

## CKX LANDS, INC.

### CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

#### I. Purpose

The primary function of the Audit Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of CKX Lands, Inc. (the “Company”) in fulfilling its oversight responsibilities by overseeing: (a) the controls and other procedures of the Company that are designed to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (“disclosure controls and procedures”), including overseeing the preparation of the financial reports and other financial information provided by the Company to any governmental body or the public; (b) the Company’s controls and process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements required to be in conformity with Generally Accepted Accounting Principles as addressed by the Codification of Statements on Auditing Standards, AU Section 319, as in effect from time to time, or any superseding definition or other literature that is issued or adopted by the Public Company Accounting Oversight Board (“internal controls and procedures”); and (c) the Company’s auditing, accounting and financial reporting processes generally as well as the audits of the Company’s financial statements. Consistent with this function, the Committee should encourage continuous improvement of, and should foster adherence to, the Company’s policies, procedures and practices at all levels. The committee’s primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company’s compliance with legal and regulatory requirements and the Company’s financial reporting, disclosure controls and procedures and internal controls and procedures.
- Appoint the independent auditors and determine their compensation.
- Review, evaluate and oversee the audit efforts of the Company’s independent auditors and internal auditors.
- Provide an open avenue of communication among the independent auditors, management, the Board and the internal auditors.
- Prepare the Audit Committee Report required to be included in the Company’s annual proxy statement.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter.

## **II. Composition**

The Committee shall be comprised of three or more directors as determined by the Board, each of whom shall meet the independence and experience requirements of the rules and regulations of the Securities and Exchange Commission (the “Commission”), and shall be 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. No member of the Committee may serve on the audit committees of more than three public companies unless the Board determines that such service does not, and will not, impair the member’s ability to effectively serve on the Committee and discloses the determination in the Company’s annual proxy statement. All members of the Committee shall have a working familiarity with basic finance and accounting practices, and the Company shall endeavor, to the extent possible, to have at least one member of the Committee who has accounting or financial management experience sufficient to qualify as an “audit committee financial expert” under the rules and regulations the Commission, as such rules are in effect from time to time.

The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board and shall serve until their successors are duly elected and qualified. Unless a Chairman is elected by the full Board, the members of the Committee may designate a Chairman by majority vote of the full Committee.

## **III. Meetings**

The Committee shall meet at least quarterly or more frequently as circumstances dictate. The Committee may ask members of management or others to attend any meeting and provide pertinent information as necessary. As part of its job to foster open communication, the Committee should meet at least annually with management, the director of the internal auditors and the independent auditors in separate executive sessions to discuss any matters that the Committee and/or any of these groups believe should be discussed privately.

## **IV. Authority**

In discharging its oversight role, the Committee is granted the authority to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties. The Committee, in its capacity as a committee of the Board, shall determine the appropriate funding that the Company shall provide for payments of: (a) compensation to any independent public accountant engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (b) compensation to any advisers employed by the Committee, as provided for above; and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

## **V. Responsibilities and Duties**

In performing its responsibilities and duties, the Committee will seek to provide an open avenue of communication among the independent auditors, management, the Board and the

internal auditors. The Committee is intended to provide an independent and, as appropriate, confidential forum in which interested parties can freely discuss information and concerns about the Company's financial reporting, disclosure controls and procedures and internal controls and procedures.

The Committee has direct responsibility for the appointment, compensation, retention and oversight of the work of any independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditors shall report directly to the Committee. The Committee shall have the sole power to: (a) approve all related-party transactions; (b) hire and fire the independent auditors, based on the Committee's judgment of the independent auditor's independence and effectiveness, as well as approve all fees and engagement terms; (c) resolve any disagreement between management and the independent auditors; (d) pre-approve all auditing services in accordance with applicable law or regulation; and (e) pre-approve all permissible non-audit services performed by the independent auditors in accordance with applicable law or regulation, subject to any de minimis exception that may be provided by applicable law or regulation. The Committee will not approve any of the "prohibited activities" identified in Section 10A(g) of the Exchange Act.

The Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals of audit and permitted non-audit services. Any decision by such member or members to grant pre-approval shall be presented to the Committee at its next scheduled meeting.

To fulfill its responsibilities and duties the Committee shall:

### ***Documents/Reports Review***

- Review and update this Charter periodically as conditions dictate, but in any event at least annually.
- Discuss with the independent auditors, in accordance with the Exchange Act, prior to the filing of the independent auditors' audit report, (a) all critical accounting policies and practices to be used; (b) all alternative treatments of financial information permissible under Generally Accepted Accounting Principles that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditors; and (c) other material written communications between management and the independent auditors.
- Review the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, on the financial statements of the Company.
- Discuss with the independent auditors their independence and the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU Section 380), as in effect from time to time.

- Review and discuss with management and the independent auditors the Company's annual audited financial statements to be included in the Company's Annual Report on Form 10-K, prior to filing the Annual Report with the Commission, including disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operation," and any reports or other financial information submitted to any governmental body, or the public, including any attestation, certification, report, opinion, or review rendered by the independent auditors. Based on (a) the Committee's review and discussion of the Company's annual audited financial statements with management and the independent auditors, (b) the Committee's discussions with the independent auditors on their independence and the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU Section 380), as in effect from time to time, and (c) such other factors and circumstances as are determined appropriate by the Committee, the Committee will recommend to the Board whether the annual audited financial statements should be included in the Company's Annual Report on Form 10-K.
- Review the regular internal reports to management prepared by the internal auditors and management's response.
- Discuss with management and the independent auditors the internal audit department responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit.
- Review and discuss with management and the independent auditors the Company's quarterly financial results included in the Form 10-Q, including disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operation," and the results of the independent auditors' review of the quarterly financial statements.
- Review disclosures made to the Committee by the Company's chief executive officer and senior financial officers (namely, the chief financial officer, the principal accounting officer, the controller and any other employee performing similar functions, collectively, the "Senior Officers") about (a) any significant deficiencies or weaknesses in the design or operation of the disclosure controls and procedures and internal controls and procedures, including any significant deficiencies and material weaknesses that could adversely affect the Company's ability to record, process, summarize and timely report financial information as required by the Commission; (b) any fraud (whether or not material) involving management or other employees significantly involved with disclosure controls and procedures and internal controls and procedures; (c) whether or not there were significant changes in disclosure controls and procedures and internal controls and procedures or other factors that could significantly affect such controls; and (d) any action to fraudulently influence, coerce, manipulate or mislead the Company's independent auditors for the purpose of rendering the Company's financial statements materially misleading.

- Discuss with senior management the areas of financial risk that could have a material adverse effect on the Company's results of operation or financial condition and the steps management has taken to monitor and control such risks, and the Company's risk assessment and risk management guidelines and policies.
- Report the Committee's activities, including its conclusions with respect to the internal auditors and the independent auditors, to the Board at the Board's meeting next following each Committee meeting so that the Board is kept fully informed of the Committee's activities on a current basis.

### ***Independent Auditors***

- Select, evaluate, appoint and, where appropriate, replace the Company's independent auditors and determine the fees and other compensation to be paid to the independent auditors. On an annual basis, the Committee should review and discuss with the independent auditors all relationships the auditors have with the Company to determine the auditors' independence.
- Review with the independent auditors, in advance, the scope of the annual audit, including the scope of complementary internal audit activities.
- Review and evaluate the lead partner of the independent auditors' audit team.
- Review with the independent auditors the results of the annual audit.
- Review the performance of the independent auditors.
- Periodically consult with the independent auditors out of the presence of management about internal controls and procedures and the fullness and accuracy of the Company's financial statements.
- Ensure the rotation of the lead partner, the concurring review partner, the client service partner, and other "line" partners directly involved in the performance of the audit for the Company, as required by applicable law or regulation.
- Obtain and review on an annual basis a report from the independent auditors describing the independent auditor's internal quality-control procedures and any material issues raised by the most recent internal quality-control review, or peer review of the independent 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 auditing firm, and any steps taken to deal with any such issues.

### ***Financial Reporting Processes***

- In consultation with the independent auditors and the internal auditors, review the integrity of the Company's financial reporting processes generally, both internal and external.

- Consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- Consider and approve, if appropriate, major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditors, management, or the internal auditor.

### ***Process Improvements***

- Following completion of the annual audit, review separately with each of management, the independent auditors and the internal auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- Review any significant disagreement (even if adequately resolved) among management and the independent auditors or the internal auditors in connection with the preparation of the financial statements.
- Conduct annually a self-assessment of its performance during the previous year. In addition, from time to time, the Board may conduct a similar assessment of the Committee. The purpose of these assessments is to increase the effectiveness of the Committee and its members. Compliance with the responsibilities listed in this Charter shall form the principle criteria for such assessments, as well as such other factors and circumstances as are determined appropriate by the Committee or the Board, as the case may be.

### ***Ethical and Legal Compliance***

- As directed by the Board, assist in the establishment, review and periodic update of any codes of ethical conduct or similar policies in effect at the Company from time to time (collectively, the "Code").
- Review management's monitoring of the Company's compliance with the Code.
- Review activities, organizational structure, and qualifications of the internal audit department.
- Review, with the Company's counsel, legal compliance matters including corporate securities trading policies.
- Review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees or concerns regarding one questionable accounting or auditing matters.

*Other*

- Perform any other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

**VI. Limitation on Committee's Role**

While the Committee has the responsibilities and duties set forth in this Charter, the Committee's responsibilities and duties are of oversight in nature. The primary responsibility for the Company's financial reporting, disclosure controls and procedures and internal controls and procedures rests with management, and the Company's independent auditors are responsible for auditing the Company's financial statements. It is the responsibility of management and the independent auditors to bring to the attention of the Committee any failures, irregularities or other problems respecting the Company's financial reporting, disclosure controls and procedures and internal controls and procedures.