



HIGHWOOD
ASSET MANAGEMENT LTD.

**RESERVES, SAFETY AND
ENVIRONMENTAL COMMITTEE
TERMS OF REFERENCE**

HIGHWOOD ASSET MANAGEMENT LTD.

1. Role and Objective

The Reserves, Safety and Environmental Committee (the "**Committee**") is a committee of the Board of Directors (the "**Board**") of Highwood Asset Management Ltd. (the "**Corporation** ") to which the Board has delegated the responsibility for the matters set forth herein.

2. Composition and Process

- (a) The Committee shall be comprised of not less than three (3) members of the Board, provided that the majority of the Committee members shall be:
 - (i) individuals who are not, and have not been, during the preceding twelve (12) months: (i) an officer or employee of the Corporation or an affiliate of the Corporation; (ii) a person who beneficially owns 10% or more of the outstanding voting securities of the Corporation as an individual or through a corporation; or (iii) a relative of a individual referred to above in clause (i) or (ii) residing in the same home as that individual; and
 - (ii) are free from any business or other relationship which could reasonably be seen as to interfere with the exercise of their independent judgement.
- (b) Members shall serve one-year (1) terms and may serve consecutive terms, which is encouraged to ensure continuity of experience.
- (c) The chairperson of the Committee (the "**Chair**") shall be a director appointed by the Board for a one (1) year term, and may serve any number of consecutive terms.
- (d) The Chair shall:
 - (i) in consultation with management, members of the Committee and the independent qualified reserves evaluator or auditors (as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**") and hereinafter referred to as "**Independent Evaluator**"), establish the agenda for the meetings and ensure that properly prepared agenda materials are circulated to the members and other attendees with sufficient time for study prior to the meeting. The Independent Evaluator will also receive notice of all meetings of the Committee. The Committee may employ a list of prepared questions and considerations as a portion of its review and assessment process.
 - (ii) enable the Board to fulfill its oversight responsibilities in relation to:
 - A. due diligence in the development and implementation of systems and programs for management of health, safety and environmental matters and ensuring the Corporation's compliance with applicable laws; and
 - B. reviewing, reporting and making recommendations to the Board about the Corporation's policies, standards, practices and

performance with respect to its corporate responsibility in relation to health, safety and environment.

- (e) The Committee shall meet no less than one (1) time per year and may call special meetings as required to discharge its responsibilities. A quorum at meetings of the Committee shall be its Chair and one of its other members or the Chairperson of the Board. 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.
- (f) The Committee may hold its meetings, and members of the Committee may attend meetings, by means of teleconference, 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.
- (g) 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 Chair of the meeting shall be entitled to a second or casting vote.
- (h) The Committee may invite such officers, members of the Board and employees of the Corporation 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.
- (i) The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to Committee members with copies to the Board, the Chief Executive Officer (“CEO”), the Chief Financial Officer and the Independent Evaluator.
- (j) Any member 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 Board 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 a quorum remains. Subject to the foregoing, following appointment as a member of the Committee, each member will hold such office until the Committee is reconstituted.
- (k) These Terms of Reference shall be reviewed by the Board on an annual basis.

3. Authority

- (a) The members of the Committee shall be appointed by, and the Committee shall report to, the Board.
- (b) The Committee shall have unrestricted access to the Corporation's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.
- (c) The Committee is authorized, when deemed necessary or desirable, to retain independent counsel, outside experts and other advisors, at the Corporation's expense, to advise the Committee or its members independently on any matter.

4. Responsibilities - Reserves

- (a) To review, with reasonable frequency, the procedures relating to the disclosure of information with respect to oil and gas activities including its procedures for complying with the disclosure requirements and restrictions of NI 51-101.
- (b) To review the appointment of the Independent Evaluator under NI 51-101, and in the case of any proposed change in such appointment, determine the reasons for the proposal and whether there have been disputes between the appointed Independent Evaluator and management.
- (c) To review, with reasonable frequency, the Corporation's procedures for providing information to the Independent Evaluator who report on reserves data (as defined in NI 51-101 and hereinafter referred to as "**Reserves Data**") for the purposes of NI 51-101.
- (d) Before approving the filing of the Reserves Data and the annual filings required by NI 51-101, meet with management and the Independent Evaluator in order to (i) determine whether any restrictions affect the ability of the Independent Evaluator to report on the Reserves Data without reservation; and (ii) review the Reserves Data and the report of the Independent Evaluator thereon.
- (e) To review the annual filings required by NI 51-101 (the "**Annual Filings**") and recommend approval of the contents and the filing of the Annual Filings to the Board.
- (f) To review all disclosure made by or on behalf of the Corporation, that the Corporation knows or ought reasonably to know, is or will become available to the public and any document filed with a securities regulatory authority to ensure compliance with NI 51-101.
- (g) To review all matters relating to the preparation and public disclosure of estimates of the Corporation's reserves, and any procedures for assembling and reporting other information associated with oil and gas activities and review that information with management.
- (h) In order to preserve the independence of the Independent Evaluator the Committee will:
 - (i) recommend to the Board the Independent Evaluator to be engaged; and
 - (ii) recommend to the Board the compensation of the Independent Evaluator.

5. Responsibilities - Health, Safety and Environment

To fulfil its purpose, the Committee shall do the following, in addition to developing policies, making recommendations and taking other action as appropriate:

- (a) monitor on a regular basis the existing health, safety and environmental practices and procedures of the Corporation and its subsidiaries, if any, for compliance with applicable legislation, conformity with industry standards, implementation of best

practices and prevention or mitigation of losses, damage or deterioration of asset value;

- (b) consider whether the Corporation's policies and practices relating to health, safety and environmental matters are being effectively implemented;
- (c) review and consider reports and recommendations issued by the Corporation or by an external party relating to health, safety or environmental issues, together with management's response thereto;
- (d) advise and make recommendations to the Board as appropriate on matters relating to health, safety and the environment;
- (e) review the findings of any significant report by regulatory agencies, external environment, health and safety consultants or auditors concerning the Corporation's performance in environment, health and safety;
- (f) review any necessary corrective measures taken to address issues and risks identified by the Corporation, external auditors or by regulatory agencies;
- (g) review any emerging trends, issues and regulations related to environment, health and safety that are relevant to the Corporation;
- (h) review and report, as appropriate, to the Board on the Corporation's policies and procedures relating to health, safety and the environment and, if appropriate, make recommendations to the Board;
- (i) ensure the internal auditor has access to the Board Chair, the Board and the CEO; and
- (j) meet separately with the person most responsible for Health, Safety and Environment and report to the Board on such meetings.

6. Reporting

- (a) Report annually to the Board to recommend approval of the content and the filing of the Annual Filings to the Board.
- (b) Report as required to the Board to deal with current issues including public disclosure documents and continuous disclosure filings which relate to Reserves Data or are otherwise subject to disclosure requirements under NI 51-101.
- (c) Report, through the Chair of the Committee, to the Board following each meeting on the major discussions and decisions made by the Committee.
- (d) Report annually to the Board on the Committee's responsibilities and how it has discharged them.
- (e) Periodically review, as determined necessary and at least annually, the Committee's Terms of Reference and recommend to the Board and the Corporate Governance

and Nominating Committee of the recommended amendments as the Committee believes are necessary or desirable.