

PAREX RESOURCES INC.
FINANCE & AUDIT COMMITTEE MANDATE AND TERMS OF REFERENCE

1. Overall Purpose & Objectives

A standing committee of the Board of Directors (the "**Board**") of Parex Resources Inc. (the "**Corporation**") consisting of members of the Board is hereby appointed by the Board from amongst its members and complying with all other legislation, regulations, agreements, articles and policies to which the Corporation and its business is subject is hereby established and designated the Finance & Audit Committee (the "**Audit Committee**" or the "**Committee**").

The Audit Committee will assist the Board in fulfilling its oversight responsibilities, including without limitation the review, approval or recommendation to the Board for approval, of:

- the Corporation's financial statements, management's discussion and analysis and the integrity of the financial reporting process;
- the management of financial and other enterprise risks;
- the external audit process and the Corporation's process for monitoring compliance with financial laws and regulations;
- any material disclosure of information to shareholders, securities regulators and the public, including, without limitation, the Corporation's annual information form; and
- if requested, significant acquisitions and divestitures.

The Audit Committee shall also take the steps necessary to address and resolve all instances or allegations of fraud or other complaints reported to the Audit Committee in accordance with the Corporation's Whistleblower Policy.

While the Audit Committee has the duties and responsibilities set forth herein, the Audit Committee is not responsible for planning or conducting an audit or for determining whether the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles or international financial reporting standards, as applicable. Similarly, it is not the responsibility of the Audit Committee to ensure that the Corporation complies with all laws and regulations.

2. Composition

- (a) The Audit Committee shall be composed of at least three individuals appointed by the Board from amongst its members. The Board shall appoint one member as Chairman of the Audit Committee (the "**Chair**").
- (b) All members of the Audit Committee shall be Board members who are not members of management of the Corporation ("**Management**"). Subject to certain exemptions that may be available under applicable securities legislation, all members of the Audit Committee must be "independent", as defined in

National Instrument 52-110 – *Audit Committees* as adopted by the Canadian Securities Regulatory Authorities ("**NI 52-110**").

- (c) Members of the Audit Committee must be financially literate, as defined in NI 52-110, and at least one member must have accounting or related financial management expertise.
- (d) A member shall cease to be a member of the Audit Committee upon ceasing to be a director of the Corporation or upon ceasing to be "independent".

3. Meetings

- (a) The Audit Committee shall meet at least quarterly with Management, and at least annually with the external auditors, such meetings generally coinciding with the release of interim or year-end financial information. Special meetings may be convened as required upon the request of the Audit Committee or the officers of the Corporation.
- (b) A quorum shall be a majority of the members of the Audit Committee.
- (c) Effective agendas, with input from Management, shall be circulated to Committee members and relevant Management personnel along with background information on a timely basis prior to the Committee meetings.
- (d) Minutes of each meeting shall be prepared.
- (e) The meetings and proceedings of the Audit Committee shall be governed by the provisions of the by-laws of the Corporation that regulate meetings and proceedings of the Board.
- (f) The Audit Committee may invite the Chief Executive Officer or Chief Financial Officer or his designate(s), such directors, officers or employees of the Corporation, the Corporation's external auditor(s) and any other independent external advisors or consultants as it may see fit to attend its meetings and take part in the discussion and consideration of the affairs of the Audit Committee.

4. Reporting / Authority

- (a) Following each meeting, the Chair will report to the Board and provide a summary of the meeting.
- (b) Copies of the minutes from all meetings, as well as information and supporting schedules reviewed and discussed by the Audit Committee at any meeting shall be retained and made available for examination by the Board or any director upon request to the Chair.
- (c) The Audit Committee shall have the authority to investigate any activity of the Corporation falling within the terms of this Mandate, and may request any employee of the Corporation to cooperate with any request made by the Audit Committee, including any investigation in accordance with the Corporation's Whistleblower Policy.

- (d) The Audit Committee may retain external persons having special expertise and obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Corporation and approve the terms of retainer and the fees payable to such parties.

5. Duties & Responsibilities

(a) Financial Information and Shareholder Communication

Review:

- (i) the audited annual financial statements and unaudited quarterly financial statements with Management and the external auditors (including disclosures under "Management's Discussion & Analysis"), in conjunction with the report of the external auditors, and obtain explanation from Management of all material variances between comparative reporting periods. Upon satisfactory completion of the review, the Committee will recommend that the Board approve the annual and quarterly financial statements and management's discussion and analysis;
- (ii) shareholder communications based on the quarterly and annual financial statements, including, without limitation, all annual and interim earnings press releases;
- (iii) the Corporation's annual information form; and
- (iv) significant accounting and tax compliance issues where there is choice among various alternatives or where application of a policy has a material effect on the financial results of the Corporation.

(b) Internal Controls

- (i) Review annually and approve as required:
 - (A) processes adopted by Management for establishing effective internal controls, to be responsible for the accurate reporting of the Corporation's revenues and expenses, and the safeguarding of its assets;
 - (B) the adequacy and effectiveness of the Corporation's accounting and internal control policies and procedures through inquiry and discussions with the Corporation's independent auditors and Management;
 - (C) the quality and integrity of the Corporation's disclosure controls and procedures and management information systems through discussions with Management and the external auditors;
 - (E) major changes to the Corporation's disclosure controls and procedures and management information systems; and

- (F) spending authority and approval of limits.
- (ii) Oversee Management's reporting on internal controls and disclosure controls and procedures.
- (c) **Enterprise Risk Management (“ERM”)**
 - (i) Review and assess the identification and management of ERM matters pertaining to the Audit Committee.
- (d) **External Auditors**
 - (i) instruct the auditors that: (a) they are ultimately accountable to the Audit Committee (as representatives of the shareholders of the Corporation); (b) they must report directly to the Committee; and (c) the Committee is responsible for the appointment (subject to shareholder approval), compensation, retention, evaluation and oversight of the Corporation’s independent auditors;
 - (ii) oversee the independence of the auditors and take such actions as it may deem necessary to satisfy it that the Corporation’s auditors are independent within the meaning of applicable securities laws by, among other things: (a) requiring the independent auditors to deliver to the Audit Committee on a periodic basis a formal written statement delineating all relationships between the independent auditors and the Corporation; and (b) actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and taking appropriate action to satisfy itself of the auditors’ independence;
 - (iii) annually:
 - (A) recommend to the Board an independent accounting firm to conduct the annual audit;
 - (B) review with Management and auditors the purpose and scope of the audit examination, review the terms of the external auditors' engagement and the fees for the annual audit;
 - (C) review and recommend to the Board the compensation of the external auditors;
 - (D) assess the qualifications and performance of the auditors, taking into account the opinions of Management, and present conclusions to the Board;
 - (E) obtain and review a report by the external auditors describing: the firm's internal quality control procedures; any material issues raised by the most recent internal quality control review (or peer review) of the firm, 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 any steps taken to deal with such issues;

- (F) ensure compliance with any legal requirements regarding the rotation of applicable partners of the external auditors, on a regular basis, as required;
 - (G) obtain a certificate attesting to the external auditors' independence, which identifies all relationships between the external auditors and the Corporation;
 - (H) review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102 as adopted by the Canadian Securities Regulatory Authorities ("**NI 51-102**"), on a routine basis, whether or not there is a change of auditors; and
 - (I) meet independently with auditors in the absence of Management to discuss any issues which the auditors may wish to bring forward including any restrictions imposed by Management or significant accounting issues in which there was a disagreement with Management;
- (iv) review the performance of the auditors and recommend to the Board the replacement or termination of the independent auditors (subject to required shareholder approvals) when circumstances warrant;
 - (v) where there is a change of auditor, review all issues related to the change, including information to be included in the notice of change of auditors (NI 51-102) and the planned steps for an orderly transition;
 - (vi) generally oversee the work of the external auditor, including resolving any issues that arise between Management and the external auditors;
 - (vii) pre-approve engagements for non-audit services provided by the external auditors or their affiliates, together with estimated fees and potential issues of independence; and
 - (viii) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.
- (e) **Audit**
- (i) review with Management and the external auditors major issues regarding accounting principles and financial statement presentation, including any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of Management that may be material to financial reporting;

- (ii) question Management and the external auditors regarding significant financial reporting issues during the fiscal period and the method of resolution of such issues;
 - (iii) monitor the steps taken by Management to deal with issues arising from the annual audit;
 - (iv) review the auditors' report to Management, containing recommendations of the external auditors', and Management's response and subsequent remedy of any identified weaknesses; and
 - (v) review and approve the Audit Committee information that may be required by applicable securities laws to be included in the Corporation's annual Management Proxy Circular or Annual Information Form, as applicable.
- (f) **Press**
- Review press releases and other publicly circulated documents containing financial information or financial guidance.
- (g) **Legal**
- (i) review annually the legal expenses incurred by the Corporation; and
 - (ii) assist the Board with oversight of the Corporation's compliance with applicable legal and regulatory requirements, including meeting with general counsel and outside counsel, when appropriate, to review legal and regulatory matters, including any matters that may have a material impact on the financial statements of the Corporation.
- (h) **Budget and Forecast of Operations**
- (i) be responsible for the Corporation having in place a process to review all general and administrative expenditures (including income tax) to improve future planning and cost control; and
 - (ii) be responsible for the Corporation having in place a process to review all material capital investments to assess where value has been created and improve future decisions.
- (i) **New Business Development**
- Review of proposed acquisitions and divestitures at the request of the Board, including a review of the financial and legal due diligence conducted, and make recommendations to the Board as to the completion of such transactions.
- (j) **Audit Committee Evaluation and Complaints**
- Periodically, in conjunction with the Corporate Governance Committee:

- (i) assess individual Audit Committee member and Chair performance and evaluate the performance of the Audit Committee as a whole, including its processes and effectiveness;
- (ii) review the Corporation's procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters;
- (iii) review the Corporation's procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- (iv) take the steps necessary to address and resolve all instances or allegations of fraud or other complaints reported to the Audit Committee in accordance with the Corporation's Whistleblower Policy; and
- (v) develop and approve Audit Committee member eligibility criteria, identify directors qualified to become Committee members and recommend appointments to and removals from the Audit Committee.

(k) **ESTMA**

Review and report to the Board on the procedures in place for reporting and certification under the *Extractive Sector Transparency Measures Act* (Canada) ("**ESTMA**") at such time as Parex is required to comply with ESTMA.

6. Other Duties & Responsibilities

- (a) The Audit Committee shall be available to meet with any member of Management or any employee of the Corporation who wishes to raise any concern with respect to conflicts of interest, ethical issues or concerns raised under the Corporation's Whistleblower Policy.
- (b) The responsibilities, practices and duties of the Audit Committee outlined herein are not intended to be comprehensive. The Board may, from time to time, charge the Audit Committee with the responsibility of reviewing items of a financial, control or risk management nature.

7. Mandate Review

The Board shall review this Mandate every other year, or more frequently as may be determined necessary by the Board, to ensure that it is achieving its purpose.

8. Authorization

This Audit Committee mandate is hereby approved on behalf of the Board this 30th day of October, 2009 as amended on November 9, 2011, November 13, 2013, November 2, 2015, and October 4, 2017.

Paul Wright
Chairman of the Audit Committee
Parex Resources Inc.

Wayne Foo
Chairman of the Board of Directors
Parex Resources Inc.