

Madison Pacific Properties Inc.

Audit Committee Mandate and Charter

I. The Board of Directors' Mandate for the Audit Committee

1. *The Board of Directors* (“Board”) bears responsibility for the stewardship of Madison Pacific Properties Inc. (the “Corporation”). To discharge that responsibility, the Board is obligated by the *Canada Business Corporations Act* to supervise the management of the business and affairs of the Corporation. The Board’s supervisory function involves Board oversight or monitoring of all significant aspects of the management of the Corporation’s business and affairs.

Financial reporting and disclosure by the Corporation constitute a significant aspect of the management of the Corporation’s business and affairs. The objective of the Board’s monitoring of the Corporation’s financial reporting and disclosure (the “Financial Reporting Objective”) is to gain reasonable assurance of the following:

- (a) that the Corporation complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;
- (b) that the accounting principles, significant judgments and disclosures which underlie or are incorporated in the Corporation’s financial statements are the most appropriate in the prevailing circumstances;
- (c) that the Corporation’s quarterly and annual financial statements are accurate and present fairly the Corporation’s financial position and performance in accordance with generally accepted accounting principles; and
- (d) that appropriate information concerning the financial position and performance of the Corporation is disseminated to the public in a timely manner.

The Board is of the view that the Financial Reporting Objective cannot be reliably met unless the following activities (the “Fundamental Activities”) are conducted effectively.

- (a) the Corporation’s accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of the Corporation’s financial transactions;
- (b) the Corporation’s internal financial controls are regularly assessed for effectiveness and efficiency;

- (c) the Corporation's quarterly and annual financial statements are properly prepared by management;
- (d) the Corporation's annual financial statements are reported on once audited by an external auditor appointed by the shareholders of the Corporation; and
- (e) the financial components of the Corporation's Disclosure Policy are complied with by management and the Board.

To assist the Board in its monitoring of the Corporation's financial reporting and disclosure, the Board has established, and hereby continues the existence of a committee of the Board known as the Audit Committee (the "Committee"). The Committee shall develop and present to the Board for the Board's approval a Charter which, amongst other things, will describe the activities in which the Committee will engage for the purpose of gaining reasonable assurance that the Fundamental Activities are being conducted effectively and that the Financial Reporting Objective is being met.

2. *Composition of Committee*

- (a) The Committee shall be appointed annually by the Board and consist of at least 3 members from among the directors of the Corporation, each of whom shall be an independent director and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. Executive officers of the Corporation, may not serve as members of the Audit Committee; and
- (b) The Board shall designate the Chairman of the Committee.

3. *Reliance on Experts*

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be entitled to rely in good faith upon:

- (a) financial statements of the Corporation represented to him or her by an officer of the Corporation or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles; and
- (b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

4. *Limitations on Committee's Duties*

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this mandate is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive

than the standard to which all Board members are subject. The essence of the Committee's duties is monitoring and reviewing to gain reasonable assurance (but not to ensure) that the Fundamental Activities are being conducted effectively and that the Financial Reporting Objective is being met and to enable the Committee to report thereon to the Board.

II. Audit Committee Charter

The Audit Committee's Charter outlines how the Committee will satisfy the requirements set forth by the Board in its mandate. This Charter comprises:

- A. Operating Principles
- B. Operating Procedures
- C. Specific Responsibilities and Duties

A. Operating Principles

The Committee shall fulfill its responsibilities within the context of the following principles.

1. Committee Values

The Committee expects the management of the Corporation to operate in compliance with the Corporation's Code of Business Conduct and Ethics and corporate policies, with laws and regulations governing the Corporation and to maintain strong financial reporting and control processes.

2. Communications

The Chairman (and others on the Committee) expects to have direct, open and frank communications throughout the year with management, other Committee Chairmen, the external auditors and other key Committee advisors as applicable.

3. Financial Literacy

All Audit Committee Members should be sufficiently versed in financial matters to understand the Corporation's accounting practices and policies and the major judgments involved in preparing the financial statements.

4. Annual Audit Committee Work Plan

The Committee, in consultation with management and the external auditors, shall develop an annual Audit Committee Work Plan responsive to the Committee's responsibilities as set out in this Charter. In addition, the Committee, in consultation with management and the external auditors, shall develop and participate in a process for review of important financial topics that have the potential to impact the Corporation's financial disclosure.

5. Meeting Agenda

Committee meeting agendas shall be the responsibility of the Chairman of the Committee in consultation with Committee members, senior management and the external auditors.

6. Committee Expectations and Information Needs

The Committee shall communicate its expectations to management and the external auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the external auditors at least one week in advance of meeting dates.

7. External Resources

To assist the Committee in discharging its responsibilities, the Committee may, in addition to the external auditors, at the expense of the Corporation, retain one or more persons having special expertise.

8. In Camera Meetings

At each meeting of the Committee, the members of the Committee may meet in private session with the external auditors, with management, and with the Committee members only.

9. Reporting to the Board

The Committee, through its Chairman, shall report after each Committee meeting to the Board at the Board's next regular meeting.

10. Committee Self Assessment

The Committee shall annually review, discuss and assess its own performance. In addition, the Committee shall periodically review its role and responsibilities.

11. The External Auditors

The Committee expects that, in discharging their responsibilities to the shareholders, the external auditors shall be accountable to the Board through the Audit Committee. The external auditors shall report all material issues or potentially material issues to the Committee.

B. Operating Procedures

1. The Committee shall meet at least two times annually or more frequently as circumstances dictate. Meetings shall be held at the call of the

Chairman, upon the request of two (2) members of the Committee or at the request of the external auditors.

2. A quorum shall be a majority of the members.
3. Unless the Committee otherwise specifies, the Secretary or Assistant Secretary of the Corporation shall act as Secretary of all meetings of the Committee.
4. In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.
5. A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Corporation in a timely fashion.

C. Specific Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

Financial Reporting

1. review the Corporation's quarterly and annual financial statements, and related management discussion and analysis with management to gain reasonable assurance that the statements are accurate, complete, represent fairly the Corporation's financial position and performance and are in accordance with GAAP and report thereon to the Board before such financial statements are approved by the Board;
2. review the Corporation's annual financial statements with the external auditors to gain reasonable assurance that the statements are accurate, complete, represent fairly the Corporation's financial position and performance and are in accordance with GAAP and report thereon to the Board before such financial statements are approved by the Board;
3. review with management and the external auditors the financial statements of the Corporation's significant subsidiaries.
4. receive from the external auditors reports on their review of the annual financial statements;
5. receive from management a copy of the representation letter provided to the external auditors and receive from management any additional representations required by the Committee;

6. review and, if appropriate, recommend approval to the Board of news releases and reports to shareholders issued by the Corporation with respect to the Corporation's annual and quarterly financial statements; and
7. review and, if appropriate, recommend approval to the Board of prospectuses, material change disclosures of a financial nature, management discussion and analysis, annual information forms and similar disclosure documents to be issued by the Corporation.

Accounting Policies

1. review with management and the external auditors the appropriateness of the Corporation's accounting;
2. review policies, disclosures, reserves, key estimates and judgments, including changes or variations thereto;
3. obtain reasonable assurance that they are in compliance with GAAP, and report thereon to the Board; and
4. review with management and the external auditors the degree of conservatism of the Corporation's underlying accounting policies, key estimates and judgments and reserves.

Risk and Uncertainty

1. acknowledge that it is the responsibility of the Board, in consultation with management, to identify the principal business risks facing the Corporation, determine the Corporation's tolerance for risk and approve risk management policies, the Committee shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:
 - (a) reviewing with management the Corporation's tolerance for financial risks;
 - (b) reviewing with management its assessment of the significant financial risks facing the Corporation;
 - (c) reviewing with management the Corporation's policies and any proposed changes thereto for managing those significant financial risks; and
 - (d) reviewing with management its plans, processes and programs to manage and control such risks.

2. ascertain that policies and procedures are in place to minimize environmental, occupational health and safety and other risks to asset value and mitigate damage to or deterioration of asset value and review such policies and procedures periodically;
3. review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise to be reported to the Board in a timely fashion;
4. review foreign currency interest rate and commodity price risk mitigation strategies, including the use of derivative financial instruments;
5. review the adequacy of insurance coverage maintained by the Corporation;
6. review regularly with management, the external auditors and the Corporation's legal counsel, any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation and the manner in which these matters have been disclosed in the financial statements.

Financial Controls and Control Deviations

1. review the plans of the external auditors to gain reasonable assurance that the combined evaluation and testing of internal financial controls is comprehensive, coordinated and cost-effective;
2. receive regular reports from management, the external auditors and legal counsel on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto.

Compliance with Laws and Regulations

1. review regular reports from management and others (e.g. external auditors) with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements including:
 - (a) tax and financial reporting laws and regulations
 - (b) legal withholding requirements
 - (c) environmental protection laws and regulations
 - (d) other laws and regulations which expose directors to liability.
2. review the status of the Corporation's tax returns and those of its subsidiaries;

3. have management report to the Board in writing their compliance with respect to making all remittances on a timely basis.

Relationship with External Auditors

1. recommend to the Board the nomination of the external auditors;
2. approve the remuneration and the terms of engagement of the external auditors as set forth in the Engagement Letter;
3. review the performance of the external auditors annually or more frequently as required;
4. receive annually from the external auditors an acknowledgement in writing that the shareholders, as represented by the Board and the Committee, are their primary client;
5. receive a report annually from the external auditors with respect to their independence such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by the Corporation;
6. review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, the extent to which the external audit can be coordinated with internal audit activities and the materiality levels which the external auditors propose to employ;
7. meet regularly with the external auditors in the absence of management to determine, inter alia, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee;
8. establish effective communication processes with management and the Corporation's internal and external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee.

Other Responsibilities

1. periodically review the form, content and level of detail of financial reports to the Board;
2. approve annually the reasonableness of the expenses of the Chairman of the Board and the Chief Executive Officer;
3. after consultation with the Chief Financial Officer and the external auditors, gain reasonable assurance, at least annually of the quality and

sufficiency of the Corporation's accounting and financial personnel and other resources;

4. review in advance the appointment of the Corporation's senior financial executives;
5. investigate any matters that, in the Committee's discretion, fall within the Committee's duties;
6. review reports from the external auditors, and/or other Committee Chairmen on their review of compliance with the Corporation's Code of Business Conduct and Ethics, and the Corporation's policies on political donations and commissions paid to suppliers or others;
7. perform such other functions as may from time to time be assigned to the Committee by the Board.

Accountability

1. review and update this Charter on a regular basis for approval by the Board;
2. from time to time, as requested by the Board, disclose its Mandate and this Charter in the Corporation's statement of corporate governance practices; review the description of the Committee's activities as set forth in the Corporation's Statement of Corporate Governance Practices.