

CLARKE INC.
AUDIT COMMITTEE CHARTER

1. COMMITTEE ROLE

1.1 Overseeing Role

The committee's role is to act on behalf of the Board of Directors and oversee all material aspects of the Company's financial reporting, control, and audit functions, except those specifically related to the responsibilities of another standing committee of the Board. The audit committee shall monitor the qualitative aspect of financial reporting to shareholders and on Company processes for the management of financial risk and for compliance with significant applicable legal and regulatory requirements in respect of the financial affairs of the Company.

1.2 Coordination and Relationships

The role also includes coordination with other Board committees and the maintenance of strong, positive working relationships with management, auditors, counsel, and other committee advisers.

2. COMMITTEE MEMBERSHIP, PROCEDURES AND ORGANIZATION

2.1 Committee Members

The committee shall consist of at least three independent directors. Only independent directors shall serve on the committee except as otherwise permitted by securities law rules relating to composition of audit committees. A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company. For this purpose, a material relationship means a relationship which could, in the view of the Company's Board of Directors, reasonably interfere with the exercise of a member's independent judgment, subject to certain relationships being deemed to be material by securities law rules relating to composition of audit committees.

Every audit committee member must be financially literate except as otherwise permitted by securities law rules relating to composition of audit committees. For the purposes of this mandate, an individual is financially literate if he or she 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 Company's financial statements.

The committee shall have access to its own counsel and other advisers at the committee's sole discretion.

2.2 Annual Appointments, Chairmanship, Vacancies

Committee appointments shall be approved annually by the Board, and the Board shall designate the chairperson of the committee. The Board may at any time remove or replace any member of the committee and may fill any vacancy in the committee. Any member of the committee ceasing to be a director shall cease to be a member of the committee.

2.3 Secretary

The Secretary of the Company shall be the Secretary of the committee, unless otherwise determined by the committee.

2.4 Quorum and Method of Meeting

The quorum for meetings shall be the majority of the members of the committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.

2.5 Conduct of Meetings

Meetings of the committee shall be conducted as follows:

- the committee shall meet, on a regular basis, at such times and at such locations as the chair of the committee shall determine;
- notice of every meeting shall be given to the external auditors, who shall be entitled to attend and be heard thereat;
- the external auditors or any member of the committee may call a meeting of the committee;
- the external auditors and members of management shall, when required by the committee, attend any meeting of the committee.

3. COMMITTEE OPERATING PRINCIPLES

3.1 Overriding Principles of Operation

The committee shall fulfill its responsibilities within the context of the following overriding principles:

- (a) *Communications* - The chairperson and others on the committee shall, to the extent appropriate, have contact throughout the year with senior management, other committee chairpersons, and other key committee advisers, external auditors, internal auditors (if any), all as applicable to strengthen the committee's knowledge of current and prospective issues relevant to the committee.
- (b) *Annual Plan* - The committee shall develop an annual plan responsive to the primary committee responsibilities detailed herein. The annual plan shall be reviewed and approved by the Board.
- (c) *Meeting Agenda* - Committee meeting agendas shall be the responsibility of the committee chairperson, with input from committee members and the Chief Financial Officer. It is expected that the chairperson would also ask for management, the auditors and other key committee advisers, and perhaps others, to participate in this process.
- (d) *Committee Expectations and Information Needs* - The committee shall communicate committee expectations and the nature, timing, and extent of committee information needs to management in general, those responsible for internal audit, and external parties, including external auditors. Written materials required shall be received from management, auditors, and others at least one week in advance of meeting dates. Meeting conduct will assume Board members have reviewed written materials in sufficient depth to participate in committee/Board dialogue.

- (e) *External Resources* - The committee is authorized to access internal and external resources, as the committee requires, to carry out its responsibilities and to determine the compensation to be paid to such external resources, including independent counsel.
- (f) *Committee Meeting Attendees* - The committee shall request members of management, external auditors and legal counsel, as applicable, to participate in committee meetings, as necessary, to carry out the committee responsibilities. Periodically and at least annually, the committee shall meet in private session with only the committee members. It shall be understood that external auditors, the Chief Financial Officer, or legal counsel may, at any time, request a meeting with the audit committee or committee chairperson with or without management or any other management attendance. In any case, the committee shall meet in executive session separately with external auditors, at least annually.
- (g) *Reporting to the Board of Directors* - The committee, through the committee chairperson, shall report periodically, as deemed necessary, but at least semi-annually, to the Board. In addition, summarized minutes from committee meetings shall, in a timely manner, be available to each Board member.
- (h) *Committee Self-Assessment* - The committee shall review, discuss, and assess its own performance as well as the committee role and responsibilities and the committee's compliance with codes of conduct; and seek input from senior management, the Board, and others on the foregoing. Changes in roles and/or responsibilities, if any, shall be recommended to the Board for approval.

4. COMMITTEE'S RELATIONSHIP WITH EXTERNAL AUDITORS

4.1 External Auditors' Report to Board and Audit Committee

The external auditors, in their capacity as independent public accountants, shall be responsible to the Board and the audit committee as representatives of the shareholders.

4.2 Reporting Matters

As the external auditors review financial reports, they shall report thereon to the committee and the Board; and, in particular, shall do so on all material relevant issues of importance to the committee; and, in particular, without limitation, those issues that are reasonably considered to be of importance to the committee, based on its mandate as described herein, and those issues that may be responsive to requests of the committee. The Board or committee shall review such reports in their overseeing capacity.

4.3 Annual Review of Auditors

The committee shall annually review the performance (effectiveness, objectivity, and independence) of the external auditors. The committee shall require a formal written statement from the external auditors as to their independence. Additionally, the committee shall discuss with the external auditors relationships or services that may affect auditors' objectivity or independence. If the committee is not satisfied with the auditors' assurances of independence, it shall take or recommend to the full Board appropriate action in connection therewith.

4.4 Significant Issues

If the external auditors identify significant issues relative to the overall Board responsibility that have been communicated to management but, in their judgment, have not been adequately addressed, they should communicate these issues to the committee chairperson.

4.5 Annual Review

The committee shall annually review financial management with the auditors, and shall review with the auditors and management, together and separately, any new appointment of a Chief Financial Officer or any key financial executives.

4.6 Internal Controls over Financial Reporting ("ICFR")

THE committee shall require that management, through the officer or manager responsible for ICFR, annually review with the committee the performance and effectiveness of the ICFR framework and certification process.

4.7 Duties of Committee Relating to External Auditors

The duties of the committee, as they relate to the external auditors, shall include:

- (a) the review of management's recommendations for the appointment of the external auditors and to recommend to the Board a firm of external auditors to be engaged;
- (b) if there is a proposed change of external auditors, the review of all issues related to such proposed change, including the information to be included in the notice of change of auditors called for in continuous disclosure rules under applicable securities laws, including National Instrument 51-102 of the Canadian Securities Administrators, and the planned steps for an orderly transition;
- (c) the review of all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102 of the Canadian Securities Administrators, on a routine basis, whether or not there is to be a change of external auditors;
- (d) the review of the engagement letter of the external auditors;
- (e) the review of the performance, including the fee, scope and timing of the audit and other related services, of the external auditors and the recommendation to the Board the compensation of the external auditor;
- (f) the review of the audit plans of the external auditors, as well as inquiry into the extent to which the planned audit scope can be relied upon to detect weaknesses in internal control or fraud or other illegal acts;
- (g) the review and pre-approval of the nature of and fees for any non-audit services performed for the Company by the external auditors and considering whether the nature and extent of such services could detract from the auditors' independence in carrying out the audit function;

- (h) the oversight and review, separately with the auditors and with management, upon the completion of the audit, or prior thereto where appropriate, of:
 - (i) the contents of the auditors' report;
 - (ii) the scope and quality of the audit work performed;
 - (iii) the adequacy of the Company's financial and auditing personnel;
 - (iv) the co-operation received from the Company's personnel during the audit and any problems encountered by the external auditors and any restrictions on the auditors' work;
 - (v) the internal resources used;
 - (vi) the evaluation of internal controls with the external auditors, together with management's response to recommendations of the external auditors, including in respect of subsequent follow-ups or any identified weaknesses in the Company's system of internal control for detecting accounting and reporting financial errors, fraud and defalcations, unethical acts or omissions, legal violations, and non-compliance with the Company's code of conduct;
 - (vii) the terms of reference of the internal auditor (if any);
 - (viii) any proposed changes in accounting policies, any presentation of the impact of significant risks and uncertainties, and any estimates, accruals, provisions and judgments of management that may in such cases be material to financial reporting; as well as other sensitive matters such as measurement and disclosure of related party transactions;
 - (ix) the appropriateness of management's annual and quarterly discussion and analysis of operations for the annual and quarterly report and its consistency with financial statements;
 - (x) any report or opinion proposed to be rendered in connection with the year-end consolidated financial statements;
 - (xi) any significant transactions which were not a normal part of the Company's business;
 - (xii) the nature and substance of material accruals, reserves and other estimates; and
 - (xiii) the financial statements included in the annual report with management and external auditors to determine that the external auditors are satisfied with the disclosure and content of the financial statements to be presented to shareholders.
- (i) the provision to the external auditors of quarterly financials and releases and management's discussion and analysis, for its records,
- (j) the monitoring of financial statement issues and risks, their impact or potential effect on reported financial information, the processes used by management to address such

matters, related views of the external auditors thereon, and the basis for audit conclusions and important conclusions on interim and/or year-end audit work, all in advance of the public release of financial information,

- (k) the approval of the Company's annual audited financial statements, in conjunction with the report of the external auditors thereon and those of its subsidiaries, and
- (l) the oversight and providing of assistance in resolving disagreements between management and the external auditors regarding financial reporting.

5. SPECIFIC DUTIES OF THE AUDIT COMMITTEE

5.1 Accounting, Disclosure, Practices and Governance

The duties of the committee as they relate to overseeing accounting and disclosure policies and practices and other significant and related corporate governance matters are as follows:

- (a) the review of changes to accounting principles of the Canadian Institute of Chartered Accountants which would have a material impact on the Company's financial reporting as reported to the audit committee by management or external auditors;
- (b) the review of the appropriateness of the accounting policies used in the preparation of the Company's financial statements and consideration of recommendations for any material changes to such policies;
- (c) the review of the status of material contingent liabilities as reported to the committee by management;
- (d) the review of the status of income tax returns and potentially material tax matters as reported to the committee by management;
- (e) the review of any material errors or omissions in the current or prior year's financial statements;
- (f) the review of policies and practices of officers' expenses and benefits, including the use of Company assets and of inquiries on results of examinations done through internal control or the external auditors;
- (g) overseeing the establishment of adequate procedures for the review of public disclosure that includes financial information extracted from the Company's financial statements, and the periodic assessment of the adequacy of such procedures;
- (h) the review with the Board, before their release to the public, of all public disclosure documents containing audited or unaudited financial information, including any prospectus, the annual report to shareholders, annual and quarterly financial statements and, management's discussion & analysis, press releases, and such other items that require the approval of the Board; and
- (i) the review of any other disclosure required in respect of the audit committee and its activities, including any disclosure required in the Company's annual information form and management information circular.

5.2 Other Specific Duties

Other specific duties of the committee shall be:

- (a) the production of a calendar of activities to be undertaken by the committee for each year and submitting of the calendar in an appropriate format to the Board within a reasonable period of time following each annual meeting of shareholders;
- (b) the review of and report to the Board on any difficulties and problems that may arise with regulatory agencies which are likely to have a material financial impact;
- (c) the establishment of 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 of the Company of concerns regarding questionable accounting or auditing matters; and
- (d) the review and approval of the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

6. MATTERS THAT ARE NOT THE RESPONSIBILITY OF THE AUDIT COMMITTEE

The following matters are, among others, matters which are not the responsibility of the committee:

- (a) conducting audits or determining that financial statements are complete and accurate and are in accordance with generally accepted accounting principles;
- (b) being responsible for overseeing compliance by others under codes of conduct of the Company; and
- (c) being responsible for overseeing risk management other than financial risk management.