

ESPIAL GROUP INC.

AUDIT COMMITTEE CHARTER

A. Establishment of Committee and Procedures

1. Composition of Committee

The Audit Committee (the “Committee”) of the board of directors (the “Board”) of Espial Group Inc. (the “Corporation”) will consist of not less than three directors of the Corporation, each of whom will meet the independence and financial literacy requirements applicable to the Corporation from time to time, including any requirements of applicable securities legislation or any stock exchange on which the Corporation’s securities are traded.

Under Canadian securities laws, a director is “independent” if the director has no direct or indirect material relationship with the Corporation. A “material relationship” means a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director’s independent judgment, and includes certain relationships identified in National Instrument 52-110 *Audit Committees* of the Canadian Securities Administrators.

Under Canadian securities laws, a director is “financially literate” if the director has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

2. Appointment of Committee Members

Members of the Committee will be appointed from time to time by the Board. A member may be removed at any time by the Board and will cease to be a member upon ceasing to be a director of the Corporation.

3. Orientation of New Members

The Board will give new Committee members such information and orientation opportunities as may be deemed by the Board to be necessary or appropriate in the circumstances.

4. Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board. The Board will fill any vacancy if the membership of the Committee is less than three directors.

5. Committee Chair

The Board will appoint a Chair of the Committee. If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee chosen from those members present at the meeting will preside at the meeting.

6. Responsibilities of the Committee Chair

The Chair of the Committee will provide leadership to the Committee in fulfilling its mandate and other matters delegated to it by the Board. The Chair's responsibilities will include:

- (a) working with the Chairman of the Board, the Chief Executive Officer and the Secretary to establish the frequency of Committee meetings and the agendas for meetings;
- (b) presiding at Committee meetings;
- (c) ensuring that the Committee is properly organized and effectively discharges its duties;
- (d) facilitating the flow of information to and from the Committee and fostering an environment in which Committee members may ask questions and express their viewpoints;
- (e) reporting to the Board with respect to the significant activities of the Committee and any recommendations of the Committee;
- (f) leading the Committee in annually reviewing and assessing the adequacy of its mandate and evaluating its effectiveness in fulfilling its mandate; and
- (g) taking such other steps as are reasonably required to ensure that the Committee carries out its mandate.

7. Secretary of Committee

The Committee will appoint a Secretary who need not be a director of the Corporation, to keep minutes of all Committee meetings.

8. Meetings

The Committee will meet at least four times per year and will meet at such other times during each year as it deems appropriate. In addition, the Chair of the Committee may call a special meeting of the Committee at any time.

A majority of the members of the Committee will constitute a quorum. The Committee will not transact business except at a meeting at which a quorum is present or by a resolution in writing signed by all the members of the Committee.

9. Notice of Meetings

Notice of the time and place of every meeting will be given in writing (including by way of written facsimile communication) to each member of the Committee at least 24 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive notice of a meeting; and attendance of a member at a meeting constitutes a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

10. Attendance of the Corporation's Officers or External Auditors at Meetings

At the invitation of the Chair of the Committee, the external auditors, one or more officers of the Corporation or the legal, financial or other advisers of the Corporation may attend any meeting of the Committee or part thereof.

11. Procedure, Records

Subject to any statute or the memorandum and articles of association of the Corporation, the Committee will fix its own procedures at meetings and keep records of its proceedings. The minutes of its meetings will be tabled at the next meeting of the Board.

12. Reporting to the Board

The Committee will, when the Committee deems appropriate, but in any event not later than the next regular meeting of the Board, report to the Board all action it has taken since its previous report to the Board, and will make such recommendations to the Board as it deems prudent as a result of such action.

13. The Corporation's Auditors

The Committee will recommend to the Board: (a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and (b) the compensation of the external auditor. The Committee will review the circumstances surrounding any proposed change in the external auditors and will recommend the removal of the external auditors if the circumstances warrant.

The external auditors of the Corporation will report to, and ultimately be accountable to, the Committee and the Board as representatives of the shareholders. The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting.

14. Delegation of Responsibilities

The Committee will be entitled to delegate from time to time to any individual or subcommittee any of its responsibilities that lawfully may be delegated.

B. Mandate of Committee

Management is responsible for preparing the interim and annual financial statements of the Corporation and for maintaining a system of internal controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and reported properly. The Committee is responsible for reviewing management's actions in that regard.

1. The Committee will:

Financial Reporting and Disclosure

- (a) review with management and the Corporation's internal and external auditors generally the Corporation's financial reporting and the preparation of the financial statements, including, without limitation, the judgment of the external auditors as to the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting;
- (b) review with the external auditors, before completion of the annual audit of the Corporation, the financial statements and the report of the external auditors thereon, in order to ensure that the external auditors are satisfied with the disclosure made to them of the required information and with the content of the financial statements;
- (c) review with management and the external auditors all significant accounting practices and policies and all changes or proposed changes in such practices and policies and in financial reporting requirements that may affect the Corporation's financial statements, as well as key estimates and judgments of management that may be material to financial reporting;
- (d) review and discuss with management and the external auditors, where appropriate, prior to public disclosure:
 - (i) the financial statements of the Corporation;
 - (ii) management's discussion and analysis of financial condition and results of operations ("MD&A") with regard to the financial statements;
 - (iii) the annual information form;
 - (iv) the contents of the annual report to shareholders;
 - (v) annual and interim earnings press releases;

- (vi) all certifications that may be made by the Chief Executive Officer and Chief Financial Officer on the annual or interim financial results, disclosure controls and procedures and internal controls over financial reporting;
- (vii) any financial information contained in any prospectus, information circular or other disclosure documents or regulatory filings containing financial information of the Corporation;

and any other similar disclosure filings to be made by the Corporation under the requirements of securities laws or stock exchange rules applicable to the Corporation;

- (e) ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and periodically assess the adequacy of those procedures;
- (f) review, as appropriate, any report required by an appropriate regulatory authority to be included in the annual management information circular related to the matters covered by this Charter, including, without limitation, the disclosure of the external auditors' services and fees, Committee members and their qualifications and activities of the Committee;
- (g) review with management, the external auditors and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation, and the manner in which these matters may be, or have been, disclosed in the financial statements;

Policies, Procedures and Internal Controls

- (h) discuss with management the Corporation's policies and procedures for managing the principal risks of its business to determine if management has identified the principal risks of the Corporation's businesses and has implemented and is maintaining systems and procedures to manage those risks;
- (i) review the Corporation's accounting systems and internal control procedures to determine their effectiveness and to determine if the Corporation is in compliance with legal and regulatory requirements and with the Corporation's policies, and where recommendations are made for the improvement of such systems and procedures, monitor management's corrective actions;
- (j) establish procedures for: (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

Relationship with External Auditors

- (k) review the audit plans of the internal and external auditors of the Corporation, including proposed timing, scope and fees of such audit and the degree of detail of those plans and the co-ordination between those plans;
- (l) review any matters raised by the external auditors as affecting the conduct of their audit, including any restrictions imposed by management on the scope of the external auditor's examinations;
- (m) review and discuss with the external auditors all significant relationships that the external auditors and their affiliates have with the Corporation and its affiliates in order to monitor and confirm the external auditors' independence, including, without limitation: (i) requesting and reviewing, on a periodic basis, a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to the Corporation; (ii) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors; (iii) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence, and (iv) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and any former external auditor of the Corporation;
- (n) pre-approve all non-audit services to be provided to the Corporation or any subsidiaries by the Corporation's external auditor; the Committee may delegate to any one of its members the approval of such services, in which case the items approved will be reported to the Committee at its next scheduled meeting following such pre-approval;

Other

- (o) meet separately with management, the external auditors and internal auditors from time to time, as it deems necessary, but not less than annually, and consider any matter that they recommend bringing to the attention of the Board;
- (p) review and consider, as appropriate, any significant reports and recommendations issued by the Corporation or by the external auditors, together with management's response thereto;
- (q) review reports on expenses of the senior officers of the Corporation;
- (r) review all related party transactions entered into by the Corporation;
- (s) review any business plans and operating and capital budgets of the Corporation;
- (t) review with management the adequacy of the Corporation's insurance coverage, including directors' and officers' liability coverage;

- (u) annually prepare a report from the Committee to shareholders or others concerning the Committee's activities in the discharge of its responsibilities, when and as required by applicable laws or regulations; and
 - (v) at least annually, perform a self-evaluation to determine the Committee's effectiveness and performance (which will be orally assessed and reported), evaluate succession plans related to Committee membership and review this Charter and, if required, recommend changes to the Board.
2. The Committee may, at the request of the Board or on its own initiative, investigate such other matters as it considers necessary or appropriate in the circumstances and will have the authority to (i) retain independent counsel and other advisors as it determines necessary to carry out its duties, (ii) set and pay compensation for any advisors employed by the Committee, and (iii) communicate directly with the Corporation's internal and external auditors.