



AUDIT COMMITTEE CHARTER

1. MANDATE

The mandate of the audit committee (the "**Committee**") of MEG Energy Corp. (the "**Corporation**") is to assist the board of directors (the "**Board**") in fulfilling its stewardship with respect to

- (a) the Corporation's financial statements, management's discussion and analysis, and accounting and financial reporting practices;
- (b) the relationship with and assessment of the performance of the Corporation's external auditor;
- (c) oversight of the adequacy and independence of the Corporation's internal audit function;
- (d) oversight of the adequacy of the Corporation's disclosure controls and procedures and internal control over financial reporting; and
- (e) oversight of the Corporation's financial risk management activities including commodity price risk, credit risk and short-term investment management activities.

2. MEMBERSHIP

The Committee shall consist of at least three directors as determined by the Board. Each member shall be an independent director, as defined in the Corporation's Board of Directors Mandate, and at least 25 percent of the members shall be Canadian residents. Members shall be appointed from time to time at the pleasure 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. The Board shall appoint the chair (the "**Chair**") of the Committee annually from among the members of the Committee. If in any year the Board does not appoint a Chair, the incumbent Chair shall continue in office until the Board appoints another person as Chair.

All members of the Committee shall be financially literate. At the date of adoption of this charter, a member is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of 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 the Corporation's financial statements.

3. DUTIES AND RESPONSIBILITIES

3.1 Internal Audit

The Corporation's internal audit activities are governed by the Corporation's Business Assurance Charter as approved by the Committee and carried out by the Corporation's Business Assurance function. The Committee provides oversight of these internal audit activities through execution of the following duties and responsibilities, as described in the Business Assurance Charter:

- (a) Review the independence and objectivity of the Corporation's Business Assurance function employees.
- (b) Review and provide input on the annual risk-based Audit Plan and Business Assurance budget.
- (c) Review key findings for all reports issued by the Director, Business Assurance relating to internal control weaknesses, process improvements and management's actions and responses.
- (d) Inquire of the Director, Business Assurance about the processes and procedures in place to ensure assurance service activities as described in the Business Assurance Charter, section 5, conform with The Institute of Internal Auditors ("IIA")'s International Standards for the Professional Practice of Internal Auditing (Standards).
- (e) Periodically review, amend and approve as considered appropriate, the Business Assurance Charter to ensure it accurately reflects the function's purpose, authority, and responsibility and is consistent with the mandatory guidance of IIA's International Professional Practices Framework.
- (f) Meet in-camera with the Director, Business Assurance or delegate to discuss any matters that the Committee or the Director, Business Assurance believe should be discussed privately.

3.2 External Auditor

The duties and responsibilities of the Committee as they relate to the external auditor shall be as follows:

- (a) Recommend to the Board the external auditor to be nominated for appointment by the shareholders for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation.
- (b) Determine the compensation of the external auditor.
- (c) Review the independence and performance of the external auditor and recommend the discharge of the external auditor when circumstances warrant.
- (d) Oversee the work of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- (e) Review and approve the audit plan of the external auditor.
- (f) Review and discuss with the external auditor all significant relationships that the external auditor and its affiliates have with the Corporation and its affiliates in order to assess the external auditor's independence, including requesting, receiving and reviewing, on at least an annual basis, a formal written statement from the external auditor delineating all relationships that may reasonably be thought to affect the independence of the external auditor.

- (g) Pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the external auditor, provided that the Committee may satisfy the pre-approval requirement either by delegating to one or more members of the Committee the authority to pre-approve non-audit services or by adopting specific policies and procedures for the engagement of non-audit services.
- (h) Review and approve hiring policies of the Corporation regarding present and former partners and employees of the present or former external auditor.

The external auditor shall report directly to the Committee but is ultimately accountable to the Board, which has the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the external auditor (or to nominate the external auditor to be appointed by the shareholders of the Corporation).

3.3 Financial Statements

The duties and responsibilities of the Committee as they relate to the financial statements shall be as follows:

- (a) Review with management and the external auditor, and recommend to the Board for approval, the annual financial statements of the Corporation and related management's discussion and analysis and annual earnings press releases.
- (b) Review with the external auditor the results of the audit, including giving consideration to
 - (i) the contents of the audit report, including:
 - (A) critical accounting policies and practices used;
 - (B) alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such treatments, and the treatment preferred by the external auditor; and
 - (C) other material written communications between the external auditor and management.
 - (ii) the scope and quality of the audit work performed;
 - (iii) the adequacy of the Corporation's accounting personnel;
 - (iv) the internal resources used;
 - (v) significant transactions outside of the normal business of the Corporation;
 - (vi) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems;
 - (vii) non-audit services provided by the external auditor;

- (viii) the external auditor's judgments about the quality and appropriateness of the Corporation's accounting principles and critical accounting estimates as applied in its financial reporting; and
 - (ix) disagreements, if any, with management.
- (c) Review information for which the Committee is responsible which may be contained within the Corporation's annual management information circular, annual information form or any prospectus.
 - (d) Review with management and the external auditor and approve the interim financial statements of the Corporation and related management's discussion and analysis and interim earnings press releases.
 - (e) Regularly review with management, the financial commitments of the Corporation.
 - (f) Review with management, the external auditor and, if necessary, 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 financial statements.
 - (g) On an annual basis, review with management the Corporation's significant tax matters with respect to income tax and other tax obligations.
 - (h) Confirm that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of those procedures.
 - (i) Approve all audit or related services fees related to the Extractive Sector Transparency Measures Act. Review with management and with the external auditors the Extractive Sector Transparency Measures Act Report and approve the filing of the Extractive Sector Transparency Measures Act Report with Natural Resources Canada (NRCan).
 - (j) Confirm that adequate procedures are in place for
 - (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, auditing and other matters; and
 - (ii) the confidential, anonymous submission of concerns regarding questionable accounting, auditing or other matters.

3.4 Internal Control

The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation shall be as follows:

- (a) Review with management, Director, Business Assurance and external auditor where appropriate, the adequacy and effectiveness of the internal control and management information systems and procedures, including cybersecurity controls of the Corporation, with particular attention given to accounting, financial statement and financial reporting matters.

- (b) Review recommendations from the Director, Business Assurance and external auditors' regarding any matters, including internal control and management information systems and procedures.

3.5 Commodity Price Risk Management

The Corporation's commodity price risk management activities are governed by a Commodity Price Risk Management Policy, which is approved by the Board of Directors. The Committee provides oversight of these commodity price risk management activities through execution of the following duties and responsibilities as described in the Commodity Price Risk Management Policy:

- (a) On a quarterly basis, review the Corporation's commodity price risk management activity and results; and
- (b) Authorize a commodity price risk management strategy that exceeds the hedging volume limits described in the Commodity Price Risk Management Policy.

3.6 Credit Risk Management

The Corporation's credit risk management activities are governed by a Credit Risk Management Policy, which is approved by the Board of Directors, and Credit Risk Management Practices, which are approved by the Committee. The duties and responsibilities of the Committee as they relate to credit risk management shall be as follows:

- (a) On a quarterly basis, review the Corporation's credit risk exposure, including a review of compliance with the Credit Risk Management Policy and Credit Risk Management Practices; and
- (b) Pursuant to this policy and these practices, the Committee is authorized to amend certain credit limits or modify certain practices.

3.7 Short-Term Investment Management

The Corporation's short-term investment management activities are governed by a Short-Term Investment Policy, which is approved by the Board of Directors, and Short-Term Investment Practices, which are approved by the Committee. The duties and responsibilities of the Committee as they relate to short term investment management shall be as follows:

- (a) On a quarterly basis, review the Corporation's short-term investment portfolio, including a review of compliance with the Corporation's Short-Term Investment Policy and Short-Term Investment Practices.

4. ADMINISTRATIVE MATTERS

The following general provisions shall have application to the Committee:

- (a) The Committee shall meet at least four times annually or more frequently as circumstances may require.

- (b) A majority of members of the Committee shall constitute a quorum, and no business may be transacted by the Committee except
 - (i) at a meeting of its members at which a quorum of the Committee is present in person or by telephone or other communication device that permits all persons participating in the meeting to speak and hear each other; or
 - (ii) by a resolution in writing signed by all the members of the Committee.
- (c) Any member of the Committee may be removed or replaced at any time by the Board and the Board may fill vacancies on the Committee.
- (d) The Committee may invite such advisers and directors, officers and employees of the Corporation as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee.
- (e) The time and place at which the meetings of the Committee shall be held and the calling of meetings and the procedure in all respects at such meetings shall be determined by the Committee, unless otherwise determined by the by-laws of the Corporation or by resolution of the Board.
- (f) The Chair shall preside at all meetings of the Committee and in the absence of the Chair the members of the Committee present at a meeting shall appoint one of those present members to act as chair of the meeting.
- (g) The Committee shall have the authority to
 - (i) conduct investigations and engage independent counsel and other advisers or consultants as it determines necessary to carry out its duties,
 - (ii) set and require the Corporation to pay the compensation for any advisers engaged by the Committee, and
 - (iii) communicate directly with the external auditor and the Corporation's other financial advisers to the extent necessary to carry out the Committee's duties.
- (h) The Committee shall report to the Board on such matters and questions relating to the financial statements and financial reporting of the Corporation as the Board may from time to time refer to the Committee.
- (i) The members of the Committee shall, for the purpose of performing their duties, have the right to full and unrestricted access to the Business Assurance function employees and external auditors of the Corporation, and the books and records of the Corporation and its subsidiaries. The members of the Committee shall have the right to discuss such books and records as are in any way related to the financial statements and financial reporting of the Corporation with the officers and employees of the Corporation and its subsidiaries.
- (j) The Committee shall review and reassess the adequacy of this charter on an annual basis and recommend any proposed changes to the Board for approval.

- (k) The Chair of the Committee shall report on the Committee's activities at each regularly scheduled meeting of the Board.
- (l) At each meeting of the Committee, the independent directors shall have a meeting in the absence of non-independent directors and members of management.
- (m) At each meeting of the Committee, the independent directors shall have a meeting with the external auditors, in the absence of non-independent directors and members of management.
- (n) Minutes of the Committee will be recorded and maintained and, upon request, will be promptly circulated to the directors who are not members of the Committee or, if that is not practicable, shall be made available at the next meeting of the Board.