

# CLEARLY CANADIAN BEVERAGE CORPORATION

## AUDIT COMMITTEE CHARTER

### Purpose of the Audit Committee

1. The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) is to assist the Board in its oversight of: (i) the integrity of the Company’s financial statements and other relevant public disclosures; (ii) the Company’s compliance with legal and regulatory requirements relating to financial reporting; (iii) the external auditors’ qualifications and independence; and (iv) the performance of the internal and external auditors.
2. The function of the Committee is oversight. The members of the Committee are not full-time employees of the Company. The Company’s management is responsible for the preparation of the Company’s financial statements in accordance with applicable accounting standards and applicable laws and regulations. The Company’s external auditors are responsible for the audit or review, as applicable, of the Company’s financial statements in accordance with applicable auditing standards and laws and regulations.

### Responsible of the Committee

3. The Committee’s responsible shall include:
  - (i) retaining and terminating, and / or making recommendations to the Board and the shareholders with respect to the retention or termination of an external auditing firm to conduct the Corporation’s annual audit;
  - (ii) communicating with the external auditors that they are ultimately accountable to the Board and the Committee as representative of the shareholders;
  - (iii) approving, or recommending to the Board for approval, all audit engagement fees and terms, as well as all non-audit engagements of the external auditors;
  - (iv) reviewing with the external auditors the plan and scope of audit;
  - (v) reviewing the annual audited financial statements and management's discussion and analysis of financial and operating results and recommending the financial and statements to the Board for approval;
  - (vi) reviewing with the external auditors any issues and management's response, including any restrictions on the scope of the external auditors' activities or requested information and any significant disagreements with management and resolving any disputes;
  - (vii) reviewing, in conjunction with the Board, the quarterly financial statements and management's discussion and analysis of financial and operating results, prior to filing with securities regulatory authorities and delivery to shareholders;

- (viii) reviewing relevant public disclosures containing financial information as the Committee may consider necessary or appropriate;
- (ix) reviewing with management and the external auditors the Company's critical accounting policies and practices, material alternative accounting treatments and material written communications between the external auditor and management (including management representation letters and any schedule of unadjusted differences);
- (x) inquiring as to the adequacy of the Company's system of internal controls;
- (xi) discussing with management the Company's internal audit mandate and responsibilities and meeting with the head of internal audit, on a periodic basis;
- (xii) where and when applicable, obtaining and reviewing an annual report prepared by the external auditors describing: the firm's internal quality control procedures; any material issues raised by the most recent internal quality control review, or peer review, of the firm, 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 firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the external auditors and the Company;
- (xiii) meeting separately, periodically with each of management, the internal auditors and the external auditors;
- (xiv) establishing procedures for receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters;
- (xv) establishing procedures for the confidential, anonymous submission by employees of the Company of concerns regarding accounting or auditing matters;
- (xvi) reporting regularly to the Board;
- (xvii) reviewing and assessing the Committee's charter and recommending any proposed changes to the Board on an annual basis; and
- (xviii) evaluating the functioning of the Committee on an annual basis.

#### **Powers of the Committee**

4. The Committee shall have the authority, including approval of fees and other retention terms, to obtain advice and assistance from outside legal, accounting or other advisors in its sole discretion, at the expense of the Corporation, which shall provide the Committee with adequate funding for such purposes. The Committee shall have unrestricted access to management, the external auditors and internal auditors, including private meetings, as necessary or appropriate. The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee.

### **Composition of the Committee**

5. The Committee shall be appointed by the Board annually and shall be comprised of a minimum of three directors. If an appointment of members of the Committee is not made as prescribed, the members shall continue as such until their successors are appointed.
6. All of the members of the Committee shall be directors whom the Board has determined are independent, taking into account the applicable rules and regulations of securities regulatory authorities and/or stock exchanges.
7. Each member of the Committee shall be "financially literate" and at least one member of the Committee shall have "accounting or related financial management expertise".<sup>1</sup>

### **Meetings of the Audit Committee**

8. The Committee shall meet at least twice annually, or more frequently as circumstances dictate.
9. The time and place of the meetings of the Committee, the calling of meetings and procedure in all things at such meetings shall be determined by the Chairman of the Committee.

This Audit Committee Charter was adopted by the Board of Directors of Clearly Canadian Beverage Corporation on the 11th day of May, 2004.

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<sup>1</sup> For purposes of this charter, "financially literate" means by ability to read and understand a balance sheet, an income statement, a cash flow statement and the related notes, and "accounting or related financial management expertise" means the ability to analyze and interpret a full set of financial statements, including the related notes.