



## **AUDIT COMMITTEE – CHARTER**

### **1.0 Overall Purpose/Objectives**

The Audit Committee (the “**Audit Committee**”) of the board of directors (the “Board”) has been established to provide independent review and oversight of the Company’s financial reporting process, systems of internal controls and management of financial risks, and the audit process, including the selection, oversight and compensation of the Company’s external auditors. The Audit Committee will also assist the Board in fulfilling its responsibilities in reviewing the Company’s process for monitoring compliance with laws and regulations (other than environmental and safety laws) and the Company’s Employee Code of Conduct. The Audit Committee shall also prepare such reports as are required to be prepared by applicable security laws.

The Audit Committee provides an avenue for communication between each of the external auditors, Management and the Board. The Audit Committee shall have a clear understanding with the external auditors that they must maintain an open and transparent relationship with the Audit Committee and that the ultimate accountability of the external auditors is to the Board and to the Audit Committee, as representatives of the shareholders.

The primary responsibility for financial and other reporting, internal controls, and compliance with laws and regulations, and ethics rests with the Company’s management. In discharging its duties the independent auditor is ultimately accountable to the Board and the Audit Committee is representative of the shareholders of the Corporation.

The Audit Committee shall make regular reports to the Board concerning its activities and in particular shall review with the Board any issues that arise with respect to the quality or integrity of the corporation’s financial statements, the performance and independence of the external auditors, and the performance of the corporation’s internal audit function.

To perform his or her role effectively, each Audit Committee member shall obtain an understanding of the responsibilities of Audit Committee membership as well as the Company’s business, operations and risks.

### **2.0 Authority**

The Board has granted the Audit Committee, within its scope of responsibilities, to investigate any activity of the Corporation and its subsidiaries. The Audit Committee has been, and shall be, granted unrestricted access to all information and all employees have been, and shall be, directed to cooperate as requested by members of the Audit Committee. The Audit Committee has the authority to retain, at the Corporation’s expense, persons having special competencies (including, without limitation, legal, accounting or other consultants and experts) to assist the Audit Committee in fulfilling its responsibilities.

### **3.0 Organization**

#### **3.1 Membership**

- a) The Board will appoint annually, from among its members, an Audit Committee comprised of at least two directors but preferably three or more directors who shall all be “unrelated directors” in accordance with the Corporate Governance Guidelines as amended of the Toronto Stock Exchange and shall all be “independent” in accordance with the rules of the relevant Canadian Securities Administrators as set out in National Instrument 52-110 “Audit Committees” as amended. Under applicable laws, an “unrelated director” is a director who is independent of management and free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the director’s ability to act with a view to the best interests of the company, other than interests and the relationship arising from shareholding.
- b) All members shall, to the satisfaction of this Board be financially literate. For purposes of this section, an individual is considered to be financially literate if he or she has 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 the issuer’s financial statements. Further, at least one member of the committee at all times should have accounting or financial expertise. For purposes of this section, financial expertise is the ability to analyze and interpret a full set of financial statements, including the notes thereto, prepared in accordance with Canadian Accounting Standards.
- c) The chairman of the Audit Committee (the “Chairman”) will be appointed by the Board and in his or her absence, nominated by the Audit Committee from time to time.
- d) Committee members shall serve until their successors shall be duly designated and qualified. Any member may be removed at any time, with or without cause, by a majority of the Board then in office. Any vacancy in the Committee occurring for any cause may be filled by a majority of the Board then in office.
- e) A majority of Audit Committee members shall form a quorum (minimum two).
- f) The secretary of the Audit Committee will be appointed by the Chairman.

#### **3.2 Attendance at Meetings**

- a) The Audit Committee may invite such other person to its meetings as it deems appropriate.
- b) The external auditors will be present at each quarterly Audit Committee meeting, unless otherwise requested by the Chairman, and are expected to provide comment on the financial statements and their work in relation to the financial statements and other disclosure documents in accordance with their professional standards. The auditors will also have direct access to the Audit Committee without the need to use management as a conduit.
- c) Meetings shall be held not less than four times a year. Special meetings shall be convened as required. Either auditors or management may request that the Audit Committee convene a meeting if they consider that it is necessary, by giving 48 hours’ notice to the members of the Audit Committee unless such notice is waived by the majority of Audit Committee members.
- d) Minutes shall be prepared to record the proceedings of all meetings.
- e) The Committee may form and delegate authority to subcommittees when appropriate.

### **3.3 Role of Chairman**

a) The Chairman of the Audit Committee shall preside over meetings of the Audit Committee, assist in co-ordination of the agenda and materials for Audit Committee meetings, co-ordinate the discharge of the Audit Committee's responsibilities under this Charter and provide reports of the Audit Committee to the Board.

### **4.0 Specific Duties**

In discharging its responsibilities, the Committee shall have the sole authority to, and shall, do the following:

1. retain and, where appropriate, terminate the Corporation's independent auditors,
2. determine the independence of the Corporation's independent auditors,
3. pre-approve all auditing services and related fees and the terms thereof, including the scope of the independent auditors' audit examination plan, procedures and timing of the audit, and
4. Pre-approve any non-audit services (i.e., any services provided other than in connection with the audit or review of financial statements) to be rendered by the Corporation's auditors, including the terms thereof, and the fees to be paid in connection therewith.

The Committee may delegate to one or more members of the Committee the authority to pre-approve services to be provided by the independent auditors. Any such pre-approval by one or more members of the Committee shall be reported to the full Committee at the next scheduled meeting. The pre-approval of auditing and non-auditing services can be done with input from, but no delegation of authority to, management.

**4.1** The Committee is also expected to perform the following additional duties:

1. Prior to the audit, review the experience and qualifications of the senior members of the independent auditors' audit team and the quality control procedures of the independent auditors.
2. Review with the independent auditors and management the Corporation's policies and procedures relative to the adequacy of internal accounting and financial reporting controls, including controls over quarterly and annual financial reporting, computerized information systems and security.
3. Make all necessary inquiries of management and the independent auditors concerning compliance with established standards of corporate conduct.
4. Review with management, and the independent auditors (i) the Corporation's policies with respect to risk assessment and risk management, (ii) the Corporation's major financial risk exposures and (iii) the steps management has taken to monitor and control such exposures.
5. Review with management and the independent auditors the accounting and reporting principles and practices applied by the Corporation in preparing its financial statements, including: (i) major issues regarding accounting principles and financial statement presentations including any significant changes in the Corporation's selection or application of accounting principles, and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies; (ii) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; (iii) the effect of regulatory and accounting

initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation; and (iv) earnings press releases (when applicable) (paying particular attention to any use of “pro forma,” or “adjusted” non-GAAP, information), as well as financial information and earnings guidance (when applicable) provided to analysts and rating agencies.

6. Discuss with management generally the types of information (including financial information and earnings guidance, when applicable) to be disclosed in earnings press releases and earnings calls, as well as to analysts and rating agencies.
7. Prior to the release of the annual financial statements, review with management and the independent auditors, upon completion of their audit, the financial results for the year and the results of the audit, including (i) the Corporation's annual financial statements and related footnotes; (ii) management's discussion and analysis of the financial condition and results of operations; (iii) the results of the audit, including the nature and amount of unrecorded adjustments resulting from the audit; (iv) the independent auditors' management recommendations; (v) any significant transactions which occurred during the year; (vi) any significant adjustments; (vii) management judgments and accounting estimates; (viii) new accounting policies; (ix) all alternative treatments of financial information within generally accepted accounting principles, ramifications of the use of alternative disclosures and treatments, and the treatment preferred by the independent public accountants; and (x) any disagreements between management and the independent auditors.
8. Prior to the release of quarterly financial statements, review with management the Corporation's quarterly financial statements for such quarter, including (i) the financial statements and related footnotes, (ii) management's discussion and analysis of the financial condition and results of operations, (iii) the result of the quarterly review, including the nature and amount of unrecorded adjustments resulting from the review, (iv) any significant transactions which occurred during the quarter, (v) any significant adjustments, (vi) critical accounting policies and practices, (vii) new accounting policies, (viii) all alternative treatments of financial information within generally accepted accounting principles, ramifications of the use of alternative disclosures and treatments, and the treatment preferred by the independent public accountants, and (ix) any disagreements between management and the independent auditors.
9. At least annually, (i) obtain and review from the independent auditors a written statement delineating all their relationships with the Corporation, which is to include all non-audit services provided and related fees and (ii) discuss with the independent auditors any disclosed relationships or services that may impact the objectivity and independence of the accountants and take appropriate action to satisfy itself as to the independence of the accountants.
10. At least annually, (i) obtain and review a written report by the independent auditors describing (a) the firm's internal quality-control procedures; and (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by Governmental or professional authorities, within the preceding five years, respecting any independent audit carried out by the firm, and any steps taken to deal with any such issues, and (ii) review the independent auditors' work throughout the year, including obtaining the opinions of management. Based upon the foregoing, (i) evaluate the independent auditors' (including the lead partner's) performance and (ii) present the Committee's conclusions to the full Board.
11. Approve the “Report of the Audit Committee” included in the Corporation's annual proxy circular. Such report is to include:

- That the independence of the independent auditors has been discussed with them;

- That the audited financial statements have been reviewed and discussed with management;  
and

- The Committee's recommendation with regard to the audited financial statements.

12. Meet or speak periodically and separately with each of management and the independent auditors.
13. Review and evaluate the internal auditors' (if one exists) work throughout the year, and present the Committee's conclusions to the full Board.
14. At least quarterly, review with the independent auditors difficulties or problems encountered in the course of any audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
15. Set and review clear hiring policies for employees or former employees of the independent auditors in accordance with applicable laws and regulations.
16. Take such action as necessary to assure the rotation of the lead audit partner at least every five years or such other period as may be required under applicable law.
17. Establish or review procedures for processing internal complaints regarding accounting, internal controls or auditing matters, and the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing practices.
18. Apprise the Board of Directors regularly of significant developments in the course of performing the above duties, including reviewing with the full Board any issues that arise with respect to the quality or integrity of the Corporation's compliance with legal or regulatory requirements, the performance and independence of the Company's independent public accountants.
19. Review and reassess the adequacy of this charter on a regular basis and submit any proposed revisions to the Board for consideration and approval.
20. The Audit Committee shall receive and review the reports of the Chief Executive Officer and Chief Financial Officer (Form 52-109F1 Certificate of Annual Filings and Form 52-109F2 Certificate of Interim Filings) required by securities regulations in connection with the filing of Financial Statements and Management Discussion and Analysis .