



**TOUCHSTONE EXPLORATION INC.  
AUDIT COMMITTEE MANDATE**

**Role and Objective**

The Audit Committee (the "**Committee**") is a committee of the Board of Directors (the "**Board**") of Touchstone Exploration Inc. (the "**Corporation**") to which the Board has delegated its responsibility for oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for Board approval, the audited consolidated financial statements and other mandatory disclosure releases containing financial information of the Corporation.

The objectives of the Committee are as follows:

1. to assist directors in fulfilling their legal and fiduciary obligations (especially for accountability) in respect of the preparation and disclosure of the financial statements of the Corporation and related matters;
2. to oversee the audit efforts of the external auditors of the Corporation;
3. to maintain free and open means of communication among the directors, the external auditors, the financial and senior management of the Corporation;
4. to satisfy itself that the external auditors are independent of the Corporation; and
5. to strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditors.

The function of the Committee is one of oversight of management and the external auditors in the execution of their responsibilities. Management is responsible for the preparation, presentation and integrity of the financial statements of the Corporation, maintaining appropriate accounting and financial reporting principles and policies and implementing appropriate internal controls and procedures. The external auditors are responsible for planning and carrying out a proper audit of the annual financial statements of the Corporation and reviewing the financial statements of the Corporation prior to their filing with securities regulatory authorities and other procedures.

**Composition of the Committee**

1. The Committee shall consist of at least three directors. The Board shall appoint one member of the Committee to be the Chair.
2. Each director appointed to the Committee by the Board must be independent. A director is independent if the director has no direct or indirect material relationship with the Corporation. A material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of the director's independent judgment. In determining whether a director is independent of management, the Board shall make reference to National Instrument 52-110 – *Audit Committees* or the then current legislation, rules, policies and instruments of applicable regulatory authorities.
3. Each member of the Committee shall be "financially literate". In order to be financially literate, a director must be, at a minimum, able to read and understand financial statements that present a breadth and complexity of accounting issues generally comparable to the breadth and complexity of issues expected to be raised by the Corporation's financial statements.

4. A director appointed by the Board to the Committee shall be a member of the Committee until replaced by the Board or until their resignation.

### **Meetings of the Committee**

1. The Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair of the Committee and whenever a meeting is requested by the Board, a member of the Committee, the auditors, or a senior officer of the Corporation. Meetings of the Committee shall correspond with the review of the quarterly financial statements and management discussion and analysis of the Corporation.
2. Notice of each meeting of the Committee shall be given to each member of the Committee. The auditors shall be given notice of each meeting of the Committee at which financial statements of the Corporation are to be considered and such other meetings as determined by the Chair and shall be entitled to attend each such meeting of the Committee.
3. Notice of a meeting of the Committee shall:
  - (a) be given orally, or in writing, including by e-mail;
  - (b) state the nature of the business to be transacted at the meeting in reasonable detail;
  - (c) to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and
  - (d) be given at least two days prior to the time stipulated for the meeting.
4. A member may in any manner waive notice of the meeting. Attendance of a member at a meeting shall constitute waiver of notice of the meeting.
5. A quorum for the transaction of business at a meeting of the Committee shall consist of a majority of the members of the Committee.
6. At all meetings of the Committee, every question shall be decided by a majority of the votes cast. In case of an equality of votes, the Chair of the meeting shall not be entitled to a second or casting vote.
7. 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.
8. In the absence of the Chair of the Committee, the members of the Committee shall choose one of the members present to be Chair of the meeting. In addition, the members of the Committee shall choose one of the persons present to be the Secretary of the meeting.
9. The Chair of the Board, senior management of the Corporation and other parties may attend meetings of the Committee; however, the Committee (i) shall meet *in camera* with the external auditors independent of management as necessary, in the sole discretion of the Committee, but in any event, not less than quarterly; and (ii) may meet separately with management.
10. Minutes shall be taken of all meetings of the Committee and shall be made available to the Board. The Committee shall forthwith report the results of meetings and reviews undertaken and any associated recommendations to the Board.

## **Duties and Responsibilities of the Committee**

1. It is the responsibility of the Committee to oversee the work of the external auditors, including resolution of disagreements between management and the external auditors regarding financial reporting. The external auditors shall report directly to the Committee.
2. The Committee shall, in the exercise of its powers, authorities and discretion so authorized, conform to any regulations or restrictions that may from time to time be made or imposed upon it by the Board or the legislation, policies or regulations governing the Corporation and its business.
3. It is the responsibility of the Committee to satisfy itself on behalf of the Board that the Corporation's system of internal controls over financial reporting and disclosure controls and procedures are satisfactory for the purpose of:
  - (a) identifying, monitoring and mitigating the principal risks intended to be addressed by such controls and procedures;
  - (b) complying with the legal and regulatory requirements related to such controls and procedures; and
  - (c) reviewing with the external auditors their assessment of the internal controls over financial reporting and the disclosure controls of the Corporation, their written reports containing recommendations for improvement, and management's response and any follow-up to any identified weaknesses.
4. It is the responsibility of the Committee to review the annual financial statements of the Corporation and, if deemed appropriate, recommend the financial statements to the Board for approval. This process should include but not be limited to:
  - (a) reviewing and accepting/approving, if appropriate, the annual audit plan of the external auditors of the Corporation, including the scope of audit activities, and monitor such plan's progress and results during the year;
  - (b) reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial statements;
  - (c) reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
  - (d) reviewing the methods used to account for significant unusual or non-recurring transactions;
  - (e) reviewing compliance with covenants under loan agreements;
  - (f) reviewing disclosure requirements for commitments and contingencies;
  - (g) reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
  - (h) reviewing unresolved differences between management and the external auditors;
  - (i) obtaining explanations of significant variances with comparative reporting periods;
  - (j) reviewing of business systems changes and implications;
  - (k) reviewing of authority and approval limits;
  - (l) reviewing the adequacy and effectiveness of the accounting and internal control policies of the Corporation and procedures through inquiry and discussions with the external auditors and management;
  - (m) confirming through private discussion with the external auditors and the management that no management restrictions are being placed on the scope of the external auditors' work;

- (n) reviewing of tax policy issues; and
  - (o) reviewing of emerging accounting issues that could have an impact on the Corporation.
5. It is the responsibility of the Committee to review the interim financial statements of the Corporation and, if deemed appropriate, to recommend the interim financial statements to the Board for approval and to review all prospectuses, management's discussion and analysis, annual information forms, and all other public disclosure containing significant audited or unaudited financial information before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of all other financial information and shall periodically assess the accuracy of those procedures.
6. 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 and senior staff of the Corporation, its subsidiaries and affiliates, any affected party and the external auditors, such accounts, records and other matters as any member of the Committee considers necessary and appropriate;
  - (c) engage independent counsel and other advisors as it determines necessary to carry out its duties; and
  - (d) set and pay the compensation for any advisors employed by the Committee.
7. With respect to the appointment of external auditors by the Board, the Committee shall:
- (a) recommend to the Board the appointment of the external auditors;
  - (b) review the performance of the external auditors and make recommendations to the Board regarding the replacement or termination of the external auditors when circumstances warrant;
  - (c) oversee the independence of the external auditors by, among other things, if determined necessary, requiring the external auditors to deliver to the Committee, on a periodic basis, a formal written statement delineating all relationships between the external auditors and the Corporation and its subsidiaries;
  - (d) recommend to the Board the terms of engagement of the external auditors, including the compensation of the auditors and that the external auditors shall report directly to the Committee; and
  - (e) when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change.
8. The Committee shall review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of the Corporation and its subsidiaries.
9. The Committee must pre-approve all non-audit services to be provided to the Corporation or its subsidiaries by external auditors. The Committee may delegate to one or more members, the authority to pre-approve non-audit services, provided that the member reports to the Committee at the next scheduled meeting of such pre-approval and that the member complies with such other procedures as may be established by the Committee from time to time.
10. The Committee shall review the Corporation's risk management policies and procedures such as hedging, litigation and insurance, including an annual review of insurance coverage, and report to the Board with respect to its risk assessment process and appropriateness of risk management

policies and procedures in managing risk. While the Committee reviews such policies and procedures, the oversight of enterprise risks is retained by the Board.

11. The Committee shall establish and maintain procedures for and, if desired, also engage an independent service provider to assist with:
  - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting controls or auditing matters; and
  - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters, including the resolution of such complaints or concerns by management or, if warranted, by the Board.
12. The Committee shall review and approve the Corporation's hiring policies regarding employees and former employees of the present and former external auditors of the Corporation.
13. The Committee shall periodically report the results of reviews undertaken and any associated recommendations to the Board.
14. The Committee shall oversee the Corporation's cybersecurity policies and procedures and regularly receive reports from management on its activities to protect the Corporation from cybersecurity risks.
15. The Committee shall review all related party transactions (as defined by applicable regulations) and ensure the nature and extent of such transactions are properly disclosed.
16. The Committee shall review the status of taxation matters of the Corporation and its major subsidiaries.
17. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling their responsibilities at the expense of the Corporation without any further approval of the Board.
18. The Committee shall conduct or undertake such other duties as may be required from time to time by any applicable regulatory authorities.
19. The Committee shall review and assess, on an annual basis, the adequacy of this Mandate.

### **Mandate History**

November 16, 2012	Adopted by the Board of Directors
May 14, 2014	Corporation name changed from Petrobank Energy and Resources Ltd. to Touchstone Exploration Inc.
June 3, 2014	Approved by the Board of Directors
March 21, 2017	Approved by the Committee
March 26, 2018	Approved by the Committee
March 26, 2019	Approved by the Committee and the Board of Directors
March 25, 2020	Approved by the Committee and the Board of Directors
March 25, 2021	Approved by the Committee and the Board of Directors
March 25, 2022	Revised - Approved by the Committee and the Board of Directors
March 23, 2023	Approved by the Committee and the Board of Directors