

APPENDIX F – TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

I. Purpose

The purpose of the Audit Committee is to assist the board of directors in fulfilling its oversight responsibilities by reviewing the financial statements of the Corporation; reviewing the financial and internal controls, the accounting, audit and reporting activities of the Corporation; reviewing annually the qualifications and objectivity of the Corporation's auditors; making recommendations to the Members and the Board of Directors, in the case of any vacancy in the office of auditor as to the selection of the Corporation's auditors and their fees; for reviewing the scope, results and findings of the Corporation's auditor's audit and non-audit services; and for reviewing annually the status of significant current and potential legal matters.

II. Composition

The Audit Committee shall be composed of three Directors comprising entirely of Independent Directors.

III. Duties and Responsibilities

Subject to the powers and duties of the board of directors, the board of directors in furtherance of the mandate of the Audit Committee, hereby delegates to the Audit Committee the following powers and duties to be performed by the Audit Committee:

- A. The Audit Committee shall review and recommend updates to its terms of reference to the Corporate Governance Committee of the Board of Directors annually.
- B. The Audit Committee shall meet not less often than four times per year.
- C. The Audit Committee shall have responsibility for:
 - i. reviewing the financial statements of YNG and if appropriate recommending the approval of such financial statements by the Board of Directors;
 - ii. reviewing the internal financial and accounting, audit and reporting systems controls of YNG;
 - iii. reviewing the independence, qualifications and objectivity of YNG's auditors, and making recommendations to the board of directors in the ease of vacancy of an auditor, as to the selection of YNG's auditors;
 - iv. reviewing and recommending auditors' remuneration;
 - v. reviewing the scope, results and findings of YNG'S auditors, audit and non-audit services; and

- vi. reviewing annually the status of significant current and potential legal matters.
- D. The Audit Committee shall ensure that effective lines of communication are maintained with the external auditor, internal auditors, financial management and the board of directors.
- E. The Audit Committee shall review with the auditors of YNG the relationships existing between them and the management of YNG to ensure an effective liaison in the coordination of audit effort regarding completeness of coverage, avoidance of redundant efforts and the effective use of audit resources.
- F. The Audit Committee shall review, discuss and consider with the auditors their approach to risk assessment, scope and plan of their audits. The review may include:
- i. an annual assessment of areas of greatest risk to YNG and steps taken to address those risks;
 - ii. the annual assessment of YNG'S insurance coverage, including the adequacy and cost thereof;
 - iii. the annual audit plan and overall audit universe;
 - iv. changes made from time to time in the audit universe and reasons therefor;
 - v. methods employed by management of YNG to assess risk and to prioritize the various audit proposals identified in the annual plan as well as unscheduled audit proposals: and
 - vi. any unusual occurrence affecting the management which may preclude the completion of the audit plan.
- G. The Audit Committee shall consider and review with the auditors and management of YNG:
- i. the adequacy of YNG's internal financial controls;
 - ii. recommendations for the improvement of YNG's accounting procedures and internal financial controls; and
 - iii. any related significant findings and recommendations together with management's responses thereto.
- H. The Audit Committee shall review the annual consolidated financial statements which are to be submitted to the board of directors including management's discussion and analysis, if any, contained therein, or in any other relevant documentation. The review, may include:
- i. reports from the auditors as to the results of their examination to date and

advise them of any problems regarding financial reporting in the annual report of YNG, including any disagreements that may have arisen between the auditors and management in any area:

- ii. meeting(s) with management of YNG who shall outline any problems as to financial policies, financial reporting or matters relating to internal control and any matters in contention with or under consideration by the auditors or management of YNG;
 - iii. the appropriateness of existing accounting principles being employed and any change in accounting policy or practice which the auditors may refer to in their audit report;
 - iv. any proposed changes in financial statement presentation or footnote the auditors may recommend: and
 - v. other matters related to the conduct of the audit which are to be communicated to the Audit Committee under generally accepted auditing standards.
- I. The Audit Committee shall review with management of YNG and the auditors quarterly interim financial statements and if appropriate recommend approval of such quarterly statements to the board of directors.
- J. The Audit Committee shall consider and review with management:
- i. any difficulties encountered in the course of the audits conducted by the auditors, including any changes to or restrictions on the scope of their work or access to required information;
 - ii. the internal auditing department budget and staffing and
 - iii. the internal auditing department charter including the internal audit plan.
- K. The Audit Committee shall review legal, regulatory and social matters that may have a material impact on the financial statements, related YNG compliance policies and programs and reports prepared to manage and monitor YNG compliance policies. The Audit Committee shall receive reports concerning YNG's environmental management program on a quarterly basis, and review ongoing environmental compliance Issues.
- L. The Audit Committee shall confirm and assure the independence of the auditors, including a review of management consulting services and related fees provided by the auditors.
- M. The Audit Committee shall meet with management and the auditors in separate executive sessions to discuss any matters that the Audit Committee or these groups believe should be discussed privately with the Audit Committee.

- N. The Audit Committee shall have the power to conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee shall be empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation.
- O. The Audit Committee shall perform such other functions as assigned by law or the board of directors, and may review other items of an internal control or risk management nature which may from time to time be brought before the Audit Committee.
- P. The Audit Committee shall conduct a self-assessment at least annually, and discuss the results with the board of directors.

V. Accountability

The Audit Committee shall report to the board of directors at the next board meeting all such action it has taken since its previous report to the board of directors

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Items	Mar.	May	Aug.	Nov
<u>Financial Statements</u>				
• Review and approve first quarter financial statements		X		
• Review and approve second quarter financial statements			X	
• Review and approve third quarter financial statements				X
• Review and approve year end audited financial statements	X			
• Review and approve press releases containing, financial disclosure	X	X	X	X
<u>Financial Forecasts</u>				
• Review of 12 month financial forecast	X			
<u>Strategic/Business Planning & Budget</u>				
• Review and approve detailed budget for upcoming fiscal year based on Business Plan approved by Board of Directors	X			
<u>Legal and Regulatory Matters</u>				
• Review quarterly Environmental Report		X		
• Review quarterly' Litigation Report		X		
• Review and approve Annual Information Form and MD&A	X			
<u>External Auditors</u>				
• Review of Auditor's Management Letter	X			
• Follow up on recommendations contained in Auditor's Management Letter		X	X	X
• Review of External Auditor's Plan				X
• Recommend to Board of Directors appointment of External Auditors and their fees for upcoming fiscal year	X			
• Meet in camera with External Auditors	X			
• Receive External Auditors report on financial statements	X	X	X	X
<u>Internal Audit (Future Req'mt)</u>				
• Review an approve annual Internal Audit Plan				
• Review staffing and budget of maternal Audit Department				
• Review charter of Internal Audit Department				
• Receive report of Internal Auditor				
<u>Treasury</u>				

• Receive quarterly treasury report	X		X	
• Review and approve investment strategies (<i>as required</i>)	X	X	X	X
<u>YNG Pension Plan (Possible Future Requirement)</u>				
• Receive and review audited financial statements of Pension Plan				
<u>Governance</u>				
• Review Terms of Reference for Audit Committee	X			
<u>Insurance</u>				
• Review insurance coverages in place including directors' and officers' liability insurance	X			