

1. Role of the Committee

- 1.1 The role of the Audit and Risk Management Committee (**Committee**) is to assist the Board of Directors (**Board**) to meet its oversight responsibilities in relation to the Company's financial reporting, internal control structure, financial risk management procedures and internal and external audit functions.
- 1.2 Provide a formal forum for communication between the Board and senior financial management.
- 1.3 Improve the effectiveness of the internal and external audit functions and be a forum for improving communications between the board and the internal and external auditors.

2. Purpose

- 2.1 A board audit committee is an efficient mechanism for focusing on issues relevant to the integrity of the Company's financial reporting. Ultimate responsibility for the integrity of a company's financial reporting rests with the full Board. The primary purpose of the Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:
 - 2.1.1 the quality and integrity of the Company's financial statements, accounting policies and financial reporting and disclosure practices;
 - 2.1.2 compliance with all applicable laws, regulations and company policy;
 - 2.1.3 the effectiveness and adequacy of internal control processes;
 - 2.1.4 the performance of the Company's external auditors and their appointment and removal;
 - 2.1.5 the independence of the external auditor and the rotation of the lead engagement partner; and
 - 2.1.6 the identification and management of business risks.
- 2.2 A secondary function of the Committee is to perform such special reviews or investigations as the Board may consider necessary.

3. Roles Responsibilities of the Audit Committee

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. In particular, the Audit Committee has the following duties:

3.1. Financial Statements

3.1.1 To review the audited annual and half yearly financial statements, and any reports which accompany published financial statements before submission to the Board, recommending their approval, focusing particularly on:

- any changes in accounting policies and practices;
- major judgmental areas;
- significant adjustments, accounting and financial reporting issues resulting from the audit;
- compliance with accounting policies and standards; and
- compliance with legal requirements.

3.1.2 Assess whether external reporting is adequate for shareholder needs.

3.1.3 Assess management processes supporting external reporting.

3.1.4 Establish procedures for treatment of accounting complaints.

3.2 External Audit Function

3.2.1 Recommend to the Board procedures for the selection and appointment of external auditors and for the rotation of external auditor partners.

3.2.2 Review performance, succession plans and rotation of lead engagement partner.

3.2.3 Approve the external audit plan and fees proposed for audit work to be performed.

3.2.4 Review the adequacy of accounting and financial controls together with the implementation of any recommendations of the external auditor in relation to thereto.

3.2.5 Meet privately with the external auditors on at least a bi-annual period.

3.2.6 To discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary).

3.2.7 Ensure that the external auditor prepares and delivers an annual statement as to their independence which includes details of all relationships with the Company.

3.2.8 Receive from the external auditor, their report on, among other things, critical accounting policies and alternative accounting treatment, prior to the filing of their audit report in compliance with the Corporations Act and with appropriate regulatory authorities.

3.3 Internal Audit Function

3.3.1 Monitor the need for a formal internal audit function and its scope.

3.3.2 Assess the performance and objective of any internal audit procedures that may be in place.

3.3.3 Review risk management and internal compliance procedures.

3.3.4 Monitor the quality of the accounting function.

3.3.5 Review the Internal controls on an annual basis.

3.4 Related Party Transactions

3.4.1 To monitor and review the propriety of any related party transactions.

4. Composition

4.1 The Committee and its membership shall meet all applicable legal, regulatory and listing requirements.

4.2 The Committee will comprise at least three (3) members.

4.3 All members of the Committee will be non-executive Directors.

4.4 All members of the Committee will be independent, non-executive Directors in accordance with the Independence criteria set out by the ASX Corporate Governance Council and the Ontario Securities Commission.

4.5 The Board will appoint members of the Committee. The Board may remove and replace members of the Committee by resolution.

4.6 All members of the Committee must be financially literate (that is, be able to read and understand financial statements).

4.7 At least one member should have relevant qualifications and experience (either as a qualified accountant or other financial professional with experience in financial and accounting matters).

4.8 Some members should have an understanding of the industry in which the Company operates.

4.9 The Chairman of the Committee will not be the Chairman of the Board of directors and will be independent.

4.10 The external auditors, the other Directors, the Managing Director, Chief Financial Officer, Company Secretary and other senior Company executives, may be invited to Committee meeting at the discretion of the Committee.

4.11 The Company Secretary will be the Secretary of the Audit Committee.

5. Quorum

5.1 A quorum will be two members.

6. Meeting

6.1 The Committee will meet at least bi-annually and additionally as circumstances may require for it to undertake its role effectively.

6.2 Meetings are called by the Secretary as directed by the Board or at the request of the Chairman of the Committee.

6.3 Where deemed appropriate the Chairman of the Committee, meetings and subsequent approvals and recommendations can be implemented following the unanimous receipt of a circular written resolution or conference call.

6.4 A quorum shall consist of two members of the Committee. In the absence of the Chairman

of the Committee or their nominees, the members shall elect one of their members as Chairman of that meeting. Decision will be based on a majority of votes with the Chairman having a casting vote.

- 6.5 The Committee Chairman, through the Secretary, will prepare a report of the actions of the Committee to be included in the Board papers for the next board meeting.
- 6.6 Minutes of each meeting are included in the papers for the next full board meeting after each Committee meeting.

7. Secretary

- 7.1 The Company Secretary or their nominee will be the Secretary of the Committee and shall attend meetings of the Committee as required.
- 7.2 The Secretary will be responsible for keeping the minutes of meetings of the Committee and circulating them to Committee members and to the other members of the Board.
- 7.3 The Secretary shall distribute supporting papers for each meeting of the Committee as far in advance as possible.

8. Reporting Procedures

- 8.1 The Audit Committee will keep minutes of its meetings.
- 8.2 The Secretary shall circulate the minutes of the meetings of the Committee to all members of the Committee for comment and change before being signed by the Chairman of the Audit Committee and circulated to the Board with the Board papers for the next Board meeting.
- 8.3 The minutes are to be tabled at the Board meeting following the Audit Committee meeting along with any recommendations of the Committee.
- 8.4 The Committee must report to the Board formally at the next Board meeting following from the last Committee meeting on matters relevant to the Committee's role and responsibilities.
- 8.5 The Committee must brief the Board promptly on all urgent and significant matters.

9. Access and Authority

- 9.1 The Committee is authorised by the Board to investigate any activity within its charter.
- 9.2 Members of the Committee are authorised to seek any information it requires from any employees and all employees are directed to cooperate with any request made by the Audit Committee.
- 9.3 Members of the Committee have rights of access to management and to the books and records of the Company to enable them to discharge their duties as Committee members, except where the Board determines that such access would be adverse to the Company's interests.
- 9.4 Members of the Committee are authorised by the Board to consult independent legal counsel or other independent professional advice necessary to assist them in carrying out their duties and responsibilities, subject to prior consultation with the Chairman. Any costs incurred as a result of the Committee consulting an independent expert will be borne by the Company.

10. Reliance on Information

- 10.1 Each member of the Committee is entitled to rely on information, or professional or expert advice, to the extent permitted by law, given or prepared by:
 - 10.1.1 an employee of the Company whom the member believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
 - 10.1.2 a professional adviser or expert in relation to matters that the member believes on reasonable grounds to be within the person's professional or expert competence; or
 - 10.1.3 another Director or officer of the Company in relation to matters within the Director's or Officer's authority.

11. Review of Charter

- 11.1 The Board will conduct an annual review of the membership to ensure that the Committee has carried out its functions in an effective manner, and will update the Charter as required or as a result of new laws and regulations.
- 11.2 The Charter shall be made available to members on request, to senior management, to the external auditor and to other parties as deemed appropriate and will be posted on the Company's website.

Appendix A – Meaning of Independence ^{1 2}

ASX ¹

An independent director is a director who is not a member of management (a non-executive director) and who:

1. Is not a substantial shareholder of the Company or an officer of, or otherwise associated directly or indirectly with, a substantial shareholder of the Company;
2. Has not within the last three years been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
3. Has not within the last three years been a principal or employee of a material professional adviser or a material consultant to the Company, or another group member;
4. Is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
5. Has no material contractual relationship with the Company or another group member, other than as a director of the Company; and
6. Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

TSX ²

1. A member of an audit committee is independent if the member has no direct or indirect material relationship with the issuer.
2. For the purposes of subsection (1), a material relationship means a relationship which could, in the view of the issuer's board of directors, reasonably interfere with the exercise of a member's independent judgement.
3. Despite subsection (2), the following persons are considered to have a material relationship with an issuer:
 - (a) a person who is, or whose immediate family member is, or at any time during the prescribed period has been, an officer or employee of the issuer, its parent, or of any of its subsidiary entities or affiliated entities;
 - (b) a person who is, or has been, an affiliated entity of, a partner of, or employed by, a current or former internal or external auditor of the issuer, unless the prescribed period has elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;
 - (c) a person whose immediate family member is, or has been, an affiliated entity of, a partner of, or employed in a professional capacity by, a current or former internal or external auditor of the issuer, unless the prescribed period has elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;
 - (d) a person who is, or has been, or whose immediate family member is or has been, employed as an executive officer of an entity if any of the issuer's current executives serve on the entity's compensation committee, unless the prescribed period has elapsed since the end of the service or employment;

- (e) a person who accepts, or has accepted at any time during the prescribed period, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the audit committee, the board of directors, or any other board committee; and
 - (f) a person who is an affiliated entity of the issuer or any of its subsidiary entities.
4. For the purposes of subsection (3), the prescribed period is the shorter of
- (a) the period commencing on January 1, 2004 and ending immediately prior to the determination required by subsection (3); and
 - (b) the three year period ending immediately prior to the determination required by subsection (3).
5. For the purposes of clauses (3)(b) and (3)(c), a partner does not include a limited partner whose interest in the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with an internal or external auditor if the compensation is not contingent in any way on continued service.
6. For the purposes of clause (3)(e), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
7. For the purposes of clause 3(e), the indirect acceptance by a person of any consulting, advisory or other compensatory fee includes acceptance of a fee by
- (a) an immediate family member, or
 - (b) a partner, member or executive officer of, or a person who occupies a similar position with, an entity that provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer, other than limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity.

¹ *A Guide for Fund Managers and Corporations – Blue Book, Investment and Financial Services Association, 2004 at www.ifsa.com.au.*

² *Multilateral Instrument 52-110 Audit Committees*