

AUDIT COMMITTEE MANDATE

PURPOSE

The Audit Committee is appointed by the Board of Trustees (“Board”) to assist the Board in fulfilling its oversight responsibilities. The Audit Committee’s primary duties and responsibilities are to:

- a) identify and monitor the management of the principal risks that could impact the financial reporting of Killam Apartment Real Estate Investment Trust (the “Trust” or “Killam”);
- b) monitor the integrity of the Trust’s financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
- c) monitor the independence and performance of Killam’s external auditors; and
- d) provide an avenue of communication among the external auditors, Management and the Board.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the external auditors as well as anyone in the organization. The Audit Committee has the ability to retain, at Killam’s expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties.

COMPOSITION AND OPERATION

- a) the Audit Committee shall be comprised of three or more Trustees as determined by the Board, each of whom shall be independent Trustees as determined in National Instrument 52-110 – Audit Committees;
- b) all members of the Committee shall be financially literate, being defined as able to read and understand a set of financial statements which 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 Killam’s financial statements, and at least one member of the Committee shall have accounting or related financial management expertise;
- c) committee members are encouraged to enhance their familiarity with finance and accounting by participating in seminars, conferences, roundtables and other educational programs conducted by Killam or outside organizations;
- d) Audit Committee members shall be appointed by the Board on recommendation from the nominating process. If an Audit Committee Chair is not designated or present, the members of the Committee may designate a Chair by majority vote of the Committee membership;
- e) the Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Audit Committee Chair shall prepare and/or approve an agenda in advance of each meeting;
- f) the Committee shall meet privately at least annually with Management and the external auditors to discuss any matters that the Committee or each of these groups believes should be discussed;
- g) in addition, the Committee will consider with Management and the external auditors the need or requirement for the external auditors to review Killam’s interim financial statements.

RESPONSIBILITIES

Section 1 Review Procedures

- a) review and assess the adequacy of the mandate at least annually and submit the mandate to the Board for approval;
- b) review Killam's annual audited financial statements, management's discussion and analysis and related documents (i.e. Annual Information Form, Information Circular, Annual Report and earnings press releases) prior to filing or distribution and make appropriate recommendation to the Board. Review shall include discussion with Management and external auditors of significant issues regarding accounting principles, practices and significant Management estimates and judgements;
- c) annually, in consultation with Management and external auditors, consider the integrity of Killam's financial reporting processes and controls. Discuss significant financial risk exposures and the steps Management has taken to monitor, control, and report such exposures. Review significant findings prepared by the external auditors together with Management responses;
- d) review the effectiveness of the overall process for identifying the principal risks affecting financial reporting and provide the Committee's view to the Board;
- e) review with Management and the external auditors Killam's quarterly financial results, management's discussion and analysis and related documents prior to the release of earnings and/or Killam's quarterly financial statements prior to filing or distribution. Discuss any significant changes to Killam's accounting principles; and
- f) review policies and practices concerning officers' expenses and perquisites.

Section 2 External Auditors

- a) the Audit Committee shall review the independence and performance of the auditors and annually recommend to the Board the appointment of the external auditors or approve the discharge of auditors when circumstances warrant;
- b) approve fees and other significant compensation to be paid to the external auditors;
- c) on an annual basis, the Committee will review and discuss with the external auditors all significant relationships they have with Killam that could impair the auditors' independence;
- d) review the external auditors' audit plan – discuss and approve audit scope, staffing, reliance upon Management and general audit approach;
- e) prior to releasing the year-end results, discuss the results of the audit with the external auditors including certain matters required to be communicated to audit committees in accordance with the standards established by the Chartered Professional Accountants of Canada; and
- f) consider the external auditors' judgments about the quality and appropriateness of Killam's accounting principles as applied in Killam's financial reporting.

Section 3 Non-Audit Services

- a) the Committee shall be responsible for reviewing and pre-approving all non-audit services to be provided by the external auditor; and
- b) the Committee shall be permitted to establish specific policies and procedures concerning the performance of non-audit services which are to be reviewed annually.

Section 4 Other Audit Committee Responsibilities

- a) the Committee shall be responsible for reviewing and approving Killam's hiring policy concerning partners or employees, as well as former partners and employees of the present or former external auditors;
- b) the Committee shall ensure that procedures are in place relating to the receipt and treatment of complaints which may be received concerning accounting, internal controls or auditing matters. In addition, the Committee shall ensure procedures are in place concerning the confidential, anonymous submissions of concerns by Killam's employees relating to these matters;
- c) review and approve Management's decision related to the need for internal auditing;
- d) on at least an annual basis, review with Killam's legal counsel any legal matters that could have a significant impact on Killam's financial statements, compliance with applicable laws and regulations and inquiries received from regulators or government agencies;
- e) annually assess the effectiveness of the Committee against its mandate and report the results to the Board; and
- f) prepare and disclose a summary of the mandate to the unitholders.

Section 5 Administrative Matters

- a) a quorum of the Audit Committee shall be the attendance of two (2) members thereof. No business may be transacted by the Audit Committee except at a meeting of its members at which a quorum of the Audit Committee is present or by a resolution in writing signed by all members of the Committee;
- b) any member of the Audit Committee may be removed or replaced at any time by resolution of the Board of Trustees. If and whenever a vacancy shall exist on the Audit Committee, the remaining members may exercise all of its powers so long as a quorum remains. Subject to the foregoing, each member of the Audit Committee shall hold such office until the close of the annual meeting of the unitholders next following the date of appointment as a member of the Audit Committee or until a successor is duly appointed;
- c) the Audit Committee may invite such officers, Trustees and employees of the Trust or affiliates as it may see fit from time to time to attend at meetings of the Audit Committee and to assist thereat in the discussion of matters being considered by the Audit Committee. The external auditors are to appear before the Audit Committee when requested to do so by the Audit Committee;
- d) the Audit Committee, having regard to the Declaration of Trust, shall determine the time and place for Audit Committee meetings, the calling and the procedure at such meetings;
- e) notice of all meetings of the Audit Committee shall be given to the external auditor and the external auditor shall be entitled to attend and be heard at each Audit Committee meeting. The external auditors must attend every meeting of the Audit Committee that is specially requested to attend. Upon the request of the external auditor or any member of the Audit Committee, the Audit Committee shall convene a meeting of the Audit Committee to consider any matters that should be brought to the attention of the Board of Trustees;
- f) the Audit Committee shall report to the Board of Trustees on such matters and questions relating to the financial position of Killam or any affiliates of Killam, as the Board of Trustees may from time to time refer to the Audit Committee;

- g) the members of the Audit Committee shall, for the purpose of performing their duties, have the right to inspect all the books and the records of the Trust and its affiliates, and to discuss such books and records that are in any way related to the financial position of the Trust with its officers, employees and external auditor and its affiliates; and
- h) maintain minutes of meetings and periodically report to the Board on significant results of the foregoing activities.