



**PECOY COPPER CORP.
(the "Corporation")**

**CHARTER OF THE AUDIT COMMITTEE OF THE
BOARD OF DIRECTORS**

Role and Objective

The Audit Committee (the "**Committee**") is a committee of the Board of Directors (the "**Board**") of the Corporation established for the purpose of overseeing the accounting and financial reporting process of the Corporation and external audits of its consolidated financial statements. In connection therewith, the Committee assists the Board in fulfilling its oversight responsibilities in relation to the Corporation's internal accounting standards and practices, financial information, accounting systems and procedures, financial reporting and statements and the nature and scope of the annual external audit. The Committee also recommends for Board approval the Corporation's audited annual consolidated financial statements, Management's Discussion and Analysis ("MD&A") and other mandatory financial disclosure.

The Corporation's external auditor is accountable to the Board and the Committee as representatives of shareholders of the Corporation. The Committee is directly responsible for overseeing the relationship with the external auditor. The Committee has such access to the external auditor as it considers necessary or desirable in order to fulfill its duties, and the external auditor reports directly to the Committee.

The objectives of the Committee are as follows:

- a) To satisfy itself as to the credibility and integrity of the Corporation's financial reports;
- b) To support the Board in meeting its oversight responsibilities in respect of the preparation and disclosure of financial reporting, including the financial statements, MD&A and any other accompanying materials of the Corporation;
- c) To facilitate communication between the Board and the external auditor and to receive all reports of the external auditor directly from the external auditor;
- d) To satisfy itself as to the external auditor's independence and objectivity; and
- e) To strengthen the role of the Corporation's independent directors by facilitating in-depth discussions where deemed to be necessary or desirable between members of the committee, management and the Corporation's external auditor.

Composition

The members of the Committee shall be appointed annually by the Board on the recommendation of the Committee and the Chair shall be appointed by the Board. The



Committee shall consist of a minimum of three directors of the Corporation and the composition of the Committee shall satisfy all stock exchange and securities regulatory authority requirements applicable to the Corporation with respect to the independence of its members.

Independence shall be determined in accordance with applicable Canadian laws and regulations as well as the rules of any stock exchanges on which the Corporation's shares are listed (the "**Applicable Laws**"). At a minimum, each Committee member shall have no direct or indirect material relationship with the Corporation that could, in the opinion of the Board, reasonably interfere with the exercise of a Committee member's independent judgment (except as otherwise permitted by Applicable Laws).

Qualifications and Experience

Each member of the Committee must be financially literate, meaning that the director has the ability to read and understand a set of financial statements that present the breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the Corporation's financial statements.

Responsibilities

As discussed above, the Committee is established to assist the Board in fulfilling its oversight responsibilities with respect to the accounting and financial reporting processes of the Corporation and external audits of the Corporation's consolidated financial statements. In that regard, the Committee shall:

Internal Controls

- a) Satisfy itself on behalf of the Board with respect to the Corporation's internal control systems including identifying, monitoring and mitigating business risks as well as compliance with legal, ethical and regulatory requirements. The Committee shall also review with management, the external auditor and, if necessary, legal counsel, any litigation, claim or other contingency (including tax assessments) that could have a material effect on the financial position or operating results of the Corporation (on a consolidated basis), and the manner in which these matters may be, or have been, disclosed in the financial statements;

Financial Statements

- b) Review with management and the external auditor the annual consolidated financial statements of the Corporation, the reports of the external auditor thereon and related financial reporting, including the MD&A and earnings news releases (collectively, "**Annual Financial Disclosure**") prior to their submission to the Board for approval. This process shall include, but is not limited to:



- i) Reviewing changes in accounting principles or in their application, which may have a material impact on the current or future year's financial statements;
 - ii) Reviewing significant accruals, reserves or other estimates;
 - iii) Reviewing accounting treatment of unusual or non-recurring transactions;
 - iv) Reviewing disclosure requirements for commitments and contingencies;
 - v) Reviewing financial statements and all items raised by the external auditor, whether or not included in the financial statements; and
 - vi) Reviewing unresolved differences, if any, between the Corporation and the external auditor.
- c) Review with management all interim financial statements of the Corporation and related financial reporting including the MD&A and earnings news releases (collectively "**Quarterly Financial Disclosure**") and approve all Quarterly Financial Disclosure prior to public release;
- d) Satisfy itself as to the adequacy of procedures 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 Annual Financial Disclosure or Quarterly Financial Disclosure, and periodically assess the adequacy of those procedures;
- e) Review with management and recommend to the Board for approval, any financial statements of the Corporation which have not previously been approved by the Board and which are to be included in a prospectus of the Corporation;

External Auditor

- f) With respect to the external auditor:
- i) Recommend to the Board the external auditor to be nominated at each meeting of shareholders of the Corporation;
 - ii) Review the terms of engagement of the external auditor, including the appropriateness and reasonableness of the auditor's fees and make a recommendation to the Board as to the compensation of the external auditor;
 - iii) Oversee the work of the external auditor in performing its audit or review services and receive all reports of the external auditor directly from the external auditor;
 - iv) Oversee the resolution of any disagreements between management and the external auditor;



- v) Review and discuss with the external auditor all significant relationships that the external auditor and its affiliates have with the Corporation and its affiliates in order to determine the external auditor's independence, including, without limitation:
 - a. Requesting, receiving and reviewing, on a periodic basis, written or oral information from the external auditor delineating all relationships that may reasonably be thought to bear on the independence of the external auditor with respect to the Corporation;
 - b. Discussing with the external auditor any disclosed relationships or services that the external auditor believes may affect the objectivity and independence of the external auditor; and
 - c. Recommending that the Board take appropriate action in response to the external auditor's information to satisfy itself of the external auditor's independence;
- vi) Review with the external auditor its assessment of the internal controls of the Corporation, its written reports containing recommendations for improvement, and the Corporation's response and follow-up to any identified weaknesses;
- vii) When there is to be a replacement of the external auditor, review with management the reasons for such replacement and the information to be included in any required notice to securities regulators and recommend to the Board for approval the replacement of the external auditor along with the content of any such notice;
- viii) Discuss with the external auditor:
 - A. Critical accounting policies;
 - B. Key areas of audit risk;
 - C. Alternative treatments of financial information within GAAP discussed with management (including the ramifications thereof and the treatment preferred by the external auditor); and
 - D. Other material, written communication between management and the external auditor;

Non- Audit Services

- g) As may be required by Applicable Laws, pre-approve all non-audit services to be provided by the external auditor to the Corporation (and its subsidiaries, if any;



- h) Review and approve the hiring policies of the Corporation regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation;

Whistleblower

- i) 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; and

Insurance

- j) Review annually with management and the external auditor and report to the Board on insurable risks and ensure appropriate insurance coverage;

General

- k) Report to the Board on a quarterly basis on the proceedings at Committee meetings;
- l) Annually review the Committee's mandate and assess the Committee's functioning and performance relative to the requirements set out within this mandate.

Chair Responsibilities

The Chair of the Committee shall:

1. Convene and preside over Committee meetings and ensure they are conducted in an efficient, effective and focused manner.
2. Assist management with the preparation of an agenda and ensure that meeting materials are prepared and disseminated in a timely manner.
3. Ensure that the Committee has sufficient time and information to make informed decisions.
4. Provide leadership to the Committee and management with respect to matters covered by this mandate.

Authority

The Committee has authority to:



1. Directly oversee the work of the external auditor retained by the Corporation.
2. Conduct or authorize investigations into any matters within its scope of responsibility, including with respect to whistleblower submissions.
3. Retain, at the Corporation's expense, independent legal or other advisors to assist the Committee in carrying out its duties or to assist in the conduct of an investigation.
4. Meet with management, the independent auditor and other advisors, as necessary.
5. Access the records and personnel of the Corporation and its subsidiaries pertinent for carrying out its duties.
6. Call a meeting of the Board to consider any matter of concern to the Committee.

Meetings

The Committee shall meet as often as it deems necessary, but not less frequently than quarterly. A quorum for the transaction of business at all meetings shall be a majority of members. Decisions shall be made by an affirmative vote of the majority of members in attendance and the Committee Chair shall not have a deciding or casting vote.

An in-camera session of independent directors shall take place at least annually. The Committee may also request to meet separately with management, internal auditors, external auditors or other advisors. Meeting minutes shall be recorded and maintained, as directed by the Chair of the Committee.