

## CHARTER OF THE AUDIT COMMITTEE

### MELIOR RESOURCES INC. (the “Corporation”)

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#### **I. Purpose**

The Audit Committee (the “Committee”) is a committee of the Board of Directors (the “Board”) which assists the Board in overseeing the Corporation’s financial controls and reporting and in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Corporation. The Committee’s primary duties and responsibilities are to:

- Oversee: (i) the integrity of the Corporation’s financial statements; (ii) the Corporation’s compliance with legal and regulatory requirements with respect to financial controls and reporting; and (iii) the auditor’s qualifications and independence.
- Serve as an independent and objective party to monitor the Corporation’s financial reporting processes and internal control systems.
- Review and appraise the audit activities of the Corporation’s independent auditor and its internal auditing functions.
- Provide open lines of communication among the independent auditor, financial and senior management and the Board for financial reporting and control matters.

#### **II. Composition**

Members of the Committee are appointed and removed by the Board. The Board shall designate annually the members of the Committee and a Chairman of the Committee. The Committee will be comprised of at least three directors, at least two of whom qualify as independent directors, as determined by the Board<sup>1</sup>. All members of the Committee should have skills and/or experience which are relevant to the mandate of the Committee, as determined by the Board. All members of the Committee shall be financially literate. “Financial literacy” shall be determined by the Board in the exercise of its business judgment, and shall include a working familiarity with basic finance and accounting practices and an ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the Corporation’s financial statements. Committee members, if they or the Board deem it appropriate, may enhance their understanding of finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant or firm.

#### **III. Responsibilities**

The Board, in establishing the Committee, has acknowledged that the Corporation is a

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<sup>1</sup> Determined in accordance with National Instrument 52-110 – *Audit Committees*.

venture issuer and, as such, the responsibilities outlined herein are intended as general guidelines intended to be applied in the context of the size of the Corporation and its stage of development. The responsibilities of the Committee shall generally include, but shall not be restricted to, undertaking the following:

#### ***Selection and Evaluation of Auditor***

- (a) Recommending to the Board the external auditor (subject to shareholder approval) to be engaged to prepare or issue an auditor's report or performing other audit, review or attest services for the Corporation and the compensation of such external auditor.
- (b) Overseeing the independence of the Corporation's auditor and taking such actions as the Committee may deem necessary to satisfy it that the Corporation's auditor is independent within the meaning of applicable securities laws by, among other things: (i) requiring the independent auditor to deliver to the Committee on a periodic basis a formal written statement delineating all relationships between the independent auditor and the Corporation; and (ii) actively engaging in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor and taking appropriate action to satisfy itself of the auditor's independence.
- (c) Instructing the Corporation's independent auditor that: (i) it is ultimately accountable to the Committee (as representatives of the shareholders of the Corporation); (ii) they must report directly to the Committee; and (iii) the Committee is responsible for the appointment (subject to shareholder approval), compensation, retention, evaluation and oversight of the Corporation's independent auditor.
- (d) Ensuring the respect of legal requirements regarding the rotation of applicable partners of the external auditor, on a regular basis, as required.
- (e) Reviewing and pre-approving all audit and permitted non-audit services or mandates to be provided by the independent auditor to the Corporation or any of its subsidiaries including tax services, and the proposed basis and amount of the external auditor's fees for such services, and determining which non-audit services the auditor is prohibited from providing (and, if deemed advisable, adopting specific policies and procedures related thereto).
- (f) Reviewing the performance of the Corporation's independent auditor and replacing or terminating the independent auditor (subject to required shareholder approvals) when circumstances warrant.

#### ***Oversight of Annual Audit***

- (a) Reviewing and accepting, if appropriate, the annual audit plan of the Corporation's independent auditor, including the scope, extent and schedule of audit activities, and monitoring such plan's progress and results during the year.

- (b) Confirming through private discussions with the Corporation's independent auditor and the Corporation's management that no management restrictions are being placed on the scope of the independent auditor's work.
- (c) Reviewing with the external auditor any audit problems or difficulties and management's response thereto and resolving any disagreement between management and the external auditor regarding accounting and financial reporting.
- (d) Reviewing with management and the external auditor the results of the year-end audit of the Corporation including: (i) the annual financial statements and the audit report, the related management representation letter, the related "Memorandum Regarding Accounting Procedures and Internal Control" or similar memorandum prepared by the Corporation's independent auditor, any other pertinent reports and management's responses concerning such memorandum; and (ii) the qualitative judgments of the independent auditor about the appropriateness, and not just the acceptability, of accounting principles and financial disclosure practices used or proposed to be adopted by the Corporation including any alternative treatments of financial information that have been discussed with management, the ramification of their use and the independent auditor's preferred treatment as well as any other material communications with management and, particularly, about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates.

***Oversight of Financial Reporting Process and Internal Controls***

- (a) Reviewing with management and the external auditor the annual financial statements and accompanying notes, the external auditor's report thereon and the related press release, and obtaining explanations from management on all significant variances with comparative periods, before recommending approval by the Board and the release thereof.
- (b) Reviewing with management the quarterly financial statements, any auditor's review thereof and the related press release before recommending approval by the Board and the release thereof.
- (c) Reviewing and periodically assessing the adequacy of the Corporation's procedures for the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, including reviewing the financial information contained in the annual information form, management proxy circular, management's discussion and analysis, prospectuses and other documents containing similar financial information before their public disclosure or filing with regulatory authorities including any Committee report for inclusion in the Corporation's management information circular in accordance with applicable rules and regulations.
- (d) Periodically reviewing the Corporation's disclosure policy to ensure that it conforms with applicable legal and regulatory requirements.
- (e) Reviewing the adequacy and effectiveness of the Corporation's accounting and internal control policies and procedures through inquiry and discussions with the Corporation's independent auditor and management.
- (f) Monitoring the quality and integrity of the Corporation's disclosure controls and

procedures and management information systems through discussions with management and the external auditor.

- (g) Overseeing management's reporting on internal controls and disclosure controls and procedures.
- (h) Reviewing on a regular basis and monitoring the Corporation's policies and guidelines which govern the Corporation's risk assessment and risk management including the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures including hedging policies through the use of financial derivatives, if any.
- (i) Establishing and maintaining free and open means of communication between and among the Board, the Committee, the Corporation's independent auditor and management.

***Other Matters***

- (a) Assisting the Board with oversight of the Corporation's compliance with applicable legal and regulatory requirements including meeting with outside counsel when appropriate to review legal and regulatory matters including any matters that may have a material impact on the financial statements of the Corporation.
- (b) Reviewing and approving any transactions between the Corporation and members of management and/or the Board as well as policies and procedures with respect to officers' expense accounts and perquisites including the use of corporate assets. The Committee shall consider the results of any review of these policies and procedures by the Corporation's independent auditor.
- (c) Conducting or authorizing investigations into any matters within the Committee's scope of responsibilities including retaining outside counsel or other consultants or experts as the Committee determines necessary to carry out its duties and to set and pay the compensation for these advisors.
- (d) Establishing procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- (e) Establishing procedures for the review and approval of financial and related information of the Corporation.
- (f) Reviewing and approving the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.
- (g) Performing such additional activities, and considering such other matters, within the scope of its responsibilities, as the Committee or the Board deems necessary or appropriate.

**IV. Meetings and Advisors**

The Committee will meet as often as it deems necessary or appropriate to perform its duties and

carry out its responsibilities described above in a timely and efficient manner, but not less than quarterly. The quorum at any meeting of the Committee shall be a majority of its members. All such meetings shall be held pursuant to the by-laws of the Corporation with regard to notice and waiver thereof.

The Committee shall meet on a regular basis without management or the external auditor. The Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. As part of its mandate to foster open communications, the Committee shall meet at least annually, and more frequently as required, with management and the Corporation's independent auditor in separate executive sessions to discuss any matters that the Committee or any of these groups or persons believe should be discussed privately. The independent auditor will have direct access to the Committee at its own initiative. The Chairman of the Committee shall work with the Chief Financial Officer and management to establish the agenda for Committee meetings.

Written minutes of each meeting of the Committee shall be filed in the Corporation's records. The Chairman of the Committee will report periodically to the Board.

The Committee shall, in appropriate circumstances and subject to advising the Chairman of the Board, have the authority to engage and obtain advice and assistance from such advisors including outside legal counsel and accountants, as it determines is necessary or appropriate to carry out its duties. The Corporation shall provide for appropriate funding, as determined by the Committee, for payment of the fees of (i) any independent auditor engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Corporation, and (ii) any independent advisors employed by the Committee.

## **V. Disclosure of Charter**

The charter shall be published in the Corporation's annual information form or information circular if required by applicable securities laws.

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While the Committee has the duties and responsibilities set forth in this charter, the Committee is not responsible for planning or conducting the audit or for determining whether the Corporation's financial statements are complete and accurate and are in accordance with Canadian generally accepted accounting principles. Similarly, it is not the responsibility of the Committee to ensure that the Corporation complies with all laws and regulations.

Nothing contained in this charter is intended to expand applicable standards of conduct under statutory or regulatory requirements for the directors of the Corporation or the members of the Committee.