

## APPENDIX “C”

## AUDIT COMMITTEE MANDATE

*Policy Statement*

Tamarack Valley Energy Ltd. (the “**Corporation**”) has established and maintains an Audit Committee, (the “**Committee**”) 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 chairman of the Committee (the “**Chairman**”).
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 unless a member is deemed not to be independent only by virtue of being an executive officer of a subsidiary entity.
3. Each member of the Committee shall be “financially literate” as required under the applicable securities laws, including without limitation National Instrument 52-110 - Audit Committees (“**NI 52-110**”). In order 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. If available, at least one member shall have “accounting or related financial management expertise”, meaning the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.
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 and Operations*

1. The Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chairman 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 quarterly 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 Chairman, the members of the Committee shall choose one of the members present to be chairman 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 Committee's primary duties and responsibilities regarding its audit function are to:
  - (a) review with the external auditors the audit function generally, the objectives, staffing, locations, co-ordination, and scope of proposed audits of the financial statements of the Corporation;
  - (b) review with management and the external auditors, and recommend to the Board for approval and release to shareholders, the quarterly and annual financial statements of the Corporation, together with related reports to shareholders, MD&A associated with such financial statements and, delegated by the board, other public filings (such as prospectus or annual information forms) containing financial disclosures;
  - (c) review with the auditors and management, and monitor the management of, the principal risks that could affect the financial reporting of the Corporation;
  - (d) review and assess the framework of and periodically consider the integrity of the Corporation's financial reporting process and system of internal controls regarding financial reporting and accounting compliance through discussions with management and the auditor;
  - (e) consider the independence and performance of the Corporation's auditors;
  - (f) deal directly with the auditors to approve the annual external audit plan, other services (if any) and associated fees;
  - (g) approve the audit engagement and consider the external audit process and results;

- (h) 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; and
  - (i) 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.
2. The Committee shall, in connection with the financial aspects of the Corporation’s business:
- (a) review the annual external audit plan with the Corporation’s auditors and with management and approve the engagement letter relating thereto;
  - (b) 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;
  - (c) 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;
  - (d) 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;
  - (e) 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;
  - (f) review and evaluate any recommendations of the auditors and decide the appropriate course of action;
  - (g) consider consistency of the data reported in the financial statements, annual and quarterly reports and related public disclosure documents;
  - (h) review audited annual financial statements and related documents in conjunction with the report of the auditors and significant variances between comparative reporting periods as set out in the MD&A;
  - (i) review, independently of management, and without management present, the results of the annual external audit, the audit report thereon and the auditor’s review of the related MD&A, and discuss with the auditor the quality of accounting principles used, any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the auditor’s preferred treatment and any other material communication with management;
  - (j) consider and review with management:
    - (i) all unadjusted errors identified by the external auditors,
    - (ii) the internal control memorandum or management letter containing the recommendations of the auditors and management’s response, if any, including any evaluation of the adequacy and effectiveness of the internal financial controls of the Corporation and subsequent follow-up to any identified weakness;
  - (k) review with management and the auditors the quarterly unaudited financial statements and MD&A before release to the public;
  - (l) before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including any prospectus, annual reports, annual information forms, MD&A and press releases;

- (m) review and approve the Corporation's hiring policies regarding employees and former employees of the present and former auditors;
- (n) review with management the Corporation's relationship with regulators and the timelines and accuracy of the Corporation's filings with regulatory agencies; and
- (o) review with management all related party transactions and the development of policies and procedures related to those transactions.

#### *Auditors*

1. The Committee shall:
  - (a) consider the independence and performance of the auditors and annually recommend to the Board the appointment or discharge of the auditor when circumstances are warranted and recommend to the Board the compensation of the auditors;
  - (b) pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the auditors, or the auditors of any of the Corporation's subsidiary entities;
  - (c) 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;
  - (d) review all material written communications between the auditor and management; 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 auditors.

#### *Financing Matters*

2. The Committee shall:
  - (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*

1. The Committee shall 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.
2. The Committee shall consider the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.
3. The 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 Committee by any member of the Board, a shareholder of the Corporation, the auditors, or management.
4. The Committee shall review, on an annual basis this mandate and recommend any changes to the Board.
5. 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 Chairman 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" or a "financial expert" 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" or a "financial expert" 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 information provided to the Committee by such persons or organizations, and (iii) representations made by management of the Corporation, the external auditors of the Corporation, independent counsel, and other advisors and experts to the Corporation and its subsidiaries.

### *Pre-Approval Policies and Procedures*

The Audit Committee has established a pre-approval policy and procedures for the engagement of non-audit services. The Audit Committee must approve all engagements for non-audit services which are expected to exceed \$50,000 per engagement before the engagement may commence. For engagements for non-audit services which are expected to be less than \$50,000 the engagement may commence upon approval by the Chairman of the Audit Committee with all members being informed of the service at the next meeting of the Committee. All recommendations for services will be submitted by the Vice-President, Finance and Chief Financial Officer.