



DOLPHIN COVE LIMITED

AUDIT COMMITTEE CHARTER

1 DEFINITIONS

1.1 In this Charter, unless the context otherwise specifies or requires:

- (a) "Committee" means Audit Committee hereinafter referred to;
- (b) "Company" means Dolphin Cove Limited
- (c) "Group" means the Company and its subsidiaries.
- (d) "Chief Internal Auditor" means an employee of the Company or an organization that fulfills the role on an outsourced basis

2 COMMITTEE AND PROCEDURES

2.1 Establishment of Committee

2.1.1 A committee of the directors to be known as the "Audit Committee" is hereby established as a committee of the Board. The establishment of the Committee will not preclude management from discussing any related business with the Board.

2.2 Composition of Committee

2.2.1 The Committee shall be composed of not less than three directors.

2.2.2 None of the members of the Committee shall be an officer, team member or affiliate of the Company or its subsidiaries.

2.2.3 The majority of the directors shall be independent within the meaning of "independence" as contained in the Company's Corporate Governance policy requirements.

2.3 Appointment of Committee Members

2.3.1 Members of the Committee shall be appointed by the Board

2.3.2 Each member shall:

- (a) Be financially literate, having a working familiarity with basic finance and accounting practices, or must become financially literate within a reasonable period of time after appointment to the Committee.
- (b) Meet skill and experience requirements of applicable industry and securities regulation;

- (c) Meet such additional requirements as may be determined from time to time by the Board.

2.3.3 At least one member of the Committee shall have accounting or related financial management expertise.

2.3.4 A member of the Committee must disclose to the Board if he or she serves on more than three other audit committees.

2.3.5 The Board may fill a vacancy that occurs on the Committee at any time.

2.4 **Chairman and Secretary**

2.4.1 The Board will designate one member of the Committee as the Committee Chair. In the absence of the Chairman the Members present shall choose one of their number to act as Chair. The Committee shall appoint a Secretary who need not be a director.

2.5 **Meetings**

2.5.1 The Committee shall meet quarterly or more frequently as the Committee may determine. The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof, provided that:

- (a) A quorum for meetings shall be a majority of the members.
- (b) A member may participate in a meeting of the Committee by means of any electronic communication facilities as permit all persons participating in the meeting to hear each other and a member participating in such a meeting by such means is deemed to be present at the meeting.
- (c) Notice of the time and place of every meeting shall be given in writing or by telephone, facsimile, email or other electronic communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting.
- (d) The affirmative vote of a majority of the members of the Committee participating in any meeting of the committee is necessary for the adoption of any resolution.

2.5.2 The Committee shall have separate private meetings with the Independent Auditors, the Chief Internal Auditor (if any) and Management to discuss any matters that the Committee or the persons wish to discuss.

2.5.3 The Committee may request any officer or team member of the Group or the Group outside counsel or Independent Auditors to attend a meeting of the Committee or to meet with any members off, or consultants to, the Committee.

2.6 **Reporting to the Board**

2.6.1 After every meeting the Committee shall report to the Board on matters reviewed by the Committee.

2.6.2 The Committee shall submit a report annually to the Board on the work of the Committee during the year in carrying out its responsibilities.

2.7 Evaluation of Effectiveness and Review of Mandate

2.7.1 The Committee shall annually:

- (a) Review and assess the adequacy of its mandate and, where necessary, recommend changes to the mandate to the Board for its approval.
- (b) Evaluate its effectiveness in fulfilling its mandate.
- (c) Report the results of the performance evaluation to the Board.
- (d) Be guided by feedback from the Board and its Chairman.

2.8 Relationship with Management

2.8.1 The Committee is expected to establish and maintain free and open communication with members of management relevant to its operation.

2.9 Role of Management

2.9.1 Management is responsible for the preparation, presentation and integrity of the Group's financial statements and for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations.

2.10 Role of Independent Auditors

2.10.1 The Independent Auditors are responsible for planning and carrying out, in accordance with professional standards, an audit of the Company's annual financial statements.

3 GENERAL SCOPE OF RESPONSIBILITIES AND PURPOSE

3.1 The purpose of the Committee is to review the adequacy and effectiveness of and to assist Board oversight of:

- (a) the integrity of the Group's financial statements,
- (b) the Group's compliance with legal and regulatory requirements,
- (c) the Group's compliance with the Code of Business Conduct and Ethics;
- (d) the Independent Auditors' qualifications and independence,
- (e) the performance of the Group's internal audit function and Independent Auditors,

- (f) internal controls.

4 **SPECIFIC RESPONSIBILITIES**

4.1 **Oversight of Independent Auditors**

- 4.1.1 The Independent Auditors are ultimately accountable to the Board and the Committee, which shall have the ultimate authority and responsibility to evaluate their performance, and to recommend their selection and replacement for shareholders' approval.
- 4.1.2 The Committee shall have sole authority to approve all audit fees and terms of engagement, as well as all significant non-audit engagements with the Independent Auditors.
- 4.1.3 At least annually, the Committee shall obtain and review a report by the Independent Auditors describing the audit firm's internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding six years, respecting one or more independent audits carried out by the firm, and steps taken to deal with any such issues.
- 4.1.4 The Committee is responsible for ensuring that the Independent Auditors submit on a periodic basis to the Committee a formal written statement delineating all relationships between the Independent Auditors and the Group. The Committee shall satisfy itself that the firm of Independent Auditors has complied with Group standards for independence and objectivity.
- 4.1.5 All auditing services (including underwriting comfort letters or statutory audits required for insurance companies) and non-audit services to be provided by the Independent Auditors must be pre-approved by the Committee.
- 4.1.6 The following non-audit services rendered by the Independent Auditors are prohibited unless otherwise pre-approved by the Committee:
 - (a) book-keeping or other related services;
 - (b) financial information systems design and implementation;
 - (c) appraisal or valuation services, fairness, opinions, or contribution-in-kind reports;
 - (d) internal audit services;
 - (e) management functions or human resource consulting;
 - (f) broker or dealer, investment advisor, or investment banking services;
 - (g) legal services and expert services unrelated to the audit; and
 - (h) any other service that governing bodies of accountants determine, by regulation, impermissible.

- 4.1.7 The Committee shall review the respective annual audit plans for the Independent Auditors and determine whether audit coverage is cost-efficient and effective.

4.2 **Financial Reporting**

- 4.2.1 The Committee shall:

- (a) Oversee the work performed by the Independent Auditors, including resolution of disagreements between management and the accounting firm regarding financial reporting.
- (b) Regularly review with the Independent Auditors any difficulties encountered in the course of their audit work, including any restrictions on the scope of the Independent Auditors' activities or access to requested information, and any significant disagreements with Management- including:
 - (i) any significant accounting adjustments that were noted or proposed by the Independent Auditors;
 - (ii) any communications between the Group and the audit firm respecting auditing or accounting issues presented by the engagement, and
 - (iii) the responsibilities and resources of the Group's internal audit function.
- (c) Meet and discuss with management the quarterly financial statements, including disclosures and changes in critical accounting policies, and any other attestations required for public reporting.
- (d) Meet and discuss with the Independent Auditors and with management the annual audited financial statements, including disclosures contained in the annual management's discussion and analysis, changes in critical accounting and actuarial policies, and any other attestations required for public reporting.
- (e) Review the types of financial information and earnings guidance provided and types of presentations made to analysts and rating agencies, and be satisfied that adequate procedures are in place for the review of the Group's public disclosure of financial information extracted or derived from its financial statements and periodically assess the adequacy of these procedures.
- (f) Review any new accounting policies for new business transactions and new products.

4.3 **Internal Controls**

- 4.3.1 The Committee shall:

- (a) Approve management's plans for implementing and maintaining proper systems of internal control, including internal controls over financial reporting and for the prevention and detection of fraud and error.
- (b) Review, assess and evaluate the adequacy and effectiveness of these systems of internal control and meet with the chief internal auditor to obtain on a regular basis reasonable assurance that the organization has adequate internal controls.
- (c) Review specific reports from Executive Management attesting to:
 - (i) the integrity of the design and operation of the system of internal control over financial reporting relative to material weaknesses which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (ii) the detection of fraud involving management or other team members who have a significant influence over internal controls relating to financial accounting and reporting.

4.4 **Internal Audit**

4.4.1 The Committee shall:

- (a) Review and concur in the appointment, replacement, reassignment or dismissal of the Chief Internal Auditor.
- (b) Review the adequacy of Internal Audit Charter.
- (c) Annually approve the risk-based Internal Audit Plan and satisfy itself that the function has or will have adequate human, technical and financial resources to carry out the Plan.
- (d) Periodically review results of internal audit activities, including any significant issues reported to management by Internal Audit and management's responses and/or corrective actions and the status of identified control weaknesses.
- (e) Periodically review, based on work done, the adequacy of the Company's system of internal controls and opportunities for improving systemic control effectiveness.
- (f) Continually review the performance, degree of independence and objectivity of the internal audit function and adequacy of the internal audit process.
- (g) Periodically review concerns, if any, regarding difficulties encountered in operating within the terms of the Audit Charter, including access to information, audit scope, staffing and equipment.
- (h) Determine that there is effective and efficient work co-ordination between the Internal Auditors and Independent Auditors.

4.5 Regulatory Compliance and Litigation

4.5.1 The Committee shall:

- (a) Keep itself informed on regulatory, statutory, and legal compliance matters
- (b) Review any litigation matters that could materially affect the financial statements.

4.6 Whistle-blowing

4.6.1 The Committee shall review the operational effectiveness of the system to receive, record, respond to, and resolve, anonymous and confidential submissions and complaints.

5 DIRECTORS' REPORT

5.1 The Committee shall prepare an annual report of its activities for inclusion in the Directors' Report, as may be required by applicable laws or rules of applicable securities regulatory authorities.

6 INDEPENDENT ADVISORS

6.1 The Committee has sole authority to retain such independent advisors as it may deem necessary or advisable for carrying out its mandate, to set the terms of the retainer, and to terminate any advisor arrangement. Expenses related to any such engagement shall be paid by the Company.