



**MBAC FERTILIZER CORP.**

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

**DATED AS OF MARCH 9, 2010**

**REVISED OCTOBER 28, 2011**

**1. PURPOSE**

1.1 The audit committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of MBAC Fertilizer Corp. (the “**Company**”) shall provide assistance to the Board in fulfilling its financial reporting and control responsibilities to the shareholders of the Company and the investment community. The external auditors will report directly to the Committee. The Committee's primary duties and responsibilities are to:

- a) Oversee the accounting and financial reporting processes of the Company, and the audit of its financial statements, including: (i) the integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; and (iii) the independent auditors' qualifications and independence.
- b) Serve as an independent and objective party to monitor the Company's financial reporting processes and internal control systems.
- c) Review and appraise the audit activities of the Company's independent auditors.
- d) Provide open lines of communication among the independent auditors, financial and senior management, and the Board for financial reporting and control matters, and meet periodically with management and with the independent auditors.

**2. COMPOSITION**

2.1 The Committee shall be comprised of at least three directors. Each Committee member shall be an "independent director" within the meaning of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”), as may be amended from time to time. Pursuant to NI 52-110, a member will be considered "independent" if he has no direct or indirect, material relationship with the Company. NI 52-110 sets forth certain relationships which deem one not to be independent. In addition, the composition of the Committee shall comply with the rules and regulations of the Toronto Stock Exchange and any other stock exchange on which the shares of the Company are listed, subject to any waivers or exceptions granted by such stock exchange.

2.2 In addition, a director shall not be qualified to be a member of the Committee if such director (i) is an "affiliated person" or (ii) receives (or his/her immediate family member or the entity for which such director is a director, member, partner or principal and which provides accounting, consulting, legal, investment banking, financial or other similar services to the Company or any subsidiary of the Company receives), directly or indirectly, any consulting, advisory, or other compensation from the Company, or any subsidiary of the Company, other than compensation for serving in his or her capacity as member of the Board and as a member of Board committees. An "affiliated person" means a person who directly or indirectly controls the Company, or a director, executive officer, partner, member, principal or designee of an entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company.

2.3 All members of the Committee shall, to the satisfaction of the Board, be financially literate in accordance with the requirements of the NI 52-110 (i.e. will have the ability to read and understand a set of financial statements 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 Company's financial statements). At least one member of the Committee shall have accounting or related financial management expertise to qualify as a "financial expert". A person will qualify as "financial expert" if he or she possesses the following attributes:

- a) an understanding of financial statements and generally accepted accounting principles used by the Company to prepare its financial statements;
- b) an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities;
- d) an understanding of internal controls and procedures for financial reporting; and
- e) an understanding of Committee functions.

The Committee members will be elected annually at the first meeting of the Board following the annual general meeting of shareholders or such other time as the Board may determine.

Quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall be resolution determine.

### **3. RESPONSIBILITIES AND POWERS**

3.1 Responsibilities and powers of the Committee include:

- a) Annual review and revision of this Charter as necessary with the approval of the Board provided that this Charter may be amended and restated from time to time without the approval of the Board to ensure that that the composition of the Committee and the Responsibilities and Powers of the Committee comply with applicable laws and stock exchange rules.
- b) Making recommendations to the Board regarding the selection, the appointment, evaluation, fees and compensation and, if necessary, the replacement of the external auditors, and assisting in resolving any disagreements between management and the independent auditors regarding financial reporting.
- c) Approving the appropriate audit engagement fees and the funding for payment of the independent auditors' compensation and any advisors retained by the Committee.
- d) Ensuring that the auditors report directly to the Committee and are made accountable to the Board and the Committee, as representatives of the shareholders to whom the auditors are ultimately responsible.
- e) Confirming the independence of the auditors, which will require receipt from the auditors of a formal written statement delineating all relationships between the auditors and the Company and any other factors that might affect the independence of the auditors and reviewing and discussing with the auditors any significant relationships and other factors identified in the statement. Reporting to the Board its conclusions on the independence of the auditors and the basis for these conclusions.
- f) Overseeing the work of the independent auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services.

- g) Ensuring that the independent auditors are prohibited from providing the following non-audit services and determining which other non-audit services the independent auditors are prohibited from providing:
- i. bookkeeping and related functions
  - ii. financial information systems design and implementation;
  - iii. Valuation (other than tax-only) and appraisal preparation services;
  - iv. actuarial services;
  - v. internal audit outsourcing.
  - vi. any other services which the Canadian Public Accountability Board determines to be impermissible.
- h) Pre-approving all audit services, internal control related services and pre-approving any permissible non-audit engagements of the independent auditors, in accordance with applicable legislation.
- i) Meeting with the auditors and financial management of the Company to review the scope of the proposed audit for the current year, and the audit procedures to be used.
- j) Meeting quarterly with auditors in "in camera" sessions to discuss reasonableness of the financial reporting process, system of internal control, significant comments and recommendations and management's performance.
- k) Reviewing with management and the independent auditors:
- i. The Company's annual financial statements (and interim financial statements as applicable) and related footnotes, management's discussion and analysis and the annual information form, for the purpose of recommending approval by the Board prior to its release, and ensuring that:
  - ii. management has reviewed the audited financial statements with the Committee, including significant judgments affecting the financial statements;
  - iii. the members of the Committee have discussed among themselves, without management or the independent auditors present, the information disclosed to the Committee; and
  - iv. the Committee has received the assurance of both financial management and the independent auditors that the Company's financial statements are fairly presented in conformity with Canadian GAAP in all material respects.
- l) Any significant changes required in the independent auditors' audit plan and any serious issues with management regarding the audit.
- m) the Company's internal controls report, and review disclosures made to the Committee by the CEO and CFO about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.
- n) Other matters related to the conduct of the audit that are to be communicated to the Committee under generally accepted auditing standards.
- o) Satisfying itself that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure described in the preceding paragraph, and assessing the adequacy of such procedures periodically.
- p) Reviewing with the independent auditors and management the adequacy and effectiveness of the financial and accounting controls of the Company.

- q) Establishing procedures: (i) for receiving, handling and retaining of complaints received by the Company regarding accounting, internal controls, or auditing matters, and (ii) for employees to submit confidential anonymous concerns regarding questionable accounting or auditing matters. Complaint procedures are set out in the Company's Whistleblower Policy.
- r) Reviewing with the independent auditors any audit problems or difficulties and management's response and resolving disagreements between management and the auditors and reviewing and discussing material written communications between management and the independent auditors, such as any management letter or schedule of unadjusted differences.
- s) Making inquiries of management and the independent auditors to identify significant business, political, financial and control risks and exposures and assess the steps management has taken to minimize such risk to the Company.
- t) Making inquiries of management and the independent auditors to identify significant business, political, financial, litigation and control risks and exposures and assess the steps management has taken to minimize such risk to the Company.
- u) Assessing the overall process for identifying principal business, political, financial, litigation and control risks and providing its views on the effectiveness of this process to the Board.
- v) Ensuring that the disclosure of the process followed by the Board and its committees, in the oversight of the Company's management of principal business risks, is complete and fairly presented.
- w) Obtaining reports from management that the Company is in conformity with legal requirements and the Company's Code of Business Conduct and Ethics and reviewing reports and disclosures of insider and affiliated party transactions.
- x) Discussing any earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
- y) Ensuring adequate procedures are in place for review of the Company's disclosure of financial information and assess the adequacy of these procedures at least once per year.
- z) Reviewing of confirmation of compliance with the Company's policies on internal controls, conflicts of interests, ethics, foreign corrupt practice, etc.
- aa) Ensuring that the Company's Annual Information Form and the Company's Management Information Circular contains the disclosure required by law, including such disclosure required by NI 52-110.
- bb) Reviewing with financial management and the independent auditors interim financial information, including interim financial statements, management discussion and analysis and financial press releases for the purpose of recommending approval by the Board prior to the Company publicly disclosing such information.
- cc) Reviewing and approving hiring policies for partners and employees or former partners and employees of the present and former independent auditors, as applicable.
- dd) Reviewing disclosure by management in the event that management deviates from existing approved policies and procedures which disclosure must also must be contained in financial reporting sub-certification forms.
- ee) Engaging independent counsel and other advisors, without seeking approval of the Board or management of the Company, if the Committee determines such advisors are necessary to assist the Committee in carrying out its duties and setting and paying for any counsel or advisors employed by the Committee for such purpose. The Committee shall advise the Board and management of such engagement.

ff) Discussing with the Company's legal counsel legal matters that may have a material impact on the financial statements or of the Company's compliance policies and internal controls.

gg) Conducting special investigations, independent of the Board or management, relating to financial and non-financial related matters concerning the Company and/or any one or more of its directors, officers, employees, consultants and/or independent contractors, if determined by the Committee to be in the best interests of the Company and its Shareholders. The Committee shall advise the Board with respect to the initiations of such investigations and shall periodically report any findings of such investigation to the Board.

hh) Reporting annually to the shareholders in the Company's Annual Information Form on the carrying out of its responsibilities under this charter and on other matters as required by applicable securities regulatory authorities.

#### **4. MEETINGS**

4.1 The Committee will meet regularly at times necessary to perform the duties described above in a timely manner, but not less than four times a year and any time the Company proposes to issue a press release with its quarterly or annual earnings information. Meetings may be held at any time deemed appropriate by the Committee.

4.2 The Committee shall meet periodically in separate executive sessions with management (including the Chief Financial Officer), the internal auditors and the independent auditor, and have such other direct and independent interaction with such persons from time to time as the members of the Committee deem appropriate. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

4.3 The independent auditors will have direct access to the Committee at their own initiative.

4.4 The Chairman of the Committee will report periodically the Committee's findings and recommendations to the Board.