

## **10. MANDATE OF THE AUDIT COMMITTEE**

### **10.1 Composition**

The Audit Committee shall consist of a minimum of three directors of the Corporation.

- a) The Audit Committee shall be comprised entirely of independent directors, as such term is defined by applicable laws and related rules and regulations, and rules of relevant stock exchanges (collectively referred to as “Applicable Laws”). For clarity, US Applicable Laws means those applicable to foreign private issuers. See section 4 for definition of “independent”.

Notwithstanding the foregoing sentence, a member is exempt from the independence requirements if permitted by Applicable Laws. The appointment of the non-independent director shall be disclosed in the next proxy circular mailed to shareholders. If there is reliance on curing provisions, notice shall be given to the stock exchanges immediately upon learning of the circumstances that resulted in the non-compliance.

- b) A quorum for the transaction of business at all meetings of the Audit Committee shall be a majority of members.

### **10.2 Qualifications and Experience**

At the time of appointment or within a reasonable period of time following appointment, each member of the Committee must be financially literate, having the ability to read and understand a set of financial statements that present the breadth and level of complexity or accounting issues that are generally comparable to the breadth and complexity of the issues that can be reasonably be expected to be raised by the Corporation’s financial statements.

- a) At least one member (the “financial expert”) of the Committee must have:
  - i. An understanding of financial statements and accounting principles used by the Corporation to prepare its financial statements;
  - ii. The ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
  - iii. Experience 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 Corporation’s financial statements, or experience actively supervising one or more persons engaged in such activities;
  - iv. An understanding of internal controls and procedures for financial reporting; and
  - v. An understanding of audit committee functions.
- b) The financial expert must have acquired the foregoing attributes through one or more of the following:
  - i. 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;

- ii. Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- iii. Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- iv. Other relevant experience.

### 10.3 Mandate and Responsibilities

The Audit Committee shall:

- a) Review and assess the adequacy of the Audit Committee mandate on an annual basis;
- b) Meet with the Corporation's external auditors as necessary and before the submission of the audited annual financial statements to the Board and communicate to external auditors that they are ultimately accountable to the Board and the Audit Committee as representatives of shareholders;
- c) Review the annual financial statements of the Corporation and "management's discussion and analysis" and recommend the financial statements for approval to the Board;
- d) Review and approve interim financial statements of the Corporation and "management's discussion and analysis" prior to filing with the securities regulatory authorities and delivery to shareholders;
- e) Obtain explanations from management on all the significant variances between comparative reporting periods and, in respect the annual financial statements, question management and the external auditor regarding the significant financial reporting issues discussed during the fiscal period and the method of resolution;
- f) Be responsible for:
  - i. Ensuring that a written statement is obtained from the external auditor describing all relationships between the external auditor and the Corporation;
  - ii. Discussing with the external auditor any disclosed relationships or services that may impact the objectivity and independence of the external auditor; and
  - iii. Determining that the external auditors have a process in place to address the rotation of the lead partner and other audit partners serving the account as required under Canadian independence standards and the SEC independence rules, as applicable to foreign private issuers;
- g) Assess the performance of the external auditors and recommend to the Board annually or as they may otherwise determine a duly qualified external auditor to be nominated (for appointment or retention) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation;
- h) Review the plan and scope of the audit to be conducted by the internal (if any) and external auditors of the Corporation;

- i) Approve, or recommend to the Board for approval, the compensation of the external auditors;
- j) Directly oversee the work of the external auditors, including reviewing the Corporation's critical accounting policies and practices, material alternative accounting treatments and material written communications between the external auditors and management, and the resolution of disagreements between management and the external auditor regarding financial reporting;
- k) Pre-approve all audit and permitted 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, in accordance with Applicable Laws;
- l) Review all post-audit or management letters containing the recommendations of the external auditor and management's response or follow-up of any identified weakness;
- m) Meet separately, periodically, with management, with internal auditors (or other personnel responsible for the internal audit function) and with external auditors;
- n) Oversee the governance of management's Disclosure Committee;
- o) Review all annual and interim earnings press releases;
- p) Determine that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements, other than disclosure in the Corporation's financial statements, management's discussion and analysis and earnings press releases, and periodically assess the adequacy of these procedures;
- q) 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;
- r) Enquire as to the adequacy of the Corporation's system of internal controls and review periodic reports from management about internal controls, including an assessment of risk with respect to financial reporting;
- s) Review and approve all related party transactions;
- t) Review and approve the Corporation's hiring policies regarding employees and former employees of the present and former external auditors of the Corporation;
- u) Have such other duties, powers and authorities, consistent with the provisions of the *Canada Business Corporations Act*, as the Board may, by resolution, delegate to the Audit Committee from time to time.

#### 10.4 Authority

The Audit Committee shall have the authority:

- a) For the purpose of performing their duties, to inspect all of the books and records of the Corporation and its affiliates and to discuss such accounts and records and any matters relating to the financial position or condition of the Corporation with the officers and internal (if any) and external auditors of the Corporation and its affiliates;
- b) To engage independent counsel and other advisors as it determines necessary to carry out its duties;
- c) To set and pay the compensation for any advisors employed by the Audit Committee, including without limitation, compensation to any public accounting firm engaged for the purpose of preparing or issuing and audit report or performing other audit, review or attest services for the Corporation;
- d) To set and pay the ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties; and
- e) To communicate directly with the internal (if any) and external auditors.

### **10.5 Proceedings**

The following shall apply to the proceedings of the Audit Committee.

- a) The business of the Audit Committee shall be transacted either at meetings thereof or by conference telephone or other communications facilities that permit all persons participating in the meeting to hear each other, or by resolution in writing. All questions at a meeting shall be decided in accordance with the vote of a majority of those present and the Chairman of the meeting shall not have a second or casting vote.
- b) A resolution in writing signed by all members of the Audit Committee entitled to vote on that resolution at a meeting of the Audit Committee shall be as valid as if it had been passed at a duly called and constituted meeting. Such resolutions in writing may be in one or more counterparts, all of which, when taken together, shall be deemed to constitute one resolution.
- c) The Audit Committee Chairman shall periodically report to the Board of Directors on the activities of the Audit Committee.
- d) The external auditor of the Corporation shall, at the expense of the Corporation, be entitled to attend and be heard at or may be invited to any meeting of the Audit Committee.
- e) The external auditor and senior management shall have the opportunity or may be invited to meet separately with the Audit Committee.
- f) The minutes of the proceedings of the Audit Committee and any resolutions in writing shall be kept in a book provided for that purpose which shall always be open for inspection by any director of the Corporation.