rules and regulations. Primary responsibility for the financial reporting, information systems, risk management, and disclosure controls and internal controls of the Corporation is vested in management.

II. COMPOSITION AND OPERATIONS

- A. The Committee shall be composed of not fewer than three directors, all of whom are “independent”¹ under the requirements or guidelines for audit committee service under applicable securities laws and rules of any stock exchange on which the Corporation’s shares are listed for trading.
- B. All Committee members shall be “financially literate,”² and at least one member shall have “accounting or related financial expertise” as such terms are interpreted by the

Board in its business judgment in light of, and in accordance with, the requirements or guidelines for audit committee service under applicable securities laws and rules of any stock exchange on which the Corporation’s shares are listed for trading. The Committee may include a member who is not financially literate, provided he or she attains this status

¹ Committee members must be “independent”, as defined in Sections 1.4 and 1.5 of National Instrument 52-110 – *Audit Committees* (“NI 52-110”).

² The Board has adopted the NI 52-110 definition of “financial literacy”, which is an individual is financially literate if he or she has 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 issuer’s financial statements.

within a reasonable period of time following his or her appointment and providing the Board has determined that including such member will not materially adversely affect the ability of the Committee to act independently.

- C. No Committee member shall serve on the audit committees of more than two other public issuers without prior determination by the Board that such simultaneous service would not impair the ability of such member to serve effectively on the Committee.
- D. The Committee shall operate in a manner that is consistent with the Committee Guidelines outlined in the Board Manual.
- E. The Corporation's external auditors shall be advised of the names of the Committee members and will receive notice of and be invited to attend meetings of the Committee, and to be heard at those meetings on matters relating to the auditor's duties.
- F. The Committee may request any officer or employee of the Corporation, or the Corporation's legal counsel, or any external or internal auditors to attend a meeting of the Committee to provide such pertinent information as the Committee requests or to meet with any members of, or consultants to the Committee. The Committee has the authority to communicate directly with the internal and external auditors as it deems appropriate to consider any matter that the Committee or auditors determine should be brought to the attention of the Board or shareholders.
- G. The Committee shall have the authority to select, retain, terminate and approve the fees and other retention terms of special independent legal counsel and other consultants or advisers to advise the Committee, as it deems necessary or appropriate, at the Corporation's expense.
- H. The Corporation shall provide for appropriate funding, as determined by the Committee, for payment of (i) compensation to 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, (ii) compensation to any advisers employed by the Committee and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate for carrying out its duties.
- I. The Committee shall meet periodically, but no less than quarterly, with the Chief Financial Officer, and the external auditors in separate executive sessions to discuss any matters that the Committee or any of these groups believes should be discussed privately and such persons shall have access to the Committee to bring forward matters requiring its attention. However, the Committee shall also meet periodically without management present.

III. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Committee will perform the following duties:

A. Financial Statements and Other Financial Information

The Committee will review and recommend for approval to the Board financial information that will be made publicly available. This includes the responsibility to:

- i) review and recommend approval of the Corporation's annual financial statements, MD&A and earnings press release and report to the Board of Directors before the statements are approved by the Board of Directors;
- ii) review and recommend approval for release the Corporation's quarterly financial statements, MD&A and press releases and report to the Board of Directors before the statements are approved by the Board of Directors;
- iii) satisfy itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in items (i) and (ii) above, and periodically assess the adequacy of those procedures; and
- iv) review the Annual Information Form and any Prospectus/Private Placement Memorandums.

Review, and where appropriate, discuss:

- v) the appropriateness of critical accounting policies and financial reporting practices used by the Corporation;
- vi) major issues regarding accounting principles and financial statement presentations, including any significant proposed changes in financial reporting and accounting principles, policies and practices to be adopted by the Corporation and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies;
- vii) analyses prepared by management or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative International Financial Reporting Standards ("IFRS") methods on the financial statements of the Corporation and any other opinions sought by management from an independent or other audit firm or advisor with respect to the accounting treatment of a particular item;
- viii) any management letter or schedule of unadjusted differences provided by the external auditor and the Corporation's response to that letter and other material written communication between the external auditor and management;
- ix) any problems, difficulties or differences encountered in the course of the audit work including any disagreements with management or restrictions on the scope of the external auditor's activities or on access to requested information and management's response thereto;
- x) any new or pending developments in accounting and reporting standards that may affect the Corporation;
- xi) the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures on the financial statements of the Corporation and other financial disclosures;

- xii) any reserves, accruals, provisions or estimates that may have a significant effect upon the financial statements of the Corporation;
- xiii) the use of special purpose entities and the business purpose and economic effect of off balance sheet transactions, arrangements, obligations, guarantees and other relationships of Corporation and their impact on the reported financial results of the Corporation;
- xiv) the use of any “pro forma” or “adjusted” information not in accordance with generally accepted accounting principles;
- xv) any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation, and the manner in which these matters may be, or have been, disclosed in the financial statements; and
- xvi) accounting, tax and financial aspects of the operations of the Corporation as the Committee considers appropriate.

B. Risk Management, Internal Control and Information Systems

The Committee will review and discuss with management, and obtain reasonable assurance that the risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information. This includes the responsibility to:

- i) review the Corporation's risk management policies and processes with specific responsibility for credit & counterparty, market & financial, and risks as identified from time to time; and
- ii) review management steps to implement and maintain appropriate internal control procedures including a review of significant policies.

C. External Audit

The external auditor is required to report directly to the Committee, which will review the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:

- i) review and recommend to the Board, for shareholder approval, the appointment of the external auditor;
- ii) review and approve the annual external audit plan, including but not limited to the following:
 - a) engagement letter between the external auditor and financial management of the Corporation;
 - b) objectives and scope of the external audit work;
 - c) procedures for quarterly review of financial statements;

- d) materiality limit;
 - e) areas of audit risk;
 - f) staffing;
 - g) timetable; and
 - h) compensation and fees to be paid by the Corporation to the external auditor.
- iii) meet with the external auditor to discuss the Corporation's quarterly and annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates;
- iv) maintain oversight of the external auditor's work and advise the Board, including but not limited to:
- a) the resolution of any disagreements between management and the external auditor regarding financial reporting;
 - b) any significant accounting or financial reporting issue;
 - c) the auditors' evaluation (if applicable) of the Corporation's system of internal controls, procedures and documentation;
 - d) the post audit or management letter containing any findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weaknesses;
 - e) any other matters the external auditor brings to the Committee's attention; and
 - f) evaluate and assess the qualifications and performance of the external auditors for recommendation to the Board as to the appointment or reappointment of the external auditor to be proposed for approval by the shareholders, and ensuring that such auditors are participants in good standing pursuant to applicable regulatory laws.
- v) review the auditor's report on all material subsidiaries (if applicable);
- vi) review and discuss with the external auditors all significant relationships that the external auditors and their affiliates have with the Corporation and its affiliates in order to determine the external auditors' independence, including, without limitation:
- a) requesting, receiving and reviewing, on a periodic basis, a formal written statement from the external auditors, including a list of all relationships between the external auditor and the Corporation that may reasonably be thought to bear on the independence of the external auditors with respect to the Corporation;

- b) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors; and
 - c) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence.
- vii) annually request and review a report from the external auditor regarding (a) the external auditor's quality-control procedures, (b) any material issues raised by the most recent quality-control review, or peer review, of the external auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, and (c) any steps taken to deal with any such issues;
- viii) review and pre-approve any non-audit services to be provided to the Corporation or any affiliates by the external auditor's firm or its affiliates (including estimated fees), and consider the impact on the independence of the external audit;
- ix) review the disclosure with respect to its pre-approval of audit and non-audit services provided by the external auditors; and
- x) meet periodically, and at least annually, with the external auditor without management present.

D. Compliance

The Committee shall:

- i) Ensure that the external auditor's fees are disclosed by category in the Annual Information Form in compliance with regulatory requirements;
- ii) Disclose any specific policies or procedures adopted for pre-approving non-audit services by the external auditor including affirmation that they meet regulatory requirements;
- iii) Assist the Governance and Human Resources Committee with preparing the Corporation's governance disclosure by ensuring it has current and accurate information on:
 - a) the independence of each Committee member relative to regulatory requirements for audit committees;
 - b) the state of financial literacy of each Committee member, including the name of any member(s) currently in the process of acquiring financial literacy and when they are expected to attain this status; and
 - c) the education and experience of each Committee member relevant to his or her responsibilities as Committee member; and

- iv) Disclose, if required, if the Corporation has relied upon any exemptions to the requirements for committees under applicable securities laws and rules of any stock exchange on which the Corporation's shares are listed for trading.

E. Other

The Committee shall:

- i) establish and periodically review procedures for:
 - d) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - e) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters or other matters that could negatively affect the Corporation, such as violations of the Code of Business Conduct.
- ii) review and approve the Corporation's hiring partners, employees and former partners and employees of the present and former external auditor;
- iii) review insurance coverage of significant business risks and uncertainties;
- iv) review material litigation and its impact on financial reporting;
- v) review policies and procedures for the review and approval of officers' expenses and perquisites; and
- vi) review the terms of reference for the Committee at least annually and otherwise as it deems appropriate, and recommend changes to the Board as required. The Committee shall evaluate its performance with reference to the terms of reference annually.

IV. ACCOUNTABILITY

- A.** The Committee Chair has the responsibility to make periodic reports to the Board, as requested, on financial and other matters considered by the Committee relative to the Corporation.
- B.** The Committee shall report its discussions to the Board by maintaining minutes of its meetings and providing an oral report at the next Board meeting.

	Task	Meeting ⁽¹⁾			
		Q1	Q2	Q3	Q4
A.	Financial Statements and Other Financial Information				
i)	Review and recommend Board approval of annual financial statements, MD&A and press release	<input checked="" type="checkbox"/>			
ii)	Review and recommend Board approval of quarterly financial statements, MD&A and press release		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
iii)	Review public disclosure of financial information	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
iv)	Review Annual Information Form	<input checked="" type="checkbox"/>			
v)	Review and discuss critical accounting policies and financial reporting practices	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
vi)	Review and discuss changes in financial reporting and accounting policies and practices	<i>As needed.</i>			
vii)	Review and discuss analyses prepared by management or the external auditor setting forth significant financial reporting issues and judgments made in connection with the financial statements	<i>As needed.</i>			
viii)	Review and discuss any management letter or schedule of unadjusted differences provided by the external auditor	<i>As needed.</i>			
ix)	Review and discuss any problems, difficulties or differences encountered in the course of the audit work including any disagreements with management or restrictions on the scope of the auditor's activities	<i>As needed.</i>			
x)	Review any new or pending developments in accounting and reporting standards that may affect the Corporation	<i>As needed.</i>			
xi)	Review and discuss the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures in the financial statements	<i>As needed.</i>			
xii)	Review and discuss any reserves, accruals, provisions or estimates that may have a significant effect of the financial statements	<i>As needed.</i>			
xiii)	Review and discuss the use of special purpose entities and the business purpose of any off-balance sheet transactions or other arrangements	<i>As needed.</i>			
xiv)	Review and discuss the use of "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles	<i>As needed.</i>			
xv)	Review any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position	<i>As needed.</i>			
xvi)	Review accounting, tax and financial aspects of the operations of the Corporation as the Committee considers appropriate	<i>As needed.</i>			
B.	Risk Management, Internal Control and Information Systems				
i)	Review risk management policies and processes with specific responsibility for credit & counterparty,	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

	Task	Meeting ⁽¹⁾			
		Q1	Q2	Q3	Q4
	market & financial, and risks as identified from time to time				
ii)	Review management steps to implement and maintain internal control systems	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
C.	External Audit				
i)	Review external auditor engagement				<input checked="" type="checkbox"/>
ii)	Review and approve external audit plan including:				<input checked="" type="checkbox"/>
	a) engagement letter				<input checked="" type="checkbox"/>
	b) objectives and scope				<input checked="" type="checkbox"/>
	c) procedures for quarterly review of financial statements				<input checked="" type="checkbox"/>
	d) materiality limit				<input checked="" type="checkbox"/>
	e) areas of audit risk;				<input checked="" type="checkbox"/>
	f) staffing;				<input checked="" type="checkbox"/>
	g) timetable				<input checked="" type="checkbox"/>
	h) approve fees				<input checked="" type="checkbox"/>
iii)	Meet external auditor to discuss annual & quarterly financial statements and auditor's report	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
iv)	Maintain oversight of the external auditor's work and advise the Board	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	a) resolution of any disagreements between management and external auditor	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	b) any significant accounting or financial reporting issue	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	c) auditor's evaluation of internal controls, procedures and documentation (if applicable)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	d) post audit recommendation of the external auditor	<input checked="" type="checkbox"/>			
	e) other matters the external auditor brings to the Committee's attention	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	f) evaluate and assess the qualifications and performance of the external auditor for recommendation to the board as to the appointment or reappointment of the external auditor	<input checked="" type="checkbox"/>			
v)	Review auditor's report on all material subsidiaries	<input checked="" type="checkbox"/>			
vi)	Request and review a report from the external auditor regarding (a) its quality-control procedures, (b) any material issues raised by the most recent quality-control review, peer review or other investigation, and (c) any steps taken to deal with such issues	<input checked="" type="checkbox"/>			
vii)	Review and receive assurances on independence of external auditor	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
viii)	Review non-audit services to be provided by the external auditor's firm or its affiliates	<input checked="" type="checkbox"/>	<i>And as needed.</i>		

	Task	Meeting ⁽¹⁾			
		Q1	Q2	Q3	Q4
ix)	Review the disclosure with respect to its preapproval of audit and non-audit services provided by the external auditors	<input checked="" type="checkbox"/>	<i>And as needed.</i>		
x)	Meet with auditor without management present	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
D.	Compliance				
i)	Disclose external auditor's fees (in AIF)	<input checked="" type="checkbox"/>			
ii)	Disclose specific policies or procedures for preapproving non-audit services by the external auditor (in AIF)	<input checked="" type="checkbox"/>			
iii)	Assist Governance & Human Resources Committee with preparing governance disclosure:	<input checked="" type="checkbox"/>			
	a) independence of each Committee member;	<input checked="" type="checkbox"/>			
	b) state of financial literacy of each Committee member; and	<input checked="" type="checkbox"/>			
	c) education and experience of each Committee member	<input checked="" type="checkbox"/>			
iv)	Disclose, if required, any exemptions	<input checked="" type="checkbox"/>			
E.	Other				
i)	Establish and review implementation of procedures				
	a) receipt, retention and treatment of complaints	<i>As needed.</i>			
	b) submission of employees' concerns	<i>As needed.</i>			
ii)	Review and approve hiring of present and former employees of the external auditor	<i>As needed.</i>			
iii)	Review insurance coverage of significant business risks and uncertainties		<input checked="" type="checkbox"/>		
iv)	Review material litigation and its impact on financial reporting	<i>As needed.</i>			
v)	Review policies and procedures for the review and approval of officers' expenses and perquisites				<input checked="" type="checkbox"/>
vi)	Review with external auditors any corporate transactions in which directors or officers of the Corporation have a personal interest				<input checked="" type="checkbox"/>

Note:

(1) Pursuant to the Terms of Reference for the Audit Committee, the Committee is required to meet at least four times annually.