

# **CORRIDOR RESOURCES INC.**

## **AUDIT COMMITTEE**

### **Terms of Reference**

#### **Policy Statement**

It is the policy of Corridor Resources Inc. (the "Corporation") to establish and maintain an Audit Committee, to assist the Board of Directors (the "Board") in carrying out their oversight responsibility for the Corporation's financial reporting process. The primary objectives of the Audit Committee are to:

- help directors meet their legal duties and responsibilities;
- provide better communications between the Board and the external auditor;
- enhance the independence of the external auditor;
- increase the credibility and objectivity of financial reports; and
- strengthen the role of the Board by facilitating in-depth discussions among directors, management and the external auditor.

The Audit Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board including administrative support. If determined necessary by the Audit Committee, it will have the discretion to institute investigations of improprieties, or suspected improprieties within the scope of its responsibilities, including the standing authority to retain special counsel or experts.

#### **Composition of the Committee**

1. The Audit Committee shall consist of a minimum of three directors of the Corporation.
2. Members of the Audit Committee shall be appointed by the Board and may be removed by the Board in its discretion.
3. The members of the Audit Committee shall elect a Chair from among their number.
4. A majority of the members of the Audit Committee must not be officers or employees of the Corporation or an affiliate of the Corporation.

#### **Meetings of the Committee**

5. Subject to the following requirements, the Audit Committee may determine its own meeting procedures.
6. The Audit Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair of the Audit Committee and whenever a meeting is requested by the Board, a member of the Audit Committee, the auditors, or senior management of the Corporation. Scheduled meetings of the Audit Committee shall correspond with the review of the year-end and quarterly financial statements and management discussion and analysis.

7. Notice of each meeting of the Audit Committee shall be given to each member of the Audit Committee and to the auditors, who shall attend any meeting upon the request of the Audit Committee.
8. Notice of a meeting of the Audit Committee shall: (a) be in writing, (b) state the nature of the business to be transacted at the meeting in reasonable detail; (c) to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and (d) be given at least two business days prior to the time stipulated for the meeting or such shorter period as the members of the Audit Committee may permit.
9. A quorum for the transaction of business at a meeting of the Audit Committee shall consist of a majority of the members of the Audit Committee.
10. A member or members of the Audit Committee may participate in a meeting of the Audit Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
11. In the absence of the Chair of the Audit Committee, the members of the Audit Committee shall choose one of the members present to be Chair of the meeting. In addition, the members of the Audit Committee shall choose one of the persons present to be the Secretary of the meeting.
12. The Chairman of the Board, senior management of the Corporation and other parties may attend meetings of the Audit Committee; however the Audit Committee (i) shall meet with the external auditors independent of management, and (ii) may meet separately with management.
13. Minutes shall be kept of all meetings of the Audit Committee and shall be signed by the Chair and the Secretary of the meeting.
14. The Audit Committee may invite such officers, directors and employees of the Corporation or affiliates as it see fit from time to time to attend meetings of the Audit Committee and to assist thereat in the discussion of matters being considered by the Audit Committee.
15. The members of the Audit Committee shall, for the purpose of performing their duties, have the right to inspect all the books, records and operations of the Corporation and its affiliates, and to discuss such books, records and operations with the officers and employees of the Corporation and its affiliates.

#### **Duties and Responsibilities of the Committee**

16. The Audit Committee is generally responsible for managing, on behalf of shareholders of the Corporation, the relationship between the Corporation and its external auditor. This includes:

- (a) identifying and monitor the management of the principal risks that could impact the financial reporting of the Corporation;
  - (b) monitoring the integrity of the Corporation's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
  - (c) monitoring the independence and performance of the Corporation's external auditors;
  - (d) dealing directly with the external auditors to approve external audit plans, other services (if any) and fees;
  - (e) directly oversee the external audit process and results (in addition to items described in Section 4 below);
  - (f) providing an avenue of communication among the external auditors, management and the Board;
  - (g) ensuring that an effective "whistle blowing" procedure exists to permit stakeholders to express any concerns regarding accounting or financial matters to an appropriately independent individual.
17. The Audit Committee shall have the authority to:
- (a) inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates;
  - (b) discuss with the management of the Corporation, its subsidiaries and affiliates and senior staff of the Corporation, any affected party and the external auditors, such accounts, records and other matters as any member of the Audit Committee considers necessary and appropriate;
  - (c) engage independent counsel and other advisors as it determines necessary to carry out its duties; and
  - (d) to set and pay the compensation for any advisors employed by the Audit Committee.
18. The Audit Committee shall, at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.
19. The Audit Committee shall:
- (a) review the audit plan with the Corporation's external auditors and with management;

- (b) discuss with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgements of management that may be material to financial reporting;
- (c) review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;
- (d) review any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
- (e) review with senior management the process of identifying, monitoring and reporting the principal risks affecting financial reporting;
- (f) review audited annual financial statements and related documents in conjunction with the report of the external auditors and obtain an explanation from management of all significant variances between comparative reporting periods;
- (g) consider and review with management, the internal control memorandum or management letter containing the recommendations of the external auditors and management's response, if any, including an evaluation of the adequacy and effectiveness of the internal financial controls of the Corporation and subsequent follow-up to any identified weaknesses;
- (h) review with financial management and the external auditors the quarterly unaudited financial statements and management discussion and analysis before release to the public;
- (i) before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including any prospectuses, annual reports, annual information forms, management discussion and analysis and press releases; and
- (j) oversee, any of the financial affairs of the Corporation, its subsidiaries or affiliates, and, if deemed appropriate, make recommendations to the Board, external auditors or management.

20. The Audit Committee shall:

- (a) evaluate the independence and performance of the external auditors and annually recommend to the Board the appointment of the external auditor or the discharge of the external auditor when circumstances are warranted;
- (b) consider the recommendations of management in respect of the appointment of the external auditors;

- (c) recommend to the Board the compensation of the external auditor;
  - (d) pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by its external auditors', or the external auditors of the Corporation's subsidiary entities;
  - (e) approve the engagement letter for non-audit services to be provided by the external auditors or affiliates, together with estimated fees, and considering the potential impact of such services on the independence of the external auditors;
  - (f) when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the Notice of Change of Auditors and documentation required pursuant to National Policy 51-102 (or any successor legislation) of the Canadian Securities Administrators and the planned steps for an orderly transition period; and
  - (g) review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities policies, on a routine basis, whether or not there is to be a change of external auditors.
21. The Audit Committee shall:
- (a) review with management at least annually, the financing strategy and plans of the Corporation; and
  - (b) review all securities offering documents (including documents incorporated therein by reference) of the Corporation.
22. The Audit Committee shall review the amount and terms of any insurance to be obtained or maintained by the Corporation with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities.
23. The Audit Committee shall enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters, which are directed to the Audit Committee by any member of the Board, a shareholder of the Corporation, the external auditors, or senior management.
24. The Audit Committee shall periodically review with management the need for an internal audit function.
25. The Audit Committee shall review the Corporation's accounting and reporting of environmental costs, liabilities and contingencies.
26. The Audit Committee shall establish and maintain procedures for:
- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting controls, or auditing matters; and

- (b) the confidential, anonymous submission by employees of the Corporation or concerns regarding questionable accounting or auditing matters.
- 27. The Audit Committee shall review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.
- 28. The Audit Committee shall review and approve the Corporation's hiring policies regarding partners, employees, former partners and former employees of the present and former external auditors.
- 29. The Audit Committee shall review with the Corporation's legal counsel, at least on an annual basis or as otherwise appropriate, any legal matter that could have a significant impact on the Corporation's financial statements, and any enquiries received from regulators, or government agencies.
- 30. The Audit Committee shall assess, on an annual basis, the adequacy of this Mandate and the performance of the Audit Committee.