

# Audit Committee Charter

## A. OVERVIEW AND PURPOSE

The Audit Committee (the "Committee") is responsible to the Board of Directors (the "Board"). The committee approves, monitors, evaluates, advises or makes recommendations to the Board, in accordance with these terms of reference, on matters affecting the external audit and the financial reporting and accounting control policies and practices of the Corporation. In addition, the committee has oversight responsibility with respect to management's duties regarding financial risks encountered by the Corporation as more particularly set out in Sub Paragraphs C.2. (a) below.

## B. MEMBERSHIP AND ATTENDANCE AT MEETINGS

1. The members of the Committee shall consist of a minimum of three independent and financially literate (as defined by securities legislation), unrelated, directors, appointed by the Board.
2. The Chair of the Committee shall be designated by the Board.
3. Attendance by invitation at all or a portion of Committee meetings is determined by the Committee Chair or its members and would normally include the Chief Financial Officer of the Corporation, the auditor, and such other corporate officers, advisors, or support staff as may be deemed appropriate.

## C. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

1. Financial Accountability
  - a. To review, and recommend to the Board for approval, the annual audited financial statements.
  - b. To review, and recommend to the Board for approval, the following public disclosure documents:
    - i. the financial content of the annual report;
    - ii. the annual management information circular and proxy materials;
    - iii. the annual information form; and
    - iv. management discussion and analysis section of the annual report.
  - c. To review, and recommend to the Board for approval, the quarterly financial statements and the quarterly press release on earnings of the Corporation, which require approval by the Board prior to public disclosure thereof.
  - d. To review, and recommend to the Board for approval, all financial statements, reports of a financial nature, and the financial content of prospectuses or any other reports which require approval by the Board prior to submission thereof to the shareholders, any regulatory authority, or the public.
  - e. To review any report of management which accompanies published financial statements (to the extent such a report discusses the financial position or operating results) for consistency of disclosure with the financial statements themselves.

- f. To review and assess, in conjunction with management and the external auditor:
  - i. the appropriateness of accounting policies and financial reporting practices used by the Corporation;
  - ii. any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Corporation;
  - iii. any new or pending developments in accounting and reporting standards that may affect or impact on the Corporation;
  - iv. identification of the Corporation's principal financial risks and uncertainties and the systems to manage such risks and uncertainties;
  - v. the integrity (including without limitation, the effectiveness) of the Corporation's disclosure controls and procedures, internal control and management information systems; and
  - vi. the key estimates and judgments of management that may be material to the financial reporting of the Corporation.
- g. To periodically assess and be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the Corporation's financial statements, MD&A and annual and interim earnings press releases.
- h. To assess the performance and consider the annual appointment of external auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, for recommendation to the Board for ultimate recommendation for appointment by the shareholders.
- i. To recommend to the Board the compensation of external auditors.
- j. To review the terms of the annual external audit engagement including, but not limited to, the following:
  - i. staffing;
  - ii. objectives and scope of the external audit work;
  - iii. materiality limits;
  - iv. audit reports required;
  - v. areas of audit risk;
  - vi. timetable; and
  - vii. the proposed fees.
- k. To pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by its external auditors or the external auditors of the Corporation's subsidiary entities. If and when applicable, to delegate to one or more independent members of the Committee the authority to pre-approve non-audit services provided that such pre-

approval by one or more independent members with such authority, shall be presented to the committee at its first scheduled meeting following such pre-approval.

- l. To review the fees paid to the external auditors or its affiliates for non-audit services, and consider the impact on the independence of the external audit work.
- m. To oversee the work of the external auditors engaged for the purposes of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting.
- n. To review with the external auditors the results of the annual audit examination including, but not limited to the following:
  - i. any difficulties encountered, or restrictions imposed by management, during the annual audit;
  - ii. any significant accounting or financial reporting issues;
  - iii. the auditor's evaluation of the Corporation's system of internal accounting controls, procedures and documentation;
  - iv. the post-audit or management letter containing any findings or recommendations of the external auditor including management's response thereto and the subsequent follow-up to any identified internal accounting control weaknesses; and
  - v. any other matters which the external auditors should bring to the attention of the Committee
- o. To meet with the external auditors, at least annually or as requested by the auditors, without management representatives present; and to meet with management, at least annually, without the external auditors present.
- p. To obtain reasonable assurance, by discussions with and reports from management and the external auditors, that the accounting systems are reliable and that the system of internal controls is effectively designed and implemented.
- q. To annually request the external auditor to provide its views on the quality (not just the acceptability) of the Corporation's annual and interim financial reporting. Such quality assessment should encompass judgments about the appropriateness, aggressiveness or conservatism of estimates and elective accounting principles or methods and judgments about the clarity of disclosures.
- r. When there is to be a change in auditor, review all issues related to the change, including the information to be included in the notice of change of auditor called for under applicable securities regulations and the rules of applicable exchanges, and the planned steps for an orderly transition.
- s. To review 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 these matters have been disclosed in the financial statements.

- t. To review the internal control and approval policies and practices concerning the expenses of the officers of the Corporation, including the use of the Corporation's assets.
  - u. To review any claims of indemnification pursuant to the Bylaws of the Corporation.
  - v. To review, and recommend to the Board for approval, the management report to be included in the annual report to shareholders.
  - w. To request such information and explanations in regard to the accounts of the Corporation as the Committee may consider necessary and appropriate to carry out its duties and responsibilities.
  - x. To request that the Chief Executive Officer and Chief Financial Officer or persons who perform functions similar to them, report on issues which are the subject of any Certificates to be signed and filed in accordance with applicable securities regulations by the Chief Executive Officer and Chief Financial Officer or persons who perform functions similar to them; and to review such report.
  - y. To establish procedures for:
    - i. the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
    - ii. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
  - z. To review and approve the Corporation's hiring policies regarding employees and former employees of the present and former external auditors of the Corporation.
2. Risk Management
    - a. To oversee the Corporation's management to ensure that management discharges its responsibility to identify and mitigate financial risks faced by the Corporation.
  3. General Responsibilities
    - a. To consider any other matters which, in the opinion of the Committee or at the request of the Board, would assist the directors to meet their responsibilities.
    - b. To review annually the terms of reference for the Committee and to recommend any required changes to the Board.
    - c. To provide reports and minutes of meetings to the Board.

#### **D. MEETINGS**

1. Regular meetings of the Committee are held at least four times each year.
2. Meetings may be called by the Committee chair or by a majority of the Committee members, and usually in consultation with the management of the Corporation.
3. Meetings are chaired by the Committee Chair or, in the Chair's absence, by a member chosen by the Committee from among themselves.
4. A quorum for the transaction of business at any meeting of the Committee is a majority of members.
5. The Secretary of the Corporation shall provide for the delivery of notices, agendas and supporting materials to the Committee members at least five (5) days prior to the date of the meeting, except in unusual circumstances.
6. Meetings may be conducted with members present, or by telephone or other communications facilities which permit all persons participating in the meeting to hear or communicate with each other.
7. A written resolution signed by all Committee members entitled to vote on that resolution at a meeting of the Committee is as valid as one passed at a Committee meeting.
8. The Secretary of the Corporation shall be the secretary for the Committee and keep a record of minutes of all meetings of the Committee.
9. Minutes of the meetings of the Committee, prepared in draft, shall be distributed by the Secretary of the Corporation to all members of the Committee within seven (7) working days of each meeting, and shall be submitted for approval at the next regular meeting of the Committee.

#### **E. AUTHORITY OF THE AUDIT COMMITTEE**

1. The Audit Committee shall have the authority to:
  - a. engage independent counsel and other advisors as it determines necessary to carry out its duties;
  - b. to set and pay the compensation for any advisors employed by the committee; and,
2. to communicate directly with the internal (if any) and external auditors.