



AUDIT AND RISK COMMITTEE CHARTER

1. Purpose

The Audit and Risk Committee (the “**Committee**”) of Painted Pony Energy Ltd. (the “**Corporation**”) is a committee of the Board of Directors (the “**Board**”).

The Committee shall oversee the accounting and financial reporting practices of the Corporation and the audits of the Corporation’s financial statements, with a view to ensuring the effectiveness and integrity of the Corporation’s financial processes and controls and the integrity of the corporation’s financial disclosures and reporting.

The Committee shall oversee the Corporation’s enterprise risk management (“**ERM**”) activities to ensure that sound business decisions are being made, balancing risk and reward and driving the maximization of shareholder value. ERM comprises the framework of principles, resources, structures and processes implemented and imbedded in the Corporation to systematically address risks that may impede on or prevent the Corporation from achieving its objectives to create value and to safeguard the people, assets and reputation of the Corporation.

The Committee shall oversee the effectiveness of the specific risk management processes, principles and plans designed and implemented by management to deal with key risks, including in particular risks relating to financial controls and disclosure of financial information, and relating to material commercial agreements for processing and product marketing, sales and transportation (“**Strategic Commercial Agreements**”).

2. Objective

The objectives of the Committee are to assist the Board in fulfilling its responsibilities with respect to:

- (a) the integrity, preparation and disclosure of the financial statements and other financial disclosures and related matters;
- (b) the auditor’s qualifications, independence and performance;
- (c) ensuring the transparency, credibility and objectivity of financial reporting;
- (d) enhancing communication between management, the auditors, and the Board;
- (e) reviewing policies with respect to financial risk management, including an assessment of internal controls;
- (f) review of, and recommendations to the Board regarding, the Corporation’s key risk parameters including risk tolerance and risk appetite;
- (g) oversight of the Corporation’s ERM processes and principles; and

- (h) aligning the Corporation's ERM processes with the Corporation's strategic plan, to ensure the appropriate consideration and management of risks to the Corporation's strategy.

3. Membership

Number of Members

The Committee shall be composed of three or more members of the Board.

Independence of Members

Each member of the Committee must be independent, within the meaning of the provisions of National Instrument 52-110 *Audit Committees*.

Financial Literacy of Members

At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable period of time following appointment to the Committee, 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.

Chair

The Board shall designate one member of the Committee as Chair of the Committee (the "**Chair**").

The Chair shall be responsible for ensuring that the Committee is properly organized, functions effectively and meets its obligations and responsibilities. The Chair shall be responsible for the scheduling of Committee meetings and the establishment of meeting agendas. The Chair shall liaise and communicate with the Chair of the Board to coordinate reports from the Committee at meetings of the Board.

The Chair shall preside over all meetings of the Committee, and in the Chair's absence, the members of the Committee may designate from among such members a chair for the purposes of such meeting.

Term of Members

Each member of the Committee shall be appointed by the Board and serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board.

Delegation

The Committee may designate a sub-committee or any member to review any matter within this Charter as the Committee deems appropriate.

4. Meetings

Number of Meetings

The Committee may meet as many times per year as the Chair may determine, and as necessary to carry out its duties and responsibilities, but at a minimum, shall meet four times per year.

Quorum

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee, present in person or by telephonic, electronic or other communication facilities that permit all persons participating in the meeting to communicate adequately with each other, shall constitute a quorum.

Calling of Meetings

Any member of the Committee or the auditor may call a meeting of the Committee.

Business at Meetings

The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution of the Committee. In case of an equality of votes, the Chair shall not be entitled to a second or casting vote.

Secretary

The General Counsel and Corporate Secretary of the Corporation shall serve as Secretary to the Committee. The Corporate Secretary shall attend all Committee meetings; ensure proper minutes and other records are maintained; manage the preparation and delivery of Committee materials; and perform such other duties as may be required or requested from time to time. The Corporate Secretary is responsible for advising the Committee on compliance with this Charter and the statutory and regulatory obligations of the Committee.

Minutes; Reporting to the Board

The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Draft minutes shall be circulated to the Chair within a reasonable time after a meeting.

Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. However, the Chair should report to the Board on any matter in his or her view requiring the immediate attention of the Board.

Attendance of Non-Members

The auditors are entitled to receive notice of, attend, at the expense of the Corporation, and be heard at each Committee meeting. If so requested by a member of the Committee, the auditors shall attend every meeting of the Committee held during the term of office of the auditor. In addition, the Committee may invite to a meeting of the Committee any directors, officers or employees of the Corporation, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities. At least once per year,

the Committee shall meet with the auditor and management in separate sessions to discuss any matters that the Committee considers appropriate.

In Camera Meetings

At each of its meetings the Committee shall hold an *in camera* meeting of Committee members, at which management, the auditors and advisors are not present.

Procedure

The procedures for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those applicable to meetings of the Board, unless otherwise determined by the Committee or the Board.

Access to Information

The Committee shall have unrestricted access to the Corporation's management and employees and the books and records of the Corporation.

5. Duties and Responsibilities

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the duties required of an audit committee by any exchange upon which securities of the Corporation are traded, or any governmental or regulatory body exercising authority over the Corporation, as are in effect from time to time (collectively, the "**Applicable Requirements**").

Financial Reports

(a) General

The Committee is responsible for overseeing the Corporation's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Corporation's financial statements and financial disclosures and for the appropriateness of the accounting principles and the financial reporting policies used by the Corporation. The auditors are responsible for auditing the Corporation's annual consolidated financial statements and for reviewing the Corporation's unaudited interim financial statements.

(b) Review of Annual Financial Reports

The Committee shall review the annual consolidated audited financial statements of the Corporation, the auditors' report thereon, the related management's discussion and analysis of the Corporation's financial condition and results of operation ("**MD&A**") and the annual earnings press release. After completing its review, if advisable, the Committee shall recommend to the Board the approval and public distribution of the annual financial statements and the related MD&A and press release.

(c) Review of Interim Financial Reports

The Committee shall review the interim consolidated financial statements of the Corporation, the auditors' report thereon, the related MD&A and the interim earnings press release. After completing its review, if advisable, the Committee shall recommend the public distribution of the interim financial statements and the related MD&A and press release.

(d) Approval of Other Financial Disclosures

The Committee shall ensure adequate procedures are in place for the review and, if advisable, the recommendation for public distribution of financial disclosure in a prospectus or other securities offering document of the Corporation, press releases disclosing, or based upon, financial results of the Corporation and any other financial information extracted or derived from the Corporation's financial statements, including financial guidance provided to analysts, rating agencies or otherwise publicly disseminated and shall periodically assess the adequacy of the procedures in place for undertaking such a review.

(e) Review Considerations

In conducting its review of the annual financial statements or the interim financial statements, the Committee shall:

- (i) meet with management and the auditors to discuss the financial statements and related MD&A and other financial disclosures;
- (ii) review the disclosures in the financial statements, related MD&A and earnings press releases before the Corporation publicly discloses this information;
- (iii) review the audit report or review report prepared by the auditors;
- (iv) discuss with management, the auditors and legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements;
- (v) review the accounting policies followed and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;
- (vi) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under IFRS;
- (vii) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;
- (viii) review management's report on the effectiveness of internal controls over financial reporting;

- (ix) review the factors identified by management as factors that may affect future financial results;
- (x) review any complaints or concerns received through the whistleblower program relating to accounting, financial or internal control matters; and
- (xi) review any other matters related to the financial statements brought forward by the auditors, management or which are required to be communicated to the Committee under accounting policies, auditing standards or Applicable Requirements.

Auditors

(a) General

The Committee, in its capacity as a committee of the Board and subject to the rights of holders of the Corporation's shares (the "**Shareholders**"), shall be responsible for oversight of the work of the auditors, including the auditors' work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work and require the auditor to report directly to the Committee.

(b) Nomination and Compensation

The Committee shall review and, if advisable, select and recommend for Board approval the auditors to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation and the compensation of such auditor. The Committee shall have ultimate authority to approve all audit engagement terms and fees, including the auditors' audit plan, subject to approval by the Shareholders of the Committee's selection of the auditor.

(c) Information to Auditors

The Committee shall ensure that the auditors are provided all information and explanations, and are furnished access to all records, records, documents, books, accounts and vouchers of the Corporation or any of its subsidiaries, that the auditors might request so as to enable the auditors to complete their audit report.

(d) Resolution of Disagreements

The Committee shall resolve any disagreements as to financial reporting matters between management and the auditors brought to its attention.

(e) Discussions with Auditors

The Committee shall have the authority to communicate directly with the auditors. At least annually, the Committee shall discuss with the auditors such matters as are required by applicable auditing standards to be discussed by the auditors with the Committee.

(f) **Audit Plan**

At least annually, the Committee shall review a summary of the auditors' annual audit plan. The Committee shall consider and review with the auditors any material changes to the scope of the plan.

(g) **Quarterly Review Report**

The Committee shall review a report prepared by the auditors in respect of each of the interim financial statements of the Corporation.

Independence of Auditors

At least annually, and before the auditors issue their report on the annual financial statements, the Committee shall obtain from the auditors a formal written statement describing all relationships between the auditors and the Corporation; discuss with the auditors any disclosed relationships or services that may affect the objectivity and independence of the auditors; and obtain written confirmation from the auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which the auditors belong and other Applicable Requirements. The Committee shall take appropriate action to oversee the independence of the auditors.

(a) **Evaluation and Rotation of Lead Partner**

At least annually, the Committee shall review the qualifications and performance of the lead partner of the auditors and determine whether it is appropriate to adopt or continue a policy of rotating the lead partner of the auditors.

(b) **Requirement for Pre-Approval of Audit and Non-Audit Services**

The Committee shall approve in advance any audit and permitted non-audit services to be provided by the Corporation's auditors to the Corporation or its subsidiaries that it deems advisable subject to any *de minimis* exemption available under applicable law. The Committee may establish detailed policies and procedures for pre-approval of audit services and permitted non-audit services by the Corporation's auditor, in accordance with Applicable Requirements and Board approved policies and procedures provided the procedures and policies are detailed as to the particular service, the Committee is informed of each non-audit service and the procedures do not include the delegation of the Committee's responsibilities to management. The Committee may delegate pre-approval authority to a member of the Committee but the decisions of any member of the Committee to whom this authority has been delegated must be presented to the Committee at its next scheduled Committee meeting.

(c) **Approval of Hiring Policies**

The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.

Financial Executives

The Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Board, as appropriate.

Internal Controls

(a) General

The Committee shall review the Corporation's system of internal controls and in connection with its review of the annual audited financial statements and interim financial statements, the Committee will also review the process for the Chief Executive Officer and Chief Financial Officer's certification with respect to the financial statements and the Corporation's financial disclosure controls and internal controls over financial reporting, including any material deficiencies or changes in those controls.

(b) Establishment, Review and Approval

The Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and financial disclosure and to review, evaluate and approve these procedures. At least annually, the Committee shall consider and review with management and the auditors:

- (i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Corporation's internal controls; the overall control environment for managing business risks; and accounting, financial and financial disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;
- (ii) any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Corporation's periodic regulatory filings;
- (iii) any material issues raised by any inquiry or investigation by the Corporation's regulators;
- (iv) the Corporation's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Corporation to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting;
- (v) policies with respect to the Corporation's financial risk management, including a review of the Corporation's major financial and accounting risk exposures, a review of the Corporation's derivative and hedging policies and contracts, a review of the Corporation's insurance programs, policies and coverage and other financial transactions of a material nature; and

- (vi) any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and financial disclosure controls.

Enterprise Risk Management

To fulfill its responsibilities and duties regarding ERM, the Committee shall:

- (a) request and review periodic reports by management (and if appropriate, external service providers) on the design, implementation and effectiveness of the ERM framework of the Corporation;
- (b) periodically benchmark the Corporation's ERM processes against best practice, bearing in mind the nature, activities and size of the Corporation;
- (c) approve all Strategic Commercial Agreements to be entered into by the Corporation;
- (d) approve, and review from time to time, policies of the Corporation regarding risks relating to the mandate of this Committee;
- (e) periodically consider if there are other risk areas of the Corporation that require more detailed oversight by specific committees of the Board in addition to the general ERM oversight, and liaise with these committees on such matters including regarding the appropriate consideration of interrelated risks;
- (f) at least annually review the adequacy of the insurance program of the Corporation, including the coverage scope, coverage limits and risk retention philosophy, and make recommendations to the Board in that regard;
- (g) periodically make recommendations to the Board on changes and improvements to the processes for ERM and for the management and governance of Strategic Commercial Agreements;
- (h) periodically consider and decide on the level of management and external assurance required on the effectiveness of ERM processes, structures and systems;
- (i) review external disclosures on ERM matters;
- (j) periodically report to the Board on the Committee's oversight activities on ERM and Strategic Commercial Arrangements; and
- (k) oversee the investigation of any material legal or regulatory breach and satisfy itself that management has implemented appropriate responses to mitigate the consequences of the incident or to prevent a recurrence of the incident.

Compliance with Legal and Regulatory Requirements

The Committee shall review reports from the Corporation's General Counsel and other management members on: legal or compliance matters that may have a material impact on the Corporation; the effectiveness of the Corporation's compliance policies; and any material communications received from regulators. The Committee shall review management's evaluation of and representations relating to compliance with specific applicable law and guidance, and management's plans to remediate any deficiencies identified.

Whistleblower Procedures

The Committee shall 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. This shall include procedures for ensuring that all complaints and concerns are reviewed by the appropriate Committee of the Board for the relevant subject matter. The Audit Committee shall be advised of all complaints and concerns received.

Any such complaints or concerns that relate to accounting, financial or internal control matters shall be reviewed by the Committee and, if the Committee determines that the matter requires further investigation, it will direct the Chair of the Committee to work with management and the General Counsel to reach a satisfactory conclusion or engage outside advisors, as necessary or appropriate, to investigate the matter.

Disclosure

The Committee shall review and approve any audit and risk disclosures required by Applicable Requirements in the Corporation's disclosure documents.

6. Independent Advisors

The Committee shall have the authority to retain independent legal counsel, consultants or other advisors to assist it in carrying out its duties and to set and pay the respective compensation for these advisors without consulting or obtaining the approval of the Board or any officer of the Corporation and to communicate directly with such advisors. The Corporation shall pay the invoices of such advisors, upon their approval by the Chair.

7. Continuing Education

Members of the Committee shall strive to remain current in their knowledge and education relating to finance, audit and risk matters, and shall consider available opportunities to enhance their knowledge of evolving practices in audit and risk governance.

8. No Rights Created

This Charter is a statement of broad policies and is intended as a component of the flexible governance framework within which the committees of the Board assist the Board in directing affairs of the Corporation. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Corporation's Articles and By-laws, it is not intended to establish any legally binding obligations.

9. Charter Review

The Committee shall review this Charter annually and present any recommended amendments to this Charter to the Governance Committee, which shall consider any such recommendations as part of its annual review of this Charter and shall present any recommended amendments to this Charter to the Board for approval.

Adopted: March 26, 2015

Revised: November 10, 2015

Revised October 17, 2017