



## **AUDIT COMMITTEE**

### **TERMS OF REFERENCE**

#### **ESTABLISHMENT OF THE COMMITTEE**

##### **1. PURPOSE**

The purpose of the Audit Committee is to assist the Board of Directors (the "**Board**") of Ag Growth International Inc. (the "**Corporation**") in fulfilling its oversight responsibilities by reviewing the financial information provided to the Corporation's shareholders and others, identifying and monitoring the management of the principal risks that could impact the financial reporting of the Corporation, reviewing the "disclosure controls and procedures" and "internal control over financial reporting" (as such terms are defined in National Instrument 52-109 issued by the Canadian Securities Administrators or its successor instrument) that management has established and monitoring auditor independence and the audit process. The Committee also provides an avenue of communication among the independent auditors, management and the Board.

Management of the Corporation is responsible for preparing the quarterly and annual financial statements of the Corporation and for maintaining a system of risk assessment and internal controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and reported properly. The Committee is responsible for reviewing management's actions and has the authority to investigate any activity of the Corporation.

##### **2. COMPOSITION OF COMMITTEE**

The Committee shall consist of as many members as the Board shall determine, but in any event not fewer than three Directors.

Except to the extent that the Board determines that an exemption contained in National Instrument 52-110 issued by the Canadian Securities Administrators or its successor instrument ("**NI 52-110**") is available and determines to rely thereon, all Committee members will be independent within the meaning of NI 52-110.

All Committee members will be "financially literate" (as defined in NI 52-110) unless the Board determines that an exemption under NI 52-110 from such requirement in respect of any particular member is available and determines to rely thereon.

##### **3. APPOINTMENT OF COMMITTEE MEMBERS**

The members of the Committee shall be appointed by the Board annually at the time of each annual meeting of shareholders, and shall hold office until the next annual meeting, or until they are removed by the Board or until they cease to be Directors of the Corporation.

#### **4. VACANCIES**

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

#### **5. COMMITTEE CHAIR**

The Board shall appoint a Chair for the Committee. The Chair may be removed and replaced by the Board.

#### **6. ABSENCE OF CHAIR**

If the Chair is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside at the meeting.

#### **7. SECRETARY OF COMMITTEE**

The Committee shall appoint a Secretary who need not be a Director of the Corporation.

#### **8. REGULAR MEETINGS**

The Chair, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least four times per year.

#### **9. SPECIAL MEETINGS**

The Chair, any two members of the Committee, or the President or Chief Executive Officer of the Corporation may call a special meeting of the Committee.

#### **10. QUORUM**

A majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to and hear each other, shall constitute a quorum.

#### **11. NOTICE OF MEETINGS**

Notice of the time and place of every meeting shall be given in writing or by e-mail or facsimile communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting; provided, however, that a member may in any manner waive a notice of a meeting and attendance of a member at a meeting is a waiver of notice of the meeting except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

#### **12. AGENDA**

The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practical, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.

### **13. DELEGATION**

The Committee shall have the power to delegate its authority and duties to subcommittees or individual members of the Committee as it considers appropriate.

### **14. ACCESS**

In discharging its responsibilities, the Committee shall have full access to all books, records, facilities and personnel of the Corporation and its subsidiaries.

### **15. ATTENDANCE OF OFFICERS AT A MEETING**

At the invitation of the Chair, one or more officers or employees of the Corporation may, and if required by the Committee shall, attend a meeting of the Committee.

### **16. PROCEDURE, RECORDS AND REPORTING**

The Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board when the Committee may deem appropriate (but not later than the next meeting of the Board).

### **17. OUTSIDE CONSULTANTS OR ADVISORS**

When it considers it necessary or advisable to carry out its duties or mandate, the Committee may engage independent counsel and other consultants or advisors. The Committee shall have the sole authority to set and pay, at the Corporation's expense, the compensation of any such counsel, consultants or advisors.

## **ROLES AND RESPONSIBILITIES**

### **1. OVERALL DUTIES AND RESPONSIBILITIES**

The overall duties and responsibilities of the Committee shall be as follows:

- a) to assist the Board in the discharge of its responsibilities relating to the quality, acceptability and integrity of the Corporation's accounting principles, reporting practices and internal controls, including disclosure controls and procedures and internal control over financial reporting;
- b) to assist the Board in the discharge of its responsibilities relating to compliance with disclosure requirements under applicable securities laws, including approval of the Corporation's annual and quarterly financial statements together with the Management's Discussion and Analysis related thereto;
- c) to establish and maintain a direct line of communication with the Corporation's independent auditors and assess their performance;
- d) to ensure that the management of the Corporation has designed, implemented and is maintaining an effective system of internal controls, including disclosure controls and procedures and internal control over financial reporting; and

- e) to report regularly to the Board on the fulfillment of its duties and responsibilities.

## **2. INDEPENDENT AUDITORS**

The duties and responsibilities of the Committee as they relate to the independent auditors shall be as follows:

- a) to have a clear understanding with the independent auditors that they must maintain an open and transparent relationship with the Committee, and that the ultimate accountability of the independent auditors is to the Committee, as representatives of the shareholders of the Corporation;
- b) to recommend to the Board:
  - i) the firm of independent auditors to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and
  - ii) the compensation of such auditors;
- c) if there is a plan to change the independent auditors, to review all issues related to the change and the steps planned for an orderly transition;
- d) to review, at least annually, with the independent auditors their independence from management, including a review of all other significant relationships the auditors may have with the Corporation and to satisfy itself of the auditors' independence, the experience and the qualifications of the senior members of the independent auditor team and the quality control procedures of the independent auditors;
- e) to review and approve the fee, scope, staffing and timing of the audit and other related services rendered by the independent auditors and ensure the rotation of the lead audit partner as required by applicable securities laws;
- f) to oversee the work of the independent auditors, including reviewing the audit plan prior to the commencement of the audit;
- g) to review the engagement reports of the independent auditors on unaudited financial statements of the Corporation and to review with the independent auditors, upon completion of their audit:
  - i) contents of their report;
  - ii) scope and quality of the audit work performed;
  - iii) adequacy of the Corporation's financial personnel;
  - iv) co-operation received from the Corporation's personnel during the audit;
  - v) internal resources used;
  - vi) significant transactions outside of the normal business of the Corporation;

- vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles and management systems;
- viii) the quality, acceptability and integrity of the Corporation's accounting policies and principles;
- ix) the non-audit services provided by the independent auditors;
- x) the effect of accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements;

and report to the Board in respect of the foregoing;

- h) to implement structures and procedures to ensure that the Committee meets with the independent auditors on a regular basis in the absence of management in order to review any difficulties encountered by the independent auditors in carrying out the audit and to resolve disagreements between the independent auditors and management; and
- i) to pre-approve all non-audit services to be provided to the Corporation or any of its subsidiaries by the independent auditors, including the fee for such services. The Committee may satisfy the pre-approval requirement:
  - i) if:
    - i) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than 5% of the total amount of fees paid by the Corporation and its subsidiaries to its independent auditors during the fiscal year in which the services are provided;
    - ii) the services were not recognized by the Corporation or any of its subsidiaries at the time of the engagement as non-audit services; and
    - iii) the services are promptly brought to the attention of the Committee and are approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee; or
  - ii) if it adopts specific policies and procedures for the engagement of the 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.

The Committee may delegate to one or more independent members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2(h) provided that the pre-approval of non-audit services by any member to whom authority has been delegated must be presented to the Committee at its first scheduled meeting following such pre-approval.

The independent auditors shall be given notice of, and have the right to appear before and be heard at, every meeting of the Committee, and shall appear before the Committee when requested to do so by the Chair. The Committee will meet regularly with the independent auditors without management present.

### **3. INTERNAL AUDIT PROCEDURES**

The duties and responsibilities of the Committee as they relate to the internal audit function of the Corporation are to:

- a) review and assess the scope and objectives of the internal audit function, including the adequacy of staff resources and the appropriateness of audit emphasis;
- b) review and approve the internal audit function's annual audit plan; and
- c) review status reports, summary of findings from completed projects, and results from post-mortem reviews (where applicable).

### **4. INTERNAL CONTROL PROCEDURES**

The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:

- a) review the adequacy, appropriateness and effectiveness of the Corporation's policies and business practices which impact on the integrity, financial or otherwise, of the Corporation, including those relating to disclosure controls and procedures, internal control over financial reporting, internal auditing, insurance, accounting, information services and systems, financial controls, management reporting, and risk management;
- b) review reports from management outlining any significant changes in financial risks facing the Corporation and annually, as at the end of the fiscal year, in consultation with management and the independent auditors, evaluate the Corporation's disclosure controls and procedures and internal control over financial reporting, discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures, and review significant findings prepared by the independent auditors together with management's responses;
- c) review compliance with the Corporation's Code of Business Ethics and provide oversight for ethics issues and incidents;
- d) review the Corporation's disclosure controls and procedures, and management's evaluation thereof, to ensure that financial information is recorded, processed, summarized and reported within the time periods required by law;
- e) when required by applicable securities laws:
  - i) reviews reports from independent auditors on the attestation of management's internal control report;
  - ii) review disclosures made to the Committee by the CEO and the CFO during their certification process for any statutory documents about any significant deficiencies or limitations in the

design or operation of the Corporation's disclosure controls and procedures and internal control over financial reporting or material weakness therein, and any fraud involving management or other employees who have a significant role in the Corporation's internal control over financial reporting; and

- iii) review with management, including the CEO and the CFO, management's internal control report required to be included in any reporting document;
- f) review any issues between management and the independent auditors that could affect the financial reporting or internal controls of the Corporation;
- g) periodically review the Corporation's accounting and auditing policies, practices and procedures and the extent to which recommendations made by the independent auditors have been implemented; and
- h) ratify membership of the Disclosure Committee, as required.

## **5. PUBLIC FILINGS, POLICIES AND PROCEDURES**

The Committee is charged with the responsibility to:

- a) review and approve for recommendation to the Board the Corporation's:
  - i) annual report to shareholders, including the annual audited financial statements, the report of the independent auditors, the Management's Discussion and Analysis and the impact of unusual items and changes in accounting principles and estimates;
  - ii) interim report to shareholders, including the unaudited financial statements, the Management's Discussion and Analysis and the impact of unusual items and changes in accounting principles and estimates;
  - iii) earnings press releases;
  - iv) annual information form;
  - v) prospectuses; and
  - vi) other public reports and public filings requiring approval by the Board;

and report to the Board with respect thereto;

- b) ensure adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure described in subsections 5(a)(i), (ii) and (iii) above, and must periodically assess the adequacy of such procedures;
- c) review with management, the independent auditors and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material affect upon the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;

- d) review with management and with the independent auditors any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting;
- e) review with management and with the independent auditors: (i) all critical accounting policies and practises to be used by the Corporation in preparing its financial statements; (ii) all material alternative treatments of financial information within GAAP or International Financial Reporting Standards, as applicable, that have been discussed with management, ramifications of the use of these alternative disclosures and treatments, and the treatment preferred by the independent auditor, and (iii) other material communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences;
- f) review general accounting trends and issues of auditing policy, standards and practices which affect or may affect the Corporation;
- g) review the appointment of the CFO and any key financial executives involved in the financial reporting process and pre-approve the hiring of any person previously employed by the Corporation's independent auditors or former independent auditors;
- h) establish procedures for:
  - i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
  - ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- i) review and approve the Corporation's hiring policies regarding partners and employees and former partners and employees of the present and former independent auditors of the Corporation; and
- j) review and approve related party transactions.

## **STANDARDS OF LIABILITY**

Nothing contained in these terms of reference is intended to expand applicable standards of liability under statutory, regulatory or other legal requirements for the Board or members of the Committee. The purposes and responsibilities outlined in these terms of reference are meant to serve as guidelines rather than inflexible rules and, subject to applicable law and the articles and bylaws of the Corporation, the Committee may adopt such additional procedures and standards, as it deems necessary from time to time to fulfill its responsibilities.

## **TERMS OF REFERENCE AND CALENDAR**

The Committee shall review and assess the adequacy of its terms of reference and calendar at least annually and submit any changes to the Board for approval.