

## **AUDIT COMMITTEE MANDATE**

### **ORGANIZATION**

The Corporation has established an Audit Committee of the Board of Directors. These mandates govern the operations of the Audit Committee, as approved by the Board of Directors. The Committee shall review and reassess the mandates annually. The Committee shall be appointed by the Board and shall comprise at least three directors, each of whom are independent (as defined by applicable legislation and the rules of any stock exchange on which securities of the issuer are listed). If the Committee is comprised of more than three directors, at least a majority shall be independent. All Committee members shall have a sufficient level of financial literacy to understand the issues to be raised in the Corporation's financial statements, and at least one Audit Committee member shall have accounting or related financial expertise.

Principal duties include oversight responsibility for financial statements and related disclosures, reports to shareholders and other related communications, establishment of appropriate financial policies, the integrity of accounting systems and internal controls, approval of all audit and non-audit services provided by the independent auditor, consultation with the auditor independent of management and overseeing the work of the independent auditor and monitoring and directing, as appropriate, the Internal Audit Department.

The Committee shall periodically meet separately with each of management, personnel responsible for the Internal Audit function and with the independent auditor. The Committee shall report regularly to the Board of Directors about its activities.

### **STATEMENT OF POLICY**

The Committee will provide assistance to the Board in fulfilling their oversight responsibility relating to the integrity of the Corporation's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the annual independent audit of the Corporation's financial statements, and any legal compliance or 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 independent auditor 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 and the power to retain and pay outside counsel, or other experts it determines necessary to carry out its duties.

### **RESPONSIBILITIES AND PROCESSES**

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 their activities to the Board. Management is responsible for the preparation, presentation and integrity of the Corporation's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Corporation. The independent auditor is 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 quality financial reporting, sound business risk practices, and ethical behaviour.

The following shall be the principal recurring processes of the Audit Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

- The Committee shall oversee the work of the auditor and shall have a clear understanding with management and the independent auditor that the independent auditor reports to and is ultimately accountable to the Board and the Audit Committee, as representatives of the Corporation's shareholders. The Committee shall have the ultimate authority and responsibility to evaluate and, where appropriate, recommend the replacement of the independent auditor. The Committee shall assure itself that the external auditor is independent from management and the Corporation, and will have access to all information about the audit firm's relationship with the Corporation that is necessary to come to a reasonable conclusion. Annually, the Committee shall review and recommend to the Board the election of the Corporation's independent auditor by the shareholders.
- The Committee shall discuss with the independent auditor the overall scope and plans for their audit including the adequacy of staffing and the audit fees. Such audit and fees are subject to the approval of the Committee. The Committee will recommend to the Board the appointment of the external auditor by the shareholders and the fees for such auditor. Also, the Committee shall discuss with management, and the independent auditor the adequacy and effectiveness of the accounting and financial controls, including the Corporation's system to monitor and manage business risk, and any legal and ethical compliance programs (including complaint mechanisms). The Committee will develop and maintain a relationship with the independent auditor that allows for full, open, and timely discussion of all material issues, with or without management as appropriate in the circumstances.
- The Committee shall approve non-audit services to be rendered by the independent auditor and fees associated there-with in advance of such activity taking place. The Committee may delegate this approval to one or more of its members, but such services must be presented to the full Audit Committee at its next scheduled meeting.
- The Committee shall review with management and the independent auditor, and recommend for approval by the board, the quarterly and annual financial statements, note disclosure and Management's Discussion and Analysis included therein, together with the auditor's interim review and annual audit reports thereon, and the press releases related thereto.
- The Committee shall review with management and recommend for approval by the board the Annual Information Form.
- The Committee will periodically consider the extent of involvement of the independent auditor in connection with the interim financial statements, Management's Discussion and Analysis, and interim note disclosures. The Committee will periodically review and satisfy itself as to the adequacy of procedures for the review of other public disclosure by the Corporation of financial information derived from the Corporation's financial statements.
- The Committee shall review any significant adjustments to financial statements, unusual transactions, investments or other transactions that could materially affect the viability of the Corporation, in addition to all material transactions with related parties. The Committee will make appropriate inquiries with respect to any significant litigation or regulatory compliance matters and report on these matters to the Board.
- At least annually, the Committee (or its designate) shall review expenses incurred by the Chair, President and Chief Executive Officer and Chief Financial Officer.

- At least annually, the Committee shall obtain confirmation that management has complied with the Corporation's Code of Conduct and other policies inclusive of those promulgated by securities legislation. The Committee will also review complaints to the Corporation's Compliance Hotline regarding financial matters.
- At least annually, the Committee shall receive a report from the Corporation's Disclosure Committee as to the Committee's activities and its recommendations on changes, if any, to the Corporation's disclosure practices. In addition, the Committee shall receive a report from the Disclosure Committee recommending disclosure of all press releases, financial statements, Management Discussion & Analysis and other public disclosure materials before the Committee approves such documents.
- The Committee shall review with management and the independent auditor the financial statements to be included in the Corporation's Annual Report, including their judgment about the quality and acceptability of accounting principles, the reasonableness of significant accounting estimates and judgments, and the clarity of the disclosures in the financial statements and related footnotes. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditor under generally accepted auditing standards.
- The Committee shall approve the Corporation's hiring of partners, employees and former partners and employees of the present and former external auditor of the Corporation.
- The head of the Corporation's Internal Audit department will have a functional reporting relationship direct to the Committee. The Committee will provide such guidance and direction to the Internal Audit department as it deems necessary to ensure the independence and appropriate functioning of such department. The Committee shall receive an annual report from the head of Internal Audit outlining plans for the subsequent year and quarterly reports describing progress against the plan and any relevant findings. The Chair of the Committee will review with the Corporation's CFO the annual performance review for the head of the Corporation's Internal Audit department.
- The Committee shall put in place procedures for:
  - The receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
  - The confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.<sup>1</sup>

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<sup>1</sup> NI 52-110, s. 2.3(7).