



ACADIAN TIMBER

## ACADIAN TIMBER CORP.

### *AUDIT COMMITTEE MANDATE*

A committee of the board of directors (the “**Board**”) of Acadian Timber Corp. (the “**Corporation**”) to be known as the Audit Committee (the “**Committee**”) shall have the mandate set out below.

#### **1. PURPOSE OF THE COMMITTEE**

The Committee is established in order to assist the Board in its oversight and supervision of:

- a) the integrity of the Corporation’s accounting and financial reporting practices and procedures;
- b) the adequacy of the Corporation’s internal accounting controls and procedures;
- c) the compliance by the Corporation with legal and regulatory requirements in respect of financial disclosure;
- d) the assessment, monitoring and management of the material risks of the Corporation’s business;
- e) the quality and integrity of the Corporation’s consolidated financial statements; and
- f) the qualification, independence and performance of the Corporation’s independent auditor.

In addition, the Committee provides an avenue for communication between the independent auditor, the Corporation’s Chief Financial Officer and other senior management, other employees and the Board concerning accounting, auditing and risk management matters.

The Committee is directly responsible for the recommendation of the appointment and retention (and termination) and for the compensation and the oversight of the work of the independent auditor (including oversight of the resolution of any disagreements between senior management and the independent auditor regarding financial reporting) for the purpose of preparing audit reports or performing other audit, review or attest services for the Corporation.

Each member of the Committee shall be entitled to rely in “good faith” upon:

- a) financial statements of the Corporation represented to him or her by senior management of the Corporation or in a written report of the independent auditor to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles; and
- b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

“Good faith reliance” means that the Committee member has considered the relevant issues, questioned the information provided and assumptions used, and assessed whether the analysis provided by senior management or the expert is reasonable. Generally, good faith reliance does not require that the member question the honesty, competence and integrity of senior management or the expert unless there is a reason to doubt their honesty, competency and integrity.

The Corporation’s management is responsible for preparing the Corporation’s financial statements and, along with the internal audit function, for developing and maintaining systems of internal accounting and financial controls. The auditor will assist the Committee and the Board in fulfilling their responsibilities for review of the financial statements and internal controls, and the auditor will be responsible for the independent audit of the financial statements. The Committee expects the auditor to call to its attention any accounting, auditing, internal accounting control, regulatory or other related matters that the auditor believes warrant consideration or action. The Committee recognizes that the Corporation’s finance team, the internal audit team and the auditor have more knowledge and information about the Corporation’s financial affairs than do the Committee’s members. Accordingly, in carrying out its oversight responsibilities, the Committee does not provide any expert or special assurance as to the Corporation’s financial statements or internal controls or any professional certification as to the auditor’s work. The fundamental responsibility for the Corporation’s financial statements and disclosure rests with senior management.

## **2. SPECIFIC RESPONSIBILITIES**

### ***Independent Auditor***

The Committee shall:

- a) recommend the appointment and the compensation of; and, if appropriate, the termination of the independent auditor, subject to such Board and shareholder approval as is required under applicable legal and regulatory requirements;
- b) obtain confirmation from the independent auditor that it ultimately is accountable, and will report directly, to the Committee;
- c) oversee the work of the independent auditor, including the resolution of any disagreements between senior management and the independent auditor regarding financial reporting;
- d) pre-approve all audit and non-audit services (including any internal control-related services) provided by the independent auditor (subject to any restrictions on such non-audit services imposed by applicable legal and regulatory requirements);
- e) adopt such policies and procedures as it determines appropriate for the pre-approval of the retention of the independent auditor by the Corporation and any of its subsidiaries or any audit or non-audit services, including procedures for the delegation of authority to provide such approval to one or more members of the Committee (and related procedures to confirm that any such delegated pre-approvals are presented by such members to the Committee at its first scheduled meeting following any such pre-approvals);
- f) review the terms of the auditor’s engagement and the appropriateness and reasonableness of the proposed audit fees;

- g) when a change of independent auditor is proposed, review all issues related to the change, including the information to be included in the notice of change of the independent auditor as required, and the orderly transition of such change; and
- h) At least annually, review and evaluate the experience, qualifications, performance and independence of the independent auditor and determine whether the independent auditor should be appointed or re-appointed, and nominate the auditor for appointment or reappointment by the shareholders.

***The Audit Process, Financial Statements and Related Disclosure***

The Committee shall, as it determines to be appropriate:

- a) meet with senior management and/or the independent auditor to review and discuss:
  - 1. the planning, staffing and budgeting of the audit by the independent auditor,
  - 2. before public disclosure, the Corporation's annual audited financial statements and quarterly financial statements, the Corporation's accompanying disclosure of Management's Discussion and Analysis and earnings press releases and make recommendations to the Board as to their approval and dissemination of those statements and disclosure,
  - 3. financial information and earnings guidance provided to analysts and rating agencies (this review need not be done on a case by case basis but may be done generally, consisting of a discussion of the types of information disclosed and the types of presentations made, and need not take place in advance of the disclosure),
  - 4. any significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the selection or application of accounting principles, any major issues regarding auditing principles and practices, and the adequacy of internal controls that could significantly affect the Corporation's financial statements,
  - 5. all critical accounting policies and practices used,
  - 6. all alternative treatments of financial information within GAAP that have been discussed with senior management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor,
  - 7. the use of "pro forma" or "adjusted" non-IFRS information,
  - 8. the effect of new regulatory and accounting pronouncements,
  - 9. the effect of any material off-balance sheet structures, transactions, arrangements and obligations (contingent or otherwise) on the Corporation's financial statements,
  - 10. any disclosures concerning any weaknesses or any deficiencies in the design or operation of internal controls or disclosure controls made to the Committee, and

11. the adequacy of the Corporation's internal accounting controls and management information systems and its financial, auditing and accounting organizations and personnel (including any fraud involving an individual with a significant role in internal controls or management information systems) and any special steps adopted in light of any material control deficiencies;
- b) review disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of the procedures in place relating to such review including reviewing management's discussion and analysis;
- c) to the extent applicable, review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former independent auditor of the Corporation; and
- d) review with the independent auditor,
  1. the quality, as well as the acceptability, of the accounting principles that have been applied,
  2. any problems or difficulties the independent auditor may have encountered during the provision of its audit services, including any restrictions on the scope of activities or access to requested information and any significant disagreements with senior management, any management letter provided by the independent auditor or other material communication (including any schedules of unadjusted differences) to senior management and the Corporation's response to that letter or communication, and
  3. any changes to the Corporation's significant auditing and accounting principles and practices suggested by the independent auditor or other members of senior management.

### ***Risk Management***

The Committee shall review with senior management, on at least an annual basis, the Corporation's guidelines and policies with respect to risk assessment and the Corporation's major financial risk exposures and the steps senior management has taken to monitor and control such exposures, including a review of all risk management policies and the scope of the Corporation's annual insurance coverage.

### ***Compliance***

The Committee shall, as it determines to be appropriate:

- a) obtain reports from senior management that the Corporation and its subsidiaries are in compliance with applicable legal requirements and the Corporation's Code of Business Conduct;
- b) review with senior management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Corporation's financial statements or accounting policies;
- c) review senior management's written representations to the independent auditor;
- d) establish procedures for,

- i. the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and
- ii. the confidential, anonymous submission by employees of the Corporation with concerns regarding any accounting or auditing matters.

### ***Communications with Independent Auditor***

Notwithstanding anything set out in this Mandate to the contrary, the Committee may meet privately with the independent auditor as frequently as the Committee deems appropriate for the Committee to fulfill its responsibilities and to discuss any concerns of the Committee or the independent auditor in relation to the matters covered by this Mandate, including the effectiveness of the Corporation's financial recording procedures and systems and senior management's cooperation and responsiveness to matters arising from the audit and non-audit services performed by the independent auditor.

### **3. MEMBERSHIP AND ORGANIZATION**

- a) Following each annual meeting of the Corporation's shareholders, the Board shall appoint from its number at least three (3) directors to serve on the Committee (the "**Members**") until the close of the next annual meeting of shareholders of the Corporation (provided that if such appointment is not made, the Member shall continue as a member of the Committee until his or her successor is appointed) or until the Member ceases to be a director, resigns or is replaced, whichever first occurs. Any Member may be removed from office or replaced at any time by the Board.
- b) Subject to applicable securities law exemptions, each of the Members of the Committee shall be "independent" as set out in the mandate of the Board and within the meaning of applicable securities laws, the applicable policies adopted by securities regulatory authorities and the applicable rules of any stock exchange upon which the Corporation's securities are listed.
- c) A Member who sits on the board of directors of an affiliated entity is exempt from the requirement that he or she be independent if that person, except for being a director (or member of a Board committee) of the Corporation and the affiliated entity, is otherwise independent of the Corporation and the affiliated entity, provided that the Board has determined that appointing such Member to the Committee will not materially adversely affect the ability of the Committee to act independently.
- d) No director who receives any compensation from the Corporation or its affiliates, other than director's fees, shall be eligible for membership on the Committee. Disallowed compensation for a Committee member includes fees paid directly or indirectly for services as a consultant or a legal or financial advisor, regardless of the amount. Disallowed compensation also includes compensation paid to such director's firm for such consulting or advisory services, even if the director is not the actual service provider.
- e) Each Member shall, in the judgment of the board, be "financially literate" as defined in National Instrument 52-110 – *Audit Committees*. In addition, at least one Member shall, in the judgment of the Board, have accounting or related financial management expertise.

- f) The Board shall appoint one of the Members as the chairperson of the Committee (the “**Chair**”). If the Chair is absent from a meeting, the Members shall select an acting chairperson from those in attendance to act as chairperson of the meeting. The Chair’s responsibilities have been determined and approved by the Board and have been set out in a written position description.
- g) The compensation of Members shall be as determined by the Board.
- h) Each Member of the Committee will have knowledge of Canadian corporate governance standards and familiarity with Canadian securities regulations related to continuous disclosure.

#### **4. PROCEDURES AND ADMINISTRATION**

- a) **Meetings** – Meetings of the Committee may be called by the Chair or any other Member, the chairperson of the Board or the independent auditor of the Corporation. Meetings will be called not less than once annually and at such additional times as is necessary for the Committee to fulfill its responsibilities. Notice of each meeting shall be given to each Member, to the Chair and to the independent auditor of the Corporation, verbally or by letter, e-mail, telephone facsimile transmission or telephone not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting. The notice need not state the purpose or purposes for which the meeting is being held. The Committee shall appoint a secretary to be the secretary of each meeting of the Committee and to maintain minutes of the meeting and deliberations of the Committee.
- b) **Subcommittees** – The Committee may form subcommittees for any purpose and may delegate to a subcommittee such of the Committee’s powers and authorities as the Committee deems appropriate.
- c) **Quorum and voting** – The powers of the Committee shall be exercisable by a meeting at which a quorum is present. A quorum shall be not less than a majority of the Members from time to time. Subject to the foregoing, and the constating documents under which the Corporation was created, and unless otherwise determined by the Board, the Committee shall have the power to fix its quorum and to regulate its procedure. Matters decided by the Committee shall be decided by majority vote.
- d) **Investigations** – In discharging its duties, the Committee shall have full access to all corporate books, records, facilities, personnel and outside professionals. The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee.
- e) **Independent Advisors** – The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent consultants and independent legal, accounting or other advisors, who may be regular advisors to the Corporation. The Corporation shall provide such funding as the Committee determines is appropriate in connection with the retention of such advisors.
- f) **Reports to the Board** – The Committee shall report to the board on its proceedings, reviews undertaken and any associated recommendations.

## **5. ANNUAL EVALUATION**

At least annually, the Committee shall, in a manner it determines to be appropriate:

- a) perform a review and evaluation of the performance of the Committee and its Members, including the compliance of the Committee with this Mandate; and
- b) review and assess the adequacy of this Mandate and the position description for the committee chair and recommend to the Board any improvements that the Committee believes to be appropriate.