

# SUNWARD RESOURCES LTD.

## AUDIT COMMITTEE

### Charter

This charter (the “Charter”) sets forth the purpose, composition, responsibilities, duties, powers and authority of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Sunward Resources Ltd. (“Sunward”).

#### **1.0 Purpose**

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

- financial reporting and disclosure requirements;
- ensuring that an effective risk management and financial control framework has been implemented and tested by management of Sunward ; and
- external and internal audit processes.

#### **2.0 Composition and Membership**

(a) The Board will appoint the members (“Members”) of the Committee after the annual general meeting of shareholders of Sunward . The Members will be appointed to hold office until the next annual general meeting of shareholders of Sunward or until their successors are appointed. The Board may remove a Member at any time and may fill any vacancy occurring on the Committee. A Member may resign at any time and a Member will cease to be a Member upon ceasing to be a director.

(b) The Committee will consist of at least three directors that meet the criteria for independence and financial literacy established by applicable laws and the rules of the stock exchange upon which Sunward ’s securities are listed, including Multilateral Instrument 52-110 - Audit Committees. In addition, each director will be free of any relationship which could, in the view of the Board, reasonably interfere with the exercise of a member’s independent judgment.

(c) The Board will appoint one of the Members to act as the Chairman of the Committee. The secretary of Sunward (the “Secretary”) will be the secretary of all meetings and will maintain minutes of all meetings and deliberations of the Committee. In the absence of the Secretary at any meeting, the Committee will appoint another person who may, but need not, be a Member to be the secretary of that meeting.

### **3.0 Meetings**

(a) Meetings of the Committee will be held at such times and places as the Chairman may determine, but in any event not less than four (4) times per year. Twenty-four (24) hours advance notice of each meeting will be given to each Member orally, by telephone, by facsimile or email, unless all Members are present and waive notice, or if those absent waive notice before or after a meeting. Members may attend all meetings either in person or by conference call.

(b) At the request of the external auditors of Sunward , the Chief Executive Officer or the Chief Financial Officer of Sunward or any member of the Committee, the Chairman will convene a meeting of the Committee. Any such request will set out in reasonable detail the business proposed to be conducted at the meeting so requested.

(c) The Chairman, if present, will act as the Chairman of meetings of the Committee. If the Chairman is not present at a meeting of the Committee, then the Members present may select one their number to act as Chairman of the meeting.

(d) Two Members will constitute a quorum for a meeting of the Committee. Each Member will have one vote and decisions of the Committee will be made by an affirmative vote of the majority. The Chairman will not have a deciding or casting vote in the case of an equality of votes. Powers of the Committee may also be exercised by written resolution signed by all Members.

(e) The Committee may invite from time to time such persons as it sees fit to attend its meetings and to take part in the discussion and consideration of the affairs of the Committee. The Committee will meet in camera without management at each meeting of the Committee.

(f) In advance of every regular meeting of the Committee, the Chairman, with the assistance of the Secretary, will prepare and distribute to the Members and others as deemed appropriate by the Chairman, an agenda of matters to be addressed at the meeting together with appropriate briefing materials. The Committee may require officers and employees of Sunward to produce such information and reports as the Committee may deem appropriate in order to fulfill its duties.

### **4.0 Duties and Responsibilities**

The duties and responsibilities of the Committee as they relate to the following matters are to:

#### **4.1 *Financial Reporting and Disclosure***

a) review and recommend to the Board for approval, the audited annual financial statements, including the auditors' report thereon, the quarterly financial statements, management discussion and analysis, financial reports, guidance with respect to earnings per share, and any public release of financial information through press release or otherwise, with such documents to indicated whether such information has been reviewed by the Board or the Committee;

b) review and recommend to the Board for approval, where appropriate, financial information contained in any prospectuses, annual information forms, annual report to shareholders, management proxy circular, material change disclosures of a financial nature and similar disclosure documents;

c) review with management of Sunward and with external auditors significant accounting principles and disclosure issues and alternative treatments under Canadian generally accepted accounting principles ("GAAP") or International Financial Reporting Standards ("IFRS") all with a view to gaining reasonable assurance that financial statements are accurate, complete and present fairly Sunward 's financial position and the results of its operations in accordance with Canadian GAAP;

d) annually review Sunward 's corporate disclosure policy and recommend any proposed changes to the Board for consideration; and

e) review the minutes from each meeting of the disclosure committee, established pursuant to Sunward 's corporate disclosure policy, since the last meeting of the Committee.

#### **4.2 *Internal Controls and Audit***

a) review and assess the adequacy and effectiveness of Sunward 's system of internal control and management information systems through discussions with management and the external auditor to ensure that Sunward maintains: (a) the necessary books, records and accounts in sufficient detail to accurately and fairly reflect Sunward 's transactions; (b) effective internal control systems; and (c) adequate processes for assessing the risk of material misstatement of the financial statement and for detecting control weaknesses or fraud. From time to time the Committee will assess whether a formal internal audit department is necessary or desirable having regard to the size and stage of development of Sunward at any particular time;

b) satisfy itself that management has established adequate procedures for the review of Sunward 's disclosure of financial information extracted or derived directly from Sunward 's financial statements;

c) satisfy itself that management that the adequacy of internal controls, systems and procedures has been periodically assessed in order to ensure compliance with regulatory requirements and recommendations;

d) review and discuss Sunward 's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities;

e) review and assess, and in the Committee's discretion make recommendations to the Board regarding, the adequacy of Sunward 's risk management policies and procedures with regard to identification of Sunward 's principal risks and implementation of appropriate systems to manage such risks including an assessment of the adequacy of insurance coverage maintained by Sunward ; and

f) review and assess annually, and in the Committee's discretion make recommendations to the Board regarding, Sunward's investment policy.

#### **4.3 External Audit**

- a) recommend to the Board a firm of external auditors to be engaged by Sunward ;
- b) ensure the external auditors report directly to the Committee on a regular basis;
- c) review the independence of the external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;
- d) review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;
- e) review the audit plan of the external auditors prior to the commencement of the audit;
- f) establish and maintain a direct line of communication with Sunward's external and internal auditors;
- g) meet in camera with only the auditors, with only management, and with only the members of the Committee at every Committee meeting;
- h) review the performance of the external auditors who are accountable to the Committee and the Board as representatives of the shareholders, including the lead partner of the independent auditors team;
- i) oversee the work of the external auditors appointed by the shareholders of Sunward with respect to preparing and issuing an audit report or performing other audit, review or attest services for Sunward , including the resolution of issues between management of Sunward and the external auditors regarding financial disclosure;
- j) review the results of the external audit and the report thereon including, without limitation, a discussion with the external auditors as to the quality of accounting principles used, any alternative treatments of financial information that have been discussed with management of Sunward , the ramifications of their use as well as any other material changes. Review a report describing all material written communication between management and the auditors such as management letters and schedule of unadjusted differences;
- k) discuss with the external auditors their perception of Sunward's financial and accounting personnel, records and systems, the cooperation which the external auditors received during their course of their review and availability of records, data and other requested information and any recommendations with respect thereto;
- l) review the reasons for any proposed change in the external auditors which is not initiated by the Committee or Board and any other significant issues related to the change,

including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendations to the Board; and

m) review annually a report from the external auditors in respect of their internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review of the external auditors, 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 external auditors, and any steps taken to deal with any such issues.

#### **4.4 *Associated Responsibilities***

a) monitor and periodically review the whistleblower policy and associated procedures for:

i) the receipt, retention and treatment of complaints received by Sunward regarding accounting, internal accounting controls or auditing matters;

ii) the confidential, anonymous submission by directors, officers and employees of Sunward of concerns regarding questionable accounting or auditing matters; and

iii) any violations of any applicable law, rule or regulation that relates to corporate reporting and disclosure, or violations of Sunward 's Code of Business Conduct & Ethics; and

b) review and approve Sunward 's hiring policies regarding employees and partners, and former employees and partners, of the present and former external auditor of Sunward .

#### **4.5 *Non-Audit Services***

a) pre-approve all non-audit services to be provided to Sunward or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. The Committee may delegate to one or more of its members the authority to pre-approve non-audit services but pre-approval by such member or members so delegated shall be presented to the full audit committee at its first scheduled meeting following such pre-approval.

#### **4.6 *Oversight Function***

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 Sunward 's financial statements are complete and accurate or are in accordance with GAAP or IFRS and applicable rules and regulations. These are the responsibilities of Management and the external auditors. The Committee, the Chairman and any Members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of Sunward , and are specifically not accountable or responsible for the day to day operation or performance of such

activities. Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of Sunward 's financial information or public disclosure.

## **5.0 Reporting**

The Chairman will report to the Board at each Board meeting on the Committee's activities since the last Board meeting. The Committee will annually review and approve the Committee's report for inclusion in the management proxy circular. The Secretary will circulate the minutes of each meeting of the Committee to the members of the Board.

## **6.0 Access to Information and Authority**

The Committee will be granted unrestricted access to all information regarding Sunward and all directors, officers and employees will be directed to cooperate as requested by members of the Committee. The Committee has the authority to retain, at Sunward 's expense, independent legal, financial and other advisors, consultants and experts, to assist the Committee in fulfilling its duties and responsibilities. The Committee also has the authority to communicate directly with internal and external auditors.

## **7.0 Review of Charter**

The Committee will annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration.

Original Approval Date:	February 21, 2011
Approved by:	Audit Committee Board of Directors