

## SCHEDULE A

### HIGH ARCTIC ENERGY SERVICES INC. AUDIT COMMITTEE TERMS OF REFERENCE

#### 1. Constitution

Pursuant to the Business Corporations Act (Alberta), the bylaws of High Arctic Energy Services Inc. (the “**Corporation**” or “**High Arctic**”) and annual resolutions of the Board of Directors of the Corporation (the “**Board**”) and in intended compliance with applicable corporate and securities laws and the requirements of each stock exchange upon which securities of the Corporation are traded, there is hereby constituted, as a standing committee of the Board, a committee designated as the “Audit Committee” (the “Committee”), which Committee is delegated the powers and subject to the terms of reference hereinafter set forth.

#### 2. Mandate

The mandate of the Committee shall be to assist the Board in fulfilling its oversight responsibilities in respect of: (i) the adequacy, integrity and effectiveness of the Corporation’s and its subsidiaries (collectively, “**High Arctic**”) financial reporting process and financial statements, including, without limitation, the adequacy, integrity and effectiveness of internal financial and management controls and systems; and the adequacy and integrity of the audit process; and (ii) risk management for High Arctic, including, without limitation, the adequacy, integrity and effectiveness of risk management systems and reporting, in addition to any mandate or function prescribed by applicable law, regulation or rule to be discharged by the Committee constituted as the audit committee of an entity such as High Arctic.

The purpose of this document is to establish the terms of reference for the Audit Committee to assist the Board in fulfilling its oversight responsibilities. Responsibility for accounting for transactions and internal control over financial accounting lies with executive officers of the Corporation and senior management (“**Management**”) of the Corporation.

#### 3. Organization and Operation

- (1) The Committee shall be comprised of a minimum of three (3) members of the Board. Committee members shall be appointed by the Board provided that any member may be removed or replaced at any time by the Board.
- (2) Each of the members of the Committee shall be “unrelated directors”, “outside directors” and “financially literate”, as such terms are defined from time to time pursuant to the Governance Guidelines of the Toronto Stock Exchange (“TSX”) and, to the extent practicable, the Committee shall include at least one member who may reasonably be regarded as a financial expert. In addition, each of the members of the Committee shall be “independent” and “financially literate” as required by Multilateral Instrument 52-110 adopted by the Canadian Securities Administrators (“CSA”) or any rule or instrument implemented in substitution or addition thereto.
- (3) A majority of the members of the Committee shall be residents of Canada.
- (4) The Committee shall have the power to appoint its chairman.
- (5) Any member of the Committee, the President and Chief Executive Officer or the auditors of the Corporation (the “**auditors**”) may call a meeting of the Committee upon not less than 48 hours’ notice to the other members of the Committee. The Committee shall have the right to determine who shall, and who shall not, be present at any time during a meeting of the Committee.
- (6) The auditors of the Corporation are entitled to receive notice of every meeting of the Committee and, at the expense of the Corporation, to attend and be heard thereat and, if so, requested by a member of the Committee, shall attend any meeting of the Committee held during the term of office of the auditors.
- (7) The Chief Executive Officer and Chief Financial Officer or their designates shall be available to attend at all meetings of the Committee upon invitation of the Committee.
- (8) The Committee shall meet at least four times annually.
- (9) A quorum for meetings of the Committee shall be a majority of its members present in person, by video conference, by telephone, or a combination thereof.

- (10) Questions arising at any meeting of the Committee shall be decided by a majority of the votes cast.
- (11) The rules for calling, holding, conducting, and adjourning meetings of the Committee shall be the same as those governing meetings of the Board or as otherwise provided in the by-laws of the Corporation.
- (12) The Corporate Secretary, or such other person as the Corporate Secretary of the Corporation shall designate, shall keep minutes of the meetings of the Committee. Minutes of each Committee meeting should be concise in describing substantive issues discussed by the Committee and clearly identify Committee responsibilities discharged and those outstanding.
- (13) Except as set forth herein, the Committee may determine its own rules of procedure.

#### **4. Duties and Responsibilities**

In the discharge of its mandate, the Committee shall:

##### ***Corporate Information and Internal Control***

- (1) Review and recommend for approval by the Board, annual and quarterly financial statements, and all financial information in any prospectus, offering memorandum, AIF, management's discussion, and analysis ("MD&A") or annual report of the Corporation;
- (2) Review and make recommendations with respect to information and control systems of High Arctic;
- (3) Review and approve all major changes to information and control systems of High Arctic;
- (4) Review and approve spending authorities and expenditure approval limits of officers of High Arctic;
- (5) Review and approve all determinations made in respect of significant accounting and tax compliance issues;
- (6) Review all significant financial, accounting and tax issues in connection with proposed non-recurring events such as mergers, acquisitions, or divestitures;
- (7) Review and approve all press releases or other publicly circulated documents containing financial information;
- (8) In consultation with the auditors, review and monitor the integrity of the financial statements of High Arctic and any formal announcements relating to High Arctic's financial performance, and review significant financial reporting judgments contained therein;
- (9) Review and monitor the effectiveness of High Arctic's internal control monitoring function;
- (10) Review and monitor the effectiveness of the audit process, taking into consideration applicable professional and regulatory requirements;

##### ***Auditors***

- (11) Make recommendations to the Board in respect of the auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for High Arctic, in respect of the terms of retainer of the auditors and, as determined desirable or necessary, in respect of the replacement of the auditors (subject to shareholder notification and approval);
- (12) Review the terms of the auditors' engagement and make recommendations to the Board as to the compensation of the auditors;
- (13) Require the auditors to report directly to the Committee;
- (14) Oversee the work of auditors engaged for the purposes of preparing or issuing an audit report or performing other audit, review, or attest services for High Arctic, including the resolution of disagreements between management and the auditors regarding financial reporting;
- (15) Annually consider any comments raised by the auditors of the Corporation regarding internal controls and procedures;

(16) Review and make recommendations in respect of any material issues raised by any internal quality control review (or peer review) of High Arctic or by any inquiry or investigation by governmental or professional authorities;

(17) Annually, evaluate the auditors' qualifications, performance, and independence;

(18) Review and discuss with the auditors any disclosed relationships or services that may impact the objectivity and independence of the auditors;

(19) Annually, to ensure continuing auditor independence, consider the rotation of the lead audit partner or the auditor itself;

(20) 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 (Section 4.11 of National Instrument 51-102 – Continuous Disclosure Obligations (“NI 51-102”), and the planned steps for an orderly transition;

(21) Review all reportable events, including disagreements, unresolved issues, and consultations, as defined in NI 51-102, on a routine basis, whether or not there is a change of auditors;

(22) Develop and implement a policy on the engagement of the auditors to supply non-audit services, taking into account any relevant independence guidance regarding the provision of non-audit services by the auditor;

(23) At each meeting, consult with external auditors, without the presence of management, about the quality of High Arctic's accounting principles, internal controls and completeness and accuracy of High Arctic's financial reports;

(24) Pre-approve engagements for non-audit services provided by the auditors or their affiliates, together with estimated fees and potential issues of independence. The pre-approval requirement is waived with respect to the provision of non-audit services if:

(i) the aggregate amount of all such non-audit services provided to High Arctic constitutes not more than five percent of the total amount of revenues paid by High Arctic to the auditors during the fiscal year in which the non-audit services are provided;

(ii) such services were not recognized by High Arctic at the time of the engagement to be non-audit services; and

(iii) such services are promptly brought to the attention of the Committee by High Arctic and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee;

(25) Set hiring policies for partners, employees and former partners and employees of the present and former auditors;

(26) At least annually, separately interview management and the auditors to discuss the relationship between them, especially as regards to the competency, communication, access provided, and cooperation displayed in matters relating to the audit and the financial affairs of High Arctic;

(27) Establish procedures for:

(a) the receipt, retention and treatment of complaints received by High Arctic regarding accounting, internal accounting controls, or auditing matters;

(b) the confidential, anonymous submission by employees of High Arctic of concerns regarding questionable accounting and auditing matters; and

(c) the proportionate and independent investigation of any matters raised by employees of High Arctic, including the appropriate follow-up action (if any);

(28) Monitor changes to applicable laws, regulations and rules and industry standards and practices with respect to financial reporting;

### **Audit**

- (29) Review with management and the auditors the audit plan for the coming year;
- (30) Review with management and the auditors any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting;
- (31) Separately interview management and the auditors regarding significant financial reporting issues during the fiscal period and the method of resolution;
- (32) Review any problems experienced by the auditors in performing the audit, including any restrictions imposed by management or significant accounting issues in which there was a disagreement with management;
- (33) Review annual and quarterly financial statements with management and the auditors (including disclosures under MD&A), in conjunction with the report of all significant variances between comparative reporting periods;
- (34) Review the certification process under National Instrument 52-109 adopted by the CSA;
- (35) Review and make recommendations as to the auditors' report to management and management's response and subsequent remedy of any identified weaknesses;

### **Risk Management and Controls**

- (36) Provide oversight in respect of risk management policies and practices, including the identification of major business risks and the processes and other steps taken to mitigate such risks;
- (37) Review and make recommendations as to hedging strategies, policies, objectives, and controls;
- (38) Review, not less than quarterly, a mark to market assessment of High Arctic's hedge positions and counter party credit risk and exposure;
- (39) Review High Arctic's risk retention philosophy and resulting exposure to the Corporation;
- (40) Review the adequacy of insurance coverage;
- (41) Review loss prevention policies and programs in the context of competitive and operational considerations;
- (42) Review and recommend for approval the annual operating and capital budgets of High Arctic and any amendments thereto;
- (43) Annually review authority limits for capital expenditures;
- (44) Review all pending litigation involving High Arctic and assess the prospective exposure to High Arctic;
- (45) Obtain explanations of significant variances with comparative reporting periods;
- (46) Ascertain compliance with covenants under loan agreements; and
- (47) Review, not less than annually, High Arctic's cyber-security risk management programs and effectiveness of monitoring function.

### **Other Duties and Responsibilities**

The responsibilities, practices and duties of the Committee outlined herein are not intended to be comprehensive. The Board may, from time to time, charge the Committee with the responsibility of reviewing other items of financial, control or risk management nature.

The Committee shall periodically report to the Board decisions taken in exercise of powers conferred herein and the results of reviews undertaken and any associated recommendations.

## 5. Authority

The Committee shall have all power and authority necessary or desirable to fully and effectively discharge its mandate hereunder and, in that connection and without limitation, the Committee may:

(1) Investigate any corporate activity, in any area, that the Committee considers necessary or advisable, and, for such purposes and the performance of its other responsibilities, the Committee shall have unrestricted access to all personnel records of High Arctic, the auditors and all other advisors to High Arctic and, from time to time, may require the Chief Financial Officer to report to the Committee;

(2) Make any recommendation to the Board, as it considers necessary or advisable, in respect of matters within its mandate, provided, however, that where the Committee intends to make any such recommendation, the recommendation shall first be presented to the Lead Director and, in respect of financial matters, to the auditor for comment before being communicated to the Board, unless the Committee concludes that such action would not be in the best interest of High Arctic and/or the shareholders; and

(3) Engage and obtain the advice of outside advisors, if necessary, to properly discharge its functions, duties and responsibilities including, without limitation:

(a) to engage independent counsel and other advisors as it determines necessary to carry out its duties;

(b) to set and pay the compensation for any advisor employed by the Committee; and

(c) to communicate directly with the auditors.

## 6. Limitation

The foregoing is (i) subject to and without limitation of the requirement that in exercising their powers and discharging their duties the members of the Board act honestly and in good faith with a view to the best interests of the Corporation; and (ii) subject to and not in expansion of the requirement that in exercising their powers and discharging their duties the members of the Board exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

While the Committee has the responsibilities and powers set forth herein, 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 ("IFRS") and applicable rules and regulations. These are the responsibilities of Management and the external auditor.

The Committee, the Chair of the Committee and any Committee members identified as having accounting or related financial expertise are members of the Board of Directors, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Corporation, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities.

Although the designation of a Committee member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out her or his duties on the Committee, such designation does not impose on such person any duties, obligations or liabilities that are greater than the duties, obligation and liabilities imposed on such person as a member of the Committee and the Board of Directors in the absence of such designation. Rather, the role of a Committee member who is identified as having accounting or related financial expertise, like the role of all Committee members, is to oversee the process, not to certify or guarantee the internal or external audit of the Corporation's financial information or public disclosure.