

Automodular Corporation Charter of the Audit Committee

Authority

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) is established pursuant to By-law 10, Article 4 and the Ontario Business Corporation Act, sec. 157 (the “Act”). The Committee shall be comprised of three (3) or more directors as determined from time to time by resolution of the Board. Every member must be independent and financially literate¹. Members of the Committee shall be elected by the Board at the annual meeting of the Board or at such other time as may be determined by the Board.

The Chairman of the Committee (the “Chairman”) 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 or other similar means 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.

The following sets out its mandate and responsibilities:

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.

Audit Committee Responsibilities

- 1) The audit committee is responsible for having a written charter setting out its mandate and responsibilities.
- 2) The audit committee is responsible for recommending to the board of directors;
 - a. the external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the corporation; and
 - b. for the compensation of the external auditors.
- 3) The audit committee is directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between management and the external auditors regarding financial reporting.
- 4) The audit committee must pre-approve all non-audit services to be provided to the corporation or its subsidiaries by its external auditors or the external auditors of its subsidiaries.

¹ Ontario Securities Commission Multilateral Instrument 52-110; Audit Committees

- 5) The audit committee must review the financial statements, MD&A and earnings press releases of the corporation and its subsidiaries before they are publicly released.
- 6) The audit committee must be satisfied that adequate procedures are in place for the review of any disclosure of financial information extracted or derived from these financial statements and must periodically assess the adequacy of those procedures.
- 7) The audit committee is responsible for establishing procedures for:
 - a. the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and
 - b. the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.
- 8) The audit committee is responsible for reviewing and approving the corporation's hiring policies regarding employees and former employees of the present and former external auditors.

The Committee shall take such action, as it may deem necessary to satisfy it that the Corporation's auditors are independent of management. It is the objective of the Committee to maintain free and open means of communications among the Board, the committees of the Board, the independent accountants and the financial management of the Corporation.

Composition of the Committee

Each member of the Committee shall be an independent director. All members of the Committee shall be financially literate². The audit committee may invite such other persons, e.g. CEO, CFO to its meetings, as it deems necessary. The Chairman of the Audit Committee should be involved in the selection process of potential candidates for membership on the Committee and no candidate should accept appointment without first meeting with the Chairman to discuss expectations of Committee members.

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. The proceedings of all meetings will be minuted.

Roles and Responsibilities

1. Financial Reporting

- (i) Gain an understanding of the current areas of greatest financial risk and how management is managing these effectively;
- (ii) Consider with the external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues;

² Ontario Securities Commission Multilateral Instrument 52-110; Audit Committees

² "Financially literate" means 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 issuer's financial statements;

- (iii) Review significant accounting and reporting issues, including recent professional and regulatory pronouncements and understand their impact on the financial statements;
- (iv) Ask management and the external auditors about significant risks and exposures and the plans to minimize such risks;
- (v) Review any legal matters, which could significantly impact the financial statements.
- (vi) Review and recommend approval to the Board of:
 - Prospectus type documents
 - Related news releases
 - Information and earnings guidance provided to analysts and rating agencies.

2. Annual Financial Statements

- (i) Meet with management and the external auditors to review the financial statements and the results of the audit;
- (ii) Review the annual audited financial statements prior to presentation to the Board and distribution to shareholders and determine whether they are complete and consistent with the information known to committee members; assess whether the financial statements reflect appropriate accounting principles;
- (iii) Review the financial reports and statements of the Corporation that require the approval of the Board prior to being submitted to a regulatory body;
- (iv) Review complex and/or unusual transactions and judgmental areas such as significant claims and contingencies that could materially impact the Corporation's financial position;
- (v) Review Management's Discussion and Analysis of financial information in the annual report and the Annual Information Circular.
- (vi) Recommend that the annual financial statements and all related documents be received and approved by the Board of Directors.
- (vii) Review all Related Party Transactions.

3. Interim Financial Statements

Assess the fairness of the preliminary and interim statements and disclosures and obtain explanations from management and internal and external auditors on whether:

- Actual financial results for the interim period varied significantly from budgeted or forecasted results;
- Changes in financial ratios and the relationships in the interim financial statements are consistent with changes in the company's operations and financing practices;
- Generally accepted accounting principles have been consistently applied;
- There are any actual or proposed changes in accounting or financial reporting practices;
- There are any significant or unusual events or transactions;
- The preliminary announcements and interim financial statements contain adequate and appropriate disclosures.

4. Risk and Uncertainty

The Board of Directors, in consultation with management, identifies the principal business risks, decides on an acceptable level, approves related risk management policies and assigns oversight responsibilities to Board committees and the Board as a whole.

The Audit Committee requests the external auditor's opinion of management's assessment of significant financial risks facing the company and how effectively they are being managed or controlled.

5. Internal Control

The Audit Committee reviews the plans of the internal and external auditors to ensure the combined evaluation and testing of control is comprehensive, well coordinated, cost effective and appropriate to risks, business activities, changing circumstances etc.

- Reviews appointments of key people involved in financial reporting
- Reviews fraud prevention programs and monitors their implementation.
- Reviews annual budget and management control procedures
- Evaluates whether management is settling the appropriate "control culture" by communicating the importance of internal control and the management of risk and ensuring that all employees have an understanding of their roles and responsibilities
- Considers how management is held to account for the security of computer systems and applications and the contingency plans for processing financial information in the event of a systems breakdown
- Gains an understanding of whether internal control recommendations made by the external auditors have been implemented by management.
- The process and procedures for Officer certification of financial information.

6. External Audit

- (i) Review the external auditor's proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope;
- (ii) Review the performance of the external auditors;
- (iii) Consider the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services bought by the company;
- (iv) Review the annual audit plan and fees proposed by the external auditors;
- (v) Review the nature and extent of the liaison between the Corporation's staff and the external auditors;
- (vi) Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis;
- (vii) Report to the Board any conflict between the external auditors and management that the Committee has been unable to resolve within a reasonable period of time;
- (viii) Review the draft audit opinion on annual financial statements
- (ix) Review the management representation letter provided to the external auditors
- (x) Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately;
- (xi) Make recommendations to the Board regarding the reappointment of the external auditors and the payment of there fees.

The Audit Committee expects that, in discharging their responsibilities to the shareholders, the external auditors shall be accountable to the Board through the Audit Committee. The external auditors shall report all material issues or potentially material issues to the Committee. The Audit Committee has the sole authority to recommend the hiring and firing of the external auditors and to approve non-audit engagements.

7. Compliance with Laws and Regulations

- (i) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any fraudulent acts or non-compliance;
- (ii) Obtain regular updates from management and others (e.g. internal and external auditors, legal counsel) concerning the company's compliance with financial related laws and regulations such as:
 - a. Tax and financial reporting laws and regulations
 - b. Legal withholding requirements
 - c. Environmental protection laws
 - d. Occupational health and safety laws
 - e. Review insider stock trades for compliance with Automodular Corporate Governance Policies.
 - f. Personal Information and Protection of Privacy Laws;
- (iii) Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements;
- (iv) Review the findings of any examination by regulatory agencies.

8. Other Matters

a. Conflicts of Interest

- (i) Review the Corporation's policies relating to the avoidance of conflicts of interest between the Corporation and members of management as well as procedures with respect to officers' expense accounts and perquisites, including the use of corporate assets;
- (ii) Annually, review and approve the CEO's expense accounts for the year then ended.

b. Committee's Right to Seek Independent Advice

If the Committee deems it appropriate, it has the authority to seek independent expert advice, including the retaining of independent counsel, accountants or others, to assist the Committee in fulfilling its duties and responsibilities and has the authority to set and pay the compensation for any advisors employed.

c. Committee's Caveat

While the Committee has the duties and responsibilities as set out in the Charter, the Committee is not responsible for planning or conducting the audit or for determining whether the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles.