

Notice of Annual General Meeting

FEBRUARY 12, 2024

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the “Meeting”) of the shareholders of Lotus Ventures Inc. (the “Company”), will be held at 2750 Rupert Street, Vancouver, British Columbia, Canada, V5M 3T7 on the 12th day of February, 2024, at 9:30 AM Vancouver time, British Columbia, Canada, for the following purposes:

1. to receive the directors’ Annual Report and the financial statements of the Company as at August 31, 2023;
2. to set the number of directors at four;
3. to elect directors for the ensuing year;
4. to authorize the board of directors to appoint auditors for the Company and to fix their remuneration;
5. to consider and, if thought fit, to approve by ordinary resolution, the Company’s stock option plan pursuant to which up to 10% of the issued and outstanding share capital of the Company at any given time may be reserved for issuance under the plan as described in the Information Circular;
6. to ratify, confirm and approve all acts, deeds and things done by the proceedings of the directors of the Company on its behalf since the last Annual General Meeting; and
7. to transact such other business as may properly be brought before the Meeting and any and all adjournments thereof.

The accompanying Information Circular provides additional information relating to the matters to be dealt with at the Meeting and is deemed to form part of the notice. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his or her stead. If you are unable to attend the meeting in person, please complete, sign and date the enclosed form of Proxy accompanying this Notice or any other manner provided for herein.

DATED at Vancouver, British Columbia, Canada, this January 9, 2024.

By Order of the Board of Directors of
LOTUS VENTURES INC.

“Dale McClanaghan”
Dale McClanaghan
President and CEO

LOTUS VENTURES INC.
1010-1030 WEST GEORGIA STREET
Vancouver, BC V6E 2Y3

INFORMATION CIRCULAR AND PROXY STATEMENT

MANAGEMENT SOLICITATION

This information circular is furnished in connection with the solicitation by the management of LOTUS VENTURES INC. (the “Company”) in connection with an Annual General Meeting (the “Meeting”) of the shareholders to be held on February 12, 2024. The solicitation will be by mail and possibly supplemented by telephone or other personal contact to be made without special compensation by regular officers and employees of the Company. The Company does not reimburse shareholders, nominees or agents for the cost incurred in obtaining from their principal authorization to execute forms of proxy. No solicitation will be made by specifically engaged employees or soliciting agents.

VOTING OF PROXIES

A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT HIM AT THE MEETING OTHER THAN THE PERSONS NAMED IN THE ACCOMPANYING FORM OF PROXY. TO EXERCISE THIS RIGHT, THE SHAREHOLDER MAY INSERT THE NAME OF THE DESIRED PERSON IN THE BLANK SPACE PROVIDED IN THE PROXY AND STRIKE OUT THE OTHER NAMES, OR MAY SUBMIT ANOTHER PROXY.

THE SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED ON ANY POLL (SUBJECT TO ANY RESTRICTIONS THEY MAY CONTAIN) IN FAVOUR OF THE MATTERS DESCRIBED IN THIS PROXY.

REVOCABILITY OF PROXIES

The persons named in the enclosed form of proxy are directors of the Company. Any shareholder returning the enclosed form of proxy may revoke the same at any time insofar as it has not been exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by his attorney authorized in writing, or where the shareholder is a corporation, by a duly authorized officer or attorney of the corporation and delivered either to the registered office of the Company at any time up to and including 4:00 pm Vancouver time on the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or to the chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon any such deposits the proxy is revoked.

NON-REGISTERED HOLDERS

Registered shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. Shares beneficially owned by a holder who is not a registered shareholder (a “Non-Registered Holder”) may be voted by completing the enclosed form of proxy certifying that the shareholder has not voted in any other manner. These are registered either: (i) in the name of an intermediary with whom the Non-Registered Holder deals in respect of the common shares such as, among others, banks, trust companies, securities dealers or brokers (an “Intermediary”); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited of which the Intermediary is a participant). In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, the Company will distribute copies of the Notice of Meeting, form of proxy and this Information Circular to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are then required to forward the materials to the appropriate Non-Registered Holders. Non-Registered Holders will be given, in substitution for the proxy otherwise contained in proxy-related materials, a request for voting instructions (the “Voting Instructions Form”) which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary, will constitute voting instructions which the Intermediary must follow.

The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the common shares they beneficially own. Should a Non-Registered Holder who receives the Voting Instructions Form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder

should so indicate in the place provided for that purpose in the Voting Instructions Form. In any event, Non-Registered Holders should carefully follow the instructions of their Intermediary set out in the Voting Instructions Form.

Management of the Company does not intend to pay for intermediaries to forward to objecting beneficial owners under NI 54-101 the proxy-related materials and Form 54-101F7 – *Request for Voting Instructions Made by Intermediary*, and in the case of an objecting beneficial owner, the objecting beneficial owner will not receive the materials unless the objecting beneficial owner's intermediary assumes the cost of delivery.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Other than as disclosed here and elsewhere in this Information Circular, to the knowledge of management of the Company, none of the directors or executive officers of the Company since the beginning of the financial year ended August 31, 2022, proposed nominees for election as a director, or any associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted upon other than the election of directors or the appointment of auditors.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Company is authorized to issue an unlimited number of common shares without par value of which 115,111,430 shares are issued and outstanding. Only holders of common shares are entitled to vote at the Meeting and holders of common shares are entitled to one vote for each common share held. Holders of common shares of record on January 8, 2024 will be entitled to vote at the Meeting. To the knowledge of the directors of the Company, no person beneficially owns, or controls or directs, directly or indirectly, shares carrying 10% or more of the voting rights attached to shares of the Company.

FIX THE NUMBER OF DIRECTORS AT FOUR

The shareholders will be asked to consider, and if thought fit, to pass an ordinary resolution setting the number of directors of the Company at four.

ELECTION OF DIRECTORS

The directors of the Company are elected at each Annual General Meeting and hold offices until the next Annual General Meeting or until their successors are appointed. In the absence of instructions to the contrary, the proxy will be voted for the nominees herein listed. Management of the Company proposes to nominate each of the following persons for election as a director. Information concerning such persons, as furnished by the individual nominees, is as follows.

Name, Position with Company and Residence	Principal Occupation or Employment for Last Five Years	Date of Appointment as Director or Officer	Common Shares Beneficially Owned, controlled or directed, directly or indirectly
Dale McClanaghan⁽¹⁾ President, CEO and Director BC, Canada	President of McClanaghan and Associates Ltd., a private consulting company, since Jan 2002	Director since July 4, 2014; President and CEO since Nov 27, 2014	7,887,332
Carl Correia COO and Director BC, Canada	Principal of Lightning Contracting, an electrical contracting company, since Oct 2005	COO since Nov 27, 2014; Director since Oct 29, 2015	4,732,500
Simon Davie⁽¹⁾ Director, Vancouver BC, Canada	Project management Professional; Managing Partner of Terra Housing Consultants Ltd. since 2003	March 20, 2019	1,725,000
Maurice Creagh⁽¹⁾ BC, Canada	Grenagh Management Ltd., President, construction services since 2013	June 14, 2019	523,000

(1) Denotes a member of the audit committee of the Company.

Other than as disclosed herein, to the best of management's knowledge, no director or proposed director of the Company, as at or within the ten years prior to the date of this Information Circular, is or has been, a director, chief executive officer or chief financial officer of any company, including the Company, that while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for more than 30 consecutive days, that was issued while that person was acting in the capacity as director, chief executive officer or chief financial officer of the relevant company; or
- (b) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for more than 30 consecutive days, that was issued after that person ceased to be a director, chief executive officer or chief financial officer of the relevant company and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of the relevant company.

No director or proposed director of the Company, as at or within the ten years prior to the date of this Information Circular, is or has been a director or executive officer of any company, including the Company, that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No director or proposed director of the Company has within the ten years before the date of this Information Circular become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person. No director or proposed director of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

STATEMENT OF EXECUTIVE COMPENSATION – VENTURE ISSUERS

For the financial year completed August 31, 2023, the Company's Chief Executive Officer was Dale McClanaghan, the Chief Financial Officer was Gavin Dew and the Chief Operating Officer was Carl Correia (the "Named Executive Officers"). The Company does not have any other executive officers whose total compensation at the end of August 31, 2023 was more than \$150,000.

Table of Compensation Excluding Compensation Securities

The following table sets out particulars of compensation paid to the directors and Named Executive Officers for the financial years ended August 31, 2020, -2021, - 2022 AND 2023 and those whose salaries exceeded \$150,000 for the year ended August 31, 2023.

Table of compensation excluding compensation securities							
Name and Position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Dale McClanaghan, CEO, President, Director	2020	84,000	Nil	Nil	Nil	Nil	84,000
	2021	70,033	135,000	Nil	Nil	Nil	214,033
	2022	146,000	Nil	Nil	Nil	Nil	146,000
	2023	170,000	Nil	Nil	Nil	Nil	170,000
Carl Correia, COO and Director	2020	82,500	96,000	Nil	Nil	Nil	178,500
	2021	151,855	135,000	Nil	Nil	Nil	286,855
	2022	264,636	Nil	Nil	Nil	Nil	264,636
	2023	220,000	Nil	Nil	Nil	Nil	220,000

Funds may be paid to directors to offset normal expenses incurred in carrying out their duties.

Stock options and other compensation securities

The following table sets out particulars of all compensation securities granted or issued to each director and Named Executive Officer by the Company in the financial year ended August 31, 2023. The number of options granted is determined by the board of directors in its discretion.

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
Dale McClanaghan President, CEO and Director	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Carl Correia COO, Director	N/A	Nil	N/A	N/A	N/A	N/A	N/A

Each stock option is exercisable to purchase one common share.

In the financial year ended August 31, 2023, no director or Named Executive Officer exercised any options.

Stock option plans and other incentive plans

The only equity compensation plan which the Company has in place is a “rolling” stock option plan (the “Plan”) whereby the Company is authorized to grant stock options of up to 10% of its issued and outstanding shares, from time to time. As at the date of this Information Circular, there are 8,245,000 options outstanding under the Plan.

The Plan is administered by the board of directors of the Company, which will have full and final authority with respect to the granting of all options thereunder. The Company’s Plan provides that the board of directors may from time to time, in its discretion, subject to the requirements of the Canadian Securities Exchange, grant to eligible optionees non-transferable options to purchase shares for a period of up to 10 years from the date of the grant. All options shall vest as determined by the board of directors. The total number of options granted to optionees conducting investor relations activities may not exceed 5% of the issued and outstanding shares in any 12-month period.

Options granted to any optionee must expire not later than one year following the date the optionee ceases to be an employee (except for cause), a director, officer, consultant or management company employee, which shall be determined by the board of directors at the time of each grant. In the case of death of the optionee, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of the options, except that if the expiration date is earlier than one year after the date of death, the options may be exercisable for up to one year after the date of death, in the discretion of the board of directors. If the employment of an optionee shall terminate due to disability, the options may be exercised within one year after the date of termination, subject to the expiry date of the options. The board of directors, in its discretion, may resolve that options that have not yet vested in the above circumstances, shall vest immediately. If an option is cancelled prior to the expiration of the option period, the Company shall not grant new options to the same optionee until 30 days have elapsed from the date of cancellation.

The exercise price per share under any stock option granted by the Company may not be less than the greater of the closing market price of the shares on (i) the trading day prior to the date of grant of the options, and (ii) the date of grant of the options.

Employment, consulting and management agreements

The Company has employment agreements with each of the Named Executive Officers and includes compensation to the end of August 31, 2023 as set out in the table on page four. These agreements include agreements respecting to compensation, bonuses, change of control, severance, termination and constructive dismissal.

Oversight and description of director and named executive officer compensation

The Company does not have a compensation committee or a formal compensation policy. The Company relies solely on the board of directors to determine the compensation of the Named Executive Officers and directors. In determining compensation, the board of directors considers industry standards and the Company’s financial situation but does not currently have any formal objectives or criteria. The performance of each Named Executive Officer or director is informally monitored by the board of directors, having in mind the business strengths of the individual and the purpose

of originally appointing the individual as an officer or nominating the individual as a director.

Pension disclosure

The Company does not provide a pension to any director or Named Executive Officer.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Please see “Stock option plans and other incentive plans”.

Equity Compensation Plan Information

The following table sets out information as of the financial year ended August 31, 2023.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) at April 30, 2019
Equity compensation plans approved by securityholders	nil	nil	nil
Equity compensation plans not approved by securityholders	nil	nil	nil
Total	nil	nil	nil

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors and executive officers of the Company, proposed nominees for election as a director, or associates of such persons is, or since the beginning of the financial year completed August 31, 2021, has been, indebted to the Company or any of its subsidiaries.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in this Information Circular and a debt settlement disclosed in Form 9 Notice of Proposed Issuance of Listed Securities dated December 14, 2023 on the Canadian Securities Exchange, since the beginning of the financial year completed August 31, 2023, none of the following persons has any material interest, direct or indirect, in any transaction or proposed transaction which has materially affected or which would materially affect the Company or any of its subsidiaries:

- (a) any director or executive officer of the Company;
- (b) any proposed director of the Company;
- (c) any person holding, directly or indirectly, more than 10% of the voting rights attached to all shares of the Company; and
- (d) any associate or affiliate of the foregoing persons.

APPOINTMENT OF AUDITOR

The Company’s auditor has advised that notwithstanding the company is in good standing, due to guidance from the governing body for public company auditors that the auditor can no longer act for the Company. No other reasons were given. There is currently a shortage of accredited auditors and auditor firms accepting new clients. We thank our previous audit firm and for their efforts to assist in finding a replacement. With regard to the substance of previous financial statements and services, the Company’s Board and Management has always concurred with the auditors work and suggestions and there have been no material differences between the Company and the auditor. The company’s year end is November 30th, 2023.

MANAGEMENT CONTRACTS

There are no management functions of the Company or any of its subsidiaries which are to any substantial degree performed by a person other than the directors or executive officers of the Company or a subsidiary.

PARTICULARS OF MATTERS TO BE ACTED UPON

Approval of Stock Option Plan

The Company presently has in place a “rolling” stock option plan whereby the Company is authorized to grant stock

options of up to 10% of its issued and outstanding shares, from time to time. Please see “*Stock option plans and other incentive plans*”. Pursuant to the provisions of the Plan, the Plan needs to be approved by shareholders. Shareholders will be asked to consider, and if thought fit, to approve an ordinary resolution ratifying and approving the Company’s existing Plan.

Unless otherwise instructed, the proxies pursuant to this solicitation will be voted in favor of this resolution.

AUDIT COMMITTEE DISCLOSURE

The Audit Committee’s Charter

The text of the audit committee’s charter is attached hereto as Schedule “A”.

Composition of the Audit Committee

Dale McClanaghan, Simon Davie and Maurice Creagh are members of the audit committee. All members are financially literate. Simon Davie and Maurice Creagh are independent members. Dale McClanaghan is the President and CEO of the Company and therefore non-independent.

Relevant Education and Experience

Mr. McClanaghan has been involved with public companies and has many years of experience as a director or officer of reporting issuers.

Each audit committee member has had extensive experience reviewing financial statements. Each member has an understanding of the Company’s business and has an appreciation for the relevant accounting principles for that business.

Audit Committee Oversight

At no time since the beginning of the financial year completed August 31, 2022 was a recommendation of the audit committee to nominate or compensate an external auditor not adopted by the board of directors.

Reliance on Certain Exemptions

At no time since the beginning of the financial year ended August 31, 2022 has the Company relied on the exemption provided in section 2.4 (*De minimis Non-audit Services*) of NI 52-110 or an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*).

Pre-Approval Policies and Procedures

The audit committee of the Company has not adopted specific policies and procedures for the engagement of non-audit services but all such services will be subject to the prior approval of the audit committee.

External Auditor Service Fees

The aggregate fees billed by the Company’s external auditors for the financial years are below.

Financial Year End	Audit Fees	Audit-Related Fees	Taxes	All Other Fees
Aug 31, 2021	\$30,900	Nil	\$700	Nil
Aug 31, 2022	\$33,000	Nil	\$700	Nil

Exemption

The Company is a “venture issuer” as defined in NI 52-110 and is relying on the exemption in section of NI 52-110 relating to Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*).

CORPORATE GOVERNANCE DISCLOSURE

Corporate governance relates to the activities of the board of directors (the “Board”), the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Company.

Board of Directors

The Board is currently composed of five directors.

The corporate governance guidelines provided by the Canadian Securities Administrators (the “Guidelines”) suggest that the board of directors of a reporting issuer should be constituted with a majority of individuals who qualify as “independent” directors. An “independent” director is a director who is independent of management and is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the director’s ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding.

In addition, where a company has a significant shareholder, the Guidelines suggest that the board of directors should include a number of directors who do not have interests in either the Company or the significant shareholder. Of the proposed nominees, Simon Davie and Maurice Creaugh are considered by the Board to be “independent” within the meaning of the Guidelines. Dale McClanaghan and Carl Correia are “insider” or management directors and accordingly considered to be not independent. In assessing the Guidelines and making the foregoing determinations, the circumstances of each director have been examined in relation to a number of factors.

Other Directorships

The following table sets out the directors of the Company who are presently directors of other issuers that are reporting issuers in any Canadian jurisdiction.

Name of Director	Names of Other Reporting Issuers
Dale McClanaghan	BCM Resources Corporation

Orientation and Continuing Education

The Board has not adopted formal steps to orient new board members. The Board will brief all new directors on relevant corporate and business information. The Board does not provide any formal continuing education.

Ethical Business Conduct

The Board has not adopted formal guidelines to encourage and promote a culture of ethical business conduct but does promote ethical business conduct by nominating board members it considers ethical and by avoiding or minimizing conflicts of interest.

Nomination of Directors

The Board determines new nominees to the Board, although a formal process has not been adopted. The nominees are generally the result of recruitment efforts by the Board members, including both formal and informal discussions.

Compensation

The directors decide as a Board the compensation for the Company’s officers and directors, based on industry standards and the Company’s financial situation.

Other Board Committees

The Board has not established any committees other than its audit committee. All decisions are made by full board of director meetings or consent resolutions.

Assessments

The Board monitors but does not formally assess the performance of individual Board members or committee members or their contributions. Effectiveness is subjectively measured by comparing actual corporate results with stated objectives. The contributions of an individual director are informally monitored by the other Board members, having in mind the business strengths of the individual and the purpose of originally nominating the individual to the Board.

The Company feels its corporate governance practices are appropriate and effective for the Company, given its relatively small size and limited operations. The Company’s method of corporate governance allows for the Company to operate efficiently, with simple checks and balances that control and monitor management and corporate functions without excessive administrative burden.

OTHER MATTERS

Management is not, at this time, aware of any matter to be presented at the meeting other than the items set forth in the Notice. If other matters are properly brought before the Meeting, it is the intention of the persons named in the proxy to

vote the proxy on such matters in accordance with their judgment unless their authority is withheld.

VOTING

Under the provisions of the British Columbia *Business Corporations Act*, a simple majority of the voting shareholders present at the Meeting, in person or by proxy, provided a quorum is present, is required to pass an ordinary resolution. Under the articles of the Company, a two-thirds majority of the voting shareholders present at the Meeting, in person or by proxy, is required to pass a special resolution. The persons named in the accompanying proxy form will be voting in favor of all of the resolutions presented at the Meeting, ordinary and special, unless otherwise directed.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Financial information is provided in the Company's annual financial statements and management discussion and analysis for the year ended August 31, 2021. Securityholders may request copies of the Company's financial statements and management discussion and analysis at Suite 1010 – 1030 West Georgia Street, Vancouver, BC V6E2Y3.

DATED the 9th day of January, 2024 at Vancouver, British Columbia.

**On behalf of the Board of Directors of
LOTUS VENTURES INC.**

**“Dale McClanaghan”
President and CEO**

SCHEDULE "A"

LOTUS VENTURES INC. (the "Company")

AUDIT COMMITTEE CHARTER

1. Mandate

The audit committee will assist the board of directors (the "Board") in fulfilling its financial oversight responsibilities. The audit committee will review and consider in consultation with the auditors the financial reporting process, the system of internal control and the audit process. In performing its duties, the committee will maintain effective working relationships with the Board, management, and the external auditors. To effectively perform his or her role, each committee member must obtain an understanding of the principal responsibilities of committee membership as well and the Company's business, operations and risks.

2. Composition

The Board will appoint from among their membership an audit committee after each annual general meeting of the shareholders of the Company. The audit committee will consist of a minimum of three directors.

2.1 Independence

A majority of the members of the audit committee must not be officers, employees or control persons of the Company.

2.2 Expertise of Committee Members

Each member of the audit committee must be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the committee. At least one member of the committee must have accounting or related financial management expertise. The Board shall interpret the qualifications of financial literacy and financial management expertise in its business judgment and shall conclude whether a director meets these qualifications.

3. Meetings

The audit committee shall meet in accordance with a schedule established each year by the Board, and at other times that the audit committee may determine. The audit committee shall meet at least annually with the Company's Chief Financial Officer and external auditors in separate executive sessions.

4. Roles and Responsibilities

The audit committee shall fulfill the following roles and discharge the following responsibilities:

4.1 External Audit

The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor's report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures. In carrying out this duty, the audit committee shall:

- (a) recommend to the Board the external auditor to be nominated by the shareholders for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;
- (b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors; and
- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards.

4.2 Internal Control

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Company. In carrying out this duty, the audit committee shall:

- (a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Company; and
- (b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

4.3 Financial Reporting

The audit committee shall review the financial statements and financial information prior to its release to the public. In carrying out this duty, the audit committee shall:

General

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions; and

- (b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate.

Annual Financial Statements

- (c) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;
- (d) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered; and
- (e) review management's discussion & analysis respecting the annual reporting period prior to its release to the public.

Interim Financial Statements

- (f) review and approve the interim financial statements prior to their release to the public; and
- (g) review management's discussion & analysis respecting the interim reporting period prior to its release to the public.

Release of Financial Information

- (h) where reasonably possible, review and approve all public disclosure, including news releases, containing financial information, prior to its release to the public.

4.4 *Non-Audit Services*

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Company or any subsidiary of the Company shall be subject to the prior approval of the audit committee.

Delegation of Authority

- (a) The audit committee may delegate to one or more independent members of the audit committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

De-Minimis Non-Audit Services

- (b) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:
 - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount

of fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or

(ii) the services are brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

Pre-Approval Policies and Procedures

(c) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:

- (i) the pre-approval policies and procedures are detailed as to the particular service;
- (ii) the audit committee is informed of each non-audit service; and
- (iii) the procedures do not include delegation of the audit committee's responsibilities to management.

4.5 Other Responsibilities

The audit committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- (c) ensure that significant findings and recommendations made by management and external auditor are received and discussed on a timely basis;
- (d) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (e) perform other oversight functions as requested by the Board; and
- (f) review and update this Charter and receive approval of changes to this Charter from the Board.

4.6 Reporting Responsibilities

The audit committee shall regularly update the Board about committee activities and make appropriate recommendations.

5. Resources and Authority of the Audit Committee

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the audit committee; and
- (c) communicate directly with the internal and external auditors.

6. Guidance - Roles & Responsibilities

The following guidance is intended to provide the Audit Committee members with additional guidance on fulfillment of their roles and responsibilities on the committee:

6.1 Internal Control

- (a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;
- (b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown; and
- (c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.

6.2 Financial Reporting

General

- (a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements; and
- (b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks; and
- (c) understand industry best practices and the Company's adoption of them.

Annual Financial Statements

- (d) review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, and assess whether

the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Company reports or trades its shares;

- (e) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- (f) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;
- (g) consider management's handling of proposed audit adjustments identified by the external auditors; and
- (h) ensure that the external auditors communicate all required matters to the committee.

Interim Financial Statements

- (i) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;
- (j) meet with management and the auditors, either telephonically or in person, to review the interim financial statements; and
- (k) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:
 - (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;
 - (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financial statements are consistent with changes in the Company's operations and financing practices;
 - (iii) generally accepted accounting principles have been consistently applied;
 - (iv) there are any actual or proposed changes in accounting or financial reporting practices;
 - (v) there are any significant or unusual events or transactions;
 - (vi) the Company's financial and operating controls are functioning effectively;
 - (vii) the Company has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and

(viii) the interim financial statements contain adequate and appropriate disclosures.

6.3 *Compliance with Laws and Regulations*

- (a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";
- (b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- (c) review the findings of any examinations by securities regulatory authorities and stock exchanges.

6.4 *Other Responsibilities*

- (a) review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements.