



# **AUDIT COMMITTEE CHARTER**

**Cornerstone Capital Resources Inc.**

**Audit Committee Charter**

1.	ORGANIZATION.....	3
2.	STATEMENT OF POLICY.....	3
3.	OPERATING PROCEDURES.....	4
4.	RESPONSIBILITIES & DUTIES.....	4
	<i>FINANCIAL REPORTING</i> .....	4
	<i>ACCOUNTING POLICIES</i> .....	5
	<i>RISK AND UNCERTAINTY</i> .....	5
	<i>FINANCIAL CONTROLS AND CONTROL DEVIATIONS</i> .....	5
	<i>COMPLIANCE WITH LAWS AND REGULATIONS</i> .....	5
	<i>RELATIONSHIP WITH EXTERNAL AUDITORS</i> .....	5
	<i>OTHER RESPONSIBILITIES</i> .....	6
5.	ACCOUNTABILITY.....	5

## **ORGANIZATION**

An Audit Committee shall be appointed annually by the Board and shall consist of at least three (3) members from among the directors of the Corporation. Each Audit Committee member shall, where possible, be an independent director, free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

All Audit Committee members shall be sufficiently versed in financial matters to understand the Corporation's accounting practices and policies and the major judgments involved in preparing the financial statements.

The Board shall designate the Chair of the Committee.

## **STATEMENT OF POLICY**

The Committee shall fulfill its responsibilities within the context of the following principles:

### **1. General**

The Committee expects the management of the Corporation to operate in compliance with the laws and regulations governing the Corporation and to maintain strong financial, reporting and control processes.

### **2. Communications**

The Committee shall have direct, open and frank communications throughout the year with management, other Committee Chairs, and the external auditors.

### **3. Meeting Agenda**

Committee meeting agendas shall be the responsibility of the Chair of the Committee in consultation with the Committee members, management and the external auditors.

### **4. Information Needs**

The Committee expects that written materials will be received from management and the external auditors at least five (5) days in advance of meeting dates.

### **5. In-Camera Meetings**

At each meeting, the Committee shall meet in private session and may meet with the external auditors, with management, and with the Committee members only.

### **6. Reporting to the Board**

The Committee, through its Chair, shall report after each Committee meeting to the Board at the Board's next regular meeting.

### **7. The External Auditors**

The Committee expects that in discharging its responsibilities to the shareholders, the external auditors

shall be accountable to the Board through the Audit Committee. The external auditors shall report all material issues or potentially material issues to the Committee.

## **OPERATING PROCEDURES**

1. The Committee shall meet at least four (4) times annually, or more frequently as circumstances dictate. Meetings shall be held at the call of the Chair upon the request of two (2) members of the Committee or at the request of the external auditors.
2. A quorum shall be a majority of the members.
3. Unless the Committee otherwise specifies, the Secretary of the Corporation shall act as Secretary at all meetings of the Committee.
4. In the absence of the Chair of the Committee, the members shall appoint an acting Chair.
5. A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee within two weeks following each meeting.

## **RESPONSIBILITIES & DUTIES**

To fulfill its responsibilities and duties, the Committee shall:

### ***Financial Reporting***

1. Review the Corporation's annual and quarterly financial statements with management and the external auditors to gain reasonable assurance that the statements are accurate, complete and in accordance with Generally Accepted Accounting Principles (GAAP). The Committee shall report thereon to the Board before the Board approves such financial statements.
2. Receive from the external auditors reports on their review of the annual and quarterly financial statements.
3. Receive from management a copy of the representation letter provided to the external auditors and receive from management any additional representations required by the Committee.
4. Review and, if appropriate, recommend approval to the Board of news releases, management discussion and analysis, AIF forms and reports to the shareholders issued by the Corporation with respect to the Corporation's annual and quarterly financial statements
5. Review and, if appropriate, recommend approval to the Board of prospectuses, material change disclosures of a financial nature, and similar disclosure documents to be issued by the Corporation.

### ***Accounting Policies***

1. Review with management and the external auditors the appropriateness of the Corporation's accounting policies and disclosures.
2. Review with management and the external auditors the Corporation's underlying accounting policies and any significant estimates and judgments.

### ***Risk and Uncertainty***

1. Review with management the significant financial risks and principal business risks facing the Corporation and gain reasonable assurance that they are being effectively managed or controlled.
2. Ascertain that policies and procedures are in place to minimize environmental, occupational health and safety, and other risks to asset value.
3. Review the adequacy of insurance coverage maintained by the Corporation.
4. Review regularly with management, the external auditors and the Corporation's legal counsel any legal claim or other contingency that could have a material effect upon the financial position of the Corporation.

### ***Financial Controls and Control Deviations***

1. Review the plans of the external auditors to gain reasonable assurance that the review and evaluation of internal financial controls is comprehensive, coordinated and cost effective.

### ***Compliance with Laws and Regulations***

1. Review regular reports from management and the external auditors with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements, various tax and other withholding accounts and other laws and regulations which could expose directors to liability.

### ***Relationship with External Auditors***

1. Recommend to the Board the nomination of external auditors.
2. Approve the remuneration and the terms of engagement of the external auditors as set out in the engagement letter.
3. Review the performance of the external auditors annually.
4. Receive a report annually from the external auditors with respect to their independence, such report

to include a disclosure of all engagements (and fees related thereto) for any non-audit services by the Corporation.

5. Review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, the general overall audit plan and the materiality levels, which the external auditors propose to employ. Review the results of the external audit with the external auditors including the auditors' report, overall presentation of the financial statements, any adjustments needed or contemplated, areas of difficulty and any changes to the original audit plan.
6. Meet privately with the external auditors to determine that no management restrictions have been placed on the scope and extent of the audit examinations conducted by the external auditors or the reporting of their findings to the Committee.
7. Establish effective communication processes with management and the Corporation's external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee.

#### ***Other Responsibilities***

1. Approve annually the reasonableness of the expenses of the Chief Executive Officer.
2. After consultation with the Chief Financial Officer and the external auditors, gain reasonable assurance annually of the quality and sufficiency of the Corporation's accounting personnel.
3. Perform such other functions as may from time to time be assigned to the Committee by the Board.

#### **ACCOUNTABILITY**

1. Review and update this Charter on a regular basis for approval by the Board.
2. From time to time, as requested by the Board, disclose its mandate and this Charter in the Corporation's statement of corporate governance practices.