

GENNUM CORPORATION CORPORATE GOVERNANCE

AUDIT COMMITTEE

MANDATE:

The purpose of the Audit Committee is to assist and where appropriate make recommendations to the Board of Directors concerning matters relating to financial reporting and controls, the external auditor and financial and other risk. The Committee exists at the pleasure of the Board, and its Mandate and Responsibilities may be changed by the Board at any time.

The Audit Committee's overall duties and responsibilities are to:

- Monitor the integrity of the Company's financial reporting process and system of internal controls regarding financial reporting and accounting compliance.
- Assess the quality of the Company's financial reporting in order to ensure it presents fairly the condition of the Company.
- Identify and monitor the management of the principal risks that could impact the financial reporting and viability of the Company.
- Monitor the independence and performance of the Company's external auditor.
- Ensure good communication among the external auditor, management and the Board.

COMMITTEE COMPOSITION:

The Audit Committee shall be comprised of three or more directors as determined and appointed by the Board, all of whom shall be outside directors who are independent and unrelated, free from any direct or indirect relationship that, in the opinion of the Board, interferes with the exercise of their independent judgement. In making such determination of independence, the Board shall take into account any rules or guidance provided by the applicable securities regulators and stock exchanges.

All members of the Committee shall be financially literate, being defined as able to read and understand financial statements of comparable breadth and complexity to those of the Company. At least one member of the Committee shall have sufficient accounting or related financial management expertise to be considered a financial expert. The terms "financially literate" and "financial expert" shall be construed in accordance with any rules or guidance provided by the applicable securities regulators and stock exchanges, however in the absence of such guidance, the Committee shall make such determination.

The Committee may elect its own chairman and secretary. The secretary to the Committee need not be a member of the Committee and shall be the Corporate Secretary unless the Committee determines otherwise.

MEETINGS AND COMMITTEE PROCESS:

The Committee shall meet at least four times per year or more frequently as circumstances dictate. Following each meeting the Chairman shall report on the Committee's activities to the Board.

The Committee should meet privately at least semi-annually with the external auditor. In addition, the Committee should communicate with management quarterly to review the Company's financial statements. Committee meetings will provide, or allow for, independent discussions and input from all Committee members.

Committee liaison with the Company will be principally through the President and Chief Executive Officer, Vice President, Finance and Administration and Chief Financial Officer and through the General Counsel and Corporate Secretary. The Committee shall have access to, and assistance shall be available from, the President and Chief Executive Officer as required. Assistance will be available from the Manager of Corporate Services.

The Committee shall establish a procedure to receive, consider and address complaints regarding accounting, internal controls or auditing matters, and to allow for confidential or anonymous submission by employees of such complaints.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and has direct access to the external auditor as well as the books, records, facilities and personnel of the organization. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties.

PRIME RESPONSIBILITIES:

Oversight. The Committee has a general responsibility to oversee the financial reporting process and to review accounting practices and policies and any proposed changes thereto, taking into account acceptability, quality and the resulting financial statement impact.

Financial Statements and Reporting

Interim Statements - Review and approve the unaudited and consolidated quarterly results and related notes and Management's Discussion and Analysis statements.

Year End Statements - Review the audited consolidated financial statements and related notes and Management's Discussion and Analysis statements and make the appropriate recommendation to the Board.

Quarterly and year end financial statement review should include, if necessary, discussion with management and the external auditor of significant issues regarding accounting principles, practices and significant management estimates and judgements.

News Releases – Review and if appropriate, approve all news releases incorporating any or all of the following: quarterly results, financial statements, Management's Discussion and Analysis statements or dividends (the latter to be in accordance with the guidelines established by the Board).

Public Disclosure Documents – Review any financial information extracted from the year end or interim statements which is to be publicly disclosed.

Review and if appropriate, approve all disclosures pertaining to the Committee and its operations contained in the Company's public disclosure documents.

Audit and Auditor. The auditor shall report directly to the Committee, and is ultimately accountable to the Committee and to the Board as representatives of the Company's shareholders. As such, the Committee shall oversee the work of the external auditor and review the independence and performance of the auditor and annually recommend to the Board the appointment of the external auditor or, where circumstances warrant, the discharge and replacement of the auditor, subject to any applicable shareholder approval. The Committee shall, where necessary, address and resolve disagreements between management and the external auditor regarding financial reporting. The Committee shall review and pre-approve the external auditor's audit plan, and the fees and other significant compensation to be paid to the external auditor for same. The Committee shall also review and pre-approve the scope of all non-audit services and the fees for same.

SPECIFIC FUNCTIONS, RESPONSIBILITIES AND DUTIES:

Committee Operation

- (1) Maintain an awareness of the overall responsibilities and functions of an Audit Committee.
- (2) Review and reassess the adequacy of this Mandate at least annually and submit any recommended changes in the Mandate to the Corporate Governance Committee of the Board.

- (3) Annually assess the effectiveness of the Committee against its Mandate and report the results of the assessment to the Board.

Audit and Auditor

- (4) Review annually the auditor's engagement letter.
- (5) Review annually management's letter of representation to the auditor.
- (6) At least annually, the Committee shall obtain and review a report by the independent auditor describing: (A) all relationships between the independent auditor and the Company, and (B) confirmation that the independent auditor is objective with respect to the Company within the rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. The Committee shall engage in a dialogue with the auditor regarding issues of objectivity and independence.
- (7) When there is to be a change in the independent auditor, the Committee will review all issues related to the change, including the information to be included in the notice of change of auditor called for under applicable securities rules and regulations, and the planned steps for an orderly transition.
- (8) Review any audit comments memorandum, including any responses by management.
- (9) Consider the external auditor's judgements about the quality and appropriateness of the Company's accounting principles as reflected in the Company's financial reporting.

Financial Statements and Reporting

- (10) Understand and consider disclosure controls and procedures in respect of all financial reporting to the public. This would include news releases, quarterly reports, conference calls with investors, and the annual report.

Oversight

- (11) With a view to ensuring the safeguarding of corporate assets, understand and be satisfied that reasonable internal controls, systems and procedures exist at the Company and its subsidiaries.
- (12) Evaluate the areas of exposure to director and officer liability and consider alternatives for minimizing risk.
- (13) Review the adequacy of the Company's insurance coverage, including the director liability coverage.

- (14) Review legal and regulatory matters that could have a significant impact on the Company's financial statements and assess compliance policies, programs and procedures.
- (15) Consider appropriateness of expense payments re benefit plans.
- (16) Consider appropriateness of the expenses of the CEO and ratify same annually.
- (17) Review and concur in the appointment, reassignment, or dismissal of the Chief Financial Officer.
- (18) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the external auditor.

The Committee shall also undertake any other task assigned by operation of law or by the Board from time to time.