

TEN PEAKS COFFEE COMPANY INC.

AUDIT COMMITTEE TERMS OF REFERENCE

(Revised and Approved by the Board: November 28, 2017)

Establishment of the Committee

There shall be a Committee of the Board of Directors (the "Board") of Ten Peaks Coffee Company Inc. (the "Company") to be known as the Audit Committee ("Committee") whose membership, authority and responsibilities shall be as set out in these terms of reference.

The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities, primarily through overseeing management's conduct of the Company's accounting and financial reporting process and systems of internal accounting and financial controls; selecting, retaining and monitoring the independence and performance of the Company's external auditors, including overseeing the audit and interim review of the Company's financial statements and pre-approving any non-audit services performed by the auditors; and providing an avenue of communication among the external auditors, management and the Board.

Membership

- (a) The Committee shall consist of at least three members of the Board all of whom shall be independent as determined in accordance with applicable securities laws, rules, regulations and guidelines ("Securities Laws"). In particular, each member of the Committee must be independent of management and free from any interest, business or other relationship which could, or could reasonably be perceived to, materially interfere with the member's ability to act in the best interests of the Company.
- (b) All Committee members shall be financially literate. For this purpose, financial literacy shall mean the ability of a member to read and understand a set of financial statements that present a breadth and level 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. At least one member should have accounting or related financial expertise and should be able to analyze and interpret a full set of financial statements, including notes, in accordance with International Financial Reporting Standards.
- (c) Members will be appointed by the Board and shall serve until the earlier to occur of the date on which he or she shall be replaced by the Board, resigns from the Committee, or ceases to be a Director.
- (d) The Board shall appoint one of the Directors elected to the Committee as the Chair of the Committee. In the absence of the Chair of the Committee at any meeting, the members shall elect a Chair from those in attendance to act as Chair of the meeting.
- (e) The secretary of the Committee will be the Chief Financial Officer, the Corporate Secretary, or such other person as is selected by the Committee.

Procedural Matters

- (a) The Committee shall meet as frequently as required, but no fewer than four times annually and at least quarterly. A majority of the members of the Committee present in person or by telephone or

by such other telecommunications device that permits all persons participating in the meeting to speak to each other shall constitute a quorum and the act of a majority of the members at a meeting where a quorum is present shall be the act of the Committee. The Committee may meet in person, by telephone or by such other telecommunications device that permits all persons participating in the meeting to speak to each other and may also act by unanimous written consent of its members. The Committee shall maintain minutes or other records of meetings and activities of the Committee.

- (b) The Chief Financial Officer and the Corporate Secretary shall, in consultation with the Chair of the Committee, develop the agenda for meetings of the Committee. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent possible, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.
- (c) The Committee shall, through its Chair, report regularly to the Board following the meetings of the Committee, addressing such matters as the quality of the Company's financial statements, the Company's compliance with legal or regulatory requirements in relation to those matters within the Committee's purview, the performance and independence of the external auditors, the performance of any internal audit function and other matters related to the Committee's functions and responsibilities.
- (d) Notice of a meeting of the Committee may be given orally or by letter, electronic mail, facsimile transmission or telephone not less than 24 hours before the time fixed for the meeting; provided, however, that a member may in any manner waive a notice of a meeting and attendance of a member at a meeting is a waiver of notice of the 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.
- (e) The Committee may invite such other persons (e.g. the CEO, CFO) to its meetings, as it deems necessary. All other Directors that are not members of the Committee may attend Committee meetings but may not vote.
- (f) The external auditors shall be invited to make presentations to the Audit Committee as appropriate.
- (g) The Committee at any time may, and at each regularly scheduled meeting shall, meet without management present, and shall meet with the external auditors, without management present, at each meeting at which the external auditors are in attendance.
- (h) The Chair, any two members of the Committee, the external auditors, the Chief Executive Officer and the Chief Financial Officer may call a special meeting of the Committee at any time.

General Responsibilities

- (a) The Committee's principal responsibility is one of oversight. The Company's management is responsible for preparing the Company's financial statements and other disclosure documentation required by applicable Securities Laws, and the Company's external auditors are responsible for auditing and/or reviewing those financial statements. In carrying out these oversight responsibilities, the Committee is not required to provide any expert or special assurance as to the Company's financial statements or any professional certification as to the external auditors' work.

- (b) Nothing in these terms of reference is intended or may be construed to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. Although the designation of a Committee member as being financially literate or having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose any duties, obligations or liability greater than the duties, obligations and liability imposed on such person as a member of the Committee and the Board in the absence of such designation.
- (c) While the Committee has the responsibilities set forth in this charter, it is not the duty of the Committee to prepare financial statements, plan or conduct audits, manage the Company's exposure to risk, certify or guarantee the internal or external audit of the Company or to determine that the financial statements and disclosures are complete and accurate and are in accordance with International Financial Reporting Standards and applicable rules and regulations. These are the responsibilities of management and the external auditors, as applicable. The Committee, its Chair and Committee members are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities and processes of the Company, and are specifically not accountable or responsible for the day to day operation or performance of such activities.

Specific Responsibilities

The specific responsibilities of the Committee are:

- (a) Internal Control
- (i) Evaluating whether management is setting 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.
 - (ii) Reviewing annually the adequacy and quality of the Company's financial and accounting staffing, the need for and scope of internal audit reviews, and the plan, budget and the designations of responsibilities for any internal audit.
 - (iii) Reviewing annually with the external auditors, any significant matters regarding the Company's internal controls and procedures over financial reporting that have come to their attention during the conduct of their annual audit, and review whether internal control recommendations made by the auditors have been implemented by management.
 - (iv) Reviewing major risk exposures (whether financial, operating or otherwise) and the guidelines and policies that management has put in place to govern the process of monitoring, controlling and reporting such exposures.
 - (v) Establishing procedures for the receipt, retention and treatment of any complaints received by the Company regarding internal controls or auditing matters, including procedures to enable confidential, anonymous submissions to be made by employees of the Company and its subsidiaries concerning questionable accounting, internal accounting controls or auditing matters; reviewing any issues or complaints raised pursuant to such procedures and annually reviewing the Company's Whistleblower Policy as set out in the Company's Code of Business Ethics and recommend any amendments to the Compensation and Corporate Governance Committee.

- (vi) Reviewing and approving any related party transactions outside of the ordinary course of business, or any material amendment thereto prior to the transaction being entered into.

(b) Financial Reporting

General

- (i) Gaining an understanding of the current areas of financial risk and how management is managing these areas of risk effectively.
- (ii) Considering with the external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues.
- (iii) Reviewing significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- (iv) Reviewing all critical accounting policies and practises used by the Company, including all alternative treatments of financial information under International Financial Reporting Standards that have been discussed with the external auditors.
- (v) Reviewing any legal matters that could significantly impact the financial statements.
- (vi) 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 any disagreements between management and the external auditor regarding financial reporting.
- (vii) Reviewing the quarterly CEO and CFO certifications and any sub-certifications from senior management in respect of disclosure controls and procedures and internal controls over financial reporting.
- (viii) Reviewing the internal control report prepared by management, including management's assessment of the effectiveness of the Company's internal controls over financial reporting and disclosure controls and procedures and any related report by the independent auditors.
- (ix) Receiving the certification from the Chief Financial Officer on compliance with statutory liabilities.
- (x) Reviewing with management and the external auditors the effect of off-balance sheet transactions and structures on the financial statements.

Annual Financial Statements

- (i) Reviewing and recommending to the Board for approval the annual financial statements and Management's Discussion and Analysis and determining whether they are accurate, complete and consistent with the information known to Committee members; assessing whether the financial statements reflect appropriate accounting principles.
- (ii) Focusing on judgmental areas, for example those involving valuation of assets and liabilities; warranty, product or environmental liability; litigation reserves; and other commitments and contingencies; assessing whether such judgments and estimates are reasonable

- (iii) Meeting with management and the external auditors to review the financial statements and the results of the audit.
- (iv) Reviewing the other sections of the annual report before its release and considering whether the information is accurate, complete and consistent with members' knowledge about the Company and its operations.
- (v) Reviewing the post-audit or management letter from the external auditors and management's response and follow-up in respect of any identified issues.

Annual Information Form, Earnings Releases, Interim Financial Statements, Analysts' Briefings and Other Public Disclosures

- (i) Remaining briefed on how management develops the annual information form, earnings releases, interim financial information, MD&A statements, analysts' briefings and other public disclosures and the extent to which the external auditors review such information.
 - (ii) Assessing the fairness, accuracy and completeness of the interim statements and MD&A disclosures, and obtaining explanations from management and internal and external auditors on whether:
 - Actual financial results for the interim period varied significantly from budgeted or projected results;
 - Changes in financial ratios and relationships in the interim financial statements are consistent with changes in the Company's operations and financing practices;
 - International Financial Reporting Standards 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 Company's financial and operating controls are functioning effectively;
 - The preliminary announcements and interim financial statements contain adequate and appropriate disclosures; and
 - There are any breaches of debt covenants.
 - (iii) Reviewing, discussing with management and the external auditors the Company's annual information form, financial statements, MD&A, annual and interim earnings news releases, prospectuses and financial information in other public reports and public filings before the Company publicly discloses them.
 - (iv) Being satisfied that adequate procedures are in place for review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than those referred to above immediately above and periodically assessing the adequacy of such procedures.
- (c) External Audit
- (i) Reviewing the external auditors' proposed audit scope, staffing and approach and ensure no unjustified restrictions or limitations have been placed on the scope.

- (ii) Approve the fees for the audit and interim reviews to be performed by the external auditors.
- (iii) Reviewing the qualifications and performance of the external auditors and reviewing the external auditors' report on its internal quality control procedures.
- (iv) Considering the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services bought by the Company and ensuring the rotation of the lead audit partner and the audit partner with responsibility for reviewing the audit in accordance with Securities Laws.
- (v) Making recommendations to the Board regarding the appointment and reappointment of the external auditors.
- (vi) Reviewing and approving the employment of any partner, employee, former partner or former employee of the external auditor or a former external auditor.
- (vii) Ensuring that significant findings and recommendations made by the external auditors are received and discussed on a timely basis.
- (viii) Ensuring that management responds to recommendations by the external auditors.
- (ix) Pre-approve the retention of the independent auditor for any non-audit service and the fee for such service. The Committee may satisfy the pre-approval requirement if:
 - the aggregate amount of all the non-audit services that were not pre-approved constitutes no more than five per cent of the total amount of revenues paid by the Company to its independent auditors during the fiscal year in which the services are provided;
 - the services were not recognized by the Company at the time of the engagement to be non-audit services; and
 - the services are promptly brought to the attention of the Committee and are approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.

The Committee may delegate to one or more independent members the authority to pre-approve non-audit services provided that the pre-approval of non-audit services by any member to whom authority has been delegated must be presented to the full Committee at its first scheduled meeting following such pre-approval.

(d) Compliance With Laws And Regulations

- (i) Reviewing the effectiveness of the system for monitoring compliance with laws and regulations (including insider reporting) and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
- (ii) Obtaining regular updates from management and the Company's legal counsel regarding compliance matters.
- (iii) Being satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.

- (iv) Reviewing the findings of any examinations by regulatory agencies.
- (e) Compliance With The Company's Code Of Business Ethics
 - (i) Ensuring that the Company's Code of Business Ethics is in writing and that arrangements are made for all employees to be aware of its contents.
 - (ii) Evaluating whether management is setting the appropriate "tone at the top" by communicating the importance of the Code of Business Ethics and the guidelines for acceptable behavior.
 - (iii) Reviewing the process for monitoring compliance with the Company's Code of Business Ethics.
 - (iv) Obtaining regular updates from management regarding compliance and reviewing any issues of non-compliance.
- (f) Reporting Responsibilities
 - (i) Regularly updating the Board about Committee activities and making appropriate recommendations.
 - (ii) Ensuring the Board is aware of matters that may significantly impact the financial condition or affairs of the business.
 - (iii) Reviewing and updating these terms of reference and recommending any amendments to the Compensation and Corporate Governance Committee.
 - (iv) Evaluating the Committee's own performance on a regular basis.

Authority

The Board grants authority to the Audit Committee, within the scope of its responsibilities, to:

- (a) Study or investigate any matter of interest or concern that the Committee considers appropriate or necessary.
- (b) Seek any information it requires from any employee (and all employees are directed to cooperate with any request made by the Audit Committee) or external parties and review all books and records of the Company.
- (c) Obtain outside legal or other professional advice as deemed necessary and to set and authorize the compensation to be paid to such advisors at the Company's expense.
- (d) Ensure the attendance of officers of the Company at meetings as appropriate.
- (e) Communicate directly with the external auditors or any internal auditors.
- (f) Delegate its authority and duties to subcommittees or individual members of the Committee as it deems appropriate.
- (g) Approve the Company's key accounting and finance policies.

APPENDIX A

**AUDIT COMMITTEE
CALENDAR OF ACTIVITIES**

	March	May	August	November
<u>Review and Approve Financial Statements and Reports</u>				
Financial Statements	X	X	X	X
Review major accounting policies and significant estimates.	X	X	X	X
Consider changes in accounting principles and whether industry standards are being followed	X	X	X	X
Consider unresolved differences of opinion between management and the auditor	X	X	X	X
Annual Report, including MD&A.	X			
Annual Information Form	X			
Interim Report, including MD&A.		X	X	X
<u>External Auditors</u>				
Review auditor independence	X	X	X	X
Review cooperation and services provided by management.	X	X	X	X
Meeting with auditors without management	X	X	X	X
Review non-audit services	X	X	X	X
Discuss audit report and findings	X			
Review recommendations and response to audit report.	X			
Review qualifications and performance of auditors and recommend appointment of auditors	X			
Receive interim review report from auditors		X	X	X
Review recommendations and responses from interim review		X	X	X
Approve audit fees				X
Review scope of audit and audit plan				X
<u>Risk Management and Control</u>				

	March	May	August	November
Update on financial risks and review of risk management plans	X	X	X	X
Report on and review of effectiveness of internal controls over financial reporting and disclosure controls and procedures; CEO & CFO certifications	X	X	X	X
Receive a report on any complaints/concerns received under the Whistleblowing Policy or Code of Business Ethics and any fraud, illegal acts or similar issues	X	X	X	X
Review related party and off-balance sheet transactions	X	X	X	X
Receive CFO liability certificate	X	X	X	X
Review adequacy of and changes in financial personnel		X		
Review Whistleblower Policy				X
Assessment of adequacy of insurance coverage		X		
<u>Other</u>				
Report on Company activities	X	X	X	X
Review tax reserves	X	X	X	X
Review litigation	X	X	X	X
Review key accounting and finance policies: <ul style="list-style-type: none"> - Commodity Price Risk Management Policy - Foreign Exchange Risk Management Policy 	X			X
Review terms of reference and calendar				X