

# AUDIT COMMITTEE

## Terms of Reference

### PURPOSE

The Audit Committee has been established by the Board and under powers delegated to it by the Board is mandated to oversee the accounting and financial reporting processes of the Company and audits of its financial statements in accordance with the Board Objective.

### COMPOSITION AND TERM OF OFFICE

1. The Audit Committee shall consist of four or more Directors.
2. All members of the Audit Committee shall be independent within the meaning of *National Instrument 52-110* (“**NI 52-110**”).
3. All members must be financially literate within the meaning of NI 52-110 or become financially literate within a reasonable period following appointment and at least one member should have accounting or related expertise.
4. The Chair of the Audit Committee along with other Audit Committee members will be appointed annually by the Board following the AGM to hold office until the next AGM, unless any member becomes unable to serve or is removed by the Board. A casual vacancy may be filled and additional members may be appointed at any time by the Board to hold office until the next AGM.
5. A quorum shall consist of a simple majority.

### DUTIES AND RESPONSIBILITIES

The Audit Committee shall perform the following functions, as well as any other functions specifically authorized by the Board:

#### Financial Disclosure, Risk Management and Internal Controls

1. Review the following documents before the public disclosure of same by the Company, and, if appropriate, recommend approval by the Board of the Company’s:
  - a. annual and quarterly financial statements;
  - b. Management’s Discussion and Analysis; and
  - c. annual and interim earnings press releases.

The review will involve direct discussions with Management and the Company’s external auditor (the “**Auditor**”), including an opportunity for an in-camera meeting with the Auditor independent of Management.

2. Review and approve the disclosures required by applicable securities laws to be included in the Company’s Annual Information Form and Management Information Circular relating to the Audit Committee and audit and non-audit services and fees.

3. Review the process for certification of the interim and annual financial statements by the CEO and Chief Financial Officer (“CFO”) and the certification made by the CEO and CFO.
4. Review all news releases announcing financial results, containing financial information based on unreleased financial results or non-GAAP financial measures or providing earnings guidance, forward-looking financial information and future-oriented financial information or financial outlooks before the public disclosure of same by the Company.
5. Review financial information contained in any prospectus, take-over bid circular, issuer bid circular, rights offering circular and any other document that the Audit Committee is to review before the public disclosure of same by the Company, and, if appropriate, recommend approval by the Board.
6. Review matters related to internal controls over financial reporting of the Company and ensure the Company has adequate procedures in place in respect thereof. Ensure that the necessary measures are taken to follow up suggestions from the Auditor’s reports.
7. Review the principal risks of the Company, other than the risks associated with the Company’s compensation policies and practices, and ensure that an effective risk management strategy is in place.
8. Review the Company’s derivatives policies and activities, including details of exposures to banks and other counterparties.

### **External Auditor**

9. Review and recommend to the Board the appointment of the Auditor to be nominated for the purposes of preparing or issuing an Auditor’s report and performing other audit, review or attest services for the Company.
10. Establish the mandate of the Auditor, including the annual engagement, audit plan, audit scope and compensation for the audit services, subject to shareholder approval.
11. Oversee the activities of the Auditor. The Auditor shall report directly to the Audit Committee.
12. Directly communicate and meet with the Auditor, with and without Management present, to discuss the results of their examinations.
13. Review the independence of the Auditor, any rotation of the partners assigned to the audit in accordance with applicable laws and professional standards, the internal quality control findings of the Auditor’s firm and peer reviews.
14. Review the performance of the Auditor, including the relationship between the Auditor and Management and the evaluation of the lead partner of the Auditor.
15. Resolve disagreements between Management and the Auditor regarding financial reporting.

16. Review material written communications between the Auditor and Management.

### **Non-Audit Services**

17. Pre-approve non-audit services. The Audit Committee may delegate to one or more of its members the authority to pre-approve non-audit services. The pre-approval of non-audit services by any member to whom authority has been delegated shall be presented to the Committee at its first scheduled meeting following such pre-approval.

### **Company Policies**

18. Satisfy itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of those procedures.
19. Establish and periodically review the policies and procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submissions by the employees of the Company regarding questionable accounting or auditing matters.
20. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the former and present Auditor.

### **Insurance**

21. Review the Company's insurance programs, including the Company's directors' and officers' insurance coverage, and make recommendations for their renewal or replacement.

### **MEETINGS AND PROCEDURES**

1. The Audit Committee shall meet a minimum of four (4) times per year and, subject to these Terms of Reference and applicable law, otherwise establish its procedures and govern itself as the members of the Audit Committee may see fit in order to carry out and fulfill its duties and responsibilities hereunder. Extraordinary meetings of the Audit Committee may be called at the request of a member on the Audit Committee or the Chair of the Board to be held at such times and places as the person calling such meeting may determine.
2. A majority of members of the Audit Committee will constitute a quorum (provided that a quorum shall not be less than two (2) members). Decisions of the Audit Committee will be by an affirmative vote of the majority of those members of the Audit Committee voting at a meeting. In the event of an equality of votes, the Chair will not have a casting or deciding vote. The Audit Committee may also act by resolution in writing signed by all the members of the Audit Committee.
3. The Audit Committee shall appoint a Secretary who shall keep minutes or other records of its meetings and proceedings.
4. The Chair of the Audit Committee shall report to the Board at its next regular meeting

the Audit Committee's deliberations and recommendations, if any, requiring the Board's approval.

## **OTHER MATTERS**

1. The Audit Committee is authorized to engage any outside advisor it deems necessary to carry out its duties and responsibilities and to arrange payment of the advisor's compensation by the Company.
2. The Audit Committee may, at the request of the Board or at its own initiative, investigate such other matters as it considers appropriate in furtherance of the Audit Committee's purpose.

# **AUDIT COMMITTEE**

## **Annual Agenda Items**

### **First Meeting of the Year – Q4**

- Review Auditor's Audit Findings Report
- Recommend Approval of the Quarterly and Annual Financial Statements
- Recommend Approval of the Quarterly and Annual MD&A
- Recommend Approval of the Quarterly Press Release
- Recommend Appointment of Auditors
- Review Annual Information Form
- Review Audit Committee's Terms of Reference and Annual Agenda Items
- Review Material Changes in Internal Controls
- Review Disclosure and Internal Controls Testing Report
- Cyber Risk Update

### **Second Meeting of the Year – Q1**

- Review Auditor's Interim Review Findings Report
- Review Auditor's Management Letter
- Recommend Approval of Quarterly Financial Statements
- Recommend Approval of Quarterly MD&A
- Recommend Approval of the Quarterly Press Release
- Review Material Changes in Internal Controls
- Review the Company's Insurance Programs
- Cyber Risk Update

### **Third Meeting of the Year – Q2**

- Review Auditor's Interim Review Findings Report
- Recommend Approval of Quarterly Financial Statements
- Recommend Approval of Quarterly MD&A
- Recommend Approval of the Quarterly Press Release
- Review and approve Auditor's budget
- Review Auditor's Planning Report
- Review Material Changes in Internal Controls
- Review Status of Management Information Systems
- Cyber Risk Update

### **Fourth Meeting of the Year – Q3**

- Review Auditor's Interim Review Findings Report
- Recommend Approval of Quarterly Financial Statements
- Recommend Approval of Quarterly MD&A
- Recommend Approval of the Quarterly Press Release
- Review Material Changes in Internal Controls
- Review Internal Controls – Planning and Scoping Report
- Review Risk Management Report
- Cyber Risk Update