

# **Pond Technologies Holdings Inc.**

## **AUDIT COMMITTEE MANDATE**

### **I. PURPOSE OF THE AUDIT COMMITTEE**

- A. The purpose of the Audit Committee is to fulfill the applicable public company's audit committee's legal and regulatory obligations and to provide assistance to the Board to enable it to fulfill its oversight responsibilities in relation to the financial reporting process, the system of internal controls, the audit process and management of the Corporation's risks as they relate to financial reporting.

### **II. STRUCTURE OF THE COMMITTEE**

#### **A. Composition**

The Audit Committee shall be a standing committee of the Board of Pond and shall be composed of no less than three directors, a majority of who shall be independent and all of whom shall be financially literate, as such terms are defined in applicable securities regulations. In addition, the Chair of the Board may be a non-voting, ex officio member of the Audit Committee.

#### **B. Quorum**

Quorum for any meeting of the Audit Committee shall be a majority of voting Members present in person, by teleconference or any combination thereof.

#### **C. Appointment of Members**

Members of the Audit Committee shall be appointed by the Board annually on the recommendation of the Governance Committee, and shall hold office at the pleasure of the Board. Where practical, no more than two members of the Audit Committee will rotate in any given year.

#### **D. Role and Responsibilities of Committee**

The roles and responsibilities of the Audit Committee shall be clearly defined to ensure that Members of the Committee understand their duties and responsibilities.

#### **E. Chair of the Audit Committee**

At the first meeting of the Audit Committee following its formation each year, or at such other times as may be required, the Members of the Audit Committee shall appoint from amongst themselves a Chair of the Audit Committee. The Committee shall report such appointment back to the Board at its next meeting for its confirmation. The duties of the Chair are set out in Section IV hereof.

In the absence of the Chair at any Audit Committee meeting, those Members present shall appoint a voting Member of the Audit Committee to be the Chair for the purposes of the conduct of that meeting.

**F. Qualification of Members**

Members of the Audit Committee shall, during their tenure on such committee, meet applicable requirements and guidelines for audit committee service, including those relating to being independent and unrelated to the Corporation and financially literate. Determination as to whether a particular Director satisfies the requirements for membership on the Audit Committee shall be made by the full Board.

**G. Vacancy**

A vacancy occurring in the membership of the Audit Committee may be filled by the Board at its discretion, provided that the Board shall fill any vacancy to ensure that there is a minimum of three members on the Audit Committee at all times.

**H. Compensation for Committee Members**

No Audit Committee Member shall receive any non-expense compensation from the Corporation other than what that Member is entitled to as a member of the Board or as an Audit Committee Member.

**I. Number and Timing of Meetings**

The Audit Committee shall meet at least four times a year, which meetings shall be scheduled to permit timely review of quarterly and annual financial statements and related documents.

Additional meetings may be held at the discretion of the Chair of the Audit Committee or at the request of a Member of the Audit Committee, the external auditors or Senior Management.

**J. Secretary**

A secretary of the Audit Committee shall be designated by the Audit Committee, and that person shall act as recording secretary for the Audit Committee and produce minutes of all meetings of the Committee in a timely manner. The secretary may, but need not be, a member of the Audit Committee.

**K. Meetings with Senior Management and the External Auditors**

The Audit Committee shall meet separately with Senior Management and the external auditors at least once per financial quarter and shall meet at such other times as the Audit Committee deems appropriate.

**L. Notice and Place of Meetings**

Notice of any meeting of the Audit Committee may be given orally, by facsimile, electronically, including by email, or in writing to each Audit Committee Member at least 48 hours in advance of such meeting, provided that any Member may waive such notice. Attendance by a Member of the Audit Committee at any meeting shall be deemed a waiver of notice of such meeting unless his or her attendance is made for the purpose of objecting to the manner in which the meeting was called.

A Member of the Audit Committee who attends a meeting for the purpose of objecting to whether the meeting was lawfully called shall not be considered to have waived the required notice.

#### **M. Invitees**

By invitation of the Chair of the Audit Committee, individuals who are not members of the Audit Committee may attend meetings, or portions thereof, from time to time, and may participate in discussions related to issues before the Audit Committee. However, only voting Members of the Audit Committee are entitled to vote at any such meeting.

#### **N. Minutes and Procedures of Meetings**

Subject to statutory requirements and the By-laws of the Corporation, the Audit Committee may set its own procedures at meetings, keep records of its proceedings and report to the Board when the Audit Committee considers it appropriate, but in any event, not later than at the next following Board Meeting. Minutes of an Audit Committee meeting shall be tabled at the next Board Meeting following the approval of such minutes by the Committee.

#### **O. Delegation of Responsibilities**

The Audit Committee may delegate to any person or subcommittee of the Audit Committee any of the Audit Committee's responsibilities that may be lawfully delegated.

#### **P. External Auditors**

The external auditors of the Corporation are ultimately accountable to the Board and shall report directly to the Audit Committee, in each case as representatives of the shareholders.

#### **Q. Mandate**

The Audit Committee shall review and reassess the adequacy of the Audit Committee Mandate on an annual basis to ensure that it accurately specifies the scope of the Committee's responsibilities and adequately sets out how the Committee is to carry out these responsibilities.

### **III. DUTIES OF THE COMMITTEE**

The duties of the Audit Committee include, *inter alia*,

#### **A. Compliance**

- i. ensuring the Corporation's compliance with legal and regulatory requirements with respect to financial reporting and disclosure;
- ii. ensuring that Senior Management has implemented appropriate systems to identify and monitor Senior Management's and the Board's response to such issues as:
  - a. business risks;
  - b. legal, ethical and regulatory compliance; and
  - c. internal systems of control and the effectiveness of such internal controls to ensure compliance with policies and procedures relating to both financial transactions and financial reporting;

## **B. Meetings**

- i. ensuring that accurate Minutes of all meetings of the Audit Committee are taken and approved at the next following meeting of the Committee and subsequently submitted to the Board at its next meeting for acceptance;

## **C. Internal Controls**

- i. maintaining the integrity and quality of the Corporation's financial reporting and systems of internal control by overseeing Senior Management's system of internal control and reporting process in respect of such controls;

## **D. External Auditors**

- i. reviewing and ensuring the qualifications and independence of the Corporation's external auditors;
- ii. making recommendations to the Board in respect of the appointment or re-appointment of external auditors for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation;
- iii. overseeing and evaluating the performance of the external auditors;
- iv. reviewing the annual audit plan prepared by the external auditors and Senior Management, as well as the proposed audit fees;
- v. reviewing the external audit process and determining whether it has been effectively carried out and whether any matters that the external auditors wish to bring to the attention of the Board have been afforded adequate attention;
- vi. making recommendations to the Board regarding remuneration for external auditors;
- vii. pre-approving all auditing services and permitted non-audit services to be performed for the Corporation by the external auditors;
- viii. meeting separately with the Corporation's internal auditor (if applicable), external auditors and Senior Management at least quarterly to assess issues and make determinations on whether issues need to be taken to the Board for review and assessment;
- ix. evaluating the independence of the external auditors in accordance with applicable professional requirements, and determining whether disclosed relationships or services may impact the objectivity and independence of the external auditors and ensuring that such independence has been documented in written correspondence to the Audit Committee;
- x. having responsibility for overseeing the work of the external auditors, including the resolution of disagreements regarding financial reporting between Senior Management and the external auditors; and

- xi. evaluating the external audit process and determining whether the external audit has been completed in accordance with applicable law;

#### **E. Financial Reporting**

- i. reviewing interim and annual financial statements of the Corporation;
- ii. reviewing changes in significant accounting policies and evaluating the impact of such changes on the current and future financial statements of the Corporation;
- iii. preparing, if required, an Audit Committee report for inclusion in the Corporation's annual Management Information Circular in accordance with applicable securities regulations;
- iv. reviewing and monitoring the effectiveness of disclosure controls and procedures to ensure material information or material changes which require public disclosure is appropriately disclosed in a timely fashion;
- v. being satisfied that adequate procedures are in place for the timely review of the Corporation's public disclosure of financial and other information extracted or derived from the Corporation's financial statements and periodically assessing the adequacy of those procedures;
- vi. reviewing and recommending to the Board for its approval the public release and filing of annual audited consolidated financial statements and quarterly unaudited consolidated financial statements of the Corporation, including news releases and management's discussion and analysis (MD&A);
- vii. reviewing the information contained in the Corporation's quarterly reports, annual report to the shareholders, MD&A, Annual Information Form, prospectuses and other public disclosure material to ensure that such information is complete and presented fairly;
- viii. reviewing material litigation and tax assessments in order to determine whether any such matters may have a material impact on the financial position of the Corporation; and
- ix. considering the Corporation's annual financial statements and ascertaining, after a review with external auditors and Senior Management, whether such statements present fairly and in all material respects, the financial position of ILA in accordance with generally accepted accounting principles, whether the selection of accounting policies is appropriate for the Corporation, and whether the financial statements should be recommended to the Board for its approval;

#### **F. Reviewing Terms of Reference and Committee's Performance**

- i. routinely assessing its effectiveness against the Audit Committee Mandate and reporting the results of such assessment regularly to the Governance Committee and Board;

#### **G. Reviewing Reports to Shareholders**

- i. as required by applicable regulations, including for inclusion in the Corporation's annual report to shareholders, or as more often as the Audit Committee deems appropriate,

preparing reports to shareholders regarding the activities undertaken by it in the discharge of its responsibilities;

#### **H. General**

- i. reviewing the Corporation's hiring policies regarding employees and former employees of the present and former external auditors of the Corporation;
- ii. reviewing business practices undertaken by Senior Management to assess compliance with corporate policies and procedures;
- iii. reviewing IIA's complaint procedures to ensure that they adequately track and record complaints to Senior Management regarding accounting, internal accounting controls or auditing matters;
- iv. engaging independent counsel and other special advisors as the Audit Committee deems necessary or desirable from time to time in order to carry out its duties and responsibilities;
- v. investigating any activity of the Corporation as it deems appropriate, and ensuring that all employees of the Corporation fully cooperate with the efforts or enquiries of the Audit Committee;
- vi. communicating with the Board to ensure sufficient funding for the Audit Committee to permit it to fulfill its duties and responsibilities;
- vii. making provision for confidential, anonymous submission by employees of the Corporation of concerns regarding accounting, internal accounting controls or auditing matters, ensuring that the existing processes adequately provide for such submission, and establishing a process whereby the external auditor will receive timely notice of any such submissions;
- viii. reviewing, at least annually, the risk management programs and insurance policies of the Corporation to ensure their adequacy;
- ix. reviewing any issues referred to the Audit Committee by the Board, Senior Management or the external auditors; and
- x. reviewing, at least annually, the Audit Committee Mandate and making recommendations as to any changes to the Corporate Governance Committee and the Board as it deems appropriate.

The duties and responsibilities of the Audit Committee set forth herein have been set out as guidelines only, and do not necessarily represent all duties and responsibilities of the Audit Committee in all circumstances. The Audit Committee shall consider such other matters as may be referred to them or which they may become aware of, and take such actions as it determines necessary or advisable in the circumstances, which may include referring such matters to another Committee of the Board or the Board as a whole.

#### **IV. DUTIES OF THE CHAIR OF THE COMMITTEE**

In addition to the duties and responsibilities set out in the Board of Directors Mandate and any other applicable mandate or position description, the duties of the Chair of the Audit Committee shall include, *inter alia*,

- A. Providing overall leadership to facilitate the effective functioning of the Audit Committee, including, without limitation:
  - i. overseeing the structure, composition, membership and activities delegated to the Audit Committee;
  - ii. chairing every meeting of the Audit Committee and encouraging free and open discussion at meetings of the Audit Committee;
  - iii. scheduling and setting the agenda for Audit Committee meetings with input from other Audit Committee members, the Chair of the Board of Directors and senior management as appropriate;
  - iv. facilitating the timely, accurate and proper flow of information to and from the Audit Committee;
  - v. arranging for management, internal and external auditors and others to attend and present at Audit Committee meetings as appropriate;
  - vi. arranging sufficient time during Audit Committee meetings to fully discuss agenda items;
  - vii. encouraging Audit Committee members to ask questions and express viewpoints during meetings; and
  - viii. taking all other reasonable steps to ensure that the responsibilities and duties of the Audit Committee, as outlined in its Mandate, are well understood by Audit Committee members and executed as effectively as possible.
- B. Fostering ethical and responsible decision making by the Audit Committee and its individual members.
- C. Encouraging the Audit Committee to meet in separate, regularly scheduled, non-management, closed sessions with the independent auditors.
- D. Following each meeting of the Audit Committee, reporting to the Board of Directors on the activities, findings and any recommendations of the Audit Committee.
- E. Carrying out such other duties as may reasonably be requested by the Board of Directors.