



AUDIT COMMITTEE TERMS OF REFERENCE

I. The Board of Directors' Mandate for the Audit Committee

1. **The Board of Directors** (the "**Board**") has responsibility for the stewardship of Storm Resources Ltd. (the "**Company**"). To discharge that responsibility, the Board is obligated by the *Business Corporations Act* (Alberta) to supervise the management of the business and affairs of the Company. The Board's supervisory function involves Board oversight or monitoring of all significant aspects of the management of the Company's business and affairs.

Public financial reporting and disclosure by the Company are fundamental to the Company's business affairs and to its status as a publicly listed enterprise. The objective of the Board's monitoring of the Company's financial reporting and disclosure is to gain reasonable assurance of the following:

- (a) that the Company complies with all applicable laws, regulations, rules, policies and other requirement of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;
- (b) that the accounting principles, significant judgments and disclosures which underlie or are incorporated in the Company's financial statements are appropriate in the prevailing circumstances;
- (c) that the Company's quarterly and annual financial statements are accurate within a reasonable level of materiality and present fairly the Company's financial position and performance in accordance with generally accepted accounting principles; and
- (d) that appropriate information concerning the financial position and performance of the Company is disseminated to the public in a timely manner in accordance with corporate and securities law and with stock exchange regulations.

The Board is of the view that monitoring of the Company's financial reporting and disclosure policies and procedures cannot be reliably met unless the following activities (the "**Fundamental Activities**") are, in all material respects, conducted effectively:

- (i) the Company's accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of the Company's financial transactions;
- (ii) the internal financial controls are regularly assessed for effectiveness and efficiency;
- (iii) the Company's quarterly and annual financial statements are properly prepared by management of the Company ("**Management**") to comply with International Financial Reporting Standards ("**IFRS**"); and
- (iv) the Company's quarterly and annual financial statements are reported on by an external auditor appointed by the shareholders of the Company.

To assist the Board in its monitoring of the Company's financial reporting and disclosure and to conform to applicable corporate and securities law, the Board has established the Audit Committee (the "**Committee**") of the Board.

2. **Composition of Committee**

- (a) The Committee shall be appointed annually by the Board and consist of at least three members from among the directors of the Company, each of whom shall be an independent director (as determined under applicable laws). Officers of the Company, who are also directors, may not serve as members of the Audit Committee;
- (b) The Board shall designate the Chairman of the Committee; and
- (c) In the event of a vacancy arising in the Committee or a loss of independence of any member, the Committee will fill the vacancy within six months or by the following annual shareholders' meeting if sooner.

3. **Reliance on Experts**

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be entitled to rely in good faith upon:

- (a) financial statements of the Company represented to him by an officer of the Company or in a written report of the external auditor to present fairly the financial position of the Company in accordance with IFRS; and
- (b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

4. **Limitations on Committee's Duties**

In contributing to the Committee's discharging of its duties under Terms of Reference, each member of the Company shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in these Terms of Reference is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the Committee's duties is monitoring and reviewing to endeavour to gain reasonable assurance (but not to ensure) that the Fundamental Activities are being conducted effectively and that the objectives of the Company's financial reporting are being met and to enable the Committee to report thereon to the Board.

II. **Audit Committee Terms of Reference**

The Audit Committee's Terms of Reference outlines how the Committee will satisfy the requirements set forth by the Board in its mandate. Terms of Reference reflect the following:

- Operating Principles;
- Operating Procedures; and
- Specific Responsibilities and Duties.

A *Operating Principles*

The Committee shall fulfill its responsibilities within the context of the following principles:

1) **Committee Values**

The Committee expects the Management of the Company to operate in compliance with corporate policies; reflecting laws and regulations governing the Company; and to maintain strong financial reporting and control processes.

2) **Communications**

The Committee and members of the Committee expect to have direct, open and frank communications throughout the year with Management, other Committee Chairmen, the external auditor, and other key Committee advisors or Company staff members as applicable.

3) **Financial Literacy**

All Committee Members should be sufficiently versed in financial matters to read and understand the Company's financial statements and also to understand the Company's accounting practices and policies and the major judgements involved in preparing the financial statements.

4) **Annual Audit Committee Work Plan**

The Committee, in consultation with Management and the external auditor, shall develop an annual Committee work plan responsive to the Committee's responsibilities as set out in these Terms of Reference. In addition, the Committee, in consultation with Management and the external auditor, shall participate in a process for review of important financial topics that have the potential to affect the Company's financial disclosure.

The work plan will be focused primarily on the annual and interim financial statements of the Company; however, the Committee may at its sole discretion, or the discretion of the Board, review such other matters as may be necessary to satisfy the Committee's Terms of Reference.

5) **Committee Expectations and Information Needs**

The Committee shall communicate its expectations to Management and the external auditor with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from Management and the external auditor at a reasonable time in advance of meeting dates.

6) **External Resources**

To assist the Committee in discharging its responsibilities, the Committee may at its discretion, in addition to the external auditor, at the expense of the Company, retain one or more persons having special expertise, including independent counsel.

7) **In Camera Meetings**

At the discretion of the Committee, the members of the Committee shall meet in private session with the external auditor, with Management, and with the Committee members only.

8) **Reporting to the Board**

The Committee, through its Chairman, shall report after each Committee meeting to the Board at the Board's next regular meeting.

9) **The External Auditor**

The Committee expects that, in discharging their responsibilities to the shareholders, the external auditor shall report directly to and be accountable to the Board through the Committee. The external auditor shall report all material issues or potentially material issues, either specific to the Company or to the financial reporting environment in general, to the Committee.

B *Operating Procedures*

- 1) The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Meetings shall be held at the call of the Chairman, upon the request of two (2) members of the Committee or at the request of the external auditor.
- 2) A quorum shall be a majority of the members.
- 3) Unless the Committee otherwise specifies, the Secretary (or his or her deputy) of the Company shall act as Secretary of all meetings of the Committee.
- 4) In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.
- 5) A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Company in a timely fashion.

C *Specific Responsibilities and Duties*

To fulfill its responsibilities and duties, the Committee shall:

Financial Reporting

- 1) Review, prior to public release, the Company's annual and quarterly financial statements with Management and the external auditor with a view to gaining reasonable assurance that the statements *(i)* are accurate within reasonable levels of materiality, *(ii)* complete, *(iii)* represent fairly the Company's financial position and performance in accordance with IFRS. The Committee shall report thereon to the Board before such financial statements are approved by the Board;
- 2) Receive from the external auditor reports or their review of the annual and quarterly financial statements;
- 3) Receive from Management a copy of the representation letter provided to the external auditor and receive from Management any additional representations required by the Committee;
- 4) Review, prior to public release, and, if appropriate, recommend approval to the Board, of news releases and reports to shareholders issued by the Company with respect to the Company's annual and quarterly financial statements;
- 5) Review and, if appropriate, recommend approval to the Board of prospectuses, material change disclosures of a financial nature, management discussion and analysis, annual information forms and similar disclosure documents to be issued by the Company; and
- 6) Review and validate procedures for the receipt, retention and resolution of complaints received by the Company from any party regarding accounting, auditing or internal controls. For greater certainty, the Committee's responsibilities in this area will not include complaints about minor operational issues. (Examples of minor operational issues include late payment of invoices, minor disputes over accounts owing or receivable, revenue and expense allocations and other similar items characteristic of the normal daily operations of the accounting department of an oil and gas company.)

Accounting Policies

- 1) Review with Management and the external auditor the appropriateness of the Company's accounting policies, disclosures, reserves, key estimates and judgements, including changes or variations thereto;

- 2) Obtain reasonable assurance that they are in compliance with IFRS from Management and external auditor and report thereon to the Board;
- 3) Review with Management and the external auditor the apparent degree of conservatism of the Company's underlying accounting policies, key estimates and judgements and provisions along with quality of financial reporting; and
- 4) Participate, if requested, in the resolution of disagreements, between Management and the external auditor.

Risk and Uncertainty

- 1) Acknowledging that it is the responsibility of the Board, in consultation with Management, to identify the principal business risks facing the Company, determine the Company's tolerance for risk and approve risk management policies, the Committee shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:
 - (a) reviewing with Management the Company's tolerance for financial risks;
 - (b) reviewing with Management its assessment of the significant financial risks facing the Company;
 - (c) reviewing with Management the Company's policies and any proposed changes thereto for managing those significant financial risks; and
 - (d) reviewing with Management its plans, processes and programs to manage and control such risks.
- 2) Review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;
- 3) Where relevant, review foreign currency, interest rate and commodity price risk mitigation strategies, including the use of derivative financial instruments;
- 4) Review the adequacy of insurance coverage maintained by the Company; and
- 5) Review regularly with Management, the external auditor and the Company's legal counsel, any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Company and the manner in which these matters have been disclosed in the financial statements.

Financial Controls and Control Deviations

- 1) Review the plans of the external auditor to gain reasonable assurance that the evaluation and testing of applicable internal financial controls is comprehensive, coordinated and cost-effective;
- 2) Receive regular reports from Management and the external auditor on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto;
- 3) Institute a procedure that will permit any employee, including management employees, to bring to the attention of the Board, under conditions of confidentiality, concerns relating to financial controls and reporting which are material in scope and which cannot be addressed, in the employee's judgment, through existing reporting structures in the Company; and

- 4) Review, and periodically assess the adequacy of controls over financial information disclosed to the public, which is extracted or derived from the Company's financial statements.

Compliance with Laws and Regulations

- 1) Review regular reports from Management and others (e.g. external auditor) with respect to the Company's compliance with laws and regulations having a material effect on the financial statements including:
 - (a) tax and financial reporting laws and regulations;
 - (b) legal withholding requirements; and
 - (c) other laws and regulations which expose directors to liability.
- 2) Review the filing status of the Company's tax returns and those of its subsidiaries.

Relationship with External Auditor

- 1) Recommend to the Board the nomination of the external auditor;
- 2) Approve the remuneration and the terms of engagement of the external auditor as set forth in the Engagement Letter;
- 3) Review the performance of the external auditor annually or more frequently as required;
- 4) Receive annually from the external auditor an acknowledgement in writing that the shareholders, as represented by the Board and the Committee, are their primary client;
- 5) Receive a report annually from the external auditor with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by the Company;
- 6) Review with the external auditor the scope of the audit, the areas of special emphasis to be addressed in the audit, and the materiality levels which the external auditor proposes to employ;
- 7) Meet with the external auditor in the absence of Management to determine, *inter alia*, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditor or the reporting of their findings to the Committee;
- 8) Establish effective communication processes with Management and the Company's external auditor to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditor, Management and the Committee; and
- 9) Establish a reporting relationship between the external auditor and the Committee such that the external auditor can bring directly to the Committee matters that, in the judgment of the external auditor, merits the Committee's attention. In particular, the external auditor will advise the Committee as to disagreements between Management and the external auditor regarding financial reporting and how such disagreements were resolved.

Other Responsibilities

- 1) Approve annually the reasonableness of the expenses of the Chairman of the Board and the Chief Executive Officer;

- 2) After consultation with the Chief Financial Officer and the external auditor, consider at least annually, the quality and sufficiency of the Company's accounting and financial personnel and other resources;
- 3) Approve in advance non-audit services, including tax advisory and tax compliance services, provided by the external auditor. However, the Committee can establish a threshold amount for fees for non-audit services to be provided by the external auditor without advance approval of the Committee. The nature of such services and the associated cost will be provided to the Committee at the next following meeting;
- 4) Investigate any matters that, in the Committee's discretion, fall within the Committee's duties;
- 5) Perform such other functions as may from time to time be assigned to the Committee by the Board;
- 6) Review and update the Terms of Reference on a regular basis for approval by the Board; and
- 7) The Committee will review disclosures regarding the organization and duties of the Audit Committee to be included in any public document, including quarterly and annual reports to shareholders, information circulars and annual information forms.

March 29, 2018