

## MANDATE OF THE AUDIT COMMITTEE

DATAWIND INC.

(THE “COMPANY”)

## CHARTER OF THE AUDIT COMMITTEE

OF THE BOARD OF DIRECTORS

(THE “CHARTER”)

(APPROVED BY THE BOARD OF DIRECTORS ON ●, 2014)

### Purpose

The Audit Committee (the “**Audit Committee**” or the “Committee”) is a committee of the board of directors (the “**Board of Directors**” or the “**Board**”) of the Company. Its primary function is to assist the Board in fulfilling its oversight responsibilities by evaluating and making recommendations to the Board as appropriate with respect to:

- financial reporting;
- the external auditors, including performance, qualifications, independence, and their audit of the Company’s financial statements;
- the performance of the Company’s internal audit function;
- internal controls and disclosure controls;
- financial risk management;
- the Company’s Code of Business Conduct and Ethics (the “**Code**”); and
- related party transactions.

The Audit Committee will also have authority to review and, in its discretion, approve certain matters, in accordance with and within the limitations prescribed by this Charter.

The Audit Committee’s primary function is to assist the Board of Directors in fulfilling its responsibilities. It is, however, the Company’s management which is responsible for preparing the Company’s financial statements and it is the Company’s external auditors who are responsible for auditing those financial statements.

### Composition and Member Qualification

The Committee shall, subject to applicable exemption available under National Instrument 52-110 – *Audit Committees* (“NI 52-110”), be comprised of at least three directors, each of whom shall be an independent director of the Company (as defined below). Pursuant to NI 52-110 (as implemented by the Canadian Securities Administrators and as amended from time to time), a director is considered to be “independent” if he or she has no direct or indirect “material relationship” with the Company which is a relationship that could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a director’s independent judgment. Notwithstanding the foregoing, a director shall be

considered to have a “material relationship” with the Company if he or she falls in one of the categories listed in Schedule A attached hereto.

Subject to an applicable exemption available under NI 52-110, all members of the Audit Committee must, to the satisfaction of the Board of Directors, be “financially literate” within the meaning of NI 52-110. NI 52-110 provides that a director will be considered “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.

Each member will have, to the satisfaction of the Board, sufficient skills and/or experience as are relevant and will be of contribution to the carrying out of the mandate of the Committee.

### **Appointment and Term of Office**

Each member of the Committee and the Chair of the Committee shall be appointed from and by the Board of Directors, on the recommendation of the Corporate Governance and Nominating Committee, at the time of each annual meeting of the shareholders of the Company, and shall hold office until the next annual meeting.

Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee upon ceasing to be a director.

The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all their powers so long as a quorum remains in office.

### **Meetings**

The Committee is to meet at least four times annually (and more frequently if circumstances require). The Audit Committee is to meet prior to filing the quarterly financial statements in order to review and discuss the unaudited financial results for the preceding quarter and the related management’s discussion and analysis (“MD&A”) and is to meet prior to filing the annual audited financial statements and MD&A in order to review and discuss the audited financial results for the year and related MD&A.

The Audit Committee will meet periodically with management, the internal auditor and the external auditors in separate sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately. The Audit Committee shall meet with the external auditors and internal auditors each in a separate session at each regularly scheduled meeting of the Committee at which such auditors are present.

A quorum for the transaction of business at any meeting of the Committee is the presence in person or via tele-conference or video-conference of a simple majority of the total number of members of the Committee. If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, the quorum for the adjourned meeting will consist of the members then present.

Meetings of the Committee shall be held from time to time and at such place as the Committee or the Chair of the Committee may determine, within or outside Canada, upon not less than 48 hours’ prior notice to each of the members.

Meetings of the Committee may be held without 48 hours' prior notice if all of the members entitled to vote at such meeting who do not attend, waive notice of the meeting and, for the purpose of such meeting, the presence of a member at such meeting shall constitute waiver on his or her part. Any member of the Committee or the Chairman of the Board shall be entitled to request that the Chair of the Committee call a meeting. A notice of a meeting of the Committee may be given verbally, in writing or by telephone, fax or other means of communication, and need not specify the purpose of the meeting. Members of the Committee may attend meetings of the Committee by tele-conference or video-conference.

The Committee shall keep minutes of its meetings which shall be submitted to the Board of Directors. The Committee may, from time to time, appoint any person who need not be a member, to act as secretary at any meeting.

All decisions of the Committee will require the vote of a majority of its members present at a meeting at which a quorum is present. Actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose. Such instruments in writing may be signed in counterparts each of which shall be deemed to be an original and all originals together shall be deemed to be one and the same instrument.

The Committee shall meet in camera, without management, at each meeting of the Committee, and otherwise as considered appropriate by the members of the Committee. Any member of the Committee may move the Committee in camera at any time during the course of a meeting, and a record of any decisions made in camera shall be maintained by the Chair of the Committee.

### **Duties and Responsibilities**

To fulfill its duties and responsibilities, the Audit Committee shall evaluate and make recommendations to the Board, or approve, as appropriate, with respect to the following matters:

#### **1.1 General Responsibilities**

- (a) Create and maintain a Committee plan for the year.
- (b) Review and assess this Charter at least annually, prepare revisions to its provisions as conditions dictate, and refer its assessment and any proposed revisions to the Corporate Governance and Nominating Committee or the Board.
- (c) Report and make recommendations periodically to the Board on the matters covered by this Charter.
- (d) Perform any other activities consistent with this Charter, the Company's Articles and By-Laws and governing law, as the Audit Committee or the Board of Directors deems necessary or appropriate.

#### **1.2 Financial Reporting**

- (a) Recommend to the Board for approval:
  - (i) the Company's quarterly and annual financial statements and related MD&A;

- (ii) all other financial statements that require approval by the Board, including financial statements for use in prospectuses or other offering or public disclosure documents and financial statements required by regulatory authorities; and
  - (iii) financial information for use in press releases, including annual and interim profit or loss press releases, prior to their publication and/or filing with any governmental body and/or release.
- (b) Overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- (c) Before the release of financial statements and related disclosures to the public, obtain confirmation from the CEO and CFO as to the matters addressed in the certifications required by the securities regulatory authorities.

Review any litigation, claim or other contingency that could have a material effect on the financial statements.

(e) Review the external auditors' judgments about the quality and appropriateness, not just the acceptability, of

the Company's accounting principles and financial disclosure practices, as applied in its financial reporting.

(f) Review the status of significant accounting estimates and judgments and special issues (e.g., major transactions, changes in the selection or application of accounting policies, off-balance sheet items, effect of regulatory and financial initiatives).

(g) Review and approve, if appropriate, major changes to the Company's accounting principles and practices as

suggested by management with the concurrence of the external auditors.

### 1.3 External Auditor

(a) Recommend to the Board of Directors: (i) the selection of the external auditors, considering independence

and effectiveness; and (ii) the fees and other compensation to be paid to the external auditors.

(b) Require, in accordance with applicable law, that the external auditors report directly to the Audit Committee.

(c) Pre-approve all audit and non-audit services to be provided to the Company or its subsidiaries by the external

auditors in a manner consistent with NI 52-110.

(d) Oversee the work and review the performance of the external auditors and approve any proposed discharge of

the external auditors when circumstances warrant.

(e) Monitor the relationship between management and the external auditors, including reviewing any management letters or other reports of the external auditors.

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(f) Discuss with the external auditor any (i) difference of opinion with management on material auditing or

accounting issues, and (ii) any audit problems or difficulties experienced by the external audit in performing

the audit. Where there are significant unsettled issues, the Audit Committee is to assist in arriving at an agreed course of action for the resolution of such matters.

(g) Periodically consult with the external auditors without management present about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the completeness and accuracy of the Company's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed

illegal or otherwise improper.

(h) Review and discuss, on an annual basis, with the external auditors all significant relationships they have with

the Company to determine their independence.

(i) Review and approve the Company's hiring policies regarding partners, employees and former partners and

employees of the Company's external auditors.

(j) Consider any matter required to be communicated to the Audit Committee by the external auditors under

applicable generally accepted auditing standards, applicable law and listing standards, including the auditor's

report to the Audit Committee (and management's response thereto).

#### 1.4 Monitoring Financial Matters, Internal Controls, Management Systems and Disclosure Controls

(a) Oversee management's review of the adequacy of the Company's accounting and financial reporting

systems, including with respect to the integrity and quality of the Company's financial statements and other

financial information.

(b) Oversee management's review of the adequacy of the Company's internal controls and management systems

to safeguard assets from loss and unauthorized use and to verify the accuracy of the financial records.

(c) In consultation with the Corporate Governance and Nominating Committee, oversee management's disclosure controls and procedures regarding the Company's financial information to confirm that the Company's financial information that is required to be disclosed under applicable law or stock exchange rules is disclosed.

(d) Review any special audit steps adopted in light of material control deficiencies.

#### 1.5 Risk Management

(a) Review management's assessment and management of financial risk, including insurance coverage, and

obtain the external auditors' opinion of management's assessment of significant financial risks facing the Company and how effectively such risks are being managed or controlled.

#### 1.6 Code of Business Conduct and Ethics

(a) Recommend to the Board any significant changes to the Code , monitor compliance with the Code and ensure

that management has established a system to enforce the Code. Review appropriateness of actions taken to

ensure compliance with the Code and review the results of confirmations and violations thereof.

(b) Oversee procedures in the Code for (i) the receipt, retention and treatment of complaints received by the

Company regarding accounting, internal controls or auditing matters, and (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

(c) Approve any waiver from compliance with the Code for directors and executive officers, promptly report any

such waiver to the Board, and ensure appropriate disclosure of any such waiver.

Each of which shall be conducted with the Corporate Governance and Nominating Committee.

#### 1.7 Related Party Transactions

(a) Review and pre-approve all proposed related party transactions and situations involving a potential or actual

conflict of interest involving a director, member of executive management, or affiliate, that are not required

to be dealt with by an “independent committee” pursuant to securities laws, other than routine transactions

and situations arising in the ordinary course of business, consistent with past practice.

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#### 1.8 Financial Legal Compliance

(a) Review management’s monitoring of the Company’s systems in place to ensure that the Company’s financial

statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.

(b) Review with legal counsel any legal matters that could have a significant effect on the Company’s financial

statements.

(c) Review with legal counsel the Company’s compliance with applicable law and inquiries received from regulators and governmental agencies to the extent they may have a material impact on the financial position

of the Company.

#### 1.9 Expense Accounts and Management Perquisites

(a) Recommend to the Board policies and procedures with respect to directors’ and executive management’s

expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment, and review the results of the procedures performed in these areas by the external auditors.

#### 1.10 Succession Planning

(a) Consult with the Compensation Committee and Corporate Governance and Nominating Committee on succession planning for the directors and executive management.

#### 1.11 Disclosure of Audit Committee Function

(a) Oversee the preparation of, and recommend to the Board, the disclosure of the Audit Committee’s

composition and responsibilities and how they were discharged as required to be published annually in the

Company's management information circular or annual information form pursuant to applicable law (including NI 52-110).

(b) Approve any other significant information relating to matters within this Charter contained in the Company's

disclosure documents.

#### 1.12 Legal Compliance

(a) Oversee management's compliance with laws with respect to the audit function, and recommend to the Board

any changes to the Company's practices in these areas.

(b) Satisfy itself that management monitors significant trends in the area of financial reporting, and evaluates

their impact on the Company.

The foregoing list is not exhaustive. The Audit Committee may, in addition, perform such other functions as may

be necessary or appropriate for the performance of its responsibilities and duties.

#### Responsibilities of Committee Chair

The primary responsibility of the Chair of the Audit Committee is to be responsible for the management and

effective performance of the Committee and provide leadership to the Committee in fulfilling this Charter and any

other matters delegated to it by the Board. To that end, the Committee Chair's duties and responsibilities shall include:

(a) Working with the Board Chair, the Chief Executive Officer and the Corporate Secretary to establish the

frequency of Committee meetings and the agendas for such meetings.

(b) Providing leadership to the Committee and presiding over Committee meetings.

(c) Facilitating the flow of information to and from the Committee and fostering an environment in which the

Committee members may ask questions and express their viewpoints.

(d) Reporting to the Board with respect to the significant activities of the Committee and any recommendations



made by the Committee.

(e) Taking such other steps as are reasonably required to ensure that the Committee carries out this Charter.

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#### Other Organizational Matters

1.1 The members and the Chair of the Committee shall be entitled to receive remuneration for acting in such capacity

as the Board may from time to time determine.

1.2 The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities,

including the authority to:

(a) Engage, select, retain, terminate, set and approve the fees and other compensation and other retention terms

of special or independent counsel, accountants or other advisors, as it deems appropriate;

(b) obtain appropriate funding to pay, or approve the payment of, such approved fees; at the expense of the

Company; and

(c) communicate directly with the internal and external auditors.

1.3 The Committee shall have full access to books, records, facilities, and personnel of the Company, as it deems

necessary to carry out its duties.

1.4 The Committee's performance shall be evaluated annually, in accordance with a process developed by the

Corporate Governance and Nominating Committee and approved by the Board, and results of that evaluation shall

be reported to the Corporate Governance and Nominating Committee and to the Board.

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