



## MANDATE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (THE "CHARTER")

### General

The Board of Directors (hereafter the "**Board**") of Maxim Power Corp. (hereafter "**MAXIM**") has established an Audit and Risk Management Committee (the "**Committee**") to take steps on its behalf as are necessary to assist the Board in fulfilling its oversight responsibilities regarding:

- the integrity of MAXIM's financial statements and disclosures;
- the risk management and internal control systems of MAXIM;
- the external audit process, including *de minimus* non-audit/audit services
- compliance and ethics;
- investment opportunities and the raising of funds by MAXIM;
- any additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

In so doing, it is the Committee's responsibility to maintain an open channel of communication between the Committee, external auditors, and MAXIM management.

The Committee shall report regularly to the Board on Committee activities, issues, and related recommendations.

### Membership

The Board will in each year appoint a minimum of three (3) directors as members ("**Members**") of the Committee, as well as its Chair. All Members of the Committee shall be independent, non-management directors as required by law.

All Members of the Committee shall be financially literate. While the Board shall determine the definition of and criteria for financial literacy, this shall, at a minimum, include 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 MAXIM's financial statements.

A Member may resign from the Committee, and may be removed and replaced at any time by the Board, and will automatically cease to be a Member as soon as the Member ceases to be a director. The Board will fill vacancies in the Committee by appointment from among the directors of the Board. Subject to quorum requirements, if a vacancy exists on the Committee, the remaining Members will exercise all its powers.

### Meetings

The Committee shall convene at such times and places designated by its Chair.

A majority of the Committee shall be duly convened if all Members are present, or at least a majority of the Members are present. A quorum at a meeting shall consist of at least a majority of Members.

At the invitation of a Member, other Board members, officers or employees of the Company,

the external auditors, external counsel and other experts or consultants may attend any meeting of the Committee.

Members of the Committee may meet separately with any member of management, the external auditors, internal or external counsel or any other expert or consultant.

A Secretary of the Committee shall be appointed by the Chair of the Committee. The minutes of the Committee will be in writing and duly entered into the books of MAXIM. The minutes of the Committee will be circulated to all members of the Board.

### **Duties and Responsibilities**

Management is responsible for preparing the interim and annual financial statements and financial disclosure of MAXIM and for maintaining a system of internal controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, executed, recorded and reported properly. The Committee's role is to provide meaningful and effective oversight and counsel to management without assuming responsibility for management's day-to-day duties.

In performance of its duties and responsibilities, the Committee shall have the right as it determines necessary to carry out its duties to engage independent counsel, experts and other advisors, to inspect any and all of the books and records of the Company, its subsidiaries and affiliates, and to discuss with the officers of the Corporation, its subsidiaries and affiliates, the external auditors, such accounts, records and other matters as any Member considers appropriate.

MAXIM shall provide appropriate funding, as determined by the Committee, for the payment of compensation to the external auditors and any independent counsel, experts or advisors employed by the Committee and administrative expenses of the Committee.

The Committee shall have the following duties with respect to:

#### **A. Financial Reporting and Disclosure**

1. Audited Annual Financial Statements: Review the audited annual financial statements, all related MD&A, and earnings press releases for submission to the Board for approval.
2. Quarterly Review: Following their 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 such as reserves or estimates, significant changes to accounting principles, and alternative treatments under Canadian GAAP for material transactions. This shall be undertaken with a view to understanding 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 MAXIM'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, rules and 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 MAXIM'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 MAXIM's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components or revenues and expenses.
7. Annual Information Form: Oversee appropriate disclosure of the Committee's Charter, and other information required to be disclosed by applicable legislation, in MAXIM's Annual Information Form and all other applicable disclosure documents.
8. Other Disclosures: Satisfy itself that adequate procedures are in place for the review of the MAXIM's public disclosure of financial information, other than the public disclosure of the information referred to in sections 1 and 2 above, and at least annually assess the adequacy of design and operating effectiveness of those procedures.

## **B. Oversight of Risk Management and Internal Controls**

9. Adequacy of Policies and Procedures: Review and assess the adequacy of MAXIM's risk management policies and procedures with regard to identification of MAXIM's principal risks annually, and review (at least annually) updates on these risks.
10. Adequacy of Risk Management Processes: Review and assess the adequacy of management's implementation of appropriate systems to mitigate and manage the risks, and report regularly to the Board including:
  - MAXIM's method of reviewing major risks inherent in MAXIM's businesses, facilities, and strategic directions
  - The strategies and practices applicable to MAXIM's assessment, management, prevention, and mitigation of risks
  - The risks inherent in MAXIM's tax compliance procedures and policies
  - MAXIM's annual insurance summary including the risk retention philosophy and resulting uninsured exposures
  - The loss prevention policies, risk management programs, disaster response and recovery programs, corporate liability protection programs for Directors and Officers, and standards and accountabilities of MAXIM in the context of competitive and operational considerations
11. Review and Assessment of Internal Control over Financial Reporting: Review and assess the adequacy of design and effectiveness of MAXIM's system of internal control and management information systems through discussions with management and the external auditor. Oversight of system of internal control over financial reporting, by:
  - Reviewing management's process for providing its assessment of the appropriate design and effectiveness of internal control over financial reporting
  - Monitoring and reviewing policies and procedures for internal accounting, financial control and management information;
  - Consulting with the external auditor regarding the adequacy of MAXIM's internal controls;
  - 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

- Obtaining from management adequate assurances that all statutory payments and withholdings have been made.

### **C. The External Audit Process**

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 of 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 MAXIM, and the extent of internal audit and other support provided by MAXIM 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, frauds 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 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 External Auditor: Meet with the external auditor in the absence of management at least quarterly 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 MAXIM's financial statements or accounting policies.
26. Independence and Compliance: 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 MAXIM, including details of all non-audit services provided.

Ensure that the lead audit partner is rotated at least every five years, as required under the rules of the Canadian Public Accountability Board (“CPAB”), and confirm that the external auditor is in compliance with any restrictions or sanctions imposed by the CPAB.

27. *De Minimis* Non-Audit/Audit Services: Pre-approve any non-audit services to be provided to MAXIM 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.

#### **D. Compliance and Ethics**

29. Filings with Regulatory Authorities: Review with management MAXIM's relationship with regulators, and the timeliness and accuracy of MAXIM filings with regulatory authorities.
30. Complaints: Review with management that appropriate procedures exist for the receipt, retention and treatment of complaints received by MAXIM 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.
31. Fraud: Oversee investigations of alleged fraud and illegality relating to the MAXIM's finances.
32. Code of Conduct: Review MAXIM's Code of Conduct and confirm that adequate and effective systems are in place to enforce compliance. Ensure the Code of Conduct is disclosed in MAXIM'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 Code of Conduct is disclosed on MAXIM's website.
33. Compliance: Review with management compliance with applicable laws, regulations and tariffs pertaining to energy related marketing activities and physical plant operations other than health, safety, and environment matters. This encompasses the review of internal control systems, which includes policies related to compliance, and the review of compliance incidents.

#### **E. Financial Planning and Investments**

34. Strategic Plan: Review and recommend the Strategic Plan, including the annual Operating and Capital Budgets for submission to the Board for approval. Review periodic financial forecasts.

35. Guidelines and Policies: Review and approve guidelines and policies for the investing of cash and marketable securities and review reports from management on the results of such investments against established benchmarks.
36. 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.

**F. Other duties currently delegated to the Committee:**

37. Senior management expense reports: Review expenses incurred by the Chair of the Board and CEO of MAXIM. Ensure that the CEO reviews all expenses incurred by direct executive reports of the CEO.
38. Related Party Transactions: Review with management all related party transactions and the development of policies and procedures related to those transactions.
39. Charter Adequacy: Review and assess the adequacy of the Committee Charter annually and submit such amendments as the Committee proposes to the Board.

Approved March 18, 2019