

**SHAWCOR LTD.
AUDIT COMMITTEE OF THE
BOARD OF DIRECTORS
CHARTER**

A. Authority

The Audit Committee of the Board of Directors operates under authority vested by the Board of Directors and reports to the Board. The Board's oversight of the integrity of the Company's internal control and reporting systems is primarily the role of the Audit Committee, and it should meet regularly with both the Company's financial and accounting personnel and the Company's internal and external auditors to review these matters and to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee generally reports to the full Board with respect to any issues that arise out of such discussions.

The Audit Committee reviews the quarterly financial statements and Reports to Shareholders prior to their release, and reviews the Company's annual consolidated financial statements and Management Discussion and Analysis and recommends their approval to the Board. The Committee oversees the qualifications and independence of the external auditor and makes recommendations to the Board in respect of the external auditor to be proposed for appointment to the shareholders.

The authority, composition and role of the Audit Committee of the Board of Directors should reflect the requirements of the Canada Business Corporations Act, the Toronto Stock Exchange, as well as the provincial Securities Acts and any other pertinent legislation with which Shawcor Ltd. must comply. Such authority, composition and role are:

B. Organization

1. **Number and Qualifications** - Members of the Audit Committee and the Chair are appointed annually by the Board of Directors. The Audit Committee consists of such number of directors as the Board of Directors shall determine from time to time, all of whom should meet the independence and financial literacy requirements of the Toronto Stock Exchange, the provincial Securities Acts and the Canada Business Corporations Act (see Appendix A).
2. **Quorum and Invitees** - A majority of the members of the Audit Committee shall form a quorum. Subject to invitation, meetings will usually include the CEO and the Vice President, Finance & CFO. Attendees may also include other directors, the external and internal auditor or other representatives and employees of the Company, as determined by the Audit Committee.
3. **Meetings** – Committee meetings shall be held at the call of the Chair of the Board, the Committee Chair, or upon the request of a majority of Committee members. It is

anticipated that there will be a minimum of four meetings per year.

C. Role

Management is responsible for preparing the Company's financial statements and other financial information, for the fair presentation of the information set forth in the financial statements in accordance with GAAP, for establishing, documenting, maintaining and reviewing systems of internal control and for maintaining the appropriate accounting and financial reporting principles and policies designed to assure compliance with accounting standards and applicable laws. The Audit Committee's role is one of oversight. The role of the Audit Committee includes but is not limited to:

1. Financial Information

- 1) Reviewing with management and the auditors the annual financial statements of the Company, including, without limitation, the judgement of the external auditors as to not only the acceptability but also the quality and appropriateness of the Company's accounting principles as applied in its financial reporting, and reporting and recommending the financial statements to the Board of Directors for approval.
- 2) Reviewing any material change to the Company's accounting principles and practices as recommended by senior management or the external auditors or which may result from changes to applicable generally accepted accounting principles, including international financial reporting standards, where applicable.
- 3) Reviewing financial information (such as the Management Discussion and Analysis) to be included in all regulatory filings and other public disclosure (such as annual and quarterly financial statements, prospectuses, information circulars and annual and interim earnings press releases).
- 4) Reviewing quarterly results, reports to shareholders, any Management Discussion and Analysis and accompanying press releases, and making recommendations for approval to the Board.
- 5) Reviewing the use of any "pro forma" or adjusted information not in accordance with applicable generally accepted accounting principles, including international financial reporting standards, where applicable.

2. Relations with Auditors

- a) Overseeing and evaluating the work of the external auditors, including the resolution of disagreements between management and the external auditors regarding financial reporting. The external auditors shall report directly to the Committee and the Committee should meet regularly with the internal and external auditors privately, without management present.

- b) Reviewing and approving in advance the terms of engagement, audit fees and scope of the external audit and recommending to the Board the appointment and proposed audit fees of the external auditor.
- c) Reviewing and discussing with the external auditors all significant relationships that the external auditors and its affiliates have with the Company and its affiliates in order to seek to determine the external auditor's independence, including:
 - i. approving all non-audit assignments undertaken by the external auditors. Reviewing periodically the detailed policies and procedures dealing with pre-approved non-audit services. In addition, the Committee at its discretion may delegate pre-approvals of other non-audit services to the Chair of the Committee, subject to ratification by the full Committee at the next scheduled meeting. Appendix B sets out the Committee's current policy with respect to those non-audit services for which the independent auditor may be engaged; and
 - ii. approving any hiring of partners and employees and former partners and employees of the external auditor.
- d) Reviewing the external auditors' internal quality control procedures and any internal or external reviews of investigation of the auditors' professional practices.
- e) Requiring the external auditors to perform such supplemental reviews or audits as the Committee may deem desirable.

3. Internal Controls

- a) Reviewing the integrity of internal controls with senior management, the external auditors and the internal auditor. Reviewing the external and internal auditors' recommendations on internal control matters, following-up on any identified weaknesses and management's response. Being satisfied that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the financial statements of the Company and periodically assessing the adequacy of those procedures.
- b) Discussing with the external auditors any difficulties or disputes that arose with senior management during the course of the audit and the adequacy of senior management's responses in correcting audit-related deficiencies.
- c) Reviewing the Company's processes for the CEO and CFO certifications required by applicable securities laws with respect to the Company's annual and interim filings.

4. Other Matters

- a) Reviewing the Company's accounting policies, changes thereto, financial reporting and the internal audit process.

- b) Reviewing significant transactions, contingent liabilities and the manner in which these matters are treated in the Company's financial disclosure and financial statements.
- c) Reviewing emerging accounting issues.
- d) Reviewing internal audit plans for the up-coming year.
- e) Discussing with management the Company's risk management policies and processes and reviewing with management and the external and internal auditors the effectiveness and efficiency of the same, including reviewing the Company's program to obtain insurance to mitigate risks where appropriate.
- f)
- g) Reviewing and making recommendations to the Board on the appointment of and succession planning for the Vice President Finance and Chief Financial Officer. Reviewing and making recommendations to management on the appointment and evaluation of the internal auditor(s). Periodically reviewing the structure and performance of the Company's finance organization.
- h) Conducting or authorizing investigations into any matter that the Committee believes is within the scope of its responsibilities.
- i) Retaining such special legal, accounting, financial or other consultants as the Committee may determine to be necessary to carry out, at the Company's expense, the Committee's role.
- j) Reporting through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and matters related to this Charter. Minutes of the Committee's meetings will be made available to all members of the Board.
- k) Periodically reviewing and reassessing the adequacy of this Charter and the internal audit charter and annually reviewing and assessing the performance of the Audit Committee.

5. Employee Questions and/or Concerns

- a) Monitoring policies and procedures for dealing with questions and complaints regarding accounting, internal accounting controls, auditing and financial disclosure matters and the confidential anonymous submissions by employees of concerns regarding such matters.
- b) Monitoring compliance with the Company's Code of Conduct and the confidential anonymous submissions by employees of concerns regarding such matters.

D. General

The Committee's role is an oversight role and nothing contained in this Charter is intended to require the Committee to ensure the Company's nor any other person's compliance with applicable laws or regulations.

The Committee is a committee of the Board of Directors and is not and shall not be deemed to be an agent of the Company's security holders for any purpose whatsoever. The Board of Directors may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to security holders of the Company or other liability whatsoever.

SHAWCOR LTD.
AUDIT COMMITTEE CHARTER
APPENDIX A
DEFINITIONS

Financially Literate

Means 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 Shawcor's financial statements.

Independence

An Audit Committee member is independent if the member has no direct or indirect material relationship with Shawcor or its subsidiaries and affiliates. A material relationship means a relationship which could, in the view of Shawcor's Board of Directors, be reasonably expected to interfere with the exercise of a member's independent judgment.

In addition to any determination which may be made by the Board of Directors of Shawcor, the following individuals will be considered to have a material relationship with Shawcor:

- a) an individual who is, or was within the last three years, an executive officer or employee of Shawcor;
- b) an individual whose immediate family member is, or was within the last three years, an executive officer of Shawcor;
- c) an individual who is a partner or employee of Shawcor's auditor;
- d) an individual who was a partner or employee of Shawcor's auditor within the last three years and personally worked on Shawcor's audit during that period;
- e) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual; is a partner of Shawcor's auditor, is an employee of Shawcor's auditor and participates in its audit, assurance or tax compliance practice or was, within the last three years, a partner or employee of Shawcor's auditor and personally worked on Shawcor's audit within that time;
- f) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of Shawcor's current executive officers serves or served at that same time on the entity's compensation committee;
- g) an individual who received, or whose immediate family member who is an executive officer of Shawcor received, more than \$75,000 in direct compensation

from Shawcor during any 12 month period during the last three years, other than in his or her capacity as a Board member and other than fixed amounts of remuneration received under a retirement plan for prior service where such compensation is not contingent on continued service;

- h) an individual who accepts, directly or indirectly, fees from Shawcor, other than in his or her capacity as a member of the Board or any Board committee, or part-time Chair or Vice Chair of the Board or any Board committee; and
 - i) an individual who is an “affiliated entity” of Shawcor or any of its subsidiaries, within the meaning of National Instrument 52-110.
- 1) For purposes hereof, “Shawcor” includes Shawcor Ltd. and any subsidiary thereof; and
 - 2) For purposes of paragraph (h), indirect acceptance of a fee by an individual includes acceptance of a fee by (i) an individual’s spouse, minor child or stepchild or child or stepchild who shares the individual’s home, or (ii) an entity in which such individual is a partner, member, officer or other comparable position and which provides accounting, consulting, legal, investment banking or financial advisory services to Shawcor.

SHAWCOR LTD
AUDIT COMMITTEE CHARTER

APPENDIX B
AUDIT AND NON-AUDIT SERVICES

Statutory Audits

Audit services include:

- The audit and/or review of annual and quarterly financial statements of Shawcor, its subsidiaries and affiliates
- Other procedures required to be performed by the independent auditor to be able to form an opinion on the Company's consolidated financial statements, including information systems and procedural reviews.

Audit Related Services

Audit related services are the professional attestation and related services that are reasonably related to the proper completion of the audit of the Company's financial statements. The Audit Committee has granted general pre-approval to the following audit related or other non-tax services performed by the external auditors provided in each case that the Audit Committee is informed periodically of all such services provided:

- Due diligence services pertaining to potential business acquisitions/dispositions
- Accounting consultations relating to accounting, financial reporting and disclosure issues
- Assistance with understanding and implementing new accounting and financial reporting standards and guidance
- Special audits on control procedures
- Prospectus and other regulatory audit and filing assistance

All other non-tax related services must be specifically approved by the Audit Committee.

Tax Related Services

The Audit Committee has granted general pre-approval to the following tax related services supplied by the external auditor provided in each case that the Audit Committee is informed periodically of all such services provided:

- Assistance with completion and filing of corporate tax returns
- Assistance with understanding and implementing new tax rules
- Tax consultations related to specific transactions
- Assistance and advice with respect to general corporate tax planning
- Discussions and negotiations with taxation authorities concerning the Company's tax affairs.

All other tax related services must be specifically approved by the Audit Committee.

Non Audit Services

The Chair of the Audit Committee may pre-approve non-audit services to be provided by the external auditor providing all such assignments are reviewed with the full Committee at the next scheduled meeting.

Prohibited Services

The following services are not to be provided by the external auditor:

- Bookkeeping or other services related to the accounting records or financial statements
- Appraisal, valuation or fairness opinions
- Actuarial services
- Internal audit
- Human resource assistance
- Legal advice
- Legal services
- Investment banking services
- Management functions