



**AUDIT COMMITTEE  
CHARTER  
FOR  
NUVO RESEARCH INC.**

**I. PURPOSE**

The purpose of the Audit Committee (the "**Committee**") is to assist the Board of Directors of Nuvo Research Inc. (the "**Board**") in fulfilling its responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures and the quality and integrity of the consolidated financial statements of Nuvo Research Inc. (the "Company") and its affiliates. The Committee is also responsible for the audit process.

More specifically the purpose of the Committee is to satisfy itself that:

- A. The Company's annual financial statements are fairly presented in accordance with Canadian generally accepted accounting principles and to recommend to the Board whether the annual financial statements should be approved.
- B. The information contained in the Company's quarterly financial statements, annual report and other financial publications, such as management's discussion and analysis, is complete and accurate in all material respects and to recommend to the Board whether these materials should be approved.
- C. The Company has appropriate systems of internal control over the safeguarding of assets and financial reporting to ensure compliance with legal and regulatory requirements.
- D. The external audit functions have been effectively carried out and that any matter which the independent auditors wish to bring to the attention of the Board has been addressed. The Committee will also recommend to the Board the re-appointment or appointment of auditors and their remuneration.

**II. COMPOSITION AND TERMS OF OFFICE**

- A. Following each annual meeting of the Company, the Board shall appoint three or more directors to serve on the Committee. Such

appointees shall not be officers or employees of either the Company or its affiliates. Each member of the Committee must be "Independent" as defined by Multilateral Instrument 52-110 and "Unrelated" according to the rules of the Toronto Stock Exchange (the "TSX") from time to time, and free of any relationship that could, or could reasonably be perceived to, in the opinion of the Board, interfere with the exercise of independent judgment as a member of the Committee. All members of the Committee must be financially literate and be able to read and understand fundamental 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 reasonably be expected to be raised by the Company's financial statements including the Company's balance sheet, income statement and cash flow statement, or develop that capability within a reasonable time after appointment.

- B. The chair of Committee shall be appointed by the Board and shall not be an officer or employee of the Company or its affiliates. The chair of the Committee shall be a "financial expert" having an understanding of GAAP and financial statements, internal controls and procedures for financial reporting and, if possible, shall have served as the principal financial officer for another business entity.
- C. Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member upon ceasing to be a director of the Company. Each member of the Committee shall hold office until the close of the next annual meeting of the Company or until the member resigns or is replaced, whichever first occurs.
- D. The Committee will meet at least four times per year. The meetings will be scheduled to permit timely review of the interim and annual financial statements of the Company and its affiliates. Additional meetings may be held as deemed necessary by the chair of the Committee or as requested by any member of the Committee or by the external auditors.
- E. If all members consent, and proper notice has been given or waived, a member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a member participating in such a meeting by any such means is deemed to be present at that meeting.
- F. A quorum for the transaction of business at all meetings of the Committee shall be a majority of the members of the Committee.

Questions arising at any meeting shall be determined by a majority of votes of the members of the Committee present, and in case of an equality of votes the Chair of Committee shall have a second casting vote.

- G. The Committee may invite such directors, officers and employees of as it may see fit from time to time to attend meetings of the Committee and assist in the discussion and consideration of the business of the Committee, but without voting rights.
- H. The Committee shall keep regular minutes of proceedings and shall cause them to be recorded in books kept for that purpose, and shall report the same to the Board at such times as the Board may, from time to time, require.
- I. Supporting schedules and information reviewed by the Committee will be available for examination by any director upon request to the Secretary of the Committee.
- J. The Committee shall choose as its secretary such person as it deems appropriate.
- K. The external auditors shall be given notice of, and have the right to appear before and to be heard at, every meetings of the Committee, and shall appear before the Committee when requested to do so by the Committee.

### **III. DUTIES AND RESPONSIBILITIES**

Subject to the powers and duties of the Board, the Board hereby delegates to the Committee the following powers and duties to be performed by the Committee on behalf of and for the Board:

#### **A. Financial Reporting Control**

The Committee shall:

- (i) review reports from senior officers of the Company, outlining any significant changes in financial risks facing the Company;
- (ii) review the management letter of the external auditors and responses to suggestions made;
- (iii) annually review the Audit Committee Charter and the performance of the Committee itself;

- (v) review any new appointments to senior positions of the Company or its affiliates, with financial reporting responsibilities; and
- (vi) obtain assurance the external auditors regarding the overall control environment and the adequacy of accounting system controls.

## **B. Interim Financial Statements**

The Committee shall:

- (i) review interim financial statements with officers of the Company prior to their release and recommend their approval to the Board. This will include a detailed review of quarterly and year-to-date results; and
- (ii) review the Company's MD&A and press releases accompanying interim financial statements.

## **C. Annual Financial Statements and Other Financial Information**

The Committee shall:

- (i) review any changes in accounting policies or financial reporting requirements that may affect the current year's financial statements;
- (ii) obtain summaries of significant transactions and other potentially difficult matters whose treatment in the annual financial statements merits advance consideration;
- (iii) obtain draft annual financial statements in advance of the Committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by officers of the Company;
- (iv) review a summary provided by the Company's general counsel of the status of any material pending or threatened litigation, claims and assessments;
- (v) discuss the annual financial statements and the auditors' report thereon in detail with officers of the Company and its auditors;
- (vi) review the annual report and other annual financial reporting documents including management's discussion and analysis;

- (vii) provide to the Board a recommendation as to whether the annual financial statements should be approved;
- (vii) review insurance coverage including directors' and officers' liability coverage ; and
- (viii) review the Company's Annual Information Form ("AIF") and ensure compliance with FORM 52-110F1, audit committee information required in an AIF.

**D. External Audit Terms of Reference, Reports, Planning and Appointment**

The Committee shall:

- (i) ensure that the external auditor explicitly acknowledges that they are ultimately and directly accountable to the Board and the Committee as representatives of the shareholders;
- (ii) review the audit plan with the external auditors;
- (iii) specify its expectations of the external auditors, including the expected relationship between the external auditors and the Committee;
- (iv) discuss in private with the external auditors matters affecting the conduct of their audit and other corporate matters, including:
  - the quality (not only acceptability) of Canadian GAAP accounting principles;
  - the quality of internal controls;
  - the appropriateness of financial statement disclosures; and
  - any other matters the external auditors may wish to bring to the attention of the Committee.
- (v) recommend to the Board each year the retention or replacement of the external auditors. This process shall include establishment of criteria for and an ongoing assessment of the continued independence of the external auditor. If there is a plan to change auditors, review all issues related to the change and the steps planned for an orderly transition; and

- (vi) annually review and recommend for approval to the Board the terms of engagement and the remuneration of the external auditors.

#### **E. Other Matters**

The Committee shall:

- (i) pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the issuer's external auditor.
- (ii) establish procedures for the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and
- (iii) establish procedures for the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

#### **IV. ACCOUNTABILITY**

- A. The Committee shall report to the Board at its next regular meeting all such action it has taken since the previous report.
- B. The Committee is empowered to investigate any activity of the Company and all employees are to co-operate as requested by the Committee. The Committee may retain persons having special expertise to assist it in fulfilling its responsibilities.
- C. The Committee is authorized to request the presence at any meeting, but without voting rights, of a representative from the external auditors, senior management, legal counsel or anyone else who could contribute substantively to the subject of the meeting and assist in the discussion and consideration of the business of the Committee, including directors, officers and employees of the Company.