



***NORTH  
AMERICAN***  
***ENERGY PARTNERS INC.***

## ***AUDIT COMMITTEE CHARTER***

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<b>PROCEDURES:</b>	Appendix A

# North American Energy Partners Inc.

## AUDIT COMMITTEE CHARTER

### 1. MANDATE & AUTHORITY

- 1.1. The Board of Directors (the “Board”) of North American Energy Partners Inc. (the “Company”) has established an Audit Committee (the “Committee”) to assist the Board in meeting its oversight responsibilities. The Committee’s responsibilities are summarized as follows:
- a) monitor the integrity of the Company’s financial and related information of the Company including its financial statements;
  - b) monitor the system of internal controls over financial reporting;
  - c) monitor the disclosure controls and procedures;
  - d) oversee the work of the external auditor;
  - e) monitor the internal audit function;
  - f) identify and monitor the financial risks of the Company;
  - g) establish the Company’s ethics reporting procedures; and
  - h) monitor the Company’s compliance with legal and regulatory requirements.
- 1.2. While the Committee shall have the responsibilities and powers set forth in this charter, it shall not be the responsibility of the Committee to determine whether the Company’s financial statements are complete, accurate or prepared in accordance with generally accepted accounting principles, to manage financial risks or to conduct audits. These are the responsibilities of management and the external auditor in accordance with their respective roles.
- 1.3. The Committee will take reasonable steps to ensure that management establishes and maintains the controls, procedures and processes that comply with all appropriate laws, regulations or policies of the Company. It is not the responsibility of the Committee to conduct investigations or to ensure compliance with laws or regulations or Company policies. Management is responsible for establishing and maintaining the controls, procedures and processes over these matters and the Committee has the responsibility to ensure they exist.
- 1.4. The Committee has the power to conduct or authorize investigations into any matters within the Committee’s scope of responsibilities. The Committee has the authority to engage independent counsel and other advisors, as it determines necessary to carry out its duties. The Company will provide the resources and funding required by the Committee to carry out its duties.

- 1.5. The Committee shall also have unrestricted access to the Company's personnel and documents and will be provided with the resources to carry out its responsibilities. The Committee shall have direct communication channels with the external auditor and the individual responsible for the internal auditor function to discuss and review specific issues as appropriate.

## **2. MEMBERSHIP**

- 2.1. The Committee shall be composed of a minimum of three (3) directors of the Company. Each member of the Committee shall be appointed by the Board.
- 2.2. The Board shall appoint one of the members to be the Chair of the Committee.
- 2.3. All members of the Committee shall be "independent" as that term is defined under the requirements of applicable securities laws and the standards of any stock exchange on which the Company's securities are listed, taking into account any transitional provisions that are permitted.
- 2.4. Members shall serve one-year terms and may serve consecutive terms to ensure continuity of experience. Members shall be reappointed each year to the Committee by the Board at the Board meeting that coincides with the annual shareholder meeting. A member of the Committee shall automatically cease to be a member upon ceasing to be a director of the Company. Any member may resign or be removed by the Board from membership on the Committee or as Chair.
- 2.5. All members of the Committee must be "financially literate" as that qualification is interpreted by the Board or acquire such literacy within a reasonable period of time after joining the Committee. At the present time, the Board interprets "financial literacy" to mean a basic understanding of finance and accounting and the ability to read and understand financial statements (including the related notes) of the sort released or prepared by the Company in the normal course of its business.
- 2.6. At least one member of the Committee shall be an "audit committee financial expert" who shall possess the attributes outlined in Appendix A.
- 2.7. No director who is currently serving on the audit committee of another public company will be appointed to the Committee unless the Board determines that such simultaneous service would not impair the ability of such member to serve on the Committee. The maximum number of audit committees a director can serve on at any one time is set at three by the NYSE.
- 2.8. The responsibilities of a member of the Committee are in addition to that member's duties as a member of the Board.

- 2.9. The Company is responsible for the orientation and continuing education of the members.

### **3. MEETINGS**

- 3.1. Committee meetings will be conducted in a manner consistent with the Company By-laws, the Audit Committee Charter and the applicable business corporation act.
- 3.2. The Notice of Meeting will be governed by the Company By-laws. Meetings will be called by the Chair or any other member of the Committee as appropriate.
- 3.3. The Chair shall determine the time, place and procedures for Committee meetings, subject to the requirements of this Charter.
- 3.4. Any director of the Company may attend Committee meetings, however, only members of the Committee are eligible to vote or establish a quorum.
- 3.5. The external auditor will be requested to attend the meetings where the Committee is reviewing quarterly or annual financial statements. The Committee or any member may request that the external auditor appear before the Committee at any time.
- 3.6. The Committee will meet a minimum of four times per year and shall determine whether additional meetings are required.
- 3.7. The Chair of the Committee shall preside at and chair all meetings of the Committee. If the Chair is absent from a meeting, the remaining members of the Committee shall appoint a member to act as Chair for that meeting.
- 3.8. A quorum for a meeting will be established if a majority of the members are present. Members of the Committee may participate in a meeting through any means which permits all parties to communicate adequately with each other. Any member not physically present but participating in the meeting through such means is deemed to be present at the meeting. A quorum, once established, is maintained even if members of the Committee leave before the meeting concludes.
- 3.9. In the event of a tie vote on a resolution, the issue will be forwarded to the full board for a vote.
- 3.10. A resolution signed by all members of the Committee entitled to vote on that resolution is as valid as if it had been passed at a meeting of the Committee.
- 3.11. In-camera sessions will be held as deemed necessary by the Committee with the external auditor, the individual responsible for the internal audit function, management and the Committee by itself.

- 3.12. The Corporate Secretary or another person appointed by the Chair will act as secretary of the Committee meetings.
- 3.13. The secretary of the meeting will keep minutes of each meeting, which shall record the decisions reached by the Committee.
- 3.14. The minutes shall be distributed to Committee members with copies provided to (a) the Board; (b) the CEO; (c) the Vice President Finance (d) the external auditor and (e) the individual responsible for the internal audit function.
- 3.15. The Corporate Secretary or another person will file the Committee minutes and all meeting material with the corporate minute books.

## **4. RESPONSIBILITIES**

### **4.1. General**

- 4.1.1. The Committee will meet as set out in section 3 above.
- 4.1.2. The Committee will report to the Board on all matters in this charter as well as such matters as the Board may from time to time refer or delegate to the Committee.
- 4.1.3. The Committee will maintain a formal written Committee charter and annually assess the adequacy of the charter, submit such evaluation to the Board and recommend any proposed changes to the Board for approval.
- 4.1.4. The Committee members will conduct an assessment of the effectiveness of the Committee.

### **4.2. Financial reporting and internal controls**

#### **4.2.1. Annual financial statements**

The Committee is responsible for the assessment of the annual audited financial statements of the Company and to recommend approval of the statements to the Board.

#### **4.2.2. Interim financial statements**

The Committee is responsible for the assessment and approval of the quarterly interim unaudited financial statements.

#### 4.2.3. Accounting policies

The Committee will review and discuss with management and the external auditor, as appropriate, the Company's financial reporting policies, including changes in or adoptions of, accounting standards and principles and disclosure practices.

The Committee will review with management and the external auditor their qualitative judgments about the appropriateness, not just the acceptability, of accounting principles and accounting disclosure practices used or proposed to be used and particularly, the degree of aggressiveness or conservatism of the Company's accounting principles and underlying estimates.

#### 4.2.4. Internal controls over financial reporting

The Committee will review and discuss with management, the external auditor and others, as appropriate, the existence and design of the Company's internal controls over financial reporting established by management and the effectiveness of such controls.

The Committee will monitor the work undertaken by management to design and implement and to provide an assessment of the effectiveness of its system of internal control over financial reporting. The Committee will review and discuss with the external auditor, when required, the opinion on management's assessment of the effectiveness of its system of internal controls over financial reporting.

#### 4.2.5. Disclosure controls and procedures

The Committee will review and discuss with management, the external auditor and others, as appropriate, the existence and design of the Company's disclosure controls and procedures established by management and the effectiveness of such controls.

The Committee will review and approve the disclosure policy of the Company and periodically assess the adequacy of such policy for completeness and accuracy. The Committee will ensure that the Company has satisfactory procedures in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements. The Committee will also monitor and oversee the activities of the Company's Disclosure Committee.

#### 4.2.6. Other public disclosures

The Committee will review and approve, and in some instances recommend approval to the Board, material financial disclosures in the following documents prior to their public release or filing with securities regulators:

- a) management's discussion and analysis;
- b) any prospectus or offering document;
- c) annual reports or annual information forms;
- d) all material financial information required by securities regulations (e.g., Forms 6-K, 20-F and F-4) including all exhibits thereto (including the certifications required of the Company's principal executive officer and principal financial officer);
- e) any related-party transactions;
- f) any off balance sheet structures;
- g) any correspondence with securities regulators or government financial agencies; and
- h) news or press releases, containing audited or unaudited financial information, including the type and presentation of information and in particular any pro-forma or non-GAAP information.

#### 4.3. External Auditor

- 4.3.1. The Committee shall recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing the auditor's report or performing other audit, review or attest services for the Company and the compensation of the external auditor and, as necessary, review and recommend to the Board the discharge of the external auditor.
- 4.3.2. In the event of a change of external auditor, the Committee shall review all issues and provide documentation to the Board related to the change, including the information to be included in the Notice of Change of Auditors and the planned steps for an orderly transition period.
- 4.3.3. The Committee shall engage the external auditor for the purpose of preparing or issuing the auditor's report or performing other audit, review or attest services for the Company.
- 4.3.4. The Committee shall review the audit scope and plan of the external auditor.
- 4.3.5. The external auditor shall report directly to the Committee.

- 4.3.6. The Committee will review and discuss with management and the external auditor, as appropriate, at the completion of the annual audit and each quarterly review:
- a) the external auditor's audit or review of the financial statements and its report thereon;
  - b) any significant changes required to be made in the external auditor's audit plan;
  - c) any serious difficulties or disputes between management and the external auditor during the course of the quarterly review or annual audit;
  - d) any improper influence by officers on the external auditor;
  - e) any special audit or review steps adopted in light of material control deficiencies;
  - f) the summary of adjusted and unadjusted differences;
  - g) any related findings and recommendations of the external auditor together with management's responses including the status of previous recommendations; and
  - h) any other matters related to the conduct of the external audit, which are to be communicated to the Committee by the external auditor under generally accepted auditing standards.
- 4.3.7. The Committee shall take reasonable steps to confirm the independence of the external auditor, which shall include but shall not be limited to:
- a) ensuring receipt, at least annually, from the external auditor of a formal written statement delineating all relationships between the external auditor and the Company, including non-audit services provided to the Company;
  - b) considering and discussing with the external auditor any disclosed relationships or services, including non-audit services, that may impact the objectivity and independence of the external auditor;
  - c) enquiring into and determining the appropriate resolution of any conflict of interest in respect of the external auditor;
  - d) reviewing and approving the Company's hiring policies regarding the hiring of partners, employees and former partners and employees of the Company's existing and former external auditor;
  - e) requesting the rotation of the lead audit partner every five (5) years; and
  - f) giving consideration to the rotation of the audit firm on a periodic basis.
- 4.3.8. The Committee shall pre-approve any non-audit services to be provided to the Company or its subsidiaries by the external auditor except that the Committee has delegated a de minimus level of \$20,000 per annum to the Audit Committee Chair who will report to the Audit Committee at their next meeting of any work approved within this limit.

- 4.3.9. The Committee will review the nature of work performed by audit firms (other than the external auditor) to ensure that at least one of the nationally recognized firms remains independent in the event a change in external auditor is necessary or desired.

#### **4.4. Internal Audit Function**

- 4.4.1. The Committee will determine if an internal audit function should exist taking into account any legislative or listing requirements.
- 4.4.2. The individual responsible for the internal auditor function reports administratively to the President and has a functional reporting relationship to the Chair of the Committee.
- 4.4.3. The Committee will review management's proposed appointment, termination or replacement of the internal audit function. If the Company out-sources its internal audit function, the Company's external auditor cannot be engaged to perform such services.
- 4.4.4. The Committee will review the responsibility and charter as well as the effectiveness of the internal audit function on an annual basis. The effectiveness assessment will include a review of its reporting relationships, activities, resources, its independence from management and its working relationship with the external auditor.
- 4.4.5. The Committee will review and approve the annual internal audit plan, scope of work and ensure that the internal audit plan is coordinated with the activities of the external auditor.
- 4.4.6. The Committee will review all internal audit reports and management's responses.

#### **4.5. Risk Management**

The Committee shall review the significant financial risks and approve the Company's policies to manage such financial risk including the *Anti-Fraud Policy*.

#### **4.6. Ethics Reporting**

- 4.6.1. The Committee is responsible for the establishment of a policy and procedures for:
  - (a) the receipt, retention and treatment of any complaint received by the Company regarding financial reporting, accounting, internal accounting controls or auditing matters; and

- (b) the confidential, anonymous submissions by employees of the Company of concerns regarding questionable accounting or auditing matters.
- 4.6.2. The Committee will review, on a timely basis, serious violations of the Code of Conduct and Ethics Policy including all instances of fraud.
- 4.6.3. The Committee will review on a summary basis at least quarterly all reported violations of the Code of Conduct and Ethics Policy.

**4.7. Legal and Regulatory Compliance**

- 4.7.1. The Committee will review any litigation, claim or other contingent liability, including any tax reassessment that could have a material affect on the financial statements.
- 4.7.2. The Committee will review compliance with applicable financial, tax or securities regulations and the accuracy and timeliness of filings with regulators.
- 4.7.3. The Committee will review compliance by management in filing and paying all statutory withholdings within the prescribed time.

Prepared By:	Approved By:	Date of Approval and Issue:
/s/ Vincent Gallant  Vincent Gallant Vice President, Corporate and Secretary	/s/ Allen Sello  Allen Sello, Chair Audit Committee	December 7, 2006

## Appendix A: Audit Committee Financial Expert

At least one member of the Committee shall be an “audit committee financial expert” who shall possess the attributes outlined below:

1. An understanding of generally accepted accounting principles and financial statements;
2. The ability to assess the general application of generally accepted accounting principles in connection with the accounting for estimates, accruals and reserves;
3. Experience in preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience in actively supervising one or more persons engaged in such activities;
4. An understanding of internal control over financial reporting;
5. An understanding of audit committee functions;
6. As provided in the rules of the SEC, the designation or identification of a person as an audit committee financial expert does not (a) impose on that person any duties, obligations or liability that are greater than the duties, obligations or liability imposed on that person as a member of the Committee and the Board in the absence of such designation or identification or (b) affect the duties, obligations or liability of any other member of the Committee or the Board; and
7. A member of the Committee may qualify as an audit committee financial expert as a result of his or her:
  - a) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
  - b) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
  - c) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
  - d) other relevant experience.