

STRAD	DIRECTORS' MANUAL		
	AUDIT COMMITTEE CHARTER		Revision No. 1
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The Board of Directors (the “Board” or “Directors”) of Strad Energy Services Ltd. (the “Corporation”) has established an Audit Committee (the “Committee”) that shall have the mandate and responsibilities set out in this Charter.

MANDATE

The mandate of the Committee is to assist the Board in fulfilling its responsibilities with respect to all matters relating to:

- (a) the integrity of the Corporation’s financial statements;
- (b) the internal control systems of the Corporation;
- (c) the external audit process;
- (d) the internal audit and assurance process;
- (e) business and financial risk management;
- (f) investment opportunities and the raising of funds by the Corporation;
- (g) the Corporation’s compliance with legal and regulatory requirements; and
- (h) any additional duties set out in the Charter or otherwise delegated to the Committee by the Board.

MEMBERSHIP

The Committee shall be constituted as follows:

- (a) The Committee shall be composed of not less than three independent directors, as defined in National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”).
- (b) All members of the Committee shall be financially literate, as defined in NI 52-110.
- (c) Members shall be appointed annually from among the members of the Board. A member of the Committee shall cease to be a member of the Committee upon ceasing to be a director of the Corporation.
- (d) The Chief Executive Officer (“**CEO**”) of the Corporation and, to the extent the Chair of the Board is not otherwise a member of the Committee, the Chair, and all other directors who are not members of the Committee may attend all meetings of the Committee in an ex-officio capacity and will not vote. The CEO will not attend in-camera sessions.

SPECIFIC DUTIES AND RESPONSIBILITIES

Subject to the powers of the Board and in addition to any other duties assigned to the Committee by the Board, the Committee shall have authority and responsibility for the following matters.

Financial Reporting and Disclosure

1. Audited Annual Financial Statements - Review the audited annual financial statements, all related Management Discussion and Analysis (“**MD&A**”), and earnings press release for submission to the Board for approval.
2. Quarterly Review - Following the review by the external auditor, review the quarterly financial statements, the related MD&A, and earnings press releases for submission to the Board for approval.
3. Significant Accounting Principles and Disclosure Issues - Review with management and the external auditor, significant accounting principles and disclosure issues, including complex or unusual transactions, highly judgmental areas, significant changes to accounting principles and alternative treatments under Canadian GAAP for material transactions. This shall be undertaken with a view to understand their impact on the financial statements, and to gaining reasonable assurance that the statements are accurate, complete, do not contain any misrepresentations, and present fairly the Corporation’s financial position and the results of its operations in accordance with Canadian GAAP.
4. Compliance - Confirm through discussions with management that Canadian GAAP and all applicable laws or regulations related to financial reporting and disclosure have been complied with.
5. Legal Events - Review any actual or anticipated litigation or other events, including tax assessments, which could have a material current or future effect on the Corporation’s financial statements, and the manner in which these have been disclosed in the financial statements.
6. Off-Balance-Sheet Transactions - Discuss with management the effect of any off-balance-sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Corporation’s financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components or revenues and expenses.
7. Other Disclosures - Satisfy itself that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information

Internal Controls Oversight

8. Review and Assessment - Review and assess the adequacy and effectiveness of the Corporation’s system of internal control and management information systems through discussions with management, and the external auditor.

9. Oversight - Oversee system of internal control by:
 - (a) monitoring and reviewing policies and procedures for internal accounting, financial control and management information;
 - (b) consulting with the external auditor regarding the adequacy of the Corporation's internal controls;
 - (c) reviewing with management its philosophy with respect to internal controls and on a regular basis, all significant control-related findings together with management's response; and
 - (d) obtaining from management adequate assurances that all statutory payments and withholdings have been made.
10. Fraud - Oversee investigations of alleged fraud and illegality relating to the Corporation's finances.
11. Complaints - Review with management that appropriate procedures exist for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and for the protection from retaliation of those who report such complaints in good faith.

External Audit

12. Appointment or Replacement - Recommend the appointment or replacement of the external auditor to the Board, who will consider the recommendation prior to submitting the nomination to the shareholders for their approval.
13. Compensation - Review with management, and make recommendations to the Board, regarding the compensation for the external auditor. In making a recommendation with respect to compensation, the Committee shall consider the number and nature of reports issued by the external auditor, the quality of internal controls, the size, complexity and financial condition of the Corporation, and other support provided by the Corporation to the external auditor.
14. Reporting Relationships - The external auditor will report directly to the Committee.
15. Performance - Review with management, on a regular basis, the terms of the external auditor's engagement, accountability, experience, qualifications and performance. Evaluate the performance of the external auditor.
16. Transition - Review management's plans for an orderly transition to a new external auditor, if required.
17. Audit Plan - Review the audit plan and scope of the external audit with the external auditor and management, and consider whether the nature and scope of the planned audit procedures can be relied upon to detect weaknesses in internal controls, fraud or other illegal acts.
18. Audit Plan Changes - Discuss with the external auditor any significant changes required in the approach or scope of their audit plan, management's handling of any proposed adjustments identified

by the external auditor, and any actions or inactions by management that limited or restricted the scope of their work.

19. Review of Results - Review, in the absence of management, the results of the annual external audit, the audit report thereon and the auditor's review of the related MD&A, and discuss with the external auditor the quality (not just the acceptability) of accounting principles used, any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the auditor's preferred treatment, and any other material communications with management.
20. Disagreements with Management - Resolve any disagreements between management and the external auditor regarding financial reporting.
21. Material Written Communications - Review all other material written communications between the external auditor and management, including the post-audit management letter containing the recommendations of the external auditor, management's response and, subsequently, follow up identified weaknesses.
22. Interim Financial Statements - Engage the external auditor to review all interim financial statements and review, in the absence of management, the results of the auditor's review, if any, of the interim financial statements and the auditor's review of the related MD&A.
23. Other Audit Matters - Review any other matters related to the external audit that are to be communicated to the Committee under generally accepted auditing standards.
24. Meeting with the External Auditor - Meet quarterly with the external auditor in the absence of management, to discuss and review specific issues as appropriate as well as any significant matters that the auditor may wish to bring to the Committee for its consideration.
25. Correspondence - Review with management and the external auditor any correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Corporation's financial statements or accounting policies.
26. Independence - At least annually, and before the external auditor issues its report on the annual financial statements, review and confirm the independence of the external auditor through discussions with the auditor on their relationship with the Corporation, including details of all non-audit services provided. Consider the safeguards implemented by the external auditor to minimize any threats to their independence and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the external auditor. Consider the number of years the lead audit partner has been assigned to the Corporation, and consider whether it is appropriate to recommend to the Board a policy of rotating the lead audit partner more frequently than every seven years, as is required under the rules of the Canadian Public Accountability Board.
27. Non-Audit/Audit Services - Pre-approve any non-audit services to be provided to the Corporation or its subsidiaries by the external auditor, with reference to compatibility of the service with the external auditor's independence.

28. Hiring Policies – Review and approve the hiring policies regarding partners, employees and former partners and employees of the present and former external auditor.

Risk Management

29. Adequacy of Policies and Procedures:

- (a) periodically, and not less than annually, review the policies and practices of the Corporation respecting cash management, financial derivatives, financing, credit, insurance (including principal business risk-related insurance and directors' and officers' liability insurance), taxation, and related matters; and
- (b) oversee and monitor Management's identification and management of principal business and financial risks.

Financial Planning and Investments

30. Budgets – Review and recommend the annual Operating and Capital Budgets for submission to the Board for approval. Review periodic financial forecasts.
31. Investment Opportunities – Review and assess investment opportunities of a value exceeding management's authority, in accordance with procedures established by the Board from time to time.
32. Guidelines and Policies – Review and approve guidelines and policies on the investing of cash and marketable securities and review reports from management on the results of such investments against established benchmarks.
33. Additional Funds for Investment – Review and assess management's plans with respect to raising additional funds whether through debt or capital, in accordance with procedures established by the Board from time to time.

Compliance

34. Filings with Regulatory Authorities – Review with management the Corporation's relationship with regulators, and the timeliness and accuracy of Corporation filings with regulatory authorities.
35. Employee Code of Conduct – Ensure the Employee Code of Conduct is disclosed in the Corporation's annual report or information circular at least every three years or following a material amendment. Alternatively, confirm with management that an up-to-date version of the Employee Code of Conduct is disclosed on the Corporation's website, and filed on SEDAR.

36. Whistleblower Protection – Establish procedures for:

- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters;
- (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding the manner in which the Corporation conducts its business, including violations of law, rules, regulations or the Corporation’s Code of Conduct and concerns regarding accounting, internal accounting controls or auditing matters, as required under NI 52-110; and
- (c) an annual review of the Corporation’s Whistleblower Policy to ensure its ongoing effectiveness.

Communication

37. Communication Channels – Establish and maintain direct communication channels with management, the external auditor and the Board to discuss and review specific issues as appropriate.

38. Coordination with Management – The Committee will coordinate with management on audit and financial matters, and will:

- (a) meet privately with management to discuss any areas of concern to the Committee or management; and
- (b) review expenses incurred by the Chair of the Board and CEO of the Corporation. Ensure that the CEO reviews all expenses incurred by direct executive reports of the CEO.

Related Party Transactions

39. Review with management all related party transactions and the development of policies and procedures related to those transactions.

Board Relationship and Reporting

40. Adequacy of Charter – Review and assess the adequacy of the Committee Charter annually and submit such amendments as the Committee proposes to the Governance Committee.

41. Disclosure – Oversee appropriate disclosure of the Committee’s Charter, and other information required to be disclosed by applicable legislation, in the Corporation’s annual information form and all other applicable disclosure documents.

42. Reporting – Report regularly to the Board on Committee activities, issues and related recommendations.

ADMINISTRATIVE MATTERS

43. The quorum for meetings of the Committee shall be two members. Business may be transacted by the Committee at a meeting of its members at which a quorum is present or by a resolution in writing signed by all the members of the Committee.

44. Any member of the Committee may be removed or replaced at any time by the Board. If a vacancy exists on the Committee, the remaining members may exercise all of the powers of the Committee so

long as a quorum remains. Subject to the foregoing, each member of the Committee shall hold office until the close of the next annual meeting of shareholders following the date of appointment as a member or until a successor is duly appointed.

45. The Committee may invite such officers, directors and employees of the Corporation and other persons as it may see fit from time to time to attend at meetings of the Committee and to assist thereat in the discussion of the matters being considered by the Committee.
46. The Committee shall determine the time and place at which the meetings of the Committee shall be held and the procedure for calling and conducting business at such meetings, having regard to the by-laws of the Corporation.
47. The chair of the Committee shall preside at all meetings of the Committee. In the absence of the chair, the members of the Committee present at a meeting shall appoint one of those members to act as chair for that particular meeting.
48. The members of the Committee shall, for the purpose of performing their duties, have the right to inspect all the books and records of the Corporation and its subsidiaries, and to discuss such books and records as are in any way related to the financial position of the Corporation with the officers and employees and external auditor of the Corporation and its subsidiaries.
49. Minutes of Committee meetings shall be recorded and maintained. The chair of the Committee shall report to the Board on the activities of the Committee and the minutes of Committee meetings will be circulated to the directors who are not members of the Committee or shall be made available at the next meeting of the Board which follows a Committee meeting.
50. The Committee shall have the authority to:
 - (a) engage independent counsel and other advisers that it determines to be necessary to permit it to carry out its duties; and
 - (b) set and pay the compensation for any advisers engaged by the Committee.