

# XIANBURG DATA SYSTEMS (CANADA) INC.

## Audit Committee Charter

### Purpose

1. The primary objective of the Audit Committee (the “Committee”) of Xianburg Data Systems (Canada) Inc. (the “Company”) is to act as a liaison between the Board and the Company’s independent auditors (the “Auditors”) and to assist the Board in fulfilling its oversight responsibilities with respect to:
  - a) the quarterly and annual financial statements and other financial information provided by the Company to its shareholders, the public and others;
  - b) the Company’s compliance with legal and regulatory requirements;
  - c) the qualification, independence and performance of the Auditors; and
  - d) the Company's risk management and internal financial and accounting controls and management information systems.

### Organization

2. There shall be a minimum of three directors, the majority of which will be independent.

### Meetings

3. The Committee shall meet as frequently as circumstances require, but not less frequently than four times per year. The Committee shall meet at least quarterly with management and the Company’s financial and accounting officer(s) and at least once per year with the Auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

4. The committee shall operate in a manner that is consistent with the Governance and Compensation Committee Guidelines of the Board Manual.

5. The Chair of the Committee shall be an independent director.

### **Authority and Responsibilities**

6. The Board, after consideration of the recommendation of the Committee, shall nominate the Auditors for appointment by the shareholders of the Company in accordance with applicable law. The Auditors report directly to the Audit Committee. The Auditors are ultimately accountable to the Committee and the Board as representatives of the shareholders.

The Committee shall have the following responsibilities:

#### **Auditors**

- i. Recommend to the Board the independent auditors to be nominated for appointment as Auditors of the Company and changes to Auditors, review the Auditor's audit plan and discuss the Auditor's scope, staffing, materiality, general audit approach, compensation and review on an annual basis the performance of the Auditors, including the lead audit partner and consider the tenure of the lead audit partner on the engagement in light of applicable securities law, stock exchange or applicable regulatory requirements;
- ii. Take reasonable steps to confirm the independence of the Auditors, which includes reviewing all reports required to be submitted by the Auditors to the Committee under applicable securities laws, stock exchange or other regulatory requirements;
- iii. Review and approve any disclosures required to be included in periodic reports under applicable securities law, stock exchange and other regulatory requirements;
- iv. Pre-approve all non-audit services to be provided by the issuer or its subsidiary entities by the issuer's external auditor;

- v. Confirm with the Auditors and receive written confirmation at least once per year as to (i) the Auditor's internal processes and quality control procedures; and (ii) disclosure of any material issues raised by the most recent internal quality control review, or professional enquiries, reviews or investigations of the Auditors within the last five years;

### **Financial Statements and Financial Information**

- vi. Review and discuss with management, the financial and accounting officer(s) and the Auditors, the Company's interim and annual audited financial statements, including disclosures made in management's discussion and analysis, prior to filing or distribution of such statements and recommend to the Board, if appropriate, that the Company's audited financial statements, MD&A and annual interim earnings press releases before the issuer publicly disclose this information;
- vii. Be satisfied that adequate procedures are in place for the review of the Company's disclosure of financial information and information extracted or derived from the Company's financial statements and periodically assess the adequacy of these procedures;
- viii. Discuss with the Auditor the matters required to be discussed by applicable auditing standards requirements relating to the conduct of the audit including:
  - 1. the adoption of, or changes to, the Company's significant auditing and accounting principles and practices;
  - 2. the management letter provided by the Auditor and the Company's response to that letter; and
  - 3. any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, or personnel and any significant disagreements with management;
- ix. Discuss with management and the Auditors major issues regarding accounting principles used in the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles;

Review and discuss analyses prepared by management and/or the Auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative approaches under generally accepted accounting principles;

## Ongoing Reviews and Discussions with Management and Others

- x. Periodically review separately with each of management, the financial and accounting officer(s) and the Auditors; (a) any significant disagreement between management and the Auditors in connection with the preparation of the financial statements, (b) any difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information and (c) management's response to each;
- xi. At least annually discuss with the Auditors, without management being present, (a) their judgments about the quality and appropriateness of the Company's accounting principles and financial disclosure practices as applied in its financial reporting and (b) the completeness and accuracy of the Company's financial statements;
- xii. Review and discuss with management, the Auditors and the Company's counsel, as appropriate, any legal, regulatory or compliance matters that could have a significant impact on the Company's financial statements, including applicable changes in accounting standards or rules, or compliance with applicable laws and regulations, inquiries received from regulators or government agencies and any pending material litigation such as submission of statutory remittances to government and regulatory agencies etc.;
- xiii. Enquire of the Company's financial and accounting officer(s) and the Auditors on any material matters which should be brought to the attention of the Committee concerning accounting, financial and operating practices and controls and accounting practices of the Company;
- xiv. Review and discuss with management any earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as any financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be done generally (i.e. discussion of the types of information to be disclosed and the types of presentations made);
- xv. Review and discuss with management any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses;

- xvi. Obtain explanations from management of all significant variances between comparative reporting periods;

### **Risk Management and Internal Controls**

- xvii. Review the scope and plan of the work to be done by the Company's financial and accounting group and the responsibilities, budget and staffing needs of such group;
- xviii. Ensure that management has designed and implemented effective systems of risk management and internal controls and, at least annually, review the effectiveness of the implementation of such systems;
- xix. In consultation with the Auditors and management, review the adequacy of the Company's internal control structure, procedures, and operating designed to ensure compliance with laws and regulations, and discuss the responsibilities, budget and staffing needs of the Company's financial and accounting group;
- xx. Establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- xxi. Review the internal control reports prepared by management, including management's assessment of the effectiveness of the Company's internal control structure and procedures for financial reporting and (ii) the Auditors' attestation, and report, on the assessment made by management;
- xxii. Review and approves the issuer's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the issuer.
- xxiii. Review and approve (a) any change or waiver in the Company's code of conduct and ethics applicable to financial officers and (b) any disclosures made under applicable securities law, stock exchange or other regulatory requirements regarding such change or waiver.

### **Other Responsibilities**

- xxiv. Review and approve related-party transactions if required under applicable securities law, stock exchange or other regulatory requirements;
- xxv. Review and approves the issuer's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the issuer;
- xxvi. Review and approve (a) any change or waiver in the Company's code of conduct and ethics applicable to financial officers and (b) any disclosures made under applicable securities law, stock exchange or other regulatory requirements regarding such change or waiver;
- xxvii. Review and reassess the duties and responsibilities set out in this Charter and the accompanied work plan annually and recommend to the Corporate Governance and Compensation Committee and to the Board any changes deemed appropriate by the Committee;
- xxviii. Review its own performance annually, seeking input from management and the Board;
- xxix. Review cash management and investments in respect to the Company policies and procedures. Review such Company policies and procedures annually.

## **Reporting**

7. The Committee shall report regularly to the Board and shall submit the minutes of all meetings of the Audit Committee to the Board (which minutes shall ordinarily be included in the papers for the next full board meeting after the relevant meeting of the Committee). The Committee shall also report to the Board on the proceedings and deliberations of the Committee at such times and in such manner as the Board may require. The Committee shall review with the full Board any issues that have arisen with respect to quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance or independence of the Auditors or the performance of the Company's financial and accounting group.

## **Authority**

8. The Committee shall be authorized:

- a) to engage independent counsel and other advisors as it determines necessary to carry out its duties.
  
- b) to set and pay the compensation for any advisors employed by the audit committee, and
  
- c) to communicate directly with the internal and external auditors.

**Other Provisions**

9. The Committee may designate a non-member to serve as secretary at committee meetings to keep meeting minutes.

## Appendix 2: Audit Committee Work Plan

SUBJECT MATTER	Section	Period For Year Ended 2011			
		Q1	Q2	Q3	Q4
		Date	Date	Date	Date
<b>Audit Committee Meetings</b>	3.7.4				
<b>Date</b>		2011	2011	2011	2011
<b>Auditors</b>	(a)				
• Assess, recommend and manage the appointment of independent Auditors	i				√
• Review and approve disclosure documents and services for non-audit services	iii&v				None
• Review the performance and independence and performance of the auditors	ii & iv				√
<b>Financial Statements and Associated information</b>	(b)				
• Review of Financial Statements and associated disclosure documents with Auditors	i				√
• Review of Financial Statements and associated disclosure documents with Management	i	√	√	√	√
• Review of the Company's News Release as pertaining to the disclosure of financial information	i		√	√	√
• Review the adequacy of procedures employed by Management to produce financial statements	ii	√	√		√
• Review with Auditors their assessment of the Company's accounting changes, management and audit issue	iii				√
• Review with Management and Auditors the accounting policies employed for financial reporting	iv	√			√
<b>Reviews with Management and Others</b>	(c)				
• Review of Disagreements between Auditors and Management	i				√
• In-camera review with the Auditors	ii				√
• Review of any legal, regulatory, financial or operating practices of potentially significant impact	iii & iv	√	√	√	√
• Review with Management of any non-GAAP, pro-forma, or material on or off-balance sheet transactions	v & vi	√	√	√	√
• Review with Management significant variances between comparable periods	vii	√	√	√	√
<b>Risk Management and Internal Control</b>	(d)				
• Review the adequacy of the Company's accounting group work plans and policies, and internal controls	i & ii	√	√	√	√
• Review with Management and Auditors the Company's internal control and resource structure	iii	√	√		√
• Review of any complaints within the Company's accounting group	iv	√	√	√	√
• Review and assess the effectiveness of internal control measures as reported by management	v	√	√		√
<b>Risk Management and Internal Control</b>	(e)				
• Review related party transactions and conflicts of interest or disclosures under the Company's Code of Conduct	i & ii&iii	√	√	√	√
• Review of the Company's charter and the performance of the Committee and its members	iv&v	N/A		√	N/A
• Review cash management and investment policies	vi	N/A		√	N/A