ANNUAL INFORMATION FORM

For the year ended April 30, 2015
Published July 24, 2015

inscape smart workspaces

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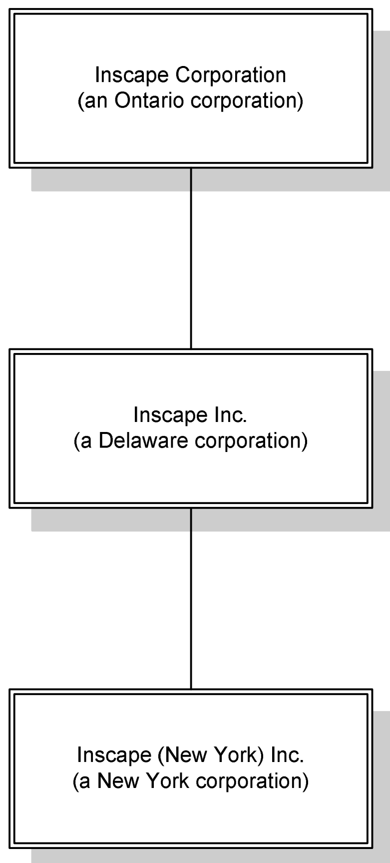
Unless otherwise specified, the information presented in this Form is as at the last day of the Company's most recently completed financial year on April 30, 2015.

CORPORATE STRUCTURE

Inscape Corporation maintains its registered and head office at 67 Toll Road, Holland Landing, Ontario, L9N 1H2. The terms "Office Specialty", "Inscape" and the "Company" used in this Form refer to Inscape Corporation, its predecessor companies and its wholly owned subsidiaries. The Company consists of three legal entities as shown in the following diagram:



On December 8, 1997, the Company filed articles of amalgamation to reorganize its capital such that the authorized share capital of the Company consisted of 7,670,881 Class A Multiple Voting Shares ("Multiple Voting Shares") and an unlimited number of Class B Subordinated Voting Shares ("Subordinated Voting Shares") (collectively, the "Capital Reorganization").

In June 1999, the Company changed its operating name to "Inscape" in order to better reflect and communicate its position in the market and the scope of its products.

On September 19, 2000, the Company filed articles of amendment changing its legal name to "Inscape Corporation".

On May 1, 2007, Inscape Corporation amalgamated with its Canadian subsidiaries, Inscape Ltd. and Office Specialty Ltd., to form one corporation. The surviving corporation has the name "Inscape Corporation" ("Amalco") and carries on business as such. Inscape Ltd. and Office Specialty Ltd. ceased to exist as corporations as of May 1, 2007 and instead, their respective obligations, liabilities, assets, property, employees and undertaking flowed through and became those of Inscape Corporation "Amalco". There was no third party change of ownership as Amalco is still owned by the same shareholders that owned the pre-amalgamated companies. This amalgamation did not include or impact the Company's U.S. based subsidiaries.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Financial Year 2015

Management's focus in fiscal 2015 was to stabilize operations and develop a strategic focus that will achieve sustainable revenue and earnings growth. Four key initiatives were developed and are the foundation of the Company's objectives. These are:

1 – Enhance and expand the Company's products to provide a full range of products for end users;
2 – Generate a dedicated distribution network;
3 – Create a customer interface platform that leverages leading edge technology and will simplify MRP process and allow us to meet customer needs more quickly;
4 – Reinvent the industrial system.

During the fourth quarter of Fiscal 2014, the Company dedicated significant resources to the development of eight new products. These were launched at the NeoCon trade show in June 2014 and received five Best of NeoCon Awards (4 Gold and 1 Silver).

The Company developed partnerships with global contract furniture manufactures to increase the Company's product offerings in laminate storage products, task and lounge seating, and storefront wall systems.

In November 2014 the Company announced a partnership with West Elm (a division of retailer of Williams Sonoma Inc.) to create a new product line that will complement Inscape's existing products and meet a market demand for high design products at significantly better value than is currently seen in the market.

To further efforts to strengthen the Company's distribution channels, senior management introduced a new distribution concept to many of the largest dealers in North America that would lead with Inscape's products. Over 40 meetings were held in Q4 and the Company has signed 3 dealers as of June.

In December 2014 the Company announced the development of F.I.R.E. (Fully Integrated Resource for Enterprise management) which integrates industry leading technology to create a single customer-centric solution unlike any other currently available. F.I.R.E. unites the leading industry partners to create one integrated solution that reimagines the client experience from idea to order, and shipment to satisfaction. Over a two year period, the Company will invest approximately $2.2 million to create this new platform. This technology supports the Company's dealers, appeals to the design community and integrates into the Company's MRP system.

As part of the Company's efforts to reinvent the industrial system, the manufacturing and the supply chain groups continue to look for new innovative ways to maintain product quality, reduce costs and identify new suppliers and partners who can meet its needs. Internally the Company uses techniques such as Continuous Improvements, Kaizens, and Lean Manufacturing techniques to reduce factory overheads and improve efficiencies. The Company's supply chain group identifies local and international sources to meet the exacting end user requirements.

These key strategic initiatives are creating a strong foundation for growth of the Company. In the upcoming year management expects to add up to 20 committed West Elm and Inscape dealers and add new products and accessories such as fabrics, seating, laminate storage and further development of the West Elm and Inscape product lines.

Financial Year 2014

In January 2014, the Company's Board appointed Mr. Jim Stelter as the Company's Chief Executive Officer, in addition to his election as a Board director in September 2013. Mr. Stelter is a veteran of the furniture industry with extensive experience in sales, marketing, and dealer development.

One of Mr. Stelter's immediate initiatives was to reconnect with the Company's existing distribution. In the fourth quarter executives and sales leaders of the Company made over 160 dealer visits during a 6-week period to connect with them and show how Inscape can help them serve their customers. This led to a record number of appointments at the June 2014 NeoCon where the Company showcased its new, innovative products.

In financial year 2014, the Company launched Inscape Bench, a product that addresses the need for more open, collaborative workspaces and provides more efficient space planning. As real estate costs increase, the size of workspaces continues to get smaller. Benching products like Inscape Bench enable facility managers to accommodate more workers per square foot. Inscape Bench is gaining traction in the market, including several high-profile clients. It was recognized with a 2013 GOOD DESIGN award.
The Company marked the 125-year anniversary of Office Specialty throughout the year. A new brand, website and marketing materials were launched to revitalize its storage business. In addition to rebranding, there was a focus on increasing awareness of the role of storage in today's increasingly open office landscape. As work styles continue to evolve, the Company is building awareness of its accessible and secure storage solutions for today's mobile workers.

Financial Year 2013

In financial year 2013, the Company focused on developing the Inscape branded application furniture and walls business, and on revitalizing the Office Specialty branded storage product business.

The Company developed a targeted approach to strengthening distribution to support these lines of business, and formed a Partner Development team in 2013 to lead this initiative. Structural changes were also made to the sales organization to reflect the company's commitment to a dealer/partner-driven model.

In addition to adding selling resources and focusing them by region and lines of business, a renewed focus on sales and the sales management process was implemented, supported by investments in Customer Relationship Management ("CRM ") tools and resources.

The rebranding of Office Specialty was initiated in financial year 2013 to prepare for the launch of a new brand and website in June 2013. This rebranding was supported by the development and launch of a number of new selling, marketing and training programs and tools that are aimed to increase awareness and improve the selling capabilities of distribution partners.

DESCRIPTION OF THE BUSINESS

(1) General

The Company's operations began in Upstate New York in 1888 as Office Specialty as a full service provider of premium quality office furniture. In the early 20th Century the Company moved to Canada and eventually relocated north of Toronto in the hamlet of Holland Landing where it continues to operate today. In 2001 the Company purchased Dowcraft which supplied moveable walls and partitions in the United States for 50 years.

Currently the Company's head office is located in Holland Landing, Ontario. Inscape's products are manufactured in two facilities: a 306,000 square foot plant in Holland Landing, Ontario, and a 132,000 square foot plant in Falconer, New York. The Holland Landing facility is built on 35 acres of land owned by the Company in Holland Landing, Ontario, approximately 45 minutes north of Toronto. This facility is used to manufacture systems and filing products. The architectural and movable wall systems are produced in the facility in Falconer, New York.

Other Company premises include showrooms in Chicago, Washington, D.C., New York and Toronto. The Company's representatives and dealers typically have and manage their own showrooms with Inscape furniture displays.

Inscape's commitment to product innovation and quality combined with responsiveness to consumer needs has enabled the Company to develop flexible office product solutions for a broad range of customers. Inscape wins business with customers through an emphasis on high quality products and on providing flexible solutions for office design challenges. The Company's client list includes large government agencies and a wide variety of large and small corporations in North America.

The distribution of Inscape's sales by product and geography is as follows:

Segment Information

Inscape's sales by geographic segments ($000's):

		Years Ended April 30,		
		2015		2014
Sales from				
United States	**$**	**62,460**	$	58,549
Canada		**6,921**		7,191
Other		**43**		415
	$	**69,424**	$	66,155

Inscape's sales by product segments ($000's):

		Years Ended April 30,		
		2015		2014
Segment Sales				
Furniture	**$**	**50,066**	$	47,054
Movable walls and rollform		**19,358**		19,101
	$	**69,424**	$	66,155

(a) *Principal Markets*

Inscape offers a complete range of innovative products to meet the needs of all office environments. Key clients and opportunities have been realized in the following industries: finance, insurance, government, high technology, consumer goods, information technology, legal and other businesses.

The Company operates primarily in North America and has segmented North America into four geographic regions for the purpose of sales management (Canada, Eastern US, Central US and Western US). The Company continues to develop its extended sales organization with new sales representatives and dealers.

Although the Company reports its operations based on two main segments (Walls and Furniture) the description of these segments and the remaining discussions will cover both segments together.

(b) *Distribution*

Currently the Company has a large network of Dealers and Representatives across North America. The majority of office furniture sales and distribution is generated by Dealers/Resellers who represent specific office furniture manufacturers. Complementing the dealer network are independent architects and designers (A&D) who influence the buying decisions of End Users.

Having strong distribution channels is critical to gaining stable exposure in a crowded industry. Inscape's strategy for distribution is changing to develop approximately committed dealers in key markets across North America. These dealers will lead with Inscape products. In return, Inscape will provide national marketing and brand support, new product designs, and engineering to keep influencers interested and users motivated to purchase Inscape products.

Ensuring well designed and innovative products is also key to maintaining interest from the A&D community to influence buyers towards Inscape products.

The Company's sales representatives will work closely with these dealers and the A&D community. The Company is committed to having sales leaders throughout North America to support the local dealers and the A&D community.

In a typical transaction for a project order, the Inscape sales organization will work with furniture dealer sales personnel and the A&D community to promote Inscape's products to end users and their advisors. When the customer has determined its furniture requirements, it places an order with a furniture dealer, which in turn orders the product from Inscape. The dealer installs the furniture and provides ongoing service to the end user. A smaller order would usually result from service provided by a dealer to an end user with little input from Inscape's sales staff or independent representatives.

(c) *Production and Services*

The Company consists of two key areas: corporate services and manufacturing. Corporate services includes sales and sales support, marketing and communications, product design and engineering, design application consulting, IT, finance, human resources, and training and development.

The Company's products are produced using a JIT/Cellular manufacturing methodology. Under this concept, each product is broken down into component parts. A manufacturing cell is designed to produce each of these parts and consists of dedicated machines capable of performing a specific series of functions. Semi-autonomous work teams control the production activity of each cell, including quality assurance. Employee productivity is enhanced through (i) cross-training of all employees in a team allowing them to perform virtually every operation in the cell; and (ii) incentive-based compensation linked to quality and production volumes. In connection with its JIT approach to manufacturing, the Company also seeks to achieve JIT inventory practices through its relations with its principal suppliers.

The use of the JIT/Cellular approach has generated significant economic benefits for the Company. Through the reduction of activities such as material handling and tooling set-ups, most non-productive time has been eliminated, resulting in greatly reduced manufacturing costs. The JIT/Cellular approach and its dedicated machine set-up ensure that manufacturing unit cost of production is minimized. This approach allows for the manufacture of small-customized orders in an efficient manner. As a result, small orders remain a profitable segment of the Company's business. This ability to respond quickly to customers is a significant competitive advantage.

(d) *Specialised Skills and Knowledge*

Product design and engineering are critical skills required to meet the constant changes in the contract furniture environment. The Company's in-house teams and designers partner with third partner designers to develop new and relevant products to meet end user needs.

Information technology skills are also critical to develop and maintain systems to support customer solutions, design, engineering and manufacturing platforms.

Although the Company feels it has a strong team to meet these skill-set requirements, it is always looking for the best talent to support its initiatives.

(e) *Competitive Conditions*

Inscape operates in a highly competitive environment. The North American contract/office furniture market is approximately $12 billion. The top 4 manufacturers in North America service close to 60% of the market. Virtually all of Inscape's larger competitors operate in the Company's geographic and product markets and exert a high degree of control over office furniture dealers who principally sell their products. The Company also competes with a large number of smaller, independent companies, many of which are well established in the markets in which they sell their products.

A trend that the Company has recognized in recent years is the increased focus on project oriented sales which puts pressure on pricing and makes for more volatile sales trends. The Company's distribution strategy is one of the mechanisms management is using to mitigate the effects of this trend.

The Company competes on product design, functionality, innovation and customer service and the ability to provide customized solutions on a large scale. The Company's success depends on building a distribution network that is aligned with Inscape.

(f) *New Products*

The Company is constantly looking to add new products to its product portfolio. These products are complementary to its existing platform of office systems, benching, storage, filing and walls.

The Company's West Elm announcement in fiscal 2015 is a significant addition to the product line. The official launch of this product line will be after the Neocon trade show in June 2015. West Elm products, style, function and value will be modified to meet the contract furniture standards (BIFMA) and sold through dedicated Inscape re-sellers across North America.

(g) *Components*

The major raw materials used by the Company are cold-rolled steel, aluminum, fabric, powder and liquid paint and plastic components. Most of these materials are sourced locally. These materials are readily available and the Company has not faced any significant material shortages.

(h) *Intellectual Properties*

The Company believes its ability to develop and protect proprietary technology contained in its products and manufacturing process is a critical success factor. The Company relies on a valuable body of technical know-how related to the design of its products. Inscape holds a number of design and utility patents relating to its furniture products in the principal markets in which it competes. These patents expire at varying dates, with the majority of the key patents expiring in the next five to fifteen years.

The Company currently relies upon these patents, intellectual property laws, as well as contractual restrictions, to establish and protect proprietary rights in its products and designs. Inscape has also entered into non-disclosure agreements with its employees as appropriate and non-disclosure agreements with certain of its suppliers so as to limit access to and disclosure of its proprietary information.

(i) *Cycles*

Inscape’s business is not impacted by seasonality, but it is reliant on white collar employment and corporate profits and thus is affected by general economic cyclical trends.

(j) *Environmental Protection Requirements*

The Company is subject to environmental regulation by federal, provincial, state and local authorities. Although Inscape's operations do not involve activities likely to create significant environmental risks, its operations involve the use of chemicals that must be stored, handled, used and disposed of in accordance with environmental regulation. Environmental protection requirements did not have a material impact on capital expenditures, earnings, or competitive position of the Company in financial year 2015. Based on existing practices and legislative requirements, the impact of environmental requirements in future years is expected to be similar to the experience in the current financial year.

(k) *Employees*

As at April 30, 2015, Inscape employed approximately 385 people of whom 186 were unionized. The unionized workers represent three separate bargaining units and the collective bargaining agreements are typically renewed every three years. The majority of the union employees have been with the company more than 20 years and the Company believes employee relations are positive.

The Company believes continuing education is an integral part of the business and encourages further training by providing opportunities (both internal and external) for employees to increase their knowledge base. In addition, the Company co-operates with and supports several local community college and universities from which it draws its employees.

(2) Environmental accountability

Environmental accountability is at the forefront of Inscape's corporate mandate. The Company's existing systems, walls, filing and storage products have achieved GREENGUARD, as well as level® certification, the BIFMA sustainability standard for environmental and social impacts of furniture products. The ability of Inscape products to integrate, adapt and endure extends their life cycle – giving clients more options to reuse and reconfigure as their needs change. Design for sustainability is one of Inscape's four guiding principles for designing products.

The Company measures progress through an environmental management system which is monitored closely by a cross-functional Environmental Committee. The Company continues to integrate the social and environmental aspects of sustainability into everyday practices, designs and policies. The Company's environmental program is organized around five specific areas:

1. Energy: continuously reducing non-renewable energy resources and substituting required demand with sustainable inputs;
2. Atmosphere: humanizing manufacturing practices, carrier discharges and waste management cycles;
3. Recycling: maximizing reclamation of raw materials through procurement directed towards closed-loop and biodegradable materials;
4. Technology: exploring innovative measures to increase resource conservation, material perpetuation and operational enhancements;
5. Water: reducing annual water consumption and discharges by modifying or improving finishing processes;

(3) Risk Factors

The risk factors relating to the Company and its businesses are discussed in detail in the MD&A at the section entitled 'Risks and Uncertainties' in the 2015 Annual Report.

DIVIDENDS

The Board of Directors decides on the declaration of dividends by considering the Company's financial condition, performance, investment requirements and other relevant factors. The Company did not declare dividends for the three most recently completed financial years.

CAPITAL STRUCTURE

The authorized share capital of the Company consists of 7,670,881 Class A multiple voting shares and an unlimited number of Class B subordinated voting shares.

Class A multiple voting shares carry ten votes per share. Class B subordinated shares carry one vote per share. The Class B shares are listed on the Toronto Stock Exchange (TMX).

As at April 30, 2015, there were 5,345,881 Class A shares and 9,034,820 Class B shares issued and outstanding.

MARKET FOR SECURITIES

The Class B Subordinated Voting Shares are listed and posted for trading on the Toronto Stock Exchange (TMX) under the symbol "INQ".

Trading price and volume during the fiscal year from May 2014 to April 2015:

Date	High	Low	Volume
2015/04	$ 3.20	$ 3.02	41,002
2015/03	$ 3.25	$ 2.90	35,330
2015/02	$ 3.26	$ 2.80	61,650
2015/01	$ 3.00	$ 2.69	41,730
2014/12	$ 3.25	$ 2.50	41,355
2014/11	$ 2.50	$ 2.29	48,811
2014/10	$ 2.45	$ 2.06	21,336
2014/09	$ 2.52	$ 2.20	15,700
2014/08	$ 2.45	$ 2.05	45,666
2014/07	$ 2.35	$ 2.09	34,233
2014/06	$ 2.25	$ 1.99	556,200
2014/05	$ 2.16	$ 2.09	16,561

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Class A Multiple Voting Shares	5,345,881	100%

The Class A Multiple Voting Shares may only be held by Mr. Madan Bhayana and certain persons related to, or controlled by him. The holders of the Multiple Voting Shares have entered into a stock control agreement dated December 9, 1997 (the "Control Agreement") to prohibit transfers, granting a security interest in, encumbering or otherwise disposing of their Multiple Voting Shares except by way of a Permitted Transfer (as defined under the Control Agreement and being principally a transfer to affiliates of the present holders of the Multiple Voting Shares or the granting of a security interest in such shares by such holders to a Canadian financial institution with which it deals at arms-length with the holder in connection with a bona fide debt; provided that such financial institution may not vote or direct the voting of such shares). The Multiple Voting Shares are convertible at any time at the option of the holder on a one-for-one basis into Subordinated Voting Shares. Multiple Voting Shares will be deemed to be converted into Subordinated Voting Shares in certain events, including the death of Mr. Madan Bhayana or a transfer of Multiple Voting Shares pursuant to a transfer that is not a Permitted Transfer. The shares are deposited with Canadian Stock Transfer Company Inc. acting as trustee.

DIRECTORS AND EXECUTIVE OFFICERS

The names, municipalities of residence, positions with the Company and principal occupations of the directors and executive officers of the Company are as follows:

Name and Municipality of Residence	Office held with Inscape Corporation	Date First Elected Director	Principal Occupation
Madan Bhayana Thornhill, Ontario	Chairman of the Board	December 8, 1997	Corporate Director
Bartley Bull (1), (2), (3) Toronto, Ontario	Director	December 8, 1997	Corporate Director
Dezsö J. Horváth (1),(3) Toronto, Ontario	Director	December 21, 2002	Dean, Schulich School of Business, York University
Brian A. Mirsky (1),(2), (3) Toronto, Ontario	Lead Director	December 12, 2013	President and CEO of Fresh Change Foods Group Ltd.
Jim Stelter Michigan, US	Director & Chief Executive Officer	September 12, 2013	Director & Chief Executive Officer
Matthew Posno Aurora, Ontario	Chief Financial Officer & Secretary	NA	Chief Financial Officer, & Secretary
John Gols New York, US	Executive Vice President Sales	NA	Executive Vice President Sales
David Parshad Markham, Ontario	Vice President Product Development	NA	Vice President Product Development
Glen Snelling Newmarket, Ontario	Vice President Operations	NA	Vice President Manufacturing
Dennis Dyke Newmarket, Ontario	Vice President Human Resources	NA	Vice President Human Resources

Notes:
(1) Member of Audit Committee
(2) Member of Human Resources and Compensation Committee
(3) Member of Corporate Governance and Nominating Committee

Each director holds office until the next annual meeting of shareholders unless his office is earlier terminated or vacated. Other than as noted below, each director and executive officer has held the same principal occupation for the previous five years.

Prior to joining the Company, Mr. Jim Stelter was the owner and President of Vanerum Stelter.

Mr. Matthew Posno was the Vice-President Finance of Van Rob for the previous five years.

Mr. John Gols was the Regional Vice-President of Sales at Steelcase for the previous five years.

As at July 24, 2015, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, an aggregate of 3,683,201 Class B subordinated voting shares and 5,345,881 of the Multiple Voting Shares of the Company, being 40.8% and 100%, respectively of the issued and outstanding shares of each such class.

LEGAL PROCEEDINGS

There are no legal proceedings against the Company or, to the knowledge of management, contemplated against the Company or its assets which either individually or in the aggregate exceed ten percent of the current assets of the Company.

AUDIT COMMITTEE

Audit Committee Charter

The Charter of the Audit Committee is attached as Appendix A to this Annual Information Form.

Composition

The members of the Audit Committee are: Bartley Bull (Chair), Dezsö J. Horváth, and Brian A Mirsky. All of them are independent and financially literate within the meaning of Multilateral Instrument 52-110 *Audit Committees*.

Relevant Education and Experience

The education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Committee is summarized below:

Name	Education and relevant experience
Bartley Bull	• Bachelor of Commerce (Queen's University) • Chartered Accountant • Formerly CFO of Inscape Corporation
Dezsö J. Horváth	• M.B.A and PhD degrees obtained in Sweden • Dean and Tanna H. Schulich Chair in Strategic Management at the Schulich School of Business, York University
Brian A Mirsky	• M.B.A. (Schulich School of Business, York University) • President and CEO, Fresh Change Foods Group Ltd.

Pre-approval Policies and Procedures

The Audit Committee is responsible for overseeing the work of the independent auditors and considering whether the provision of services, other than audit services, is compatible with their independence. All non-audit services proposed to be performed by the external auditors are submitted to the Audit Committee for pre-approval, except that the Committee has adopted a practice whereby the Chair of the Committee is authorized to review and approve engagements for non-audit services involving fees of $50,000 or less.

External Auditor Service Fees by Category ($000's)

	Financial Years Ended April 30,			
		2015		2014
Audit Fees	**$**	**224**	$	203
Audit-Related Fees		**31**		28
Tax Compliance and Other Services		**13**		22
Total	**$**	**268**	$	253

Audited-related fees for financial years 2015 and 2014 were for the audits of the Company's pension funds statements.

TRANSFER AGENT AND REGISTRAR

By mail:
CST Trust Company
P.O. Box 700, Station B
Montreal, QC
H3B 3K3

tel: 416 682 3860 or 1 800 387 0825 (within Canada and the United States)

fax: 514 985 8843 or 1 888 249 6189 (within Canada and the United States)

e-mail: inquiries@canstockta.com
website: www.canstockta.com

ADDITIONAL INFORMATION

Additional information relating to Inscape Corporation may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's information circular for the Annual Meeting of security holders to be held on September 10, 2015.

Additional financial information is provided in the Company's financial statements and MD&A for the financial year ended April 30, 2015.

Appendix A

INSCAPE CORPORATION
CHARTER OF THE AUDIT COMMITTEE

1) AUTHORITY

The Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Inscape Corporation (the "**Corporation**") was established pursuant to Section 158 of the Ontario Business Corporations Act. The Committee shall be comprised of at least three members of the Board. Consistent with the appointment of other Board committees, the members of the Committee shall be elected by the Board at the meeting when the Corporation's first quarter results are reviewed or at such other times as may be determined by the Board. The Chairman of the Committee shall be designated by the Board, provided that if the Board does not so designate a Chairman, the members of the Committee, by majority vote, may designate a Chairman. The presence in person or by telephone of a majority of the Committee's members shall constitute a quorum for any meeting of the Committee. All actions of the Committee will require the vote of a majority of its members present at a meeting of the Committee at which a quorum is present.

2) PURPOSE OF THE COMMITTEE

The Committee's purpose is to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Corporation and its subsidiaries. It is the objective of the Committee to maintain free and open means of communication among the Board, the Committee, the independent auditor and the financial and senior management of the Corporation.

3) COMPOSITION OF THE COMMITTEE

The Committee shall be made up of "independent directors" within the meaning of the corporate governance policy of the Canadian Securities Administrators (the "CSA") and all should be non-management directors.

All members of the Committee shall be financially literate at the time of their election to the Committee. "Financial Literacy" shall be determined by the Board in the exercise of its business judgment and shall include a working familiarity with basic finance and accounting practices and an ability to read and understand fundamental consolidated financial statements, including a balance sheet, income statement, a cash flow statement and the notes thereto. At least one member shall have "accounting or related financial expertise" as contemplated under the corporate governance policy of the CSA. Specifically, the Audit Committee's financial expert and the member with "accounting or related financial expertise" must have the following attributes:

(1) an understanding and ability to analyze and interpret a full set of financial statements, including the notes attached thereto, prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP") and the International Financial Reporting Standards ("IFRS");

(2) an ability to assess the general application of Canadian GAAP and IFRS in connection with the accounting for estimates, accruals and reserves;

(3) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements or experience actively supervising one or more persons engaged in such activities;

(4) an understanding of internal controls and procedures for financial reporting; and

(5) an understanding of audit committee functions.

Committee members, if they or the Board deem it appropriate, may enhance their understanding of finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant or firm.

4) MEETINGS OF THE COMMITTEE

The Committee shall meet with such frequency and at such intervals as it shall determine is necessary to carry out its duties and responsibilities. As part of its purpose to foster open communications, the Committee shall meet with Management, and the Corporation's independent auditors in separate executive sessions to discuss any matters that the Committee or each of these groups or persons believe should be discussed privately. In addition, the Committee (or the Chairman) should meet or confer with the independent auditors and Management to review the Corporation's interim consolidated financial statements prior to their filing with the Ontario Securities Commission (the "**OSC**") or any other regulatory body. The Chairman should work with the Chief Financial Officer and Management to establish the agendas for Committee meetings. The Committee, in its discretion, may ask members of Management or others to attend its meeting (or portions thereof) and to provide pertinent information as necessary. The Committee shall maintain minutes of its meetings and records relating to those meetings and the Committee's activities and provide copies of such minutes to the Board.

5) DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The Committee is responsible for the appointment (subject to shareholder approval), compensation, retention, evaluation and oversight of the work of the Corporation's independent auditors engaged for the purpose of preparing or issuing an audit report or related work or performing in other audit, review or attest services for the Corporation and, in accordance with the requirements of the TSX and the rules promulgated by the OSC, the independent auditors must report directly to the Committee and are accountable to the Committee (as representatives of the shareholders of the Corporation). The Committee's oversight responsibilities include the authority to approve all audit engagement fees and terms, as well as all permitted non-audit engagements and resolution of disagreements between Management and the independent auditors regarding financial reporting.

The Committee is responsible for ensuring that the Corporation's independent auditors submit, on a periodic basis to the Committee, a formal written statement delineating all relationships between the independent auditors and the Corporation and actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and for taking appropriate action to ensure the independence of the independent auditors within the meaning of applicable Canadian law.

The Committee is responsible for the oversight of the Corporation's accounting and financial reporting processes generally and shall develop procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

In carrying out its duties and responsibilities the Committee's policies and procedures should remain flexible so that it may be in a position to react or respond to changing circumstances or conditions. While there is no "blueprint" to be followed by the Committee in carrying out its duties and responsibilities, the following specific matters should be considered within the authority of the Committee (it being understood that the Committee may diverge from such matters as considered appropriate given the circumstances).

Selection and Evaluation of Auditor

(1) Select the firm of independent public accountants to audit the consolidated financial statements of the Corporation and its subsidiaries for each fiscal year (subject to shareholder approval);

(2) Review and approve the Corporation's independent auditor's annual engagement letter, including the proposed fees contained therein;

(3) Review the performance of the Corporation's independent auditors and replace or terminate the independent auditors when circumstances warrant; and

(4) Oversee the independence of the Corporation's independent auditors by, among other things;

   i. Requiring the independent auditors to deliver to the Committee on a periodic basis a formal written statement delineating all relationships between the independent auditors and the Corporation; and

   ii. Actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and taking appropriate action to satisfy itself of the auditors' independence.

(5) Instruct the Corporation's independent auditors that:

i. they are ultimately accountable to the Committee (as representatives of the shareholders of the Corporation);

ii. they must report directly to the Committee;

iii. the Committee is responsible for the appointment (subject to shareholder approval), compensation, retention, evaluation and oversight of the Corporation's independent auditors;

iv. they must inform the Committee, on a timely basis, of any material concerns which they may have about internal controls and the financial operations of the Corporation and any material differences of opinion between Management and the independent auditors on such subjects; and

v. they must inform the Committee of any practices or conditions affecting the Corporation that, in the opinion of the independent auditors, are not satisfactory and require rectification.

(6) Review and pre-approve all audit and permitted non-audit services or mandates to be provided by the independent auditors to the Corporation, including tax services and to determine which non-audit services the independent auditors are prohibited from providing.

Oversight of Annual Audit and Review of Interim Financial Statements

(1) Review and accept, if appropriate, the annual audit plan of the Corporation's independent auditors, including the scope of audit activities and monitor such plan's progress and results during the year;

(2) Confirm through private discussion with the Corporation's independent auditors and the Corporation's Management that no management restrictions are being placed on the scope of the independent auditors' work;

(3) Review the results of the year-end audit of the Corporation, including (as applicable):

i. The auditors' report, the consolidated financial statements, the management representation letter, memorandum prepared by the Corporation's independent auditors regarding internal controls, any other pertinent reports and Management's responses concerning such memorandum;

ii. the review of and discussions with the independent auditors as to the qualitative judgments of the independent auditors about the appropriateness, not just the acceptability of accounting principle and financial disclosure practices used or proposed to be adopted by the Corporation including any alternative treatments of financial information that have been discussed with Management, the ramification of their use and the independent auditors' preferred treatment as well as any other material communication with Management and, particularly, about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates;

iii. the selection and application of the Corporation's critical accounting policies;

iv. the methods used to account for significant unusual transactions or circumstances;

v. the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;

vi. significant recorded and unrecorded audit adjustments;

vii. any material accounting issues between Management and the independent auditors; and

viii. other matters required to be communicated to the Committee under generally accepted auditing standards, as amended, by the independent auditors.

(4) Review with Management and the Corporation's independent auditors such accounting policies (and changes therein) of the Corporation, including any financial reporting issues which could have a material impact on the Corporation's consolidated financial statements, as are deemed appropriate for review by the Committee prior to any interim or year-end filings with the OSC or other regulatory body;

(5) Review the Corporation's interim consolidated financial statements prior to the filing thereof with the OSC or other regulatory body;

(6) Review the completion of OSC's requirements with respect to CEO/CFO certification of annual and interim filing and ensure compliance with prevailing OSC requirements.

(7) Review and, if appropriate, recommend approval of the Board, of the Management's Discussion and Analysis relating to the Corporation's consolidated financial statements, the Corporation's interim consolidated financial statements and the Corporation's earnings press releases; and

(8) Review and, if appropriate, recommend approval of the Board, of the reports to security holders issued by the Corporation with respect to the Corporation's annual and quarterly financial statements, and the Annual Information Form and Proxy Circular.

Oversight of Financial Reporting Process and Internal Controls

(1) Review the adequacy and effectiveness of the Corporation's accounting and internal control policies and procedures through inquiry and discussions with the Corporation's independent auditors and Management;

(2) Review with Management the Corporation's administrative, operational and accounting internal controls, including controls and security of the computerized information systems, and evaluate whether the Corporation is operating in accordance with its prescribed policies, procedures and codes of conduct;

(3) Review with Management and the independent auditors any reportable conditions and material weaknesses affecting internal control;

(4) Receive periodic reports from the Corporation's independent auditors and Management of the Corporation to assess the impact on the Corporation of significant accounting or financial reporting developments that may have a bearing on the Corporation; and

(5) Establish and maintain free and open means of communication between and among the Board, the Committee, the Corporation's independent auditors and Management.

Other Matters

(1) Meet with outside counsel, when appropriate, to review legal and regulatory matters, including any matters that may have material impact on the Corporation's consolidated financial statements;

(2) Review the Corporation's policies relating to the avoidance of conflicts of interest and review and approve any transactions between the Corporation and members of Management as well as policies and procedures with respect to officers' expense accounts and perquisites, including the use of corporate assets. The Committee shall consider the results of any review of these policies and procedures by the Corporation's independent auditors;

(3) Conduct or authorize investigations into any matters within the Committee's scope of responsibilities including retaining outside counsel or other consultants or experts as the Committee determines necessary to carry out its duties;

(4) Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

(5) Review any significant transactions outside the Corporation's ordinary course of business and all pending litigation involving the Corporation;

(6) Review periodically with Management the Corporation's major financial risk exposure and the steps Management has taken to monitor and control such exposures;

(7) Examine the compliance of the Corporation with all applicable legislation including tax withholding and all tax laws (filing of tax returns and assessments);

(8) Review the appropriateness and adequacy of the Corporation's insurance program;

(9) Review with the Chief Financial Officer, at least annually, the quality and sufficiency of the Corporation's accounting and financial personnel and the consideration of implementation of an internal audit function;

(10) Review of communications from security regulators and the Corporation's responses;

(11) Review of any prospectus documents and material change reports;

(12) Review and reassess the adequacy of this Charter annually and report the results of the assessment to the Board;

(13) Participate in the hiring of Chief Financial Officer; and

(14) Perform such additional activities, and consider such other matters, within the scope of its responsibilities, as the Committee or the Board deems necessary or appropriate.

With respect to the duties and responsibilities listed above, the Committee should:

(1) Report regularly to the Board on its activities, as appropriate;

(2) Exercise reasonable diligence in gathering and considering all material information;

(3) Understand and weigh alternative courses of conduct that may be available;

(4) Focus on weighing the benefit versus harm to the Corporation and its shareholders when considering alternative recommendations or courses of action; and

(5) If the Committee deems it appropriate, secure independent expert advice and understand the expert's findings and the basis for such findings, including retaining independent counsel, accountants or others to assist the Committee in fulfilling its duties and responsibilities.

6) FUNDING

The Committee's effectiveness may be compromised if it is dependent on Management's discretion to compensate the independent auditors or the advisors employed by the Committee. Consequently, the Corporation shall provide for appropriate funding, as determined by the Committee, for payment of any compensation (i) to any independent auditors engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Corporation, and (ii) to any independent advisors employed by the Committee.

7) DISCLOSURE OF CHARTER

This Charter shall be disclosed in the Corporation's Annual Information Form as required by National Instrument 52-110 "*Audit Committees*".

While the Committee has the duties and responsibilities set forth in this Charter, the Committee is not responsible for planning or conducting the audit or for determining whether the Corporation's consolidated financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Similarly, it is not the responsibility of the Committee to ensure that the Corporation complies with all laws and regulations.

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