

**DECISION DYNAMICS TECHNOLOGY LTD.**  
**(the “Corporation”)**

**Audit Committee**  
**of the Board of Directors (the “Committee”)**

**TERMS OF REFERENCE**

**I. PURPOSE**

The primary function of the Committee is to assist the Board of Directors (the “Board”) in fulfilling its responsibilities by reviewing:

1. the financial information that will be provided to the shareholders and others;
2. the systems of internal controls, management and the Board have established; and
3. all audit processes.

Primary responsibility for the financial reporting, information systems, risk management and internal controls of the Corporation is vested in management and is overseen by the Board.

**II. COMPOSITION AND PROCESS**

1. The Committee shall be composed of a minimum of three directors, a majority of whom are not officers or employees of the Corporation or any of its affiliates.
2. Members shall be appointed by the Board on an annual basis, shall serve one-year terms and may serve consecutive terms, which are encouraged to ensure continuity of experience.
3. The Chair of the Committee shall be appointed by the Board for a one-year term, and may serve any number of consecutive terms.
4. All members of the Committee shall be financially literate or currently be taking courses or training to obtain financial literacy. Financial literacy is the ability to read and understand a balance sheet, income statement and cash flow statement that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.
5. The Chair shall, in consultation with management and the external auditor and internal auditor (if any), establish the agenda for the meetings and ensure that properly prepared agenda materials are circulated to the members with sufficient time for study prior to the meeting. The external auditor will also receive notice of all meetings of the Committee. The Committee may employ a list of prepared questions and considerations as a portion of its review and assessment process.
6. The Committee shall approve the engagement and terms of reference of accounting consultants retained by the Company and shall oversee their work. The consultant shall attend committee meetings when requested and shall advise the committee of all issues reviewed by them and of their recommendation. Management shall advise the Committee of the actions taken and the concurrence or disagreement of the external auditors with respect to the consultants’ advice.

7. The Committee shall meet at least four times per year and may call special meetings as required. A quorum at meetings of the Committee shall be its Chair and one of its other members or, if the Chairman is not available, the chairman of the Board and one of the Committee members. The Committee may hold its meetings, and members of the Committee may attend meetings, by telephone conference if this is deemed appropriate.
8. The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to Committee members with copies to the Board, the Chief Executive Officer, the Chief Financial Officer and the external auditor.
9. The Committee reviews, prior to their presentation to the Board and their release, all material financial information required by securities regulations.
10. The Committee enquires about potential claims, assessments and other contingent liabilities.
11. The Committee periodically reviews with management, depreciation and amortization policies, loss provisions and other accounting policies for appropriateness and consistency.

### **III. AUTHORITY**

1. The Committee is appointed by the Board pursuant to provisions of the *Canada Business Corporations Act* and the bylaws of the Corporation.
2. Primary responsibility for the Corporation's financial reporting, accounting systems and internal controls is vested in senior management and is overseen by the Board. The Committee is a standing committee of the Board established to assist it in fulfilling its responsibilities in this regard. The Committee shall have responsibility for overseeing management reporting on internal controls. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the Committee to ensure that management has done so.
3. The Committee shall have unrestricted access to the Corporation's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.
4. The Committee shall have direct communication channels with the internal auditors (if any) and the external auditors to discuss any specific issues as appropriate.
5. The Committee shall have the sole authority to retain (or terminate) advisors or consultants as it determines necessary to assist the Committee in discharging its functions hereunder. The Committee shall be provided with the necessary funding to compensate the advisors or consultants retained by the Committee.

### **IV. RELATIONSHIP WITH EXTERNAL AUDITORS**

1. An external auditor must report directly to the Committee.
2. The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between management and the external auditor regarding financial reporting.

3. The Committee shall implement structures and procedures to ensure that it meets with the external auditor on a regular basis in the absence of management.

**V. ACCOUNTING SYSTEMS, INTERNAL CONTROLS AND PROCEDURES**

1. The Committee shall obtain reasonable assurance from discussions with and/or reports from management, and reports from external auditors that accounting systems are reliable and that the prescribed internal controls are operating effectively for the Corporation and its subsidiaries and affiliates.
2. The Committee shall review to ensure to its satisfaction that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements and will periodically assess the adequacy of those procedures.
3. The Committee shall review to ensure to its satisfaction that adequate internal controls and procedures are in place to permit the CEO and CFO to certify the accuracy of the financial statements.
4. The Committee shall review with the external auditor the quality and not just the acceptability of the Corporation's accounting principles and direct the external auditor's examinations to particular areas.
5. The Committee will review control weaknesses identified by the external auditors, together with management's response and review with external auditors their view of the qualifications and performance of the key financial and accounting executives.
6. In order to preserve the independence of the external auditor, the Committee will:
  - (a) recommend to the Board the external auditor 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;
  - (b) recommend to the Board the compensation of the external auditor's engagement; and
  - (c) review and pre-approve any engagements for non-audit services to be provided by the external auditors or its affiliates, together with estimated fees, and consider the impact, if any, on the independence of the external auditor.
7. The Committee will review with management and with the external auditor 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.
8. The Committee shall 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.
9. The Committee shall establish a periodic review procedure to ensure that the external auditor complies with the Canadian Public Accountability Regime under Multilateral Instrument 52-108, Auditor Oversight.

10. The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

## **VI. STATUTORY AND REGULATORY RESPONSIBILITIES**

1. Annual Financial Information - review the annual audited financial statements, including the Letter to Shareholders and related news releases and recommend their approval to the Board, after discussing matters such as the selection of accounting policies (and changes thereto), major accounting judgments, accruals and estimates with management and the external auditor.
2. Annual Report - review the management discussion and analysis ("MD&A") section and all other relevant sections of the annual report to ensure consistency of all financial information included in the annual report.
3. Interim Financial Statements - review the quarterly interim financial statements, including the Letter to Shareholders and related news releases and recommend their approval to the Board.
4. Earnings Guidance/Forecasts - review forecasted financial information and forward looking statements, if any.
5. In addition, the Committee must review the Corporation's financial statements, MD&A and earnings press releases before the Corporation publicly discloses this information.

## **VII. REPORTING**

1. The Committee will report, through the Chairperson of the Committee, to the Board following each meeting on the major discussions and decisions made by the Committee, and report annually to the Board on the Committee's responsibilities and how it has discharged them.
2. In addition, the Committee will review and reassess these Terms of Reference annually and recommended any proposed changes to the Corporate Governance and Compensation Committee.

## **VIII. OTHER RESPONSIBILITIES**

1. Investigating fraud, illegal acts or conflicts of interest.
2. Discussing selected issues with corporate counsel or the outside auditor or management.