

CHINOOK ENERGY INC.

AUDIT COMMITTEE

MANDATE AND TERMS OF REFERENCE

Role and Objective

The Audit Committee (the "**Committee**") is a committee of the board of directors (the "**Board**") of Chinook Energy Inc. ("**Chinook**" or the "**Corporation**") to which the Board has delegated its responsibility for the oversight of the following:

1. nature and scope of the annual audit;
2. the oversight of management's reporting on internal accounting standards and practices;
3. the review of financial information, accounting systems and procedures; and
4. financial reporting and financial statements,

and has charged the Committee with the responsibility of recommending, for approval of the Board, the audited financial statements, interim financial statements and other mandatory disclosure releases containing financial information.

The primary objectives of the Committee are as follows:

1. to assist directors of Chinook in meeting their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of the Corporation and related matters;
2. to facilitate communication between directors and the external auditors;
3. to consider the external auditor's independence and performance;
4. to consider the credibility and objectivity of financial reports; and
5. to preserve the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and the external auditors.

Membership of Committee

1. The Committee will be comprised of at least three (3) directors or such greater number as the Board may determine from time to time and all members of the Committee shall be "independent" (as such term is used in National Instrument 52-110 – Audit Committees ("**NI 52-110**") unless the Board determines that the exemption contained in NI 52-110 is available and determines to rely thereon.
2. The Board may from time to time designate one of the members of the Committee to be the Chair of the Committee.

3. All of the members of the Committee must be "financially literate" (as defined in NI 52-110) unless the Board determines that an exemption under NI 52-110 from such requirement in respect of any particular member is available and determines to rely thereon in accordance with the provisions of NI 52-110.

Mandate and Responsibilities of Committee

It is the responsibility of the Committee to:

1. Oversee the work of the external auditors, including the resolution of any disagreements between management and the external auditors regarding financial reporting.
2. Satisfy itself on behalf of the Board with respect to Chinook's internal control systems.
3. Review the annual and interim financial statements of the Corporation and related management's discussion and analysis ("**MD&A**") prior to their submission to the Board for approval. The process should include but not be limited to:
 - reviewing changes in accounting principles and policies, or in their application, which may have a material impact on the current or future years' financial statements;
 - reviewing significant accruals, provisions or other estimates such as the impairment calculation;
 - reviewing accounting treatment of unusual or non-recurring transactions;
 - ascertaining compliance with covenants under loan agreements;
 - reviewing disclosure requirements for commitments and contingencies;
 - reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
 - reviewing unresolved differences between management and the external auditors;
 - monitoring the effectiveness of the financial reporting environment; and
 - obtaining explanations of significant variances with comparative reporting periods.
4. Review the financial statements, prospectuses and other offering documents, MD&A, annual information forms ("**AIF**") and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of Chinook's disclosure of all other financial information and will periodically assess the accuracy of those procedures.
5. Review and approve the disclosure of audit committee information required to be included in the AIF of the Corporation prior to its filing with regulatory authorities.

6. With respect to the appointment of the external auditors by the Board:
- recommend to the Board the external auditors to be nominated;
 - recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditors and a confirmation that the external auditors will report directly to the Committee;
 - on an annual basis, assess the reasonableness of the audit fee;
 - on an annual basis, conduct an assessment of the external auditor's performance;
 - on an annual basis, review and discuss with the external auditors all significant relationships such auditors have with the Corporation to determine the auditors' independence;
 - 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; and
 - review and pre-approve any non-audit services to be provided to Chinook or its subsidiaries by the external auditors and consider the impact on the independence of such auditors. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member(s) report to the Committee at the next scheduled meeting such pre-approval and the member(s) comply with such other procedures as may be established by the Committee from time to time.
7. Review with the external auditors (and internal auditor if one is appointed by Chinook) their assessment of the internal controls of Chinook, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses. The Committee will also review annually with the external auditors their plan for their audit and consider the impact of business risks of the Corporation on the audit plan. The Committee will monitor the execution of the audit plan, with emphasis on the more complex and risky areas of the audit. Upon completion of the audit, the Committee will review annually with the external auditors their report upon the consolidated financial statements of Chinook and its subsidiaries and the Committee will evaluate the audit findings contained in the audit report.
8. Review with the external auditors on an annual basis the Canadian Public Accountability Board's ("CPAB") public inspection results report and, in a year when the Corporation's file is inspected by CPAB, the Committee will also review with the external auditors the inspection findings contained in such report.
9. Review risk management policies and procedures of Chinook (i.e. hedging, litigation and insurance) and consider the impact of business risks on the audit plan.
10. Establish a procedure for:
- the receipt, retention and treatment of complaints received by Chinook regarding accounting, internal accounting controls or auditing matters; and

- the confidential, anonymous submission by employees of Chinook of concerns regarding questionable accounting or auditing matters.
11. Review and approve Chinook's hiring policies regarding partners and employees and former partners and employees of the present and former external auditors of the Corporation.
 12. Satisfy itself on behalf of the Board with respect to the expense account of the Chief Executive Officer of Chinook, which expense account shall be reviewed at least annually by the Chairman of the Committee.
 13. Complete a comprehensive review of the external audit firm on a periodic basis, once every five years at minimum, which comprehensive review will generally include an evaluation of the following:
 - trends in the audit firm's performance, industry expertise and professional skepticism;
 - the quality control environment of the audit firm, including safeguards against independent threats;
 - the quality of thought, leadership and transparency of communications on any controversial matters;
 - the results of annual assessments, how the firm has responded to those assessments and how the firm handled any partner rotations during the period; and
 - the quality of the engagement team.

The Committee has authority to communicate directly with the internal auditors (if any) and the external auditors of the Corporation. The external auditors shall be required to report directly to the Committee. The Committee will also have the authority to investigate any financial activity of Chinook. All employees of Chinook are to cooperate as requested by the Committee.

The Committee may also retain persons having special expertise and/or obtain independent professional advice to assist in filling their responsibilities at such compensation as established by the Committee and at the expense of Chinook without any further approval of the Board.

Meetings and Administrative Matters

1. At all meetings of the Committee every resolution shall be decided by a majority of the votes cast. In case of an equality of votes, the Chairman of the meeting will be entitled to a second or casting vote.
2. The Chair will preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee that are present will designate from among such members the Chair for purposes of the meeting.
3. A quorum for meetings of the Committee will be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee will be the same as those governing the Board unless otherwise determined by the Committee or the Board.

4. Meetings of the Committee should be scheduled to take place at least four times per year. Minutes of all meetings of the Committee will be taken. The Chief Financial Officer of Chinook will attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chairman.
5. The Committee will meet with the external auditor at least once per year (in connection with the preparation of the year-end financial statements) and at such other times as the external auditor and the Committee consider appropriate.
6. Agendas will be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
7. The Committee may invite such officers, directors and employees of the Corporation and its subsidiaries as it sees fit from time to time to attend at meetings of the Committee and assist in the discussion and consideration of the matters being considered by the Committee.
8. Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.
9. The Committee may retain persons having special expertise and may obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Corporation.
10. Any members of the Committee may be removed or replaced at any time by the Board and will cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy exists on the Committee, the remaining members may exercise all its powers so long as two members remain on the Committee. Subject to the foregoing, following appointment as a member of the Committee each member will hold such office until the Committee is reconstituted.
11. Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chairman of the Board by the Committee Chair.