



## **CO<sub>2</sub> SOLUTIONS INC. MANDATE OF THE AUDIT COMMITTEE**

### **1. PURPOSE**

The Audit Committee (the “Committee”) is a standing committee of the Board of Directors. The primary function of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to monitoring the CO<sub>2</sub> Solutions Inc. (the “Corporation”) accounting and financial reporting and practices and procedures; the adequacy of the Corporation’s internal accounting controls and procedures; the quality and integrity of financial statements and other financial information provided by the Corporation to shareholders, and others; and for liaising with the external auditors of the Corporation. The Committee must also identify the main risks to which the Corporation is exposed and ensure that the appropriate risk management mechanisms are in place.

### **2. STRUCTURE AND OPERATIONS**

The Committee shall be comprised of three or more members of the Board of Directors, the majority of whom shall satisfy, to the extent possible given the Company’s size, breadth and “TSX Venture Company” status, the “independence” and “financial literacy” requirements of Regulation 52-110 – Audit Committees (“52-110”), as amended. No member of the Committee shall be an officer or employee of the Corporation, or any affiliate of the Corporation. For the purposes of this Mandate, a member of the Committee is “independent” if the member has no direct or indirect material relationship with the Corporation, as more fully defined in 52-110, and a member of the Committee is “financially literate” if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the financial statements of the Corporation.

The members of the Committee shall be appointed annually by the Board of Directors and shall serve until such member’s successor is duly elected and qualified or until such member’s earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority of the Board of Directors.

The Chair shall be appointed annually by the Board of Directors. The Chair shall not be entitled to a casting vote, and instead will refer any matter which results in a tie vote to the full Board of Directors for consideration and resolution. The Chair will set the agendas for Committee meetings and chair all meetings of the Committee unless the Chair is not present at such meeting in which case the members present shall elect a chair for the conduct of the meeting.

### **3. MEETINGS**

The Committee shall meet at least quarterly or more frequently as circumstances dictate. As part of its goal to foster open communication, the Committee shall periodically meet with management and the external auditors in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. The Committee may meet privately with outside counsel of its choosing and the Chief Financial Officer, as necessary.

In addition, the Committee shall meet with management and if deemed necessary, the external auditors quarterly to review the Corporation’s financial statements in a manner consistent with that outlined in Section 4 of this Mandate. The external auditor can also call the members to a meeting.

The Committee may invite to its meetings any directors, management of the Corporation and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities. A majority of the Committee members, but not less than two, will constitute a quorum. A majority of members present at any meeting at which a quorum is present may act on behalf of the Committee. The Committee may meet by telephone or videoconference and may take action by unanimous written consent with respect to matters that may be acted upon without a formal meeting.

The Chair of the Committee shall designate a person, who need not be a member thereof, to act as Secretary, who shall record the proceedings of the meetings. The agenda of each meeting will be prepared, upon consultation with the Chair, and, whenever reasonably practicable, circulated to each member prior to each meeting. The Committee shall maintain minutes or other records of meetings and activities of the Committee.

#### **4. RESPONSIBILITIES, DUTIES, AUTHORITY**

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities outlined in Section 1 of this Mandate. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal and other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time related to the purposes of this Committee outlined in Section 1 of this Mandate.

In discharging its oversight role, the Committee is empowered to investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside counsel, accounting, or other advisors for this purpose, including authority to approve the fees payable to such advisors and other terms of retention.

The Committee shall be given full access, at its sole discretion, to the Board of Directors and to management and employees of the Corporation, directly and indirectly responsible for financial reporting, and the external auditors and relevant documents of the Corporation, as necessary, to carry out these responsibilities.

Notwithstanding the foregoing, the Committee is not responsible for certifying the financial statements of the Corporation or guaranteeing the external auditors' report.

#### **Document Reports/Reviews and Approvals for Recommendation to the Board**

##### ***Annual Financial Statements***

The Committee shall review with management and the external auditors, both together and separately, prior to public dissemination:

- (a) the annual audited consolidated financial statements;
- (b) the external auditor's review of the annual consolidated financial statements and their report;
- (c) any significant changes that were required in the external audit plan;
- (d) any significant issues raised with management during the course of the audit, including any restrictions on the scope of activities or access to information; and
- (e) those matters related to the conduct of the audit that are required to be discussed under generally accepted auditing standards applicable to the Corporation.

Following completion of the reviews contemplated above, if deemed appropriate the Committee shall approve these items and make a recommendation to the Board of Directors with respect to the approval of the annual financial statements with such changes contemplated and further recommended as the Committee considers necessary.

### ***Interim Financial Statements***

The Committee shall review with management and the external auditors, both together and separately, prior to public dissemination, the interim unaudited consolidated financial statements of the Corporation. The involvement of external auditors in review of interim financial statements is at the discretion of the Committee.

The Committee shall approve these interim financial statements and make a recommendation to the Board of Directors with respect to the approval of the interim financial statements with such changes contemplated and further recommended as the Committee considers necessary.

### ***Management's Discussion and Analysis***

The Committee shall review with management and the external auditors, both together and separately, prior to public dissemination, the annual and the interim Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"). The involvement of external auditors in review of interim MD&A is at the discretion of the Committee.

The Committee shall approve the MD&A and make a recommendation to the Board of Directors with respect to the approval of the MD&A with such changes contemplated and further recommended as the Committee considers necessary.

### ***Press Releases***

If applicable (i.e. if a press release regarding the Corporation's financial results is to be issued), the Committee shall review with management, prior to public dissemination, such press releases (paying particular attention to the use of any "pro forma" or "adjusted non-GAAP" information) and shall also review with management prior to disclosure financial information and earnings guidance provided to analysts and rating agencies.

### ***Reports and Regulatory Returns***

The Committee shall review and discuss with management, and the external auditors to the extent the Committee deems appropriate, any reports and regulatory returns of the Corporation as may be specified by law.

### ***Other Financial Information***

The Committee shall review with management and the external auditors, together and separately, and approve the financial information included in any prospectus, annual information form (if applicable) or information circular prior to public dissemination, and shall make a recommendation to the Board of Directors with respect to the approval of such prospectus, annual information form or information circular with such changes contemplated and further recommended as the Committee considers necessary.

## **Financial Reporting Processes**

### ***Establishment and Assessment of Procedures***

The Committee shall satisfy itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the financial statements of the Corporation and assess the adequacy of these procedures annually.

### ***Application of International Financial Reporting Standards (IFRS)***

The Committee shall assure itself that the external auditors are satisfied that the accounting estimates and judgements made by management, and management's selection of accounting principles reflect an appropriate application of IFRS.

### ***Practices and Policies***

The Committee shall review with management and the external auditors, together and separately, the principal accounting practices and policies of the Corporation.

## **External Auditors**

### ***Reporting***

The external auditors shall report directly to the Committee and are accountable to the Committee.

### ***Oversight and Responsibility***

The Committee is directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting. The Audit Committee also ensures that the external auditor is in good standing with the Canadian Public Accountability Board ("CPAB"), and that no penalty has been imposed upon him or her by the CPAB. The Audit Committee must also ensure that the external auditor satisfies the turnover requirements concerning the partners and staff who participate in the Company's auditing process.

### ***Performance and Review***

The Committee shall annually review the performance of the external auditors and recommend to the Board of Directors the appointment (or re-appointment) of the external auditors for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation. When circumstances warrant, the Committee shall recommend to the Board of Directors the discharge of the external auditors.

### ***Annual Audit Plan***

The Committee shall review with the external auditors and management, together and separately, the overall scope of the annual audit plan and the resources the external auditors will devote to the audit. The Committee shall annually review and approve the fees to be paid to the external auditors with respect to the annual audit.

### ***Non-Audit Services***

"Non-audit services" means all services performed by the external auditors other than audit services. All "non-audit" services to be provided to the Corporation by the external auditors must either be approved explicitly in advance by the Committee, or pursuant to certain pre-approval policies and procedures established by the Committee that are detailed as to the particular services that may be pre-approved, do not permit the delegation of approval authority to the Corporation's management, and require management to inform the Committee of each service approved and performed under the policies and procedures.

The Committee may delegate to one or more members of the Committee the authority to grant such pre-approvals. The decisions of such member(s) regarding approval of "non audit" services shall be reported by such member(s) to the full Committee at its first scheduled meeting following such pre-approval. Notwithstanding the foregoing, preapproval is not necessary for certain *de minimis* non-audit services performed by the external auditors, as specified in Section 2.4 of 52-110. The Audit Committee has delegated to the committee Chairman the power of approving non-audit services not exceeding \$5,000 and these services shall be presented at the first planned meeting of the Audit Committee following any such approval by the Chairman.

### ***Independence Review***

The Committee shall review and assess the qualifications, performance and independence of the external auditors, including the requirements relating to such independence of the law governing the Corporation. At least annually, the Committee shall receive from and review with the external auditors, their written statement delineating all relationships with the Corporation and, if necessary, recommend that the Board of Directors take appropriate action to satisfy itself of the external auditors' independence and its accountability to the Committee.

The Audit Committee shall implement a process aimed at identifying major business risks and ensure the establishment of appropriate mechanisms in matters of risk management. This process requires the need to communicate with Management to ascertain how risks are managed and to solicit the Senior Vice President, Finance and Chief Financial Officer's opinion on the efficiency of the risk attenuation strategies.

## Reports to Board of Directors

### **Reports**

In addition, to such specific reports contemplated elsewhere in this Mandate, the Committee shall report regularly to the full Board of Directors regarding such matters, including:

- (a) with respect to any issues that arise with respect to the quality or integrity of the financial statements of the Corporation, compliance with legal or regulatory requirements by the Corporation, the performance and independence of the external auditors of the Corporation;
- (b) a report to the full Board of Directors following each meeting of the Committee; and
- (c) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities.

### **Recommendations**

In addition, to such specific recommendations contemplated elsewhere in this Mandate, the Committee shall provide such recommendations as the Committee may deem appropriate. The report to the Board of Directors may take the form of an oral report by the Chair or any other member of the Committee designated by the Committee to make such report.

## Whistle-Blowing

### **Procedures**

The Committee shall establish procedures for:

- (a) the receipt, retention and treatment of complaints received by the Corporation regarding questionable accounting, internal accounting controls, or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Corporation and of concerns regarding questionable accounting or auditing matters.

### **Notice to Employees**

To comply with the above, the Committee shall ensure the Corporation advises all employees of the Corporation, by way of a written code of business conduct and ethics (the "Code"), or if such Code has not yet been adopted by the Board of Directors, by way of a written or electronic notice, that any employee who reasonably believes that questionable accounting, internal accounting controls, or auditing matters have been employed by the Corporation or its external auditors is strongly encouraged to report such concerns by way of written communication directly to the Chair or any other member of the Audit Committee. Matters referred to a member of the Audit Committee, may be done so anonymously and in confidence.

***The Corporation shall not take or allow any reprisal against any employee for, in good faith, reporting questionable accounting, internal accounting, or auditing matters. Any such reprisal shall itself be considered a very serious breach of the whistle-blowing procedures.***

All reported violations shall be investigated by the Audit Committee following rules of procedure and process as shall be recommended by outside counsel.

## General

### **Access to Counsel**

The Committee shall review, as necessary, with outside counsel of its choosing, any legal matter that could have a significant impact on the financial statements of the Corporation.

### **Hiring of Partners and Employees of External Auditors**

The Committee shall annually review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

### **General**

The Committee shall perform such other duties and exercise such powers as may, from time to time, be assigned or vested in the Committee by the Board of Directors, and such other functions as may be required of an audit committee by law, regulations or applicable stock exchange rules.

## **5. ANNUAL REVIEW OF PERFORMANCE AND MANDATES**

### ***Annual Review***

The Committee members shall perform a review and evaluation, annually, of the performance of the Committee and its Chairperson, including a review of the compliance of the Committee with this Mandate. In addition, the Committee shall evaluate the adequacy of this Mandate annually and recommend any proposed changes to the Corporate Governance and Human Resources Committee.