



## AUDIT COMMITTEE CHARTER

As of May 9, 2016

### PART I ESTABLISHMENT OF COMMITTEE

#### 1. Committee

The Audit Committee (the "**Committee**") is established by the Board of Directors (the "**Board of Directors** ") of Trinidad Drilling Ltd. ("**Trinidad**") primarily for the purpose of overseeing the accounting and financial reporting processes and the reviews and audits of the financial statements of Trinidad.

The Audit Committee shall assist the Board of Directors in fulfilling its oversight responsibilities by monitoring, among other things:

- (a) the quality and integrity of the financial statements and related disclosure of Trinidad;
- (b) compliance by Trinidad with legal and regulatory requirements that could have a material effect upon the financial position of Trinidad which are not subject to the oversight of another committee of the Board of Directors;
- (c) the independent auditor's qualifications and independence; and
- (d) performance of Trinidad's internal audit function and independent auditor.

#### 2. Composition of Committee

The Committee shall consist of as many members as the Board of Directors shall determine, but in any event not fewer than three directors, provided that each member of the Committee shall be determined by the Board of Directors to be:

- (a) an independent director for the purposes of and pursuant to Trinidad's corporate governance guidelines;
- (b) an "unrelated" and "independent" director as defined in and for the purposes of any applicable governance guidelines or listing standards of any stock or securities exchange upon which the securities of Trinidad are from time to time listed; and

- (c) an "independent" director for the purposes of any applicable corporate, securities or other legislation or any rule, regulation, instrument, policy, guideline or interpretation under such legislation.

At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and 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 Trinidad's financial statements.

### **3. Appointment of Committee Members**

The members of the Committee shall be appointed by the Board of Directors on the recommendation of the Corporate Governance & Nominating Committee. The members of the Committee shall initially be appointed at the time of an annual meeting of shareholders and shall hold office until they resign, are removed by the Board of Directors or, until their successors are earlier appointed, or until they cease to be directors of Trinidad.

## **PART II COMMITTEE PROCEDURE**

### **4. Vacancies**

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board of Directors on the recommendation of the Corporate Governance & Nominating Committee and shall be filled by the Board of Directors if the membership of the Committee is fewer than three directors. The Board of Directors may remove and replace any member of the Committee.

### **5. Committee Chair**

The Board of Directors shall appoint, from among its members, a Chair (the "**Chair**") for the Committee. The Chair may be removed and replaced by the Board of Directors.

If a Chair is not appointed by the Board, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

### **6. Absence of Chair**

If the Chair is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside at the meeting.

### **7. Secretary of Committee**

The Committee shall appoint a Secretary who need not be a director of Trinidad.

### **8. Regular Meetings**

The Chair, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet as many times

per year as necessary to carry out its responsibilities and at least quarterly. The Committee at any time may, and at each regulatory scheduled Committee meeting shall, meet without management present and shall meet periodically with management and the independent auditor. The Committee shall also meet separately with the independent auditor at every meeting of the Committee at which the independent auditor is present.

#### **9. Special Meetings**

The Chair, the Chair of the Board of Directors, any two members of the Committee, the independent auditor, the Chief Executive Officer or the Chief Financial Officer of Trinidad may call a special meeting of the Committee by notifying the Chair who will notify the members of the Committee.

#### **10. Quorum**

Two members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other, shall constitute a quorum.

#### **11. Notice of Meetings**

Notice of the time and place of every meeting shall be given in writing or by e-mail or facsimile communication to each member of the Committee at least 48 hours prior to the time fixed for such meeting; provided, however, that a member may in any manner waive notice of a meeting and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

#### **12. Agenda**

The Chair shall develop and set the Committee's agenda, in consultation with other members of the Committee, the Board of Directors and management of Trinidad. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practical, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.

#### **13. Procedure, Records and Reporting**

The Committee shall fix its own procedure at meetings and shall maintain minutes or other records of its meetings and activities in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. However, the Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board.

#### **14. Delegation**

The Committee shall have the power to delegate its authority and duties to subcommittees or individual members of the Committee as it deems appropriate.

**15. Attendance of Non-Members at a Meeting**

At the invitation of the Chair, one or more officers or employees of Trinidad may, and if required by the Committee shall, attend a meeting of the Committee. Further, the Committee may invite to the meeting and advisors, legal counsel and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities.

**16. Outside Consultants or Advisors**

The Committee, when it considers it necessary or advisable, may retain, at Trinidad's expense, outside consultants or advisors to assist or advise the Committee independently on any matter within its mandate. The Committee shall have the sole authority to retain or terminate such consultants or advisors, including the sole authority to approve the fees and other retention terms for such persons.

**17. Access**

In discharging its oversight role, the Committee shall have full access to all books, records, facilities and personnel of Trinidad.

**PART III  
MANDATE OF COMMITTEE**

**18. Appointment of Trinidad's Independent Auditor**

Subject to confirmation by the independent auditor of its compliance with Canadian regulatory registration requirements, the Committee shall recommend to the Board of Directors the appointment of the independent auditor for purpose of preparing or issuing any audit report or performing other audit, review or attest services for Trinidad, such appointment to be confirmed by Trinidad's shareholders at each annual meeting. The Committee shall also recommend to the Board of Directors the approval of fees to be paid to the independent auditor for audit services and shall pre-approve the retention of the independent auditor for any permitted non-audit service. The Committee shall also be directly responsible for the retention and oversight of the work of the independent auditor (including resolution of disagreements between management of Trinidad and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for Trinidad. The independent auditor shall report directly to the Committee.

The Committee shall review the independence of the external auditor including a written report from the external auditor respecting its independence and consideration of applicable auditor independence standards.

**19. Specific Mandates**

The Committee, to the extent required by applicable laws or rules, or otherwise considered by the Committee to be necessary or appropriate, shall:

- (a) Oversight in Respect of Financial Disclosure

- (i) review, discuss with management of Trinidad and the independent auditor and recommend to the Board of Directors for approval:
  - A. the audited annual financial statements;
  - B. the annual information form;
  - C. the annual management's discussion and analysis;
  - D. the portions of the management proxy circular, for any annual or special meeting of shareholders, containing significant financial information respecting Trinidad;
  - E. all financial statements included in prospectuses or other offering documents;
  - F. all prospectuses and all documents which may be incorporated by reference in a prospectus, other than any pricing supplement issued pursuant to a shelf prospectus;
  - G. any significant financial information respecting Trinidad contained in a material change report;
- (ii) review, discuss with management of Trinidad and the independent auditor, and approve:
  - A. the unaudited interim financial statements;
  - B. the quarterly management's discussion and analysis;
  - C. the interim reports;
- (iii) review and, if necessary, discuss with management of Trinidad and the independent auditor:
  - A. each press release which contains significant financial information respecting Trinidad or contains estimates or information regarding Trinidad's future financial or operational performance or prospects;
  - B. the use of "pro forma" or "adjusted" non-GAAP information;
  - C. financial outlooks and future-oriented financial information;
  - D. financial information and earnings guidance provided to analysts and rating agencies; provided, however, that such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made). The Committee need not discuss in advance each instance in which Trinidad may provide earnings guidance or presentations to rating agencies;

- (iv) review with management of Trinidad and the independent auditor major issues regarding accounting and auditing principles and practices as well as the quality and adequacy of internal controls and procedures for financial reporting that could significantly affect Trinidad's financial statements;
  - (v) review with management of Trinidad and the independent auditor, and satisfy itself as to the adequacy of the procedures that are in place for the review of Trinidad's disclosure of financial information extracted or derived from Trinidad's financial statements, and periodically assess the adequacy of those procedures;
  - (vi) review with management of Trinidad and the independent auditor (including those of the following that are contained in any report of the independent auditor): (a) all critical accounting policies and practices to be used by Trinidad in preparing its financial statements; (b) all alternative treatments of financial information within International Financial Reporting Standards (IFRS) that have been discussed with management, ramifications of the use of these alternative disclosures and treatments, and the treatment preferred by the independent auditor; and (c) other material communications between the independent auditor and management of Trinidad, such as any management letter or schedule of unadjusted differences;
  - (vii) review with management of Trinidad and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet transactions on Trinidad's financial statements;
  - (viii) review the plans of management of Trinidad and the independent auditor regarding any significant changes in accounting practices or policies and the financial and accounting impact thereof;
  - (ix) review with management of Trinidad, the independent auditor and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of Trinidad, and the manner in which these matters have been disclosed in the financial statements; and
  - (x) discuss with management Trinidad's material financial risk exposures and the steps management of Trinidad has taken to monitor and control such exposures, including Trinidad's financial risk assessment and financial risk management policies.
- (b) Oversight in Respect of Legal and Regulatory Matters
- (i) review, if necessary, with legal counsel, Trinidad's compliance policies, legal matters and any material reports or inquiries received from regulators or governmental agencies that could have a material effect upon the financial position of Trinidad and which are not subject to the oversight of another committee of the Board of Directors.

- (c) Oversight in Respect of the Independent Auditor
- (i) meet with the independent auditor prior to the annual audit to review the planning and staffing of the audit;
  - (ii) oversee 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;
  - (iii) review and, if advisable, select and recommend for shareholder approval the appointment of, the auditors. The Committee shall have ultimate authority to approve all audit engagement terms and fees, including the auditors' audit plan;
  - (iv) resolve any disagreements between management and the auditors as to financial reporting matters brought to its attention;
  - (v) at least annually, discuss with the auditors such matters as are required by applicable auditing standards to be discussed by the auditors with the Committee;
  - (vi) 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;
  - (vii) review a report prepared by the auditors in respect of each of the interim financial statements of Trinidad;
  - (viii) 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 Trinidad; 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;
  - (ix) review annually the independent auditor's formal written statement of independence delineating all relationships between itself and Trinidad and review all such relationships;
  - (x) receive and review annually the independent auditor's written report on its own internal quality control procedures; any material issues raised by the most recent internal quality control review, or peer review, of the independent auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, and any steps taken to deal with such issues;

- (xi) review the experience, qualifications and performance of the senior members of the audit team of the independent auditor;
  - (xii) review and evaluate the independent auditor, including the qualifications and performance of the lead partner of the independent auditor team and determine whether it is appropriate to rotate lead partners of the independent auditor team;
  - (xiii) review with the independent auditor the adequacy and appropriateness of the accounting policies used in preparation of the financial statements;
  - (xiv) meet separately with the independent auditor to review with them any problems or difficulties they may have encountered and specifically:
    - A. any difficulties which were encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management of Trinidad; and
    - B. any changes required in the planned scope of the audit;and report to the Board of Directors on such meetings;
  - (xv) review the annual post-audit or management letter from the independent auditor and management's response and follow-up in respect of any identified weakness, inquire regularly of management of Trinidad and the independent auditor of any significant issues between them and how they have been resolved, and intervene in the resolution if required; and
  - (xvi) review the engagement reports of the independent auditor on unaudited financial statements of Trinidad.
- (d) Oversight in Respect of Audit and Non-Audit Services
- (i) have the sole authority to pre-approve all audit services (which may entail providing comfort letters in connection with securities underwritings) and all permitted non-audit services, other than non-audit services where the aggregate amount of all such non-audit services provided to Trinidad constitutes not more than 10% of the total amount of revenues paid by Trinidad to the independent auditor during the fiscal year in which the non-audit services are provided.
  - (ii) The Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this section. The decisions of any member to whom authority is delegated to pre-approve an activity shall be presented to the Committee at each of its scheduled meetings. If the Committee approves an audit service within the scope of the engagement of the independent auditor, such audit service shall be deemed to have been pre-approved for purposes of this section.

(e) Oversight in Respect of Internal Controls

- (i) periodically review Trinidad's system of internal controls; and
- (ii) require management to implement and maintain appropriate systems of internal controls in accordance with applicable requirements, including internal controls over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Committee shall consider and review with management, the internal auditors and the independent auditors:
  - A. the effectiveness of, or weaknesses or deficiencies in: the design or operation of Trinidad's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and 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;
  - B. any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in Trinidad's periodic regulatory filings;
  - C. any material issues raised by any inquiry or investigation by Trinidad's regulators;
  - D. Trinidad's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose Trinidad 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; and
  - E. 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 disclosure controls.

(f) Oversight in Respect of Certain Policies

- (i) establish procedures for: (a) the receipt, retention and treatment of complaints received by Trinidad regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submissions by employees of Trinidad of concerns regarding questionable accounting or auditing matters; and
- (ii) periodically review Trinidad's public disclosure policy.

(g) Oversight of Committee

- (i) review annually the continuing education efforts undertaken by members of the Committee during the preceding year with respect to Committee matters.

**20. Non-Exhaustive List**

The foregoing list of duties is not exhaustive, and the Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its oversight responsibilities.

**21. Review of Committee's Charter**

The Committee shall periodically assess the adequacy of this Charter and recommend any changes to the Board of Directors.

**22. Oversight Function**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that Trinidad's financial statements are complete and accurate or are in accordance with IFRS. These are the responsibilities of management of Trinidad and the independent auditor. The Committee and its Chair are members of the Board of Directors, appointed to the Committee to provide broad oversight of the financial risk and control related activities of Trinidad, and are specifically not accountable nor responsible for the day to day operation or performance of such activities. The role of all Committee members is to oversee the process, not to certify or guarantee the accuracy or completeness of the internal or external audit of Trinidad's financial information or public disclosure.

**23. 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 of Directors assist the Board of Directors in directing the affairs of Trinidad. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of Trinidad's Articles and By-laws, it is not intended to establish any legally binding obligations.