

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE**I. PURPOSE**

The primary function of the Audit Committee (the "**Committee**") is to assist the Board in fulfilling its oversight responsibilities by reviewing:

- A. the financial information that will be provided to the shareholders and others;
- B. the systems of internal controls, management and the Board of Directors have established; and
- C. all audit processes.

Primary responsibility for the financial reporting, information systems, risk management and internal controls of Corporation is vested in management and is overseen by the Board.

II. COMPOSITION AND OPERATIONS

- A. The Committee shall be composed of not fewer than three directors and not more than five directors, all of whom are independent¹ directors of the Corporation.
- B. All Committee members shall be "financially literate"² and at least one member shall have "accounting or related financial expertise". The Committee may include a member who is not financially literate, provided he or she attains this status within a reasonable period of time following his or her appointment and providing the Board has determined that including such member will not materially adversely affect the ability of the Committee to act independently.
- C. The Committee shall operate in a manner that is consistent with the Committee Guidelines outlined in Tab 7 of the Board Manual.
- D. The Corporation's auditors shall be advised of the names of the committee members and will receive notice of and be invited to attend meetings of the Audit Committee, and to be heard at those meetings on matters relating to the Auditor's duties.
- E. The Committee has the authority to communicate with the external auditors as it deems appropriate to consider any matter that the Committee or auditors determine should be brought to the attention of the Board or shareholders.
- F. The Committee shall meet at least four times each year.

¹ Independence requirements are described in the Appendix to Tab 5, Board Operating Guidelines.

² The Board has adopted the NI 52-110 definition of "financial literacy", which is an individual is 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.

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Subject to the powers and duties of the Board, the Committee will perform the following duties:

A. Financial Statements and Other Financial Information

The Committee will review and recommend for approval to the Board financial information that will be made publicly available. This includes:

- i) review and recommend approval of the Corporation's annual financial statements and MD&A and report to the Board of Directors before the statements are approved by the Board of Directors;
- ii) review and approve for release the Corporation's quarterly financial statements and press release;
- iii) satisfy itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in items (i) and (ii) above, and periodically assess the adequacy of those procedures; and
- iv) review the Annual Information Form and any Prospectus/Private Placement Memorandums.

Review and discuss:

- v) the appropriateness of accounting policies and financial reporting practices used by the Corporation;
- vi) any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Corporation;
- vii) any new or pending developments in accounting and reporting standards that may affect the Corporation;
- viii) review with management, the external auditors and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation, and the manner in which these matters may be, or have been, disclosed in the financial statements; and
- ix) review accounting, tax and financial aspects of the operations of the Corporation as the Committee considers appropriate.

B. Risk Management, Internal Control and Information Systems

The Audit Committee will review and obtain reasonable assurance that the risk management, internal control and information systems are operating effectively to

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produce accurate, appropriate and timely management and financial information. This includes:

- i) review the Corporation's risk management controls and policies;
- ii) obtain reasonable assurance that the information systems are reliable and the systems of internal controls are properly designed and effectively implemented through discussions with and reports from management, the internal auditor and external auditor; and
- iii) review management steps to implement and maintain appropriate internal control procedures including a review of policies.

C. External Audit

The External Auditor is required to report directly to the Committee, which will review the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:

- i) review and recommend to the Board, for shareholder approval, engagement and compensation of the external auditor;
- ii) review and approve the annual external audit plan, including but not limited to the following:
 - a) engagement letter;
 - b) objectives and scope of the external audit work;
 - c) procedures for quarterly review of financial statements;
 - d) materiality limit;
 - e) areas of audit risk;
 - f) staffing;
 - g) timetable; and
 - h) approve fees;
- iii) meet with the external auditor to discuss the Corporation's quarterly and annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates;
- iv) maintain oversight of the External Auditor's work and advise the Board, including but not limited to:
 - a) the resolution of any disagreements between management and the

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- External Auditor regarding financial reporting;
- b) any significant accounting or financial reporting issue;
 - c) the auditors' evaluation of the Corporation's system of internal controls, procedures and documentation;
 - d) the post audit or management letter containing any findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weaknesses;
 - e) any other matters the external auditor brings to the Committee's attention; and
 - f) assess the performance and consider the annual appointment or re-appointment of external auditors for recommendation to the Board ensuring that such auditors are participants in good standing pursuant to applicable regulatory laws;
- v) review the auditor's report on all material subsidiaries;
- vi) review and discuss with the external auditors all significant relationships that the external auditors and their affiliates have with the Corporation and its affiliates in order to determine the external auditors' independence, including, without limitation:
- a) requesting, receiving and reviewing, on a periodic basis, a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to the Corporation;
 - b) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors; and
 - c) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence;
- vii) review and pre-approve any non-audit services to be provided by the external auditor's firm or its affiliates (including estimated fees), and consider the impact on the independence of the external audit; and
- viii) meet periodically, and at least annually, with the external auditor without management present.

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The Committee shall:

- i) ensure that the External Auditor's fees are disclosed by category in the Annual Information Form in compliance with regulatory requirements;
- ii) disclose any specific policies or procedures the Corporation has adopted for pre-approving non-audit services by the External Auditor including affirmation that they meet regulatory requirements;
- iii) assist the Governance and Compensation Committee with preparing the Corporation's governance disclosure by ensuring it has current and accurate information on:
 - a) the independence of each Committee member relative to regulatory requirements for audit committees;
 - b) the state of financial literacy of each Committee member, including the name of any member(s) currently in the process of acquiring financial literacy and when they are expected to attain this status; and
 - c) the education and experience of each Committee member relevant to his or her responsibilities as Committee member;
- iv) disclose if the Corporation has relied upon any exemptions to the requirements for Audit Committees under regulatory requirements.

E. Other

The Committee shall:

- i) establish and periodically review implementation of procedures for:
 - a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- ii) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former External Auditor;
- iii) review insurance coverage of significant business risks and uncertainties;
- iv) review material litigation and its impact on financial reporting;

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- v) review policies and procedures for the review and approval of officers' expenses and perquisites;
- vi) review policies and practices concerning the expenses and perquisites of the Chairman, including the use of the assets of the Corporation;
- vii) review with external auditors any corporate transactions in which directors or officers of the Corporation have a personal interest;
- viii) review the terms of reference for the Committee annually and make recommendations to the Board as required;
- ix) review list of gifts and entertainment expenses and other matters contemplated under the Anti-Corruption Policy; and
- x) review the adequacy of the Anti-Corruption Policy and report on its implementation and matters arising thereunder to the Board.

IV. ACCOUNTABILITY

- A. The Committee Chair has the responsibility to make periodic reports to the Board, as requested, on financial matters relative to the Corporation.
- B. The Committee shall report its discussions to the Board by maintaining minutes of its meetings and providing an oral report at the next Board meeting.