



**Audit & Risk Committee Charter**

August 18, 2011

## **Audit & Risk Committee Charter**

### *Mandate*

The Audit & Risk Committee (“Committee”) is a committee of the Board of Directors (“the Board”). Its primary functions shall be to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and disclosure requirements; the overall maintenance of the systems of internal controls that management have established; the overall responsibility for the Company’s external and internal audit processes; and to review the Company’s principal business risks and exposures to ensure that such risks and exposures are being effectively managed, monitored and controlled.

The Committee shall have the power to conduct or authorize investigations into any matter within the scope of this Charter. It may request any officer or employee of the Company, its external legal counsel or external auditor to attend a meeting of the Committee or to meet with any member(s) of the Committee.

The Committee shall be accountable to the Board. In the course of fulfilling its specific responsibilities hereunder, the Committee shall maintain an open communication between the Company’s outside auditor and the Board.

The responsibilities of a member of the Committee shall be in addition to such member’s duties as a member of the Board.

The Committee has the duty to determine whether the Company’s financial disclosures are complete, accurate, are in accordance with applicable reporting standards and fairly present the financial position and risks of the organization. The Committee should, where it deems appropriate, resolve disagreements, if any, between management and the external auditor, and review compliance with laws and regulations and the Company’s own policies.

The Committee will provide the Board with such recommendations and reports with respect to the financial disclosures of the Company as it deems advisable.

### *Items Administered by the Committee*

- **3: Audit & Risk Committee Charter**
- **3.1: Whistleblower Policy**
- **3.2: Treasury Management Policy**
- **3.3: Vacation & Leave Policy**

### *Membership and Composition*

The Committee shall consist of at least three Directors who shall serve on behalf of the Board of which at least two directors are independent. The members shall be appointed annually by the Board and shall meet the independence, financial literacy and experience requirements of the TSX Venture Exchange, including Multilateral Statement 52-110, and other regulatory agencies as required.

A majority of Members will constitute a quorum for a meeting of the Committee.

The Board will appoint one Member to act as the Chair of the Committee. In his or her absence, the Committee may appoint another person provided a quorum is present. The Chair will appoint a Secretary of the meeting, who need not be a member of the Committee and who will maintain the minutes of the meeting.

#### *Meetings*

At the request of the external auditor, the Chief Executive Officer or the Chief Financial Officer of the Company or any member of the Committee, the Chair will convene a meeting of the Committee. In advance of every meeting of the Committee, the Chair, with the assistance of the Chief Financial Officer, will ensure that the agenda and meeting materials are distributed in a timely manner and no less than five (5) business days before the meeting.

The Committee shall meet no less than four times per year or more frequently if circumstances or the obligations require.

#### *Duties and Responsibilities*

The duties and responsibilities of the Committee shall be as follows:

#### *Financial Reporting and Disclosure*

- 1) Review and discuss with management and the external auditor at the completion of the annual examination:
  - a) the Company's audited financial statements and related notes;
  - b) the external auditor's audit of the financial statements and their report thereon;
  - c) any significant changes required in the external auditor's audit plan;
  - d) any serious difficulties or disputes with management encountered during the course of the audit; and
  - e) other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.
- 2) Review and discuss with management and the external auditor at the completion of any review engagement or other examination, the Company's quarterly financial statements.
- 3) Review, discuss with management the annual reports, the quarterly reports, the Management Discussion and Analysis, Annual Information Form, prospectus and other disclosures and, if thought advisable, recommend the acceptance of such documents to the Board for approval.
- 4) Review and discuss with management any guidance being provided to shareholders on the expected future results and financial performance of the Company and provide their recommendations on such documents to the Board.
- 5) Inquire of the auditors the quality and acceptability of the Company's accounting principles, including the clarity of financial disclosure and the degree of conservatism or aggressiveness of the accounting policies and estimates.

- 6) Meet independently with the external auditor and management in separate executive sessions, as necessary or appropriate.
- 7) Ensure that management has the proper systems in place so that the Company's financial statements, financial reports and other financial information satisfy legal and regulatory requirements. Based upon discussions with the external auditor and the financial statement review, if it deems appropriate, recommend to the Board the filing of the audited annual and unaudited quarterly financial statements.

#### *External Auditor*

- 1) Consider, in consultation with the external auditor, the audit scope and plan of the external auditor.
- 2) Recommend to the Board the external auditor to be nominated and review the performance of the auditor, including the lead partner of the external auditor.
- 3) Confirm with the external auditor and receive written confirmation at least once per year as to disclosure of any investigations or government enquiries, reviews or investigations of the outside auditor.
- 4) Take reasonable steps to confirm the independence of the external auditor, which shall include:
  - a) ensuring receipt from the external auditor of a formal written statement delineating all relationships between the external auditor and the Company, consistent with generally accepted auditing practices,
  - b) considering and discussing with the external auditor any disclosed relationships or services, including non-audit services, that may impact the objectivity and independence of the external auditor, and
  - c) approving in advance any non-audit related services provided by the auditor to the Company with a view to ensuring independence of the auditor, and in accordance with any applicable regulatory requirements, including the requirements of the TSX Venture Exchange with respect to approval of non-audit related services performed by the auditor.

#### *Internal Controls and Audit*

- 1) Review and assess the adequacy and effectiveness of the Company's systems of internal controls and management information systems through discussion with management and the external auditor to ensure that the Company maintains appropriate systems, is able to assess the pertinent risks of the Company and that the risk of a material misstatement in the financial disclosures can be detected.
- 2) Assess the requirement for the appointment of an internal auditor for the Company.
- 3) Inquire of management and the external auditor about the systems of internal controls that management and the Board have established and the effectiveness of those systems. In addition, inquire of management and the external auditor about significant financial risks or exposures and the steps management has taken to minimize such risks to the Company.

### *Risk Management Oversight*

The Committee shall:

- 1) Generally review with management the Company's significant risks and exposures and the steps management has taken to manage, monitor and control such risks and exposures.
- 2) More specifically review the Company's principal business risks and exposures with a view to ensuring that such risks and exposures are being effectively managed, monitored or controlled by:
  - a) reviewing the Company's risk philosophy as set forth by management and the Board of Directors,
  - b) reviewing management's assessment of the significant risks and exposures facing the Company,
  - c) reviewing management's policies, plans, processes and programs to manage and control significant risks and exposures, including the Company's loss prevention policies, disaster response and recovery programs, corporate liability protection programs for directors and officers and any other insurance programs, as applicable,
  - d) receiving regular reports from management regarding the development and implementation of its policies, plans, processes and programs to manage, monitor and control significant risks and exposures, and
  - e) if the Committee deems it appropriate, requesting the independent auditor's opinion of management's assessment of significant risks facing the Company and how effectively they are managed, monitored and controlled.

### *Oversight Function*

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate or are in accordance with applicable reporting standards and applicable rules and regulations. These are the responsibilities of management and the external auditors. The Committee, the Chair and any Members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Company, and are specifically not accountable or responsible for the day to day operation or performance of such activities.

Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of the Company's financial information or public disclosure.

### *Review*

The Committee will annually review and reassess the adequacy of this Charter and submit any recommended changes to the Board for approval.

### *Adoption*

This Charter was adopted by the Board on August 18, 2011.