

EMPIRE COMPANY LIMITED

AUDIT COMMITTEE MANDATE

The Audit Committee (the “Committee”) is responsible to the Board of Directors (the “Board”) for the policies and practices relating to integrity of financial and regulatory reporting as well as internal controls to achieve the objectives of safeguarding of corporate assets, reliability of information and compliance with policies and laws. The Committee is also responsible for identifying principle risks of the business and ensuring appropriate risk management techniques are in place.

The Committee charges management with developing and implementing procedures to:

- Ensure internal controls are appropriately designed, implemented and monitored including reviewing and discussing any significant deficiencies in the design or operation of internal controls and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting;
- Ensure financial reporting and disclosure of required information is complete, accurate and timely as required by applicable legislation and regulation.

COMPOSITION

The Committee shall be composed of three or more independent Directors, appointed by the Board on the recommendation of the Corporate Governance Committee, in accordance with the independence standards established by the Board of Directors, and all applicable corporate and securities law.

All members of the Committee shall be financially literate as defined by applicable legislation. Financially literate shall mean 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.

A member of the Board of Directors who is not financially literate may be appointed to the Committee provided that the member becomes financially literate within three months following his or her appointment, subject to the Company’s Board of Directors determining that this appointment will not materially adversely affect the ability of the Committee to act independently and to satisfy the other requirements of this mandate.

If a Committee member ceases to be independent for reasons outside the member’s reasonable control, the member shall tender their resignation to the Chair of the Corporate Governance Committee, within three months of the occurrence of the event which caused the member to not be independent.

The members of the Committee are appointed or reappointed annually by the Board, with such appointments to take effect immediately following the Annual General Meeting of Shareholders of the Company. Each member of the Committee shall continue to be a member thereof until their successor is appointed, unless they resign or are removed by the Board, or cease to be a

Director of the Company. The Board, upon recommendation of the Corporate Governance Committee, may fill vacancies of members of the Committee for the remainder of the current term of appointment.

The Board shall appoint a Chair from among the members of the Committee to preside at its meetings. The Chair must be independent. If the Chair of the Committee loses their independent status, that person shall cease to be Chair immediately and be replaced as Chair by an existing member of the Committee with the Nominating Committee being asked to replace this member within three months. In the absence of the Chair, one of the other members of the Committee present shall be chosen by the Committee to preside at the meeting.

AUTHORITY

The Committee has the authority to:

- Conduct or authorize an investigation into any matters within its scope of its mandate or responsibility;
- At the Company's expense, as determined by the Committee, engage independent legal, accounting or financial advisors and such other advisors as it deems necessary to advise the Committee or assist in carrying out its duties or to assist in the conduct of an investigation;
- Communicate and meet without Management involvement, the internal auditors, external auditors or outside counsel as necessary; and
- Call a meeting of the Board to consider any matter of concern to the Committee. The Committee shall have direct access to all books, records, facilities and personnel of the Company including to the external and/or internal auditor as it determines this to be advisable. All employees are to cooperate as requested by Committee members.

MEETINGS

The Audit Committee shall meet quarterly or more frequently as circumstances dictate.

Meetings of the Committee may be called by:

- The Chair;
- Any member of the Audit Committee;
- Management; or
- The external auditors.

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provided that:

1. a quorum shall be a majority of the members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and hear each other;
2. notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting is a waiver of notice of that meeting,

except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

The external auditors shall be invited to attend and be heard at every Audit Committee meeting, and have the opportunity to discuss matters with the Committee without the presence of Management at each meeting. The Committee will meet in camera with the external auditors at each meeting.

There shall be an in-camera session at each quarterly scheduled Committee meeting without management, with in-camera sessions at other Committee meetings as required by any member of the Committee. The Secretary of the Company shall act as Secretary of the Committee and minutes of the Committee shall be recorded and maintained by the Secretary.

All Committee members are expected to attend each meeting. The Chair of the Committee shall report the business of the meeting at the next regularly scheduled Board of Directors meeting.

RESPONSIBILITIES

Administration:

1. The Committee annually reviews its mandate and recommends any changes to the Corporate Governance Committee.
2. The Committee annually completes a self assessment survey and reviews the Committee's financial literacy and independence.

External Auditor:

3. As required by the Board, the external auditor reports directly to the Committee.
4. The Committee must recommend to the Board of Directors:
 - a) the external auditor to be nominated for purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for Empire; and
 - b) the compensation of the external auditor.
5. The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing the Auditor's Report or performing other audit, review or attest services for Empire, including the resolution of disagreements between management and the external auditor regarding financial reporting.
6. The Committee must pre-approve all non-audit services to be provided to Empire or its subsidiary entities by Empire's external auditor. The Committee has established a policy for certain pre-approvals and has delegated to the Chair of the Committee the authority to pre-approve the non-audit services, with such pre-approval presented to the Audit Committee at the next scheduled Committee meeting following such pre-approval.

Without limiting the foregoing, de minimis non-audit services may be performed by Empire's external auditor without prior approval of the Committee if:

- a) the aggregate amount of all these non-audit services that were not pre-approved is

reasonably expected to constitute no more than \$50,000 of the total audit fees paid by Empire and its subsidiaries to Empire's external auditor during the fiscal year in which the services are provided;

- b) Empire or subsidiaries of Empire, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- c) the services are promptly brought to the attention of the Audit Committee of Empire and approved, prior to the completion of the audit, by the Audit Committee or by the Chair of the Audit Committee, who has been granted authority to pre-approve non-audit engagements.

The Committee has instructed management that, to obtain pre-approval, management must detail the work to be performed by the external auditor and obtain the assurance from the external auditor that the proposed work does not impair their independence.

- 7. The Committee reviews with the external auditors and management all major accounting policies and practices adopted, any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties and key estimates and judgements of management that may be material to financial reporting. The Committee shall also review any significant changes to GAAP or its application.
- 8. The Committee must review and approve Empire's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of Empire.
- 9. The Committee ensures through enquiry that the external auditor is in good standing with the Canadian Public Accountability Board (CPAB) and that the lead partner and other partners fulfil the rotation requirements. The Committee also reviews that the relationship with the external auditor and Empire Management is independent with consideration to the requirements set out by the Canadian Securities Administrators and the CICA.
- 10. The Committee receives from the external auditor an outline of the annual audit scope, plan, resources, reliance on management and progress reports against that plan.
- 11. The Committee reviews the Auditor Report with the external auditors:
 - a) significant findings during the year and management's response thereto;
 - b) any difficulties encountered in the course of their audits, including any restrictions to the scope of their work or access to required information; and
 - c) any changes required to the planned scope of their audit or quarterly reviews.

Risk Management:

- 12. The Committee annually reviews the adequacy and quality of the insurance coverage maintained by the Company.
- 13. The Committee reviews the principal risks of the business and ensures appropriate risk management techniques are in place. This will involve enquiry of management regarding how risks are managed as well as opinions from management regarding the degree of integrity of the risk mitigation strategies and accepted thresholds. The Committee shall review risk management policies as recommended by management.
- 14. The Committee reviews the Environmental Report, the Litigation Report and the Hedge Report, and reviews their appropriateness.

15. The Committee reviews the status of compliance with laws and regulations and the scope and status of systems designed to ensure compliance therewith, and receives reports from management, legal counsel and other third parties as determined by the Committee on such matters, as well as major legislative and regulatory developments which could impact the Company's contingent liabilities and risks.

Financial Management and Reporting:

16. The Committee reviews and recommends to the Board approval of Empire's interim and annual financial statements, MD&A and quarterly financial and material press releases prior to public disclosure of this information.
17. The Committee reviews the financially related disclosures contained in the Annual Report, Annual Information Form and Information Circular.
18. The Committee ensures that adequate disclosure procedures are in place for the review of Empire's public disclosure of financial information extracted or derived from Empire's financial statements, and must periodically assess the adequacy of those disclosure procedures.
19. The Committee reviews the disclosure controls and procedures and internal controls on financial reporting, including any significant deficiencies or material non-compliance with such controls and procedures.
20. The Committee reviews the Corporate Disclosure Policy and the Disclosure Committee Mandate and reviews the minutes of the quarterly Disclosure Committee meetings.
21. The Committee must establish procedures for:
 - a) the receipt, retention and treatment of complaints received by Empire regarding accounting, internal accounting controls, or auditing matters; and
 - b) the confidential, anonymous submission by employees of Empire of concerns regarding questionable accounting or auditing matters.
22. The Committee reviews the status and adequacy of Company's efforts to ensure its businesses are conducted and its facilities are operated in an ethical, legally compliant and socially responsible way, and recommends to the Board, for approval, policy changes and program initiatives considered advisable.

Internal Audit:

23. The Committee annually reviews and approves the Internal Audit Charter and Annual Plan.
24. The Committee receives quarterly reports from, and meets in camera with, the Chief Auditor.
25. The Committee ensures that the Internal Audit function is independent of management and has sufficient resources to carry out its mandate.
26. The Committee approves the appointment, replacement or termination of the Chief Auditor.