



AUDIT COMMITTEE CHARTER

1. PURPOSE

1.1 The Audit Committee ("**Committee**") is a standing committee of the board of directors (the "**Board**") of Zephyr Minerals Ltd. ("**Zephyr**" or the "**Corporation**") charged with assisting the Board in fulfilling its responsibility to its shareholders and to the investment community. Its role is to serve as an independent and objective party to oversee Zephyr accounting and financial reporting processes, internal control system and external audits of its financial statements.

2. COMMITTEE MEMBERSHIP

2.1 The Board shall annually appoint a minimum of three directors to the Committee the majority of whom shall be directors of Zephyr who are independent of management and free from any material relationship that, in the opinion of the Board, would interfere with the director's exercise of independent judgment as a member of the Committee.

2.2 Each member of the Committee must be financially literate, or if not financially literate at the time of his appointment, must become so within a reasonable period of time following his appointment.

2.3 Members of the Committee shall typically be appointed at the first meeting of the Board held following each annual meeting of the shareholders of Zephyr.

2.4 A member may resign or be removed from the Committee at any time and thereafter shall be replaced by the Board. A member of the Committee will automatically cease to be a member at such time as that individual ceases to be a director of Zephyr.

3. CHAIR OF THE COMMITTEE

3.1 The Board shall in each year appoint a chair of the committee ("Chair") from among the members of the Committee. In the Chair's absence, or if the position is vacant, the Committee may select another member to act as interim Chair.

3.2 The Chair shall be responsible to ensure the Committee meets regularly and performs its duties as set out herein, and to report to the Board of Directors on the activities of the Committee.

4. AUDIT RESPONSIBILITIES

4.1 The Committee is responsible to:

Financial Statement and Disclosure Matters

- a) review the annual audited financial statements, and shall report thereon to the Board;
- b) review the interim unaudited financial statements and, if satisfactory, approve such interim unaudited financial statements;
- c) satisfy itself that Zephyr's annual audited financial statements are fairly presented in accordance with applicable Canadian generally accepted accounting principles and recommend to the Board whether the annual financial statements should be approved and included in Zephyr's Annual Report;
- d) satisfy itself that the information contained in the Corporation's quarterly financial statements, MD&A and any other financial publication or disclosure of financial information extracted or derived from the Corporation's financial statements, does not include any untrue statement of any material fact or omit to state a material fact that is required or necessary to make a statement not misleading in light of the circumstances under which it was made;
- e) review Zephyr's financial statements, MD&A and, if applicable, annual and interim earnings press releases referring to financial information before the information is publicly disclosed, and ensure that adequate procedures are in place for the review of any other public disclosure derived from Zephyr's financial statements;
- f) discuss with management and the external auditor significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the Corporation's selection or application of accounting principles, any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies;
- g) review and discuss reports from the external auditor;

Oversight of the Corporation's External Auditors

- h) make recommendations to the Board regarding the selection and compensation of the external auditor to be put forth for appointment at each annual meeting of the Corporation;
- i) satisfy itself that the external auditor reports directly to the Committee;
- j) oversee the work of the external auditor engaged to prepare or issue an auditor's report or perform other audit, review or attest services for

- Zephyr, including the resolution of any disagreements between management and the external auditor regarding financial reporting;
- k) Obtain and review a report from the external auditor at least annually regarding:
 - (i.) the external auditor's internal quality-control procedures;
 - (ii.) any material issues raised by the most recent internal quality control review, or peer review, of the external audit firm, or 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 firm;
 - (iii.) any stepstaken to deal with such issues; and
 - (iv.) all relationships between the extrernal auditor and Zephyr, including non-audit services;
 - l) evaluate the qualifications, performance and independence of the external auditor, including considering whether the external auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of management, and to present its conclusions with respect to the external auditor to the Board;
 - m) satisfy itself of the rotation of the audit partners and consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the external auditing firm on a regular basis;;
 - n) meet with the external auditor and financial management of Zephyr to review the scope of the proposed audit for the current year and the audit procedures to be used;
 - o) satisfy itself that the audit function has been effectively carried out and that any matter which the external auditor wishes to bring to the attention of the Board has been addressed and that there are no unresolved differences between management and the external auditor;
 - p) pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Corporation by its external auditor, subject to the *de minimis* exceptions for non-audit services described in Multilateral Instrument 52-110, section 2.4, which are approved by the Committee prior to the completion of the audit. The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of permitted non-audit services, provided that decisions of such subcommittee to grant preapprovals shall be presented to the full Committee at its next scheduled meeting;
 - q) review and approve Zephyr's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation;

Financial Management and Risk Management

- r) review the audit plan of the external auditor for the current year, and review advice from the external auditors relating to management and internal controls and the Corporation's responses to the suggestions made therein;
- s) discuss with management the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies;
- t) satisfy itself that the Corporation has implemented appropriate systems of internal control over financial reporting, the safeguarding of the Corporation's assets and other "risk management" functions affecting the Corporation's assets, management and financial and business operations, and that these systems are operating effectively;

Compliance Oversight Responsibilities

- u) establish procedures for the receipt, retention and treatment of complaints received by Zephyr regarding accounting, internal accounting controls, or auditing matters;
- v) establish procedures for the confidential, anonymous submission by employees of Zephyr of concerns regarding questionable accounting or auditing matters;
- w) discuss with management and the external auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Corporation's financial statements or accounting policies;
- x) discuss with the Corporation's general counsel or outside counsel, as appropriate, legal matters that may have a material impact on the financial statements, or the Corporation's compliance policies; and
- y) satisfy itself that all regulatory compliance issues have been identified and addressed and identifying those that require work.

4.2 While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles applicable rules and regulations. These are the responsibilities of management and the external auditor.

5. GENERAL RESPONSIBILITIES

5.1 The Committee shall:

- a) make regular reports to the Board;
- b) have the right, for the purposes of performing their duties:
 - (i.) to inspect all the books and records of the Corporation and its subsidiaries;

- (ii.) to discuss such accounts and records and any matters relating to the financial position of the Corporation with the officers and auditor of the Corporation and its subsidiaries; and
- (iii.) to commission reports or supplemental information relating thereto;
- c) permit the Board to refer to the Committee such matters and questions relating to the financial position of the Corporation and its affiliates or the reporting related thereto as the Board may from time to time see fit; and
- d) perform any other activities consistent with this Charter, the Corporation's By-Laws and governing law, as the Committee or the Board deems necessary or appropriate.

6. MEETINGS

6.1 The Chairman will appoint a secretary who will keep minutes of all meetings ("**Secretary**"). The Secretary does not have to be a member of the Committee or a director and can be changed by simple notice from the Chair.

6.2 No business shall be transacted by the Committee unless a quorum of the Committee is present or the business is transacted by resolution in writing signed by all members of the Committee. A majority of the Committee shall constitute a quorum, provided that if the number of members of the Committee is an even number, one half of the number of members plus one shall constitute a quorum.

6.3 The Committee shall meet often as it deems necessary to carry out its responsibilities but not less frequently than quarterly.

6.4 The time at which, and the place where the meetings of the Committee shall be held, and the procedure in all respects of such meetings shall be determined by the Committee, unless otherwise provided for in the By-Laws of Zephyr or otherwise determined by resolution of the Board.

6.5 Meetings may be held in person, by teleconferencing or by videoconferencing.

6.6 Any decision made by the Committee shall be determined by a majority vote of the members of the Committee present. A member will be deemed to have consented to any resolution passed or action taken at a meeting of the Committee unless the member dissents.

6.7 Minutes of the Committee will be kept by the Secretary. The approved minutes of the Committee shall be circulated to the Board forthwith and shall be duly entered in the books of Zephyr.

7. ACCESS TO MANAGEMENT & OUTSIDE ADVISORS

7.1 The Committee shall have full, free and unrestricted access to management and employees and to the relevant books and records of Zephyr.

7.2 The Committee may invite such other persons (eg. the CEO, CFO, Controller) to its meetings, as it deems necessary.

7.3 The Committee shall have the authority to:

- a) retain independent legal, accounting or other relevant advisors as it may deem necessary or appropriate to allow it to discharge its responsibilities;
- b) set and pay the compensation of any such advisors, at the expense of Zephyr; and
- c) to communicate directly with the internal and external auditor.

7.4 The Committee shall review its own performance annually and report to the Board.

8. REPORTING REQUIREMENTS

8.1 The Committee shall make regular reports to the Board, through the Chair, following meetings of the Committee.

9. ANNUAL REVIEW & ASSESSMENT

9.1 The Committee shall review and assess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

9.2 The Committee shall review its own performance annually and report to the Board.

10. REMUNERATION

10.1 The members of the Committee shall be entitled to receive such remuneration for acting as a member of the Committee as the Board may from time to time determine.