



AUDIT COMMITTEE TERMS OF REFERENCE

PART I

Establishment of Committee and Procedures

1. Committee

There shall be a committee, to be known as the Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Big Rock Brewery Inc. ("**Big Rock**" or the "**Corporation**").

2. Purpose of the Committee

The overall purpose of the Committee is to ensure that the Corporation's management has designed and implemented an effective system of internal financial controls and disclosure controls and procedures, to review and report on the integrity of the consolidated financial statements of the Corporation, to review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts.

3. Composition of Committee

The Committee shall consist of three or more directors, all of whom shall be "independent" as defined in National Instrument 52-110 - *Audit Committees* ("**NI 52-110**").

3. Appointment of Committee Members

Members of the Committee shall be appointed at the meeting of the Board held immediately following the annual meeting of shareholders, and shall hold office until the next annual meeting, or until their successors are appointed, or until they cease to be directors of the Corporation.

Each member shall be "financially literate" being defined under NI 52-110 as having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the Corporation's financial statements.

4. Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than three directors. Any member may be removed or replaced at any time by the Board. Any member shall cease to be a member upon ceasing to be a director.

5. **Committee Chair**

The Board shall appoint a Chair for the Committee and the Chair shall preside at all meetings of the Committee.

6. **Absence of Committee Chair**

If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside at the meeting.

7. **Secretary**

The Committee shall appoint a Secretary at each meeting of the Committee who need not be a director of the Corporation.

8. **Meetings**

The Chair or any two members of the Committee or the external auditors may call a meeting of the Committee. The Committee shall meet at least four times per year. All Committee members are expected to attend each meeting, in person or by electronic media.

9. **Quorum**

Two members of the Committee, present in person or by electronic media that permit all persons participating in the meeting to speak to each other, shall constitute a quorum. All decisions must be unanimous or referred to the Board. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all of the members of the Committee.

10. **Notice of Meetings**

Notice of the time and place of every meeting shall be given in writing or electronic communication to each member of the Committee at least 72 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive a notice of a meeting; and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transactions of any business on the grounds that the meeting is not lawfully called. An annual schedule of meetings is to be established and maintained. The external auditor is to be advised of all meetings.

11. **Attendance of Guests at Meeting**

The Committee may invite such officers, directors and employees of the Corporation as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee. The CFO of Big Rock shall be a resource to the Committee.



12. Procedure, Minutes and Reporting

The Committee shall fix its own procedure at meetings, keep minutes of its proceedings and report to the Board when the Committee may deem appropriate (but not later than the next meeting of the Board). Meeting agendas will be prepared and provided in advance to members, along with appropriate meeting materials.

13. External Auditors

The CFO shall advise the Corporation's auditors of the names of the members of the Committee promptly after their appointment and the auditors may be called to attend any meeting of the Committee. The Committee shall meet with the external auditors as the Committee may deem appropriate to consider any matter which the Committee or the auditors believe should be brought to the attention of the directors or the shareholders of the Corporation. The external auditors will report directly to the Committee.

14. Review of Terms of Reference

The Committee shall review its terms of reference periodically and recommend changes to the Board.

15. Independent Advisors

With approval from the Board Chair, the Chair of the Committee shall engage independent counsel and other advisors as it deems necessary to carry out its duties or an investigation into actions by management. Furthermore, the Committee has the authority to set and pay compensation for any such advisors which are employed by the Committee.

PART II

Mandate of Committee

16. Specific Mandates

The Committee shall:

- (a) review, discuss with management and recommend to the Board for approval, Big Rock's audited annual financial statements, including management discussion and analysis, all financial statements in prospectuses and other offering memoranda, financial statements required by regulatory authorities and all prospectuses and documents which may be incorporated by reference into a prospectus, including without limitation, the management information circular before such documents are publicly disclosed or are filed with applicable regulatory bodies;
- (b) review, discuss with management and approve the release to the public of Big Rock's interim reports, including the financial statements, management discussion and analysis and news releases on quarterly financial results and releases to the public;

- (c) review with management and report to the Board, on a periodic basis, Big Rock's obligations pursuant to covenants, warranties of performance or guarantees, including those of any wholly owned subsidiaries, of any indebtedness, liability or obligation;
- (d) review the audit plans of the external auditors of Big Rock including the degree of coordination in those plans and the extent to which the planned audit scope can be relied upon to detect weaknesses in internal control, fraud or other illegal acts;
- (e) review the external audit practices and procedures;
- (f) review the annual post-audit or management letter from the external auditor and management's response and follow-up in respect of any identified weakness, and inquire regularly of management and the external auditors of any significant issues between them and how they have been resolved;
- (g) review the internal control procedures (including information technology, security and control) to monitor the effectiveness of Big Rock's internal controls and to monitor compliance with, Big Rock's policies, and avoidance of conflicts of interest;
- (h) review management plans regarding any significant changes in accounting practices or policies and the financial impact thereof;
- (i) review with management, the external auditors and if necessary legal counsel, any litigation, claim or contingency, including tax assessments that could have a material effect upon the financial position of Big Rock, and the manner in which these matters have been disclosed in the financial statements;
- (j) review with management and others as necessary, issues relating to legal and regulatory responsibilities to monitor Big Rock's efforts to ensure compliance;
- (k) review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of material facts;
- (l) review the recommendations of management as to the re-appointment or appointment of the external auditors and make recommendations thereon to the Board; and, review and approve the basis and the amount of the external auditors' fees; it is specifically acknowledged that, pursuant to the *Business Corporations Act* (Alberta), the shareholders have the ultimate responsibility to appoint and replace external auditors and that the external auditors are accountable to the Committee and the Board as representatives of the shareholders;
- (m) review any non-audit related services provided by the external auditors and the relevant fees, and the impact of these services on the independence of the external auditors. For greater certainty, the Committee shall annually review a formal written statement of the external auditor delineating all relationships between Big Rock and the external auditor;
- (n) in cooperation with the Compensation & Human Resources Committee, review the succession plan and appointment in respect of the CFO of Big Rock;

- (o) identify and monitor the management of the principal risks that could impact the financial reporting of the Board;
- (p) review officers' expenses;
- (q) meet separately with the external auditors and report to the Board on such meetings;
- (r) review with the external auditors the adequacy and appropriateness of the accounting policies used in preparation of the financial statements;
- (s) review with Management and the external auditor any disagreement regarding financial reporting;
- (t) ensure that adequate "whistleblower" facilities are established and maintained through the establishment of a procedure for:
 - a. the receipt, retention and treatment of complaints received by management regarding accounting, and/or internal controls;
 - b. the receipt, retention and treatment of confidential, anonymous submissions by employees regarding questionable accounting or auditing matters;
- (u) periodically review and reassess the adequacy of this mandate and these terms of reference;
- (v) recommend to the Board policies to safeguard Big Rock's assets, timeliness and accuracy of accounting records and investment practices and procedures;
- (w) review and approve Big Rock's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of Big Rock;
- (x) perform other activities related to this mandate as requested by the Board and institute and oversee special investigations as necessary; and
- (y) approve all related party transactions at the inception of the relationship with the related party.