

## **MANDATE OF THE AUDIT COMMITTEE**

The Audit Committee is a committee of the Board of Directors of the Corporation (the “**Board**”) which provides assistance to the Board in discharging its responsibilities relating to the Corporation’s financial statements and the reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Corporation’s financial statement, and the legal compliance and ethics programs as established by management and the Board. In so doing, it is the responsibility of the committee to maintain free and open communication between the committee, the external auditors, the internal auditors (if and when a department is established) and management of the Corporation. In discharging its oversight role, the committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Corporation, the power to retain outside counsel, or other experts for this purpose and the authority to set and pay the compensation of any such outside counsel or expert.

The primary responsibility of the Audit Committee is to oversee the Corporation’s financial reporting process on behalf of the Board and report the results of its activities to the Board. Management is responsible for preparing the Corporation’s financial statements, and the independent auditors are responsible for auditing those financial statements. The committee in carrying out its responsibilities believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The committee should take the appropriate actions to set the overall corporate “tone” for the quality of financial reporting, sound business risk practice, and ethical behavior.

The mandate of the Audit Committee shall be reviewed annually by the Board in order to ensure on-going compliance with applicable statutory and regulatory requirements.

### **1. Membership and Quorum**

- a minimum of three directors;
- only “unrelated” (as contemplated by the corporate governance guidelines of the Toronto Stock Exchange (the “**TSX Standards**”)), “independent” (as contemplated by the rules of the Canadian Securities Administrators (the “**CSA Rules**”)) directors shall be appointed, the whole as determined by the Board;
- each member must be “financially literate” (as contemplated by the TSX Standards and the CSA Rules) as determined by the Board;
- quorum of majority of members.

### **2. Frequency and Timing of Meetings**

- normally contemporaneously with the Corporation’s Board meetings;
- at least four times a year and as necessary.

### 3. Mandate

The responsibilities of the Audit Committee include the following:

(a) *Overseeing financial reporting*

- reviewing, with management and the external auditors, the annual audited financial statements as well as the report of the auditors thereon to be included in the Annual Report of the Corporation, including the Corporation's MD&A disclosure, prior to their release, filing and distribution;
- reviewing, with management and the external auditors, quarterly financial statements of the Corporation and accompanying information including the Corporation's MD&A disclosure, prior to their release, filing and distribution;
- reviewing with management and external auditors the financial information contained in prospectuses, offering memoranda, Annual Information Form, Annual Report, Management Proxy Circular and any other document required to be disclosed or filed by the Corporation before their public disclosure or filing with regulatory authorities;
- reviewing, with management, the level and type of financial information provided from time to time, to financial markets, including any earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
- reviewing, with the external auditors and management, the quality, appropriateness and disclosure of the Corporation's accounting principles and policies, underlying assumptions and reporting practices, and any proposed changes thereto;
- reviewing the potential impact of any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of the Corporation and the appropriateness of the disclosure thereof in the documents reviewed by the Audit Committee.

(b) *Monitoring risk management and internal controls*

- receiving periodically management's report assessing the adequacy and effectiveness of the Corporation's disclosure controls and procedures and systems of internal control
- reviewing insurance coverage (annually and as may otherwise be appropriate);

- taking reasonable measures to ensure that appropriate systems are in place to identify business risks and opportunities and overseeing the implementation of processes to manage these risks and opportunities;
- assisting the Board with the oversight of the Corporation's compliance with, and reviewing the Corporation's processes to ensure compliance with, applicable legal and regulatory requirements;
- establishing 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.

(c) *Monitoring internal auditors (when applicable)*

- ensuring that the internal auditors report directly to the Audit Committee;
- regularly monitoring the internal audit function's performance, its responsibilities and budget;
- ensuring that the internal auditors are accountable to the Audit Committee and to the Board.

(d) *Monitoring external auditors*

- recommending the appointment of external auditors (subject to shareholder approval), their compensation, as well as evaluating and monitoring their qualifications, performance and independence
- overseeing all relationships between the external auditors and the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting, determining which non-audit services the external auditors are prohibited from providing, pre-approving all permitted non-audit services provided by the external auditors, overseeing the disclosure of all audit and permitted non-audit services provided by the external auditors, and reviewing the total amount of fees paid by the Corporation to the external auditors for all audit and non-audit services;
- ensuring that the external auditors report directly to the Audit Committee and that they are accountable to the Audit Committee and to the Board;
- directly overseeing the external auditors and discussing with them the quality and not just the acceptability of the Corporation's accounting principles;
- reviewing hiring policies for employees or former employees of the Corporation's firm of external auditors;

- ensuring the rotation of lead, concurring and other audit partners, to the extent required by statutory or regulatory requirements.

The internal auditors and the external auditors will have at all times a direct line of communication with the Audit Committee. In addition, each must meet separately with the Audit Committee, without management, at least twice a year and more frequently as required, during which the Corporation's financial statements and control environment must be discussed; the Audit Committee must also meet separately with management at least twice a year, and more frequently as required.

The Audit Committee shall report annually to the Board on the adequacy of its mandate. In addition, the chair of the Audit Committee shall report regularly to the Board on the business of the Audit Committee.

Nothing contained in the above mandate is intended to transfer to the Audit Committee the Board's responsibility to ensure the Corporation's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Audit Committee.