



**TERRAVEST GROUP
AUDIT COMMITTEE CHARTER**

Mandate of the Committee

The mandate of the Audit Committee (the "**Committee**") of the TerraVest Group is to oversee and ensure that management has applied due diligence in creating and maintaining an effective financial and risk management and control framework.

Within the TerraVest Group's overall governance structure, the Committee is formally structured as a committee of the Board (the "**Board**") of Directors (the "**Directors**") of TerraVest Industries Inc. (the "**Corporation**"), which manages the portfolio companies (i.e. the corporations and limited partnerships) in which the Corporation holds business investments (e.g. RJV and Diamond) and as such has overall responsibility for the business and operations of the TerraVest Group as a whole. Accordingly, to the extent required, the Committee's mandate extends to oversight of the Corporation and all of the portfolio companies of the Corporation from time to time and references in this Charter to the "**TerraVest Group**" are intended to include all such entities. This framework is intended to provide reasonable assurance that the financial, operational and regulatory objectives of the TerraVest Group are achieved and that the legal responsibilities of the Corporation and the Board are appropriately discharged. The role of the Committee is primarily one of review, monitoring and recommendation to the Board.

The Committee fulfils its role on behalf of the Board by overseeing:

1. the integrity of the TerraVest Group's financial statements, financial information and accounting, financial reporting (including MD&A, as hereinafter defined) and auditing processes;
2. the external auditor's qualifications, independence and performance and recommending to the Board of Directors the external auditor to be nominated and the compensation of such external auditor;
3. the TerraVest Group's compliance with legal and regulatory requirements; and
4. risk management, management information systems, governmental legislation and external business of the TerraVest Group.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits, to determine that the TerraVest Group's financial statements are complete, accurate and in accordance with generally accepted accounting principles applicable to publicly accountable enterprises or to certify the TerraVest Group's financial statements. Management is responsible for preparing the TerraVest Group's financial statements and the external auditor is responsible for auditing the annual financial statements. It is not the duty of the Committee to act as an internal auditor or to conduct investigations to assure the TerraVest Group's compliance with laws, regulations or TerraVest Group policies. The Committee shall however, assist the Board in overseeing that management and the external auditor fulfill their responsibilities in the TerraVest Group's financial reporting process.

The Committee has the authority to obtain independent legal counsel and outside accounting and other advisors as deemed appropriate to perform its duties and responsibilities. The Corporation shall provide appropriate funding to compensate the external auditor and any advisors that the Committee chooses to engage. The Committee is authorized to communicate directly with the external auditor to discuss and review specific issues as necessary.

Responsibilities

The Committee will primarily fulfil its responsibilities by carrying out the activities enumerated in the following sections of this Charter. The Committee will report regularly to the Board as required, regarding the execution of its duties and responsibilities.

In fulfilling its mandate, the Committee shall:

A. *Internal and Disclosure Controls*

1. Review with the external auditor and management the effectiveness and integrity of the TerraVest Group's system of disclosure controls and system of internal controls regarding finance, accounting, compliance and ethics, that management, in consultation with the Board, has established.
2. Where the Committee considers it necessary and appropriate, set up and review an internal audit process and review any appointment or dismissal of senior internal audit personnel appointed in connection therewith.
3. Review the evaluation of internal controls by the external auditor with management and the subsequent follow-up to any identified weaknesses.
4. Review the appointment of the Chief Financial Officer and any other key financial executives who are involved in the financial reporting process or the entering into of any management contract or other arrangement pursuant to which the duties typically associated with such positions will be fulfilled.
5. Determine the appropriate resolution of conflicts of interest in respect of audit, finance and risk matters, properly directed to the Committee.
6. Review with management and the external auditor:
 - (a) in conjunction with the report of the external auditor, the TerraVest Group's audited annual financial statements, including related footnotes and management's discussion and analysis of financial conditions and results of operations ("MD&A"),
 - (b) the significant accounting judgments and reporting principles, practices and procedures applied by the TerraVest Group in preparing its financial statements including any newly adopted accounting policies,
 - (c) significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit,
 - (d) the co-operation received by the external auditor during the audit, including access to all requested records, data and information,
 - (e) any correspondence with regulatory or governmental authorities which raises material issues regarding the TerraVest Group's financial statements or accounting policies, and
 - (f) any other matters not described above that are required to be communicated by the external auditors to the Committee pursuant to applicable law and regulation.
7. Review with management, including any comments from the external auditors, the TerraVest Group's quarterly financial statements and related MD&A.
8. Obtain an explanation from management of all significant variances between comparative reporting periods. The Committee shall review all financial statements, both annual and interim, prior to their presentation to the Board for approval.

9. Review and recommend for approval by the Board all documents to be publicly disclosed, prior to their release, which contain audited or unaudited financial information. Such documents include any prospectuses, interim unaudited financial statements, year-end audited financial statements, the annual report, the annual proxy circular, the annual information form, all news releases and disclosures made under MD&A.
10. Review with management the procedures that exist for the review of financial information extracted or derived from financial statements which is publicly disclosed by the TerraVest Group other than in the documents listed in section 9 above and periodically, at least annually, assess the adequacy of those procedures, as required by National Instrument 52-110 – Audit Committees ("**NI 52-110**"), section 2.3.
11. Review with management and the external auditor all off-balance sheet financing mechanisms being used by the TerraVest Group, their risks and the clear disclosure of those risks and all other material financial risks to the TerraVest Group's business.
12. Discuss with the TerraVest Group's legal counsel, at least annually, legal and regulatory matters that may have a material impact on the financial statements.
13. Review with the Chief Financial Officer and the Chief Executive Officer (or their management equivalents) their respective disclosures made to the Committee during the certification process as required by National Instrument 52-109, including:
 - (a) any significant deficiencies or material weaknesses in the design or operation of internal controls,
 - (b) any fraud involving management or other employees who have a significant role in the TerraVest Group's internal controls,
 - (c) any other obligations arising from certification, and
 - (d) any significant changes in the internal controls.
14. Review with management and the external auditor the TerraVest Group's Code of Business Conduct and Ethics, and report to the Board and Governance and Nominating Committee, as appropriate, in respect thereof.
15. Establish and maintain procedures for:
 - (a) the receipt, retention and treatment of complaints received by the TerraVest Group regarding the TerraVest Group's accounting, internal accounting controls or auditing matters, and
 - (b) the confidential and anonymous submission by TerraVest Group employees of concerns regarding questionable accounting or auditing matters, and review all matters relating thereto.
16. Review with management the details of all transactions between the TerraVest Group and parties related to the TerraVest Group.

B. Oversight of the External Auditor

1. Recommend to the Board and to the shareholders the nomination of the external auditor for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the TerraVest Group.
2. Review the qualifications and independence of the external auditor during the year.
3. Maintain a clear understanding with the external auditor that it is to have an open and transparent relationship with the Committee and that it is to report directly to the Committee.
4. Provide a scheduled opportunity to meet with the external auditor for full, frank and timely discussions of all material issues, without management present.
5. Discuss with the external auditor the scope and timing of the audit work with particular reference to high risk areas or areas of concern to the Board.

6. Inquire as to whether the audit partner receives compensation based on the audit partner procuring engagements to provide services other than audit, review or attestation services to the TerraVest Group.
7. Review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102 on a routine basis, whether or not there is to be a change of external auditor.
8. Review all issues and documentation related to a change of external auditor, including information to be included in the Change of Auditor Notice and documentation called for under National Instrument 51-102 and the planned steps for an orderly transition period.
9. Appropriately supervise and evaluate the performance of the external auditor and lead audit partner, and report conclusions to the Board.
10. Review and approve the TerraVest Group's hiring policies regarding partners, employees, former partners and former employees of the current and previous external auditors of the TerraVest Group.
11. Oversee the rotation of audit partners as required by applicable regulation and, in order to ensure continuing auditor independence, consider annually whether it is appropriate to adopt a policy of rotating the TerraVest Group's external auditing firm on a regular basis.
12. Pre-approve the nature of, and fees for, all audit, review, attestation and non-audit services provided by the external auditor, prior to engagement, subject to the de minimis exemption contained in section 2.4 of NI 52-110 and disclose such pre-approvals in accordance with applicable securities law.
13. Consider the effect of significant non-audit engagements on the independence of the external auditor.
14. Provide to the external auditor any information and explanations, and access to records, documents, books, accounts and vouchers of the TerraVest Group and any related entities that are, in the opinion of the external auditor, necessary to make the examinations and reports required under legislation or regulation.

C. *Oversight of Financial Reporting and Accounting Policies*

1. Review with management and the external auditor significant financial reporting issues arising during the fiscal period and the methods of resolution.
2. Prior to the issuance of the external auditor's report on the TerraVest Group's financial statements, discuss the following with the external auditor:
 - (a) all critical accounting policies and practices applied in the financial statements,
 - (b) all alternative accounting and disclosure treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternate treatments and disclosures, and the treatment preferred by the external auditor, and
 - (c) other material written communications between the external auditor and management, such as the post audit or management letter and schedule of unadjusted differences.
3. Inquire of the external auditor as to the quality of the TerraVest Group's accounting estimates, discussing significant judgments made in connection with the preparation of the financial statements.
4. Review with management any proposed changes in major accounting policies, the impact and clear disclosure of significant risks and uncertainties and key estimates and judgments of management that may be material to financial reporting.
5. Prepare such reports and letters or other disclosure documents as are required to be prepared by the Committee under applicable securities legislation.
6. Review any notice received by the Committee with respect to an error or misstatement of which a Director or officer becomes aware.

D. Additional Duties and Responsibilities

1. Review risk assessment and risk management policies including the TerraVest Group's major financial and accounting risk exposures, the steps management has undertaken to control them, and the clear disclosure of such material risks as part of the TerraVest Group's continuous disclosure requirements.
2. Review the amount and terms of any insurance to be obtained or maintained by the TerraVest Group, including insurance with respect to potential liabilities incurred by the Directors or officers in the discharge of their duties and responsibilities.
3. Review any significant transaction outside the TerraVest Group's ordinary course of business.
4. Review all pending litigation involving the TerraVest Group on at least a quarterly basis.

E. General

1. The Committee shall review and assess annually the adequacy of this Charter and recommend any proposed changes to the Governance and Nominating Committee for approval.
2. The Committee shall undertake reviews of the performance of the Committee and the Chair of the Committee on a basis consistent with the evaluation process established by the Governance and Nominating Committee.
3. To fulfil its responsibilities and duties the Committee may:
 - (a) inspect any and all of the books, records and financial affairs of the TerraVest Group, its subsidiaries and affiliates; and
 - (b) meet with any executive or employee of the TerraVest Group with or without management to review such accounts, records and other matters as any member of the Committee considers necessary and appropriate.
4. The Committee shall receive reports as required from the Governance and Nominating Committee and discuss with them issues of relevance to the Committee.
5. The Committee shall review when deemed necessary by the Committee any of the financial affairs of the TerraVest Group, its subsidiaries or affiliates and make recommendations to the Board, to the external auditor, or to management, as appropriate.
6. The Committee shall report regularly to the Board through the Chair of the Committee or through such other person appointed by the Committee the conclusions reached and issues considered by the Committee.
7. The Committee shall perform any other activities consistent with this Charter as the Committee deems necessary or appropriate in order to carry out its mandate.

Composition of the Committee

1. The Committee shall be comprised of at least three Directors.
2. Each member of the Committee shall be "independent", "outside" and "unrelated" (collectively, "independent"), as affirmatively determined by the Board, which, for the purposes of this Charter shall mean:
 - (a) a Director who is independent of management and is free from any interest in any business or other relationship which could, or could reasonably be perceived to materially interfere with the Director's ability to act with a view to the best interests of the TerraVest Group, other than interests and relationships arising from shareholdings;

- (b) a Director who has no direct or indirect material relationship with the TerraVest Group (a material relationship is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a Director's independent judgment), including any relationship explicitly considered to be material under NI 52-110 and any other applicable Canadian law or regulation;
 - (c) other than as a member of the Committee, the Board, any other committee of the Board or the board of a portfolio company, a Director who does not and has not accepted any consulting, advisory or compensatory fee from the TerraVest Group; and
 - (d) a Director who is not an "affiliated person" of the TerraVest Group or any subsidiary thereof within the meaning of applicable Canadian law and regulation.
3. The Directors shall appoint the members of the Committee at the first meeting of the Directors following each annual meeting ("**Annual Meeting**") of the shareholders of the Corporation.
 4. The Directors shall appoint one member of the Committee to be the Chair of the Committee.
 5. A Director appointed by the Directors to the Committee shall be a member of the Committee until the next Annual Meeting or until his or her earlier resignation or removal by the Directors. A member shall cease to be a member of the Committee upon ceasing to be a Director of the Corporation.
 6. The Directors may remove or replace any member of the Committee at any time.
 7. The Corporate Secretary of the Corporation or, in the alternative, one of the members chosen by the Committee shall be the Secretary of the Committee.
 8. Members of the Committee may not serve on the audit committee of more than two additional public companies without the prior approval of the Directors.
 - (a) Each member of the Committee shall be financially literate. 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 TerraVest Group's financial statements.
 - (b) A Committee member who is not financially literate may be appointed to the Committee provided that the member becomes financially literate within a reasonable period of time following his or her appointment.

Meetings of the Committee

1. The Committee shall convene at such times and places designated by the Chair of the Committee, at least on a quarterly basis, and whenever a meeting is requested by the Directors, a member of the Committee, the external auditor, or a senior officer of the TerraVest Group. The Committee shall meet in separate sessions with management and the external auditor at each regularly scheduled meeting.
2. Notice of each meeting of the Committee shall be given to each member and to the external auditor, who shall be entitled to attend each meeting of the Committee.
3. Notice of a meeting of the Committee shall:
 - (a) be in writing (which may be communicated by electronic facsimile or other communication facilities);
 - (b) state the nature of the business to be transacted at the meeting in reasonable detail;
 - (c) to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and
 - (d) be given at least 24 hours preceding the time stipulated for the meeting.

4. A quorum for the transaction of business at a meeting of the Committee shall consist of a majority of the members of the Committee.
5. A member of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at that meeting.
6. In the absence of the Chair of the Committee, the members of the Committee shall choose one of the members present to be Chair of the meeting and the members shall choose one of the persons present to be the Secretary of the meeting.
7. Management of the TerraVest Group may attend meetings of the Committee as deemed appropriate by the Committee, and shall attend meetings of the Committee when requested to do so by the Committee.
8. Minutes shall be kept of all meetings of the Committee and shall be signed by the Chair and Secretary of the meeting. The minutes shall be maintained with the TerraVest Group's records, shall include copies of all resolutions passed at each meeting, and shall be available for review by members of the Committee, the Directors, management and the external auditor.