

**AUDIT COMMITTEE CHARTER**  
*(Adopted by the Board of Directors March 16, 2010)*

**XINERGY LTD.**  
**(the “Corporation”)**

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**A. PURPOSE**

The overall purpose of the Audit Committee (the “**Committee**”) is to ensure that the Corporation’s management has designed and implemented an effective system of internal financial controls, to review and report on the integrity of the consolidated financial statements of the Corporation and related financial information, and to review the Corporation’s compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of financial information. In performing its duties, the committee will maintain effective working relationships with the Board of Directors (the “**Board**”), management, and the external auditors and monitor the independence of those auditors. To perform his or her role effectively, each Committee member will obtain an understanding of the responsibilities of committee membership as well as the Corporation’s business, operations and risks.

**B. COMPOSITION, PROCEDURES AND ORGANIZATION**

1. The Committee shall consist of at least three members of the Board, the majority of whom are not officers, employees or control persons of the Corporation or any of its associates or affiliates.
2. At least one member of the Committee shall have accounting or related financial management experience.
3. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Committee for the ensuing year. Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee on ceasing to be a director. The Board may fill vacancies on the Committee by election from among its number. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains in office. Subject to the above, each member of the Committee shall hold office as such until the next annual general meeting of the shareholders after his/her election.
4. Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair and a secretary from among their number.
5. The quorum for meetings shall be a majority of the 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 and to hear each other. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present.
6. The Committee shall have full and unrestricted access to such officers, employees and personnel of the Corporation and to the Corporation’s external and internal auditors, and to such information, books, records and facilities of the Corporation, as it considers to be necessary or advisable in order to perform its duties and responsibilities.

7. The Committee shall have the authority to:
  - a) engage independent counsel and other advisors as it determines necessary to carry out its duties and to request any officer or employee of the Corporation or the Corporation's external counsel or auditors to attend a meeting of the Committee;
  - b) set and pay the compensation for any advisors employed by the Committee; and
  - c) designate members of the Committee the authority to grant appropriate pre-approvals required in respect of non-audit services performed by the auditors and the decisions of any member to whom authority is delegated to pre-approve an activity shall be presented to the Committee at its first scheduled meeting following such pre-approval.
8. Meetings of the Committee shall be conducted as follows:
  - a) the Committee shall meet at least four times annually at such times and at such locations as may be requested by the chair of the Committee. The external auditors or any member of the Committee may request a meeting of the Committee;
  - b) the external auditors shall receive notice of and have the right to attend all meetings of the Committee;
  - c) the Committee has the right to determine who shall and shall not be present at any time during a meeting. Management representatives may be invited to attend meetings, provided that the Committee shall hold separate, regularly scheduled meetings at which members of management are not present; and
  - d) the proceedings of all meetings shall be reported in the minutes.
9. Each member of the Committee shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Corporation from whom he or she receives information, and the accuracy of the information provided to the Corporation by such other persons or organizations.
10. The internal auditors and the external auditors shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee in the Corporation as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.
11. The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine.

## **C. ROLES AND RESPONSIBILITIES**

1. The overall duties and responsibilities of the Committee shall be as follows:
  - a) assist the Board in discharging its responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls and its approval of the Corporation's annual and quarterly consolidated financial statements and related financial disclosure;

- b) establish and maintain a direct line of communication with the Corporation's internal and external auditors and assess their performance;
  - c) ensure that the management of the Corporation has designed, implemented and is maintaining an effective system of internal financial controls; and
  - d) report its deliberations and discussions regularly to the Board, including reporting on the fulfilment of its duties and responsibilities.
2. The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:
- a) review the independence and performance of the external auditors and annually recommend to the Board a firm of external auditors to be nominated for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services for the Corporation;
  - b) review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;
  - c) review the audit plan of the external auditors prior to the commencement of the audit;
  - d) approve in advance provision by the external auditors of services other than auditing to the Corporation or any of its subsidiaries;
  - e) annually review and discuss all significant relationships the external auditors have with the Corporation that could impair the external auditors' independence;
  - f) review with the external auditors, upon completion of their audit:
    - i) contents of their report;
    - ii) scope and quality of the audit work performed;
    - iii) adequacy of the Corporation's financial and auditing personnel;
    - iv) co-operation received from the Corporation's personnel during the audit;
    - v) internal resources used;
    - vi) significant transactions outside of the normal business of the Corporation;
    - vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
    - viii) the non-audit services provided by the external auditors;
  - g) discuss with the external auditors the quality and the acceptability of the Corporation's accounting principles;
  - h) implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management; and

- i) oversee the work of the external auditors, including the resolution of disagreements between management and the external auditor regarding financial reporting.
3. The duties and responsibilities of the Committee as they relate to the Corporation's internal auditors are to:
  - a) periodically review the internal audit function with respect to the organization, staffing and effectiveness of the internal audit department;
  - b) review and approve the internal audit plan;
  - c) review significant internal audit findings and recommendations, and management's response thereto; and
  - d) annually review with the Corporation's legal counsel any legal matters that could have a significant impact on the Corporation's financial statements, the Corporation's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.
4. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:
  - a) review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management;
  - b) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and
  - c) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.
5. The Committee is also charged with the responsibility to:
  - a) review the Corporation's quarterly financial statements and related financial information, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto before such information is publicly disclosed;
  - b) review and approve the financial sections of:
    - i) the annual report to shareholders;
    - ii) annual and interim management's discussion and analysis;
    - iii) prospectuses;
    - iv) news releases discussing financial results of the Corporation; and
    - v) other public reports of a financial nature requiring approval by the Board,

- vi) and report to the Board with respect thereto before such information is publicly disclosed;
  - c) ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in item 5(b) above, and periodically assess the adequacy of such procedures;
  - d) review regulatory filings and decisions as they relate to the Corporation's consolidated financial statements;
  - e) review the appropriateness of the policies and procedures used in the preparation of the Corporation's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
  - f) review and report on the integrity of the Corporation's consolidated financial statements;
  - g) establish procedures for:
    - i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
    - ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
  - h) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation;
  - i) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;
  - j) review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of financial information;
  - k) review annually and recommend updates to this Charter of the Committee and receive approval of changes from the Board;
  - l) review the minutes of any audit committee of subsidiary companies of the Corporation; and
  - m) perform other functions consistent with this Charter, the Corporation's articles and governing law, as the Committee or the Board deems necessary or appropriate.
6. 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 the Corporation's financial statements and disclosures are complete and accurate and in accordance with generally accepted

accounting principles and applicable rules and regulations, each of which is the responsibility of management and the Corporation's external auditors.