

# Audit Committee

AS ADOPTED BY THE BOARD OF DIRECTORS OF ASCENDANT COPPER CORPORATION (the “Corporation”) ON FEBRUARY 25, 2005 AS AMENDED DECEMBER 15, 2005

## I. MANDATE

The Audit Committee is a standing committee of, and reports directly to, the Board of Directors of Ascendant Copper Corporation (the “Corporation”). The Corporation’s external auditor is ultimately accountable to the Committee.

Senior management, as overseen by the Board of Directors, has primary responsibility for the Corporation’s financial reporting, accounting systems and internal controls. For purposes of this Charter, the term “Corporation” shall include all subsidiaries of the Corporation whose financial results are consolidated for purposes of accounting with the financial results of the Corporation. The Audit Committee (the “Committee”) is a committee of, and reports directly to, the Board of Directors and was established to assist the Board of Directors in fulfilling its responsibilities in this regard.

The Committee will discuss with management the policies with respect to risk assessment and risk management. Although it is management’s duty to assess and manage the Corporation’s exposure to risk, the Committee should discuss guidelines and policies to govern the process by which risk assessment and management is handled and review the steps management has taken to monitor and control the Corporation’s risk exposure.

The Committee will review the financial reports and other financial information provided by the Corporation to regulatory authorities and shareholders, the Corporation’s systems of internal controls regarding finance and accounting and the Corporation’s auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Corporation’s policies, procedures and practices at all levels. The Committee’s primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation’s financial reporting and internal control system and review the Corporation’s financial statements.
- Review qualifications and independence of, and engage, the Corporation’s external auditors.
- Review and appraise the performance of the Corporation’s external auditors.
- Provide an open avenue of communication among the Corporation’s external auditors, financial and senior management and the Board of Directors.

## II. COMPOSITION & PROCEDURE

(a) The Committee shall be comprised of a minimum of three directors as determined by the Board of Directors, the majority of whom shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Committee, as defined by Multilateral Instrument 52-110 ("MI 52-110").

(b) At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting

practices within three months of being appointed to the Committee. For the purposes of this Charter, the definition of "financially literate" is 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 presumably be expected to be raised by the Corporation's financial statements.

(c) The members of the Committee shall be appointed by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

(d) The Corporate Secretary of the Corporation shall be the Secretary of the Committee unless otherwise determined by the Committee.

(e) In the absence of the Chair or Secretary at any meeting of the Committee, the members present shall appoint one of their members to act as Chair of the Committee meeting and shall designate any Director, Officer or Employee of the Corporation to act as Secretary.

(f) The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and hear each other.

(g) The Chair shall call and convene a meeting of the Committee at the request of the Chief Executive Officer, a member of the Committee, or the internal (if any) or external auditors of the Corporation.

(h) Reasonable notice of meeting may be given verbally or by letter, facsimile, email or telephone and the notice shall specify the purpose of the meeting.

(i) Any matter to be voted upon shall be decided by a majority of the votes cast on the question. In the case of an equality of votes, the Chair does not have a second or deciding vote.

(j) The Committee shall have the power, authority and discretion delegated to it by the Board of Directors, which shall not include the power to change the membership or fill vacancies in the Committee.

(k) The Committee shall conform to the regulations which may from time to time be imposed upon it by the Board of Directors.

(l) A resolution approved in writing by the members of the Committee shall be valid and effective as if it had been passed at a duly called meeting. Such resolution shall be filed with the minutes of the proceedings of the Committee and shall be effective on the date stated thereon or on the latest date stated in any counterpart.

(m) The Committee shall keep regular minutes of its meetings and record all material matters, shall cause such minutes to be recorded in the books kept for that purpose, and shall distribute such minutes to the Board of Directors.

(n) The Board of Directors shall have the power at any time to revoke or override the authority given to or acts done by the Committee, except as to acts done before such revocation or act of overriding, and to terminate the appointment or change the membership of the Committee or fill vacancies in it as it shall see fit.

(o) The Committee shall have unrestricted and unfettered access to all Corporation personnel and documents and shall be provided with the resources necessary to carry out its responsibilities.

### **III. AUTHORITY**

The Committee shall have the authority to:

(a) Engage independent counsel and other advisors as it determines necessary to carry out its duties.

(b) Set and pay the compensation for any advisors as it determines necessary to carry out its duties.

(c) Communicate directly with the internal and external auditors and shall have access to such officers and employees of the Corporation and to such information and records of the Corporation as it considers necessary or advisable to perform its duties and responsibilities.

(d) Review and approve the employment of the individual(s) who will hold the position(s) of Chief Financial Officer, Chief Accounting Officer or Controller within the Corporation.

(e) Hire a Director of Internal Audit and that person shall report directly to the Committee.

(f) Pre-approve all audit and audit-related services, including the scope of those services, and the fees and other compensation related thereto, and any non-audit services and the fees and other compensation related thereto, provided by the Corporation's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:

(i) the aggregate amount of all such non-audit services provided to the Corporation constitutes not more than five percent of the total amount of fees paid by the Corporation to its external auditors during the financial year in which the non-audit services are provided;

(ii) such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and

(iii) such services are promptly brought to the attention of the Committee by the Corporation and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services and the fees and other compensation related thereto is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

#### **IV. MEETINGS**

The Committee shall meet quarterly or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet separately, periodically, with management, the internal audit group (or sub-independent auditor, if an outside party is retained to perform such function) and the external auditors as may be required.

#### **V. RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties, the Committee shall:

(a) Report, through the Committee's Chair, to the Board of Directors following each meeting of the Committee on major discussions and decisions made by the Committee.

(b) Review the Charter annually, reassess the adequacy of the Charter, consider changes that are necessary as a result of new laws or regulations, and recommend any proposed changes to the Corporate Governance Committee.

(c) Report annually, through the Board of Directors, to the shareholders of the Corporation on the Committee's responsibilities and how it has discharged them.

(d) Review:

(i) the Corporation's financial statements, MD&A and any annual and interim earnings, and any press releases describing financial information, before the Corporation publicly discloses this information and any reports (including annual information form, prospectus, prospectus or any other offering memoranda) or other financial information (including quarterly financial statements) which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors;

(ii) and recommend their approval to the Board of Directors after discussing with management such matters as the selection of accounting policies, major accounting judgements, accruals and estimates; and

(iii) the planning and results of the external audit, including:

A the external auditor's engagement letter;

B. the reasonableness of the external auditor's estimated audit fees;

C. the propriety of any off-balance sheet transactions;

D. the post-audit management letter together with management's response;

E. the form of the audit report;

F. any other related audit engagements (e.g. audit of the Corporation's pension plan (if any));

G. with management and the external auditors the scope of the audit, including materiality,

locations to be visited, audit reports required, areas of audit risk, timetable, deadlines and coordination with internal audit;

(e) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board of Directors and to the Committee as representatives of the shareholders of the Corporation.

(f) Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors to be nominated annually for shareholder approval.

(g) Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.

(h) Meet privately with the external auditors, without the presence of management, to discuss the quality of the Corporation's accounting principles, internal controls, quality of accounting personnel and the completeness and accuracy of the Corporation's financial statements.

(i) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

(j) Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

(k) With respect to Interim Financial Statements:

(i) Obtain reasonable assurance on the process for preparing reliable quarterly interim financial statements from discussions with management and, where appropriate, reports from the external and internal auditors.

(ii) Review, or engage the external auditors to review, the quarterly interim financial statements.

(iii) Obtain reasonable assurance from management about the process for ensuring the reliability of other public disclosure documents that contain audited and unaudited financial information.

(l) With respect to Accounting System and Internal Controls:

(i) Obtain reasonable assurance from discussions with and (or) reports from management and reports from external and internal auditors that the Corporation's accounting systems are reliable and that the prescribed internal controls are operating effectively.

(ii) Direct the auditors' examinations to particular areas.

(iii) Request the external auditors to undertake special examinations (e.g., review compliance with conflict of interest policies).

(iv) Following completion of the annual audit, review control weaknesses identified by the external and internal auditors, together with management's response.

(v) Review and recommend to the Board of Directors for approval the appointments of the chief financial officer/chief accounting officer/comptroller positions and key financial executives.

(vi) Review accounting and financial human resources and succession planning within the Corporation.

(m) With respect to Internal Audit:

(i) Review the terms of reference of the internal audit function and the appointment of the director of the internal audit.

(ii) Review the resources, budget, reporting relationships and planned activities of the internal audit function.

(iii) Review internal audit findings and determine that they are being properly followed up.

## **VI. COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS**

The Committee shall ensure compliance by the Corporation with any regulatory requirements relating to financial management and reporting and accounting matters and shall establish procedures for:

- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, auditing matters or potential violation of law; and
- (b) confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters or potential violations of law.

## **VII. OTHER RESPONSIBILITIES**

The Committee may have additional responsibilities to be defined as required, which may include:

- (a) monitoring compliance with the Corporation's Code of Conduct and Ethics as it relates to financial management and reporting and accounting matters;
- (b) investigating fraud, illegal acts or conflicts of interest as they relate to financial management and reporting and accounting matters; and
- (c) discussing selected issues with corporate counsel.

## **VIII. LIAISON WITH OTHER FINANCIAL OFFICER/AUDIT COMMITTEES OF SUBSIDIARY COMPANIES**

The Committee shall also have the responsibility to:

- (a) Review the mandate and terms of reference of a subsidiary's Audit Committee.
- (b) Review the report(s) of the subsidiary's Audit Committee to its Board of Directors.
- (c) Follow up, as appropriate, with management, the chairperson of the Audit Committee or the audit partner of the subsidiary on any matters of concern.