

STROUD RESOURCES LTD.

MANAGEMENT INFORMATION CIRCULAR

Solicitation of Proxies

THIS INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF STROUD RESOURCES LTD. (THE "CORPORATION") OF PROXIES TO BE USED AT THE ANNUAL MEETING OF SHAREHOLDERS OF THE CORPORATION TO BE HELD AT THE TIME AND PLACE AND FOR THE PURPOSES SET FORTH IN THE ENCLOSED NOTICE OF MEETING. It is expected that the solicitation will be primarily by mail but proxies may also be solicited personally by regular employees of the Corporation at nominal cost. The cost of solicitation by management will be borne directly by the Corporation.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are officers or directors of the Corporation. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT THEM AT THE MEETING MAY DO SO either by inserting such person's name in the blank space provided in that form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the office of the transfer agent indicated on the enclosed envelope not later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of holding the meeting, or delivered to the chairman on the day of the meeting or adjournment thereof.

A proxy given pursuant to this solicitation may be revoked by instrument in writing, including another proxy bearing a later date, executed by the shareholder or by their attorney authorized in writing, and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of such meeting on the day of the meeting, or adjournment thereof, or in any other manner permitted by law.

The exercise of a proxy does not constitute a written objection for the purposes of subsection 185(6) of the *Business Corporations Act* (Ontario) (the "OBCA").

Voting of Proxies

Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed form of proxy **WILL BE VOTED FOR EACH OF THE MATTERS TO BE VOTED ON BY SHAREHOLDERS AS DESCRIBED IN THIS CIRCULAR OR WITHHELD FROM VOTING OR VOTED AGAINST IF SO INDICATED ON THE FORM OF PROXY.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, or other matters which may properly come before the meeting. At the time of printing this circular the management of the Corporation knows of no such amendments, variations or other matters to come before the meeting.

Advice To Non-Registered Shareholders

Only registered shareholders or duly appointed proxyholders are permitted to vote at the meeting. Most shareholders of the Corporation are "non-registered" shareholders because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares. More particularly, a person is not a registered shareholder in respect of shares which are held on behalf of that person (the "Non-Registered Holder") but which are registered either: (a) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSP's, RRIF's, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited ("CDS")) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-102 (*Communication With Beneficial Owners of Securities of a Reporting Issuer*) of the Canadian Securities Administrators, the Corporation has distributed copies of the notice of meeting, this circular and the form of proxy (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered holders who have not waived the right to receive Meeting Materials will either:

- (a) be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Holder when submitting the proxy. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and **deposit it with the Corporation's transfer agent as provided above; or**
- (b) more typically, be given a voting instruction form **which is not signed by the Intermediary**, and which, when properly completed and signed by the Non-Registered Holder and **returned to the Intermediary or its service company** (or as an alternative, votes may often be registered by telephone or over the Internet), will constitute voting instructions (often called a "proxy authorization form") which the Intermediary must follow. Typically, the proxy authorization form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the proxy authorization form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label containing a bar-code and other information. In order for the form of proxy to validly constitute a proxy authorization form, the Non-Registered Holder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and return it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the shares which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the meeting in person, the Non-Registered Holder should strike out the names of the management proxyholders named in the form and insert the Non-Registered Holder's name in the blank space provided. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.**

Voting Securities and Principal Holders Thereof

The authorized capital of the Corporation consists of an unlimited number of common shares. At the date hereof the Corporation had issued and outstanding 90,128,973 common shares.

The Corporation will prepare a list of all persons or entities who are registered holders of common shares on October 21, 2005 (the "Record Date") and the number of common shares registered in their name on that date. Each shareholder is entitled to one vote for each common share registered in their name as it appears on the list except to the extent that such shareholder has transferred any of their shares after the Record Date and the transferee of those shares produces properly endorsed share certificates or otherwise establishes that they own the shares and demand, not later than ten days before the meeting, that their name be included in the list. In such case the transferee is entitled to vote their shares at the meeting.

To the knowledge of the directors and officers of the Corporation, as of the date hereof, there are no persons who beneficially own or exercise control or direction over securities carrying more than 10% of the voting rights attached to any class of outstanding voting securities of the Corporation entitled to be voted at the meeting.

Executive Compensation

(1) Compensation of Officers

The following table, presented in accordance with Form 51-102F6 of National Instrument 51-102 *Continuous Disclosure Obligations*, sets forth all annual and long-term compensation for services rendered in all capacities to the Corporation and its subsidiaries for the fiscal years ended December 31, 2004, 2003 and 2002 in respect of the Chief Executive Officer of the Corporation (the "Named Executive Officers"). The Chief Executive Officer also serves as the chief financial officer of the Corporation. The Corporation had no executive officers, including the Chief Executive Officer, whose total salary and bonuses during the fiscal years ended December 31, 2004, 2003 and 2002 exceeded \$150,000.

Summary Compensation Table

Name and Title	Fiscal Year	Annual Compensation			Long Term Compensation			All other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Under Options Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
George E. Coburn, President & Chief Operating Officer ⁽¹⁾	2004	\$85,000	Nil	Nil	1,000,000	Nil	Nil	Nil
	2003	Nil	Nil	Nil	2,000,000	Nil	Nil	\$55,000 ⁽³⁾
	2002	Nil	Nil	Nil	3,100,000 ⁽⁴⁾	Nil	Nil	Nil
Alistair B. Brown, Chairman & Chief Executive Officer ⁽²⁾	2004	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2003	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2002	Nil	Nil	Nil	3,100,000 ⁽⁴⁾	Nil	Nil	Nil

- (1) Served as Chief Executive Officer of the Corporation from March 1983 until November 2000 and was re-appointed on September 18, 2003.
- (2) Appointed as Chief Executive Officer on November 29, 2000 and resigned on September 18, 2003.
- (3) Consulting fees.
- (4) These options were subsequently cancelled with the consent of the holders on May 13, 2003.

(4) *Option Grants in Year Ended December 31, 2004*

The following table provides details on stock options granted to the Named Executive Officers during the year ended December 31, 2004:

Name	Securities Under Options Granted (#)	% of Total Options Granted to Employees in Financial Year	Exercise Price (\$)	Market Value of Securities Underlying Options on the Date of Grant (\$)	Expiration Date
George E. Coburn	1,000,000	61.5%	\$0.18	\$0.17 ⁽¹⁾	November 10, 2007

- (1) Based on the closing price of the common shares on the TSX Venture Exchange on November 9, 2004.

(3) *Options Exercised and Aggregates Remaining at Year-end*

The following table provides details regarding options exercised during the year ended December 31, 2004 by the Named Executive Officers and options held by the Named Executive Officers as at December 31, 2004.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at December 31, 2004		Value of Unexercised In-the-money Options at December 31, 2004	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
George E. Coburn	Nil	\$Nil	2,666,667	333,333	\$200,000 ⁽¹⁾	\$5,000 ⁽¹⁾
Alistair B. Brown	Nil	\$Nil	Nil	Nil	\$Nil	Nil

(1) Based on the closing price of the common shares on the TSX Venture Exchange of \$0.195 on December 31, 2004 less the exercise price in respect of such options.

(4) *Employment Contracts*

The provision of George Coburn's services as President and Chief Executive Officer of the Corporation are governed by an employment agreement with the Corporation effective as of January 1, 2004 (the "Employment Agreement"). The Employment Agreement provides for an annual salary of \$85,000 and reimbursement of expenses incurred and may be terminated by the Corporation at any time for cause and by the Corporation or Mr. Coburn without cause upon 6 months prior written notice to the other (or, in the case of the Corporation, payment in lieu of such notice). The Corporation did not have in place any compensatory plan or arrangement with any Named Executive Officer that would be triggered by the resignation, retirement or other termination of employment of such officer, from a change of control of the Corporation or a change in the executive officer's responsibilities following any such change of control.

(5) *Compensation of Directors*

Directors of the Corporation are not currently paid any fees for their services as directors, except for reimbursements of out-of-pocket expenses incurred in connection with such duties. However, directors are eligible to participate in the Corporation's stock option plan. See "Stock Option Plan". Directors are also entitled to receive compensation to the extent that they provide services to the Corporation at rates that would be charged by such directors for such services to arm's length parties. Except as otherwise disclosed herein, during the year ended December 31, 2004, no compensation was paid or payable to directors or entities controlled by directors for services rendered.

(6) *Stock Option Plan*

On August 18, 1996 the shareholders of the Corporation approved a stock option plan for the Corporation (the "Plan"). The purpose of the Plan is to attract, retain and motivate directors, officers, employees and persons engaged to provide ongoing management and consulting services ("service providers") by providing them with the opportunity, through share options, to acquire a proprietary interest in the Corporation and benefit from its growth. The options are non-assignable and may be granted for a term not exceeding ten years.

The aggregate maximum number of common shares which may be issued under the Plan was originally 1,500,000 and was increased with the approval of shareholders on August 28, 1998 to 2,700,000, on August 12, 1999 to 4,450,000, on August 24, 2000 to 6,350,000, on August 1, 2001 to 9,350,000 and on November 8, 2002 to 11,180,000. The maximum number of common shares which may be reserved for issuance to directors and senior officers under the Plan, any other employee stock option plans or options for services may not exceed 10% of the common shares issued and outstanding at the date of the grant. The number of common shares reserved for issuance to any one person may not exceed 5% of the issued and outstanding common shares at the date of such grant.

Options may be granted under the Plan by resolution of the board of directors, only to service providers, subject to the requirements of all applicable regulatory authorities. The exercise price of options issued on any day may not be less than the market price. The "market price" is defined as the prior trading day closing price of the common shares on any stock exchange on which the common shares are listed or any market on which the common shares are quoted, and if the common shares are not listed or quoted, the fair market value shall be as determined by the board of directors in its absolute discretion. Payment for common shares issuable pursuant to the exercise of options shall be made in full on the exercise of the options.

As at October 21, 2005, there were options outstanding under the Plan to purchase 4,375,000 common shares as follows:

Holder	No. of Common Shares under Option	Date of Grant	Expiry Date	Exercise Price	Market Price on Date of Grant
George E. Coburn	1,500,000	October 1, 2003	October 1, 2006	\$0.10	\$0.075
	1,000,000	Nov. 10, 2004	Nov. 10, 2007	\$0.18	\$0.17
Harry Hodge	500,000	October 1, 2003	October 1, 2006	\$0.10	\$0.075
	250,000	Nov. 10, 2004	Nov. 10, 2007	\$0.18	\$0.17
Lonnie Kirsh	750,000	October 1, 2003	October 1, 2006	\$0.10	\$0.075
	375,000	Nov. 10, 2004	Nov. 10, 2007	\$0.18	\$0.17

Indebtedness of Management and Directors

No present or former officer or director of the Corporation or associate thereof is indebted to the Corporation or any subsidiary at the date hereof.

Interest of Informed Persons in Material Transactions

Other than as disclosed elsewhere in this information circular or in a prior information circular, no director or officer of the Corporation, proposed nominee for election as a director of the Corporation, principal shareholder of the Corporation or any associate or affiliate of the foregoing has any material interest, direct or indirect, in any transaction since the commencement of the Corporation's last financial year or in any proposed transaction, which, in either case, has materially affected or will materially affect the Corporation or any of its subsidiaries other than Lonnie Kirsh, a director of the Corporation, who is a partner in a law firm which provided legal services to the Corporation and during the year ended December 31, 2004 billed the Corporation \$37,440 in legal fees for such services.

Interest of Certain Persons in Matters to be Acted Upon

No director or officer of the Corporation since the commencement of the Corporation's last financial year, no proposed nominee for election as a director of the Corporation and no associate or affiliate of any of the foregoing, has any material interest, direct or indirect, in any matter to be acted upon other than as disclosed under the heading "Particulars of Matters to be Acted Upon".

PARTICULARS OF MATTERS TO BE ACTED UPON

Election of Directors

At the meeting, shareholders will be asked to elect three directors (the "Nominees"). The following table provides the names of the Nominees and information concerning them. The persons in the enclosed form of proxy intend to vote for the election of the Nominees. Management does not contemplate that any of the Nominees will be unable to serve as a director. Each director will hold office until the next annual meeting or until his successor is duly elected unless his office is earlier vacated in accordance with the by-laws.

Name and Residence	Office Held with the Corporation	Period of Service as a Director	Principal Occupation if Different from Office Held ⁽¹⁾	Number of Common Shares Beneficially Owned or Over Which Control is Exercised ⁽¹⁾⁽³⁰⁾
George E. Coburn ⁽²⁾ Toronto, Ontario	President, Chief Executive Officer and	since March 1983	N/A	2,891,400

	Director			
Harry J. Hodge ⁽²⁾ Toronto, Ontario	Director	since August 2002	President, Greenshield Resources Inc. (a mineral exploration company)	Nil
Lonnie Kirsh ⁽²⁾ Toronto, Ontario	Director	since June 2003	Lawyer, Kutkevicius Kirsh, LLP (a law firm)	12,000

1. The information as to shares beneficially owned or over which the above-named officers and directors exercise control or direction not being within the knowledge of the Corporation has been furnished by the respective nominees individually.
2. Member of the Audit Committee.
3. Each of the director nominees also hold stock options to acquire common shares. See "Executive Compensation - Stock Options".

IF ANY OF THE ABOVE NOMINEES IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR, PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT THEIR SHARES ARE TO BE WITHHELD FROM VOTING IN THE ELECTION OF DIRECTORS.

None of the Nominees is, or has been within the ten (10) year period prior to the date hereof, a director or officer of any company that, while the person was acting in that capacity, was the subject of, or an event occurred that after the Nominee ceased to be a director or officer resulted in, a cease trading or similar order, or an order that denied the company access to any exemptions under Canadian securities legislation, for a period of more than thirty (30) consecutive days.

None of Nominees is, or has been within the ten (10) year period prior to the date hereof, a director or officer of any company that, while that person was acting in that capacity or within one year of 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 the assets of such company.

None of Nominees has, within the ten (10) year period prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or initiated any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets.

Reappointment of Auditors

A predecessor firm to Ernst & Young LLP, Chartered Accountants, was first appointed as independent auditors of the Corporation on March 22, 1983.

Unless such authority is withheld, the persons named in the accompanying proxy intend to vote for the appointment of Ernst & Young LLP, Chartered Accountants, Toronto, Ontario, as auditors of the Corporation for the year ending December 31, 2005, and to authorize the directors to fix their remuneration.

Audit Committee

The Audit Committee is responsible for monitoring the Corporation's systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents and monitoring the performance and independence of the Corporation's external auditors. The committee is also responsible for reviewing the Corporation's annual audited financial statements, unaudited quarterly financial statements and management's discussion and analysis of financial results of operations for both annual and interim financial statements and review of related operations prior to their approval by the full board of directors.

The Audit Committee's charter sets out its responsibilities and duties, qualifications for membership, procedures for committee member removal and appointment and reporting to the board of directors. A copy of the charter is attached hereto as Schedule "A".

The Audit Committee is comprised George E. Coburn, Harry J. Hodge and Lonnie Kirsh, being all of the directors of the Corporation. Mr. Coburn is the President and Chief Executive Officer of the Corporation and therefore is not independent for purposes of Multilateral Instrument 52-110, "Audit Committees". Mr. Kirsh is a partner in a law firm that provides legal services to the Corporation and therefore is also not independent under Multilateral Instrument 52-110. Mr. Hodge is independent. Each member of the Audit Committee is "financially literate" within the meaning of Multilateral Instrument 52-110.

Relevant Education and Experience

Set out below is a description of the education and experience of each of the Corporation's audit committee members, which is relevant to the performance of his responsibilities as an audit committee member.

George E. Coburn – Mr. Coburn holds a B.Sc. degree in geology and has completed a number of undergraduate accounting courses. Mr. Coburn routinely reviews financial statements of publicly traded resource companies while investigating business opportunities on behalf of the Corporation.

Harry J. Hodge – Mr. Hodge holds a B.Sc. degree in geology and has over 40 years of experience in the minerals industry. Since 1979 Mr. Hodge has been responsible for the administration and operations of, and has served on the board of directors and audit committees of, several publicly listed

companies.

Lonnie Kirsh – Mr. Kirsh holds an LL.B. degree and has completed the Canadian Securities Course (Honours). Mr. Kirsh has also completed a number of undergraduate university courses in business, economics, finance and accounting. Mr. Kirsh's practices securities law and is engaged in financial statement review on a daily basis. Mr. Kirsh's prior work experience includes financial statement review and analysis of applicant companies as Senior Manager of the Listings Division of the Toronto Stock Exchange.

Pre-Approval Policies and Procedures

The Audit Committee's charter sets out responsibilities regarding the provision of non-audit services by the Corporation's external auditors. This policy encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditor's independence and requires Audit Committee pre-approval of permitted audit and audit-related services.

External Auditor Service Fees

Audit Fees

The aggregate audit fee billed by the Corporation's external auditors for the year ended December 31, 2004 were \$44,600 (December 31, 2003 -\$33,450). The audit fees relate to the audit of consolidated financial statements and other statutory and regulatory filings.

Audited-Related Fees

There were no audit-related fees billed by the Corporation's external auditors for the years ended December 31, 2004 and December 31, 2003.

Tax Fees

There were no tax fees in respect of tax compliance, tax advice and tax planning billed by the Corporation's external auditors for the years ended December 31, 2004 and December 31, 2003.

All Other Fees

There were no other fees billed by the Corporation's external auditors in the past two fiscal years.

Securities Authorized for Issuance Under Equity Compensation Plans

The following chart details the number of securities to be issued upon the exercise of outstanding stock options under the Corporation's Stock Option Plan. The Corporation does not have any other equity compensation plan.

	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))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by securityholders ⁽¹⁾	4,375,000	\$0.1398	1,883,500
Equity compensation plans not approved by securityholders	Nil	-	Nil
Total	4,375,000		1,883,500

(1) Stock Option Plan. See "Executive Compensation – Stock Option Plan" for a description of the Plan.

Additional Information and Availability of Documents

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com. Financial information is provided in the Corporation's financial statements for its most recently completed financial year. Copies of the following documents are available without charge to shareholders upon written request to the President of the Corporation at Suite 611, 330 Bay Street, Toronto, Ontario M5H 2S8:

1. the financial statements for the year ended December 31, 2004, together with the accompanying report of the auditor; and
2. this Information Circular.

* * * * *

The contents and sending of this information circular have been approved by the board of directors of the Corporation.

DATED as of the 21st day of October, 2005.

BY ORDER OF THE BOARD OF DIRECTORS
(signed)

George E. Coburn, President

SCHEDULE A

AUDIT COMMITTEE CHARTER

STROUD RESOURCES LTD.

1. Pursuant to the General By-law of Stroud Resources Ltd. (the “Corporation”), a committee of the directors to be known as the “Audit Committee” (hereinafter referred to as the “Committee”) is hereby established.
2. The Committee shall be composed of a minimum of three directors, and the Committee and its membership shall meet all applicable legal, securities regulatory and stock exchange requirements relating to composition and the qualifications of its members as may be in effect from time to time, including, without limitation, requirements relating to the independence and financial literacy of its members.
3. The members of the Committee shall be appointed or reappointed at the meeting of the Board of Directors (the “Board”) immediately following each Annual Meeting of the Shareholders of the Corporation. Each member of the Committee shall continue to be a member thereof until his successor is appointed, unless he shall resign or be removed by the Board or he shall cease to be a director of the Corporation. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than three directors as a result of the vacancy.
4. The Board or, in the event of its failure to do so, the members of the Committee, shall appoint a Chairman from amongst their number. If the Chairman of the Committee is not present at any meeting of the Committee, the Chairman of the meeting shall be chosen by the Committee from among the members present. The Chairman presiding at any meeting of the Committee shall have a casting vote in case of a deadlock. The Committee shall also appoint a Secretary who need not be a director.
5. The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provided that:
 - (a) a quorum for meetings shall be not less than 50% of the members of the Committee, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak and hear each other;
 - (b) the Committee shall meet at least quarterly, at the discretion of the Chairman or a majority of its members, as circumstances dictate; and
 - (c) notice of the time and place of every meeting shall be given in writing 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

notice of a meeting; and attendance of a member at a meeting is a waiver of notice of a 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. A meeting of the Committee may be called by the Secretary of the Committee on the direction of the Chairman or President of the Corporation, by any member of the Committee, the external auditors or internal auditors. Notwithstanding the provisions of this paragraph, the Committee shall at all times have the right to determine who shall and shall not be present at any part of the meeting of the Committee.

6. The Committee shall:

- (a) in connection with its advisory functions:
 - (i) review and recommend to the Board for approval, as applicable, the Corporation's annual report, annual information form, audited annual financial statements and related management discussion and analysis, all financial statements in prospectuses and other offering memoranda and all financial statements required by regulatory authorities;
 - (ii) review with management and report to the Board, on an annual basis, on the financing plans and objectives of the Corporation;
 - (iii) review the internal audit procedures of the Corporation and advise the Board on auditing practices and procedures;
 - (iv) meet and communicate directly with the external auditors and internal auditors and report to the Board on such meetings and communications;
 - (v) make recommendations to the Board with respect to the nomination and remuneration of external auditors to be appointed at each Annual Meeting of Shareholders;
 - (vi) receive periodically, reports on the nature and extent of compliance with requirements regarding statutory deductions and remittances, including deductions and remittances under the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada) and the *Employment Insurance Act* (Canada), the nature and extent of non-compliance together with the reasons therefore, and the plan and timetable to correct deficiencies and report to the Board on the status of such matters;
- (b) in connection with the exercise of its powers:

- (i) be directly responsible for overseeing the work of the external auditors who shall be required by the Corporation to report directly to the Committee;
- (ii) review and approve the interim reports of the Corporation and the financial statements and related management discussion and analysis contained therein and review and approve the press releases on quarterly and year end financial results;
- (iii) review all prospectuses and documents which may be incorporated by reference into a prospectus, including without limitation, material change reports and the annual proxy circular;
- (iv) review all foreign currency risks strategies presented by senior management and, in accordance with the authority delegated by the Board, approve those foreign currency risk strategies they consider appropriate;
- (v) 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;
- (vi) ensure that there are adequate procedures in place for the review of the Corporation's public disclosure of financial information extracted or derived from its financial statements (other than those disclosures required by this charter to be reviewed and/or approved by the Committee), and periodically assess the adequacy of these procedures;
- (vii) review the audit plans of the internal and external auditors of the Corporation including the degree of coordination in those plans and enquire as to the extent the planned audit scope can be relied upon to detect weaknesses in internal control or fraud or other illegal acts. Any significant recommendations made by the auditors for the strengthening of internal controls will be reviewed;
- (viii) review the internal control procedures to ensure compliance with applicable law and avoidance of conflicts of interest including without limitation, a review of policies and practice concerning regular examination of officers' expenses and perquisites, including the use of the Corporation's assets, and enquire as to the results of these examinations;
- (ix) review the duties and responsibilities of internal audit staff, including controls, procedures and accounting practices of the Corporation with both external and internal auditors;
- (x) review management programs and policies regarding the adequacy and

effectiveness of internal controls over the accounting and financial reporting systems within the Corporation and, in particular, the Committee will review management's response to the internal control recommendations of the internal and external auditors;

- (xi) review management plans regarding any changes in accounting practices or policies and the financial impact thereof and review any major areas of management judgment and estimates that have a significant effect upon the financial statements;
 - (xii) review with management, the external auditors and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Corporation, and the manner in which these matters have been disclosed in the financial statements;
 - (xiii) review the minutes of any audit committee meetings of subsidiaries of the Corporation and any significant issues and auditor recommendations concerning such subsidiaries;
 - (xiv) pre-approve all non-audit related services to be provided by the external auditors and the fees related thereto (which pre-approval function may be delegated to one or more independent members provided that such pre-approved services are presented at the next meeting of the Committee) and assess the impact of such non-audit related services on the independence of the external auditors;
 - (xv) review the basis and amount of the external auditors' fees in light of the number and nature of reports issued by the auditors, the quality of the internal controls, the size, complexity and financial condition of the Corporation and the extent of internal audit and other support provided by the Corporation to the external auditors and review all other non-audit fees of the auditors or other accounting firms;
 - (xvi) establish 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;
- (c) have the authority to:
- (i) engage independent counsel and other advisors, consultants or experts as it determines necessary to carry out its duties at the expense of the Corporation

and to set and pay the compensation for advisors employed by the audit committee;

- (ii) communicate directly with the internal and external auditors; and
- (iii) conduct any investigation appropriate to its responsibilities, and to request the external auditors as well as any officer of the Corporation, or outside counsel for the Corporation, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee.