



## AUDIT COMMITTEE CHARTER

### I. PURPOSE

- 1.1 The Audit Committee of Medical Facilities Corporation (the “**Corporation**”) is appointed by the board of directors of the Corporation (the “**Board**”) to assist the Board in its oversight of the Corporation’s financial reporting process, including:
- (a) The quality, objectivity, and integrity of the financial reporting by the Corporation.
  - (b) The compliance by the Corporation with legal and regulatory requirements in respect of public financial disclosures.
  - (c) The qualifications, independence, and performance of the Corporation’s independent auditor.
  - (d) The integrity of the Corporation’s financial reporting control processes and the performance of the Corporation’s Chief Financial Officer on financial reporting matters.
  - (e) The review and approval of management’s identification of principal financial risks and monitoring the processes which manage such risks.
- 1.2 The Audit Committee is to provide an avenue for free and open communication between the independent auditor, financial management, other employees, and the Board concerning accounting and auditing matters.
- 1.3 The Audit Committee is directly responsible for the oversight of the relationship with the independent auditor, for recommending to the Board the nomination and compensation of the independent auditor and for the oversight of the performance and results of audit and audit related engagements.
- 1.4 The Audit Committee is not responsible for:
- (a) Planning or conducting audits.
  - (b) Certifying or determining the completeness, fairness, or accuracy of the Corporation’s financial reporting or that the financial statements are in accordance with generally accepted accounting principles (“**GAAP**”). The fundamental responsibility for the Corporation’s financial statements and financial disclosure rests with management.
  - (c) Guaranteeing the report of the Corporation’s independent auditor.
  - (d) Conducting investigations, adjudicating disagreements (if any) between management and the independent auditor, or ensuring compliance with applicable legal and regulatory requirements.

### II. REPORTS

- 2.1 The Audit Committee shall report to the Board on a regular basis and, in any event, before the public disclosure by the Corporation of its quarterly and annual financial results. The reports of the Audit Committee shall include any issues of which the Audit Committee is aware with respect to the quality or

integrity of the Corporation's financial statements, its compliance with legal or regulatory requirements, and the performance and independence of the Corporation's independent auditor.

- 2.2 The Audit Committee shall also approve, as required by applicable law, any Audit Committee report required for inclusion in the Corporation's publicly filed documents, including this mandate.

### III. COMPOSITION

- 3.1 The members of the Audit Committee shall be three or more Board members who are appointed and may be removed by the Board on the recommendation of the Corporation's Corporate Governance, Nominating and Compensation Committee. The Chair of the Audit Committee shall be designated by the Board.
- 3.2 Each member of the Audit Committee shall meet the independence requirements of National Instrument 52-110 – *Audit Committees* (the "**Instrument**"), any other directly relevant regulatory authority or stock exchange on which the Corporation is listed, and shall be free from any relationship that, in the view of the Board, could be reasonably expected to interfere with the exercise of his or her independent judgement as a member of the Audit Committee.
- 3.3 All members of the Audit Committee shall be financially literate, as such term is defined in the Instrument (or acquire such literacy within a reasonable period after appointment).
- 3.4 A majority of the members of the Audit Committee shall be "resident Canadians", as contemplated by the *Business Corporations Act* (Ontario).
- 3.5 No members of the Audit Committee shall receive, other than for service on the Board or the Audit Committee or other committees of the Board, any consulting, advisory, or other compensatory fee from the Corporation or any of its related parties or subsidiaries.
- 3.6 No member of the Audit Committee may serve simultaneously on the audit committee of more than two other public companies, unless the Board determines that simultaneous service will not materially adversely affect such member from acting independently or from fulfilling his or her duties in accordance with this charter and applicable law.

### IV. RESPONSIBILITIES

#### 4.1 **Independent Auditor**

The Audit Committee shall:

- (a) Recommend to the Board the selection of the independent auditor to be put forward for shareholder approval at the Corporation annual meeting.
- (b) Obtain confirmation from the independent auditor that it ultimately is accountable, and will report directly, to the Board.
- (c) Review and approve the independent auditor's annual engagement letter and the proposals for related fees and review and discuss with the auditor the audit plans, the planned scope, areas of particular focus, materiality levels, the experience and qualifications of the senior members of the audit team and other matters of significance to the committee or auditor.
- (d) Review all reports and recommendations from the independent auditor and help to resolve any disagreements between management and the independent auditor regarding financial reporting.
- (e) Adopt policies and procedures for the pre-approval by the Audit Committee of the retention of the independent auditor by the Corporation and any of its subsidiaries for all audit and permitted non-

audit services (subject to any regulatory restrictions on such services) including procedures for the delegation of authority to provide such approval to one or more members of the Audit Committee.

- (f) At least annually, review the qualifications, performance and independence of the independent auditor and the independent auditor's lead partners. In doing so, the Audit Committee should, among other things:
  - (i) review a report by the independent auditor describing: i) its internal quality-control procedures, ii) any material issues raised by recent firm-wide internal quality-control reviews, peer or professional body reviews of the independent auditor, iii) any material issues raised by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the independent auditor, iv) any steps taken to deal with issues identified in ii) and iii) above, and v) all relationships between the independent auditor and the Corporation; and
  - (ii) review periodic reports from the independent auditor regarding its independence and actively discuss with the auditor whether there are any non-audit services or relationships that may affect the objectivity and independence of the independent auditor and, if so, recommend that the Board take appropriate action to satisfy itself of the independence of the independent auditor.
- (g) Review and approve from time to time the Corporation's Enterprise Risk Framework ("ERF") and related policies that establish the appropriate approval levels for decisions and other measures to manage risk to which the Corporation is exposed; review the Corporation's risk profile and monitor the Corporation's major risks as set out in the ERF.

#### 4.2 **Financial Statements and Related Financial Disclosures**

The Audit Committee shall, as it determines to be appropriate:

- (a) Review with management and, where appropriate, with the independent auditor:
  - (i) the Corporation's annual audited financial statements and quarterly financial statements and the Corporation's accompanying disclosure of management's discussion and analysis and, in advance of public disclosure, make recommendations to the Board as to their approval and publication;
  - (ii) press releases which include financial information (such as earnings press releases), as well as financial information and any earnings guidance provided to analysts and rating agencies, recognizing that this review and discussion may be done generally (consisting of a discussion of the types of information to be disclosed and the types of presentations to be made) and need not always take place in advance of the disclosure of each release or provision of guidance;
  - (iii) any significant financial reporting issues, estimates and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the selection or application of accounting principles, any major issues regarding auditing principles and practices, and the adequacy of internal controls that could significantly affect the Corporation's financial reporting;
  - (iv) all critical accounting policies and practices used, including their application to unusual and material related party transactions;
  - (v) all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;

- (vi) the use of “pro forma” or “adjusted” or other non-GAAP information;
  - (vii) the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, transactions, arrangements, and obligations (contingent or otherwise), on the Corporation’s financial reports;
  - (viii) any disclosures concerning any weaknesses or any deficiencies in the design or operation of internal financial controls or disclosure controls made to the Audit Committee by the Chief Executive Officer and the Chief Financial Officer during their approval process for forms filed with applicable securities regulators;
  - (ix) the adequacy of the Corporation’s internal accounting controls and its financial, auditing and accounting organizations and personnel and any special steps adopted in light of any material control deficiencies; and
  - (x) the Corporation’s guidelines and policies with respect to risk assessment, the Corporation’s major financial risk exposures and the steps management has taken to monitor and control such exposures.
- (b) Review with the independent auditor:
- (i) the quality, as well as the acceptability of the accounting principles that have been applied and of significant judgements made in estimating amounts;
  - (ii) accounting and/or auditing issues related to the Corporation which were discussed by the auditors with their national office;
  - (iii) any problems or difficulties the independent auditor may have encountered during the provision of its audit-related services, including any restrictions on the scope of activities or access to requested information and any significant disagreements with management, any management letter provided by the independent auditor or other material communication (including any schedules of unadjusted differences) to management and the Corporation’s response to that letter or communication;
  - (iv) any changes to the Corporation’s significant auditing and accounting principles and practices suggested by the independent auditor or other members of management;
  - (v) other matters required to be communicated to the Audit Committee under generally accepted auditing standards; and
  - (vi) the adequacy of procedures for the preparation of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements.
- (c) Review the hiring and/or the termination of the Chief Financial Officer, the chief internal auditor, if one is appointed, the mandates of such officers and the adequacy of the human resources dedicated to financial and accounting functions, and communicate the results of the review to the Corporation’s Corporate Governance, Nominating and Compensation Committee.

#### 4.3 **Compliance Procedures**

The Audit Committee shall, as it determines appropriate:

- (a) Obtain reports from management and/or the independent auditor that the Corporation and its subsidiary/foreign affiliated entities are in conformity with applicable legal requirements including disclosures of insider and affiliated party transactions.

- (b) Review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Corporation's financial statements or accounting policies.
- (c) Advise the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations affecting financial reporting and compliance with internal policies relating to employee conduct, conflicts, and integrity.
- (d) Review with the Corporation's in-house or outside counsel legal matters that may have a material impact on financial statements, the Corporation's compliance policies and any material reports or inquiries received from regulators or governmental agencies.
- (e) 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.
- (f) Establish procedures for:
  - (i) the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and
  - (ii) the confidential, anonymous submission by employees of the Corporation with concerns regarding any accounting or auditing matters.
- (g) Review the expense accounts of senior officers of the Corporation and the Corporation's wholly-owned subsidiary, Medical Facilities America, Inc., as designated by the Board at least annually and the processes for their approval and reimbursement.

#### 4.4 **Delegation**

To avoid any confusion, the Audit Committee responsibilities identified above are the responsibilities of the Audit Committee and may not be allocated to a different committee.

### **V. MEETINGS**

- 5.1 The Audit Committee shall meet at least quarterly and more frequently as circumstances require. A quorum will consist of a majority of the members present in person or by telephone and all decisions of the Audit Committee require a majority of those present at a meeting of the Audit Committee at which a quorum is present. Except as otherwise provided herein, meetings of the Audit Committee shall be governed by the same rules regarding meetings that apply to meetings of the Board.
- 5.2 Minutes shall be maintained for all meetings together with materials relating to those meetings and copies will be provided to the Board.
- 5.3 Periodically, the Audit Committee shall meet separately with management, the independent auditors, and any internal auditor. At its own discretion, the Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent auditor to attend meetings of the Audit Committee or with any members of, or advisors to, the Audit Committee.
- 5.4 Except as otherwise provided above, the Audit Committee may form and delegate authority to individual members and/or subcommittees where the Audit Committee determines it is appropriate to do so. All matters dealt with by delegation shall be promptly reported to the full Committee, no later than the subsequent meeting of the full Committee.

## **VI. INDEPENDENT ADVICE**

- 6.1 In discharging its mandate, the Audit Committee shall have the authority to retain and compensate, at the expense of the Corporation, special legal, accounting or other advisors as the Audit Committee, in its sole discretion, determines to be necessary to permit it to carry out its duties.

## **VII. ANNUAL EVALUATION**

- 7.1 At least annually, the Audit Committee shall, in a manner it determines to be appropriate,:
- (a) Perform a review and evaluation of the performance of the Audit Committee and its members, including the compliance of the Audit Committee with this charter.
  - (b) Review and assess the adequacy of its charter and recommend to the Board any improvements to this charter that the Audit Committee determines to be appropriate.

## **VIII. NO RIGHTS CREATED**

- 8.1 This charter is a broad policy statement and is intended to be part of Audit Committee's flexible governance framework. While this charter should comply with all applicable laws, regulations and listing requirements and the Corporation's constating documents, this charter does not create any legally binding obligations on the Audit Committee, the Board, or the Corporation.