

INSCAPE

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ANNUAL INFORMATION FORM

FOR THE YEAR ENDED APRIL 30, 2011

July 29, 2011

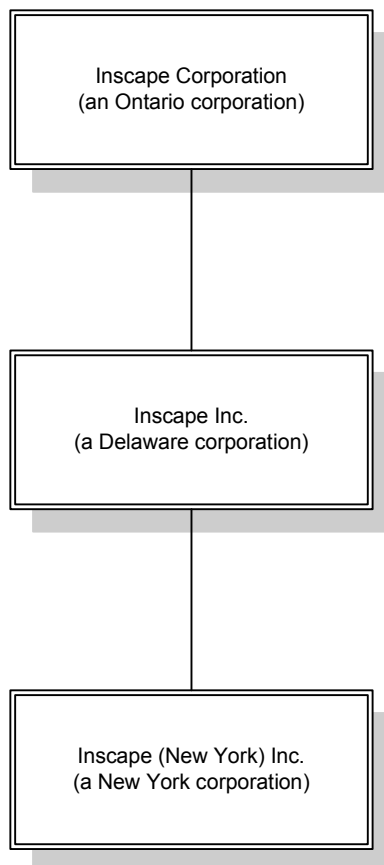
TABLE OF CONTENTS

	<u>PAGE</u>
CORPORATE STRUCTURE	2
GENERAL DEVELOPMENT OF THE BUSINESS.....	3
DESCRIPTION OF THE BUSINESS.....	5
DIVIDENDS.....	20
CAPITAL STRUCTURE	20
MARKET FOR SECURITIES	21
ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER	22
DIRECTORS AND EXECUTIVE OFFICERS	23
AUDIT COMMITTEE	25
TRANSFER AGENT AND REGISTRAR	26
ADDITIONAL INFORMATION.....	26
APPENDIX A - CHARTER OF THE AUDIT COMMITTEE	27

Unless otherwise specified, the information presented in this Form is as at the last day of the Company's most recently completed financial year on April 30, 2011.

CORPORATE STRUCTURE

Inscape Corporation maintains its registered and head office at 67 Toll Road, Holland Landing, Ontario, L9N 1H2. The terms "Office Specialty", "Inscape" and the "Company" used in this Form refer to Inscape Corporation, its predecessor companies and our wholly owned subsidiaries. The Company consists of three legal entities as shown in the following diagram:



On December 8, 1997, the Company filed articles of amalgamation to reorganize its capital such that the authorized share capital of the Company consisted of 7,670,881 Class A Multiple Voting Shares ("Multiple Voting Shares") and an unlimited number of Class B Subordinated Voting Shares ("Subordinated Voting Shares") (collectively, the "Capital Reorganization").

In June 1999, the Company changed its operating name to “Inscape” in order to better reflect and communicate its position in the market and the scope of its products. On September 19, 2000, the Company filed articles of amendment changing its legal name to “Inscape Corporation”.

On May 1, 2007, Inscape Corporation amalgamated with its Canadian subsidiaries, Inscape Ltd. and Office Specialty Ltd., to form one corporation. The surviving corporation has the name "Inscape Corporation" ("Amalco") and carries on business as such. Inscape Ltd. and Office Specialty Ltd. ceased to exist as corporations as of May 1, 2007 and instead, their respective obligations, liabilities, assets, property, employees and undertaking flowed through and became those of Inscape Corporation “Amalco”.

There was no third party change of ownership as Amalco is still owned by the same shareholders that owned the pre-amalgamated companies. This amalgamation did not include or impact the Company’s U.S. based subsidiaries.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

After two consecutive years of declining sales and losses, financial year 2011 recorded a sales increase of 23% and a net income of \$2.9 million, or 19 cents per share. Despite the challenge of heightening pressure on pricing, the Company’s project business in furniture systems and movable walls achieved substantial gains in the financial year. A number of important sales initiatives have taken place during the year in order to further penetrate our target markets and grow our top line. These include; hiring top level sales staff; renovating or expanding corporate showrooms; training our selling partners; creating a highly capable proposal department and hiring Vice President dedicated to building our dealer network

At the NeoCon trade show in June 2010, Inscape introduced Addwall, a truly movable wall system that seamlessly integrates scalable functionality and aesthetics into a single wall. It allows clients to start with basic panels, then ADD functionality and aesthetic features as they grow. A sustainable solution for space division, Addwall provides continuing return on investment as it can be easily reconfigured and re-used many times. Inscape also introduced enhancements to various product lines including power and data capability for Planna to expand planning applications for private offices and benching, as well as a freestanding privacy screen, whiteboard tiles for Scala and Platform and a transaction surface for Scala for sleek, reception applications.

The financial year 2010 recorded a net loss of \$1.1 million, compared to a net loss of \$1.3 million in financial year 2009. Basic and diluted earnings per share was a loss of 7 cents in 2010 versus a loss of 9 cents in 2009. Annual sales fell \$13.6 million or 16.4% from prior year’s level as the office furniture industry continued to experience

an industry downturn. The Company managed to contain the adverse financial impact of falling sales by improving productivity, rolling back salaries, reducing workforce, fixed overheads and discretionary expenses. The success of these actions was reflected in the improvement in the bottom line results from financial year 2009 despite the significant decline in sales. As the Company has a long-term commitment to the movable wall business, the Company exercised a purchase option under the lease agreement of its production plant in Falconer, New York State and acquired the property for \$3.0 million (U.S. dollar \$2.8 million) , in January 2010.

At the NeoCon trade show in June 2009 (the first quarter of financial year 2010), Inscape launched Tisch, a European designed table-based system that combines elegant simplicity and exceptional flexibility for desking, benching and conferencing applications. Tisch is the perfect solution for forward-thinking organizations requiring aesthetically superior and functional furniture to address the need for more open desking and benching style applications that is popular with a growing multi-generational workforce. Tisch is being manufactured and marketed by Inscape under license from Bene, an Austrian-based company renowned for their innovative products and outstanding design. The Company also introduced enhancements to its various product lines.

In 2009, Inscape was recognized with several awards for products launched in the previous two years, including Best of Canada and Design Exchange awards for Planna, and IDEX Gold Innovation, Interior Design Magazine's Best of Year, ADEX and GOOD DESIGN awards for Tisch.

The financial year 2009 was a year of many challenges for the Company and the office furniture industry as well. The severe global recession that started in December 2008 had serious impact on the business environment. Both the industry and the Company experienced a double-digit decline in sales. Reduced demand led to lower net realized pricing. Gross margins were suppressed due to lower overhead absorption and higher commodity prices. The financial year recorded a 12.2% drop in sales from the previous year and ended with a loss of 9 cents per share, compared to an income of 31 cents a year earlier. In response to the challenging business environment, the Company adjusted its staff levels, reduced its fixed and discretionary expenses, introduced workshare program, restructured its sales team and launched innovative and award-winning products.

At the NeoCon trade show in June 2008 (the first quarter of our financial year 2009), the new Scala and Planna systems won a Silver award in the Furniture Systems category while Fronté, the new full-height wall system received a Silver award in the Movable Wall category, the top award granted in this product category. The Scala system incorporates mid-panel support to allow continuous expanses of worksurface without the need for legs. Planna is a storage based casegood system that can be used as a private office casegood solution or an open plan benching application. Fronté is a high-design, high-functionality movable storefront wall system. It is a unitized wall assembly that allows easy mobility using a small kit of parts. Inscape also won two

awards at the IIDEX/NeoCon Canada 2008 tradeshow, with Scala receiving the Silver Innovation award and Fronté the Bronze Innovation award. In addition, Planna and Fronté both won GOOD DESIGN awards from The Chicago Athenaeum: Museum of Architecture, Planna was named by Interior Design Magazine as one of “the Best of Year” products.

DESCRIPTION OF THE BUSINESS

(1) General

Since 1888, the Company has been engaged in the design, manufacture and distribution of premium quality office furniture. Today the business includes office furniture systems, filing and storage products, and modular interiors, movable walls.

Inscape’s commitment to product innovation and quality combined with responsiveness to consumer needs has enabled the Company to develop flexible office product solutions for a broad range of customers. Inscape seeks to establish its credibility with its customers through an emphasis on high quality products and on providing flexible solutions for office design challenges. The Company's client list includes large government agencies and many of the largest corporations in North America.

(2) Principal Markets

Enhanced productivity and profitability remain the focus of North American businesses in today's highly competitive global marketplace. This continued focus has resulted in fundamental shifts in the nature of corporate organizational structures, technology and work processes which, in turn, are creating new opportunities within the office furniture industry. Several of the most significant factors contributing to this growth are the following:

(i). Continued Corporate Reengineering and Restructuring

Businesses are more often experimenting with workplace design as a means of increasing productivity and reducing facility costs. Streamlined organizations are emerging with the need for furniture that facilitates increased interaction and communication among employees. Organizations such as consulting and accounting firms, whose employees spend considerable time out of the office, are moving toward concepts such as shared or non-assigned workstations, often in less floor space. Companies that service the office furniture market place must be able to provide solutions that are easily adaptable to changes in office design.

(ii). New Office Technology

The proliferation of technology is expected to continue to require office furniture to change and adapt. Office furniture must have the capability to support the increased levels of electronic equipment and its related wiring and cabling requirements. Increasing adoption of wireless technology is also impacting office furniture design.

In addition, demand for office furniture is influenced by several economic factors such as white-collar employment levels and corporate profits, which reflect general macroeconomic conditions.

Furniture systems, consisting of panels, work surfaces, work tools, lighting and storage elements such as pedestals, which are typically used under the work surface within the workstation, constitute one of the largest segments of the office furniture market. These systems provide customers with the ability to reconfigure and add office furniture in a flexible manner to meet the changing needs of their organizations. While the nature of filing and storage in the work place is changing, this product category continues to account for a significant portion of the office furniture market.

Even though many North American companies have embraced open-concept offices, there remains a need for privacy in certain industries and functions within all organizations. Rather than traditional inflexible solutions such as drywall construction, companies are increasingly starting to use movable wall solutions. Not only are these advantageous from a tax perspective, they also allow companies to reconfigure in a cost effective and environmentally friendly manner. The movable walls market has been identified as a growth segment and potential for expansion is expected to be significant.

(3) Corporate Strategy

The Company's strategic objective is to expand its share of the differentiated quality segment of the office furniture market by providing customers with customized, innovative and timely solutions while maintaining profitability. The key elements of this strategy are as follows:

(i) Expanding product offering through continuous innovation

Inscape is committed to using product innovation to provide quality solutions to the changing requirements of the office furniture market. Utilizing direct customer feedback, market research and targeted focus group studies, the Company has developed distinct solutions for customer needs in select markets within the office furniture industry.

The Company intends to continue to broaden its product offering by researching customer needs and aggressively developing innovative and

integrated products to support the evolving workplace environment. The Company has completed a rationalization of its systems, filing and movable wall products into a simple set of universal components that work together. The products are integrated aesthetically, functionally and technologically to offer truly integrated solutions.

At NeoCon 2011, Inscape introduced the Inscape System which combines the best features of our two existing panel systems into one cohesive system with more flexible planning options. A revolutionary one-frame approach allows thick and thin panels to be built on the same frame. Shared components simplify specification and enable easy reconfiguration.

The Company also officially launched the Acme 50 seamless glass wall. Aimed at the high-end market where aesthetics is of prime consideration, this slim profile wall for storefront applications addresses the need of another market segment for Inscape. Inscape purchased the intellectual property and trademarks of Acme Architectural Walls in August, 2010. The Acme 50 product is a result of this acquisition.

(ii) *Expanding sales and marketing efforts*

Inscape plans to continue expanding the marketing and distribution of its products in current markets with its immediate focus remaining in North America where over 80% of its sales are located. The Company is aggressively pursuing a strategy of developing its own committed dealer channel. A Vice President of Dealer Development and Client Relations has been deployed to develop and solidify the company's distribution and dealer networks. He will also liaise on a regular basis with the Company's major customer accounts to ensure ongoing relationships and communication.

Inscape has invested in a significant number of key initiatives to position the Company for growth. It is continuing to invest in new and existing showrooms, including a new flagship showroom in New York City that will open in Fall, 2011. The Company has also expanded its direct sales force in select focus markets.

An executive position has been created to lead our efforts with the A&D (architectural and design) community. This community is very influential in the decision-making process for workspace solutions. The Vice President of A&D's focus is on developing key strategic initiatives, as well as the execution and implementation of such with Inscape's growing A&D sales team in conjunction with Regional Vice Presidents and Sales Directors.

The Company has also implemented a comprehensive training program for its employees and sales partners to equip them to promote the Company's products. It has also put in place an RFP team and an improved process for

responding to requests for information and proposals to enhance the Company's ability to win new project business.

(iii) Maximizing manufacturing efficiency and flexibility

The Company's manufacturing strategy is focused on maximizing cost efficiency and maintaining the flexibility to serve the needs of a broad range of customers. To this end, the development and integration of manufacturing methods has been, and will continue to be, an integral part of the Company's product design process. Inscape's use of lean manufacturing principles and cellular manufacturing has enabled it to mass produce customized products in short lead-times and significantly reduce waste. Using this approach, Inscape has been able to significantly reduce machine set-up and other indirect labor costs, processing time for customer orders and inventory levels. The Company intends to continue to invest in sophisticated engineering technology to further speed up customization of orders and new product design. In 2011 financial year, the Company purchased from Germany a state of the art thermo laminating press. With shorter processing time, lower energy requirement and automatic foil loading, the new machine produces higher yield, requires less labour and reduces scrap. The high efficiency of the machine brings us not only cost savings; it also helps Inscape to achieve the goal of being an environmental conscious manufacturer as well.

(iv) Environmental accountability

Environmental accountability is at the forefront of Inscape's corporate mandate. Our Office Specialty storage products and Platform furniture system have achieved Level certification, the BIFMA sustainability standard for environmental and social impacts of furniture products. This is the first step towards Level certification of all our products and part of our ongoing commitment to operate in an environmentally responsible manner. Inscape is committed to sustainability by means of avoiding landfill dumping, decreasing its carbon footprint, increasing renewable inputs and designing products with longer life cycles. As an example, instead of disposing paints that were left over from special order products, the Company converted them to black paints for use in the inside of panels. This measure saves the environment and the Company's costs at the same time. By organizing the environmental program around five specific areas, Inscape is committed to ensuring success today, tomorrow and for a long time to come.

Energy: Continuously reducing non-renewable energy resources and substituting required demand with sustainable inputs.

Atmosphere: Humanizing manufacturing practices, carrier discharges and waste management cycles

Recycling: Maximizing reclamation of raw materials through procurement directed towards closed-loop and biodegradable materials.

Technology: Exploring innovative measures to increase resource conservation, material perpetuation and operational enhancements.

H2O: Reducing annual water consumption and discharges by modifying or improving finishing processes.

(v) Pursuing complementary alliances and strategic acquisitions

The Company investigates and pursues strategic alliance opportunities and acquisitions that provide entry into new markets or new product categories and which likewise support the continued development of its dealer channel. In financial year 2009, the Company established an important licensing relationship with a successful European manufacturer to manufacture and market an award winning table-based system (Tisch) in North America. In financial year 2011, the Company purchased the intellectual property and trademarks of Acme Architectural Walls, a manufacturer and designer of demountable office partitions. The Acme 50 product enables Inscape to address the needs of the high-end market for storefront wall applications.

(4) Products

Inscape's products fit within three broad categories:

- (i) Filing and Storage;
- (ii) Office Furniture Systems; and
- (iii) Architectural Interiors including full height movable walls.

The Company's broad range of products enables it to offer customers comprehensive office solutions.

(i) Filing and Storage

Branded under the name "Office Specialty" by Inscape, the offering includes high quality, high design products like Storwal, Storage Centers, 9900, Radius Series, Linear, Arcus, Secure File, 7900 Series, Arrivals, Planna and Grid, as well as a number of complementary products. Of these, Storage Centers and 9900 are the two most significant lines although Storwal, which was introduced in 2006, is quickly becoming a preferred alternative to traditional office systems. The success of this category can be attributed to strong brand name recognition and the innovative design and superior filing and storage solutions. The Company extended its lead in offering comprehensive filing and storage solutions by introducing 7900 Series in 2007 and Planna Desking System in 2008 to cater to the mid-market category.

The Storage Centers' product line was one of the first in North America to offer laterals in a broad range of cabinet heights which allows for multiple drawer configurations. Storage Centers cabinets are available in 42 heights in 1½-inch increments whereas, traditionally, these cabinets were available only in four or five heights. The choice in heights and a broad selection of drawer sizes provides customers the ability to create solutions that meet their specific storage needs. The result is that customers are able to achieve significant floor space savings, often in the order of 20% relative to competitive products. The product line is also designed to allow customers to meet various interior design criteria. Customers can choose from a wide range of aesthetic options, including customized colors and drawer fronts. The 9900 and Linear series offer essentially the same features as Storage Centers, but have different fronts.

The Company's Radius Series lateral files provide similar functionality as the Storage Centers product, but offer a different aesthetic solution. This product features a more aesthetically pleasing recessed side pull for opening the cabinets and offers various drawer design options to the customer. For example, the Acoustical front addresses the issue of reflected sound in the office and the Impressions front can be imprinted with computer generated geometric designs or corporate logos.

Arrivals is the Company's Desking and Caseloads series consisting of laterals, pedestals and hinged door units with composite wood veneer fronts and matching tops to complement and personalize individual workplaces.

Inscape's Secure File provides a superior level of security for confidential documents and other sensitive media. It has the unique competitive advantage of allowing ganging. The contents of a secure lateral file in a bank of files when ganged together may be accessed regardless of whether adjacent files are locked or unlocked. It is available in Storage Centers, 9900 Series and Arcus Series.

Storwal is Inscape's innovative workspace solution that won Gold Awards at both NeoCon in Chicago and IDEX/NeoCon Canada in 2006. As the name suggests, Storwal utilizes a common storage wall, alternately accessible on both sides to provide necessary filing and storage, deliver voice, data and power to the desktop. Storwal offers a unique alternative to conventional panel-based systems giving organizations the ability to address corporate and individual needs for personal workspace, privacy and storage capacity.

7900 Series is a highly cost-effective family of filing and storage products featuring the quality and design execution that customers have come to trust from Office Specialty. 7900 Series is a competitively priced and highly functional alternative for the mid-market category. It is built with the added functionality of 1.5" vertical increments and integrates seamlessly with any office environment or furniture system.

Planna is a storage-based desking and credenza system. Offering a high-end aesthetic and durable alternative for the mid-market category, Planna's crisp intersection of horizontal and vertical planes combine with off-modular floating tops for a warm, residential feel complemented by rich back painted glass. Planna combines simple precision with the same powerful flexibility that distinguishes all Inscape products. Built with Office Specialty's legacy storage featuring 1.5" interior incremental adjustability, Planna can be installed as a private office casegood or as a benching application. Easily reconfigurable, it integrates seamlessly with Inscape's other systems – Scala, Storwal and Platform, as well as other manufacturers' systems. Planna was recognized with a Silver Award at NeoCon 2008, a 2008 GOOD DESIGN award, an Interior Design Magazine 2008 product of the year award, as well as a Best of Canada and Design Exchange awards.

Grid is a new and comprehensive program of file fronts that enables designers to change the look of a space by selecting from numerous aesthetically appealing storage fronts. Blending high-end visuals with a modern, residential feel, Grid is available in a range of finish choices – Veneer, Nuform, Glazed and MDF – and complemented with rectilinear and curved pull options, elevating storage from a functional necessity to an integral design element.

The Company also offers a range of ancillary storage products that complement traditional filing products. For example, storage pedestals are typically used under the worksurface within work areas. In addition, with upholstered tops and casters, mobile pedestals also serve as temporary guest seating, supporting the need for spontaneous meetings, consultation and collaboration. Workplace lockers provide for the storage of personal items, such as coats, as well as the storage of paper and other media. These units are generally used within workstations to create a personalized work environment for employees.

(ii) Office furniture systems

A Silver Award winner at NeoCon, Platform is a panel based system that offers advanced technology support, flexible architecture, superior fit and finish and industry leading storage options. Tapered top trims and add-on glazing options were introduced to provide aesthetic versatility and a level of privacy when lower height panels are specified. Enhanced storage bins and shelves provided a more angular, edgy alternative to the original classic styling.

Freeform is a light scale, screen-based system designed to support collaborative and independent work styles in an open office plan. With its fluid aesthetic and light scale architecture, Freeform's flexible design is capable of making even the smallest workspaces feel more open and inviting. Lower height,

translucent screens allow greater penetration of natural light into the workplace, energizing the occupants and conserving power.

A Silver Award winner at NeoCon and a Silver Innovation award at IIDEX / NeoCon Canada , Scala is a furniture system designed specifically for ultimate planning flexibility with strong visual appeal. Architectural in look with linear and horizontal planes, It provides a residential feel with steel-based functionality and durability. Using tiles up to 96” wide, unmatched 2.5”-thin panels, and mid-panel support for worksurfaces without legs, Scala features long, continuous worksurfaces complemented by a slim profile and light-scale feel. Enabling work environments ranging from open to closed spaces, panel- to storage-based, and contract to residential aesthetic, Scala helps meet today’s evolving needs with easy scalability and panel-system functionality.

Tisch is a European designed table-based system that promotes interaction and communication. Designed with modular components and an intelligent rail system, Tisch can be easily reconfigured as workplace needs change and evolve. Utilizing a small set of components, Tisch can migrate from a single desk to a benching application to a casegood system or to a conference table. Stylish design and flexibility combine for a system that is ideal for collaborative and project-focused applications, but can also adapt for hotelling and more traditional applications. Introduced at NeoCon 2009, Tisch is beginning to gain traction in the market.

To ensure that Inscape’s systems remain attractive in an increasingly competitive market, the Company introduced 7900 Series filing as a more cost effective storage without compromising on design and quality that Inscape products are known for. In addition, panels are available with lower cost monolithic tiles, offering both an aesthetic and budget-conscious alternative to traditional segmented panels.

(iii) *Architectural interiors*

Even though open office systems are very popular, almost every organization has a need for private offices and meeting rooms. The traditional solution for creating private spaces is drywall. The disadvantage of this solution is that once the space is created, it is very expensive to alter as it involves demolition and re-construction. Most organizations are in a constant state of change and need to respond to changes in their business. These changes often result in a re-configuration of their workspace. A floor-to-ceiling movable wall system addresses this need. Inscape Architectural Interiors, a wholly-owned subsidiary of Inscape, offers an array of customized movable wall solutions. These walls pay for themselves on the first move and also offer significant tax advantages (through faster amortization) over traditional drywall construction. Inscape walls are designed to easily reconfigure. Unlike many competitor products which require complicated disassembly before being moved, Inscape

walls feature a unitized assembly, allowing easy relocation using only a small kit of parts. All architectural products are manufactured in an award-winning, eco-friendly plant, the first of its kind built on a reclaimed 'brownfield' site in the State of New York.

Reform walls go a step further with refined detailing, clean profiles, many aesthetic options, functionality with cable management and recessed standards. Reform walls allow seamless integration of furniture systems, offering customers a highly flexible, cost-effective solution to reconfigure their office space quickly and efficiently.

Interval is an architectural post and beam structure that integrates full-height walls, ceiling systems, utilities and furniture components in a single, modular package. The basic structure consists of aluminum post and beams which can then incorporate additional elements including acoustical walls, ceilings and lighting to create private offices and conference rooms. Interval won a Gold Award at NeoCon in 2004.

Fronté is a unique movable floor-to-ceiling storefront system. Only 2¼ inches thin and available up to an industry-leading 72 inches wide, Fronté's elegant glazed façade and sliding door units give a distinct, contemporary look to any design-sensitive interior application. Fronté also integrates seamlessly with traditional construction and with Inscape's Reform™ and Inform™ movable wall systems. Fronté won a Silver award at NeoCon 2008 in the movable walls category, a Bronze Innovation award at IDEX/NeoCon 2008, as well as a GOOD DESIGN award.

Addwall is a scalable movable wall solution that offers superior aesthetics. Inscape took the best features from two existing movable wall products and incorporated them into Addwall, a non-generational solution with the flexibility to provide clients with the form and function that meet their requirements and budget. Its additive features and finish options enable companies to select only the features needed to meet their requirements. Addwall was introduced at NeoCon 2010 and is the winner of a 2010 GOOD DESIGN award.

(5) Sales and Marketing

Inscape markets its products through a network of its own sales representatives in key markets combined with independent sales agencies in other markets. These sales resources along with a network of dealers are supported by regional field sales management. The Company's market covers a broad range of industries. Inscape's products are purchased by some of the largest corporations in North America, many of whom can be found in the list of Fortune 1000 companies. A major portion of the Company's sales is derived from substantial projects where large numbers of employees are being relocated to new or refurbished facilities.

(6) Geographic Segments

Inscape's sales by geographic segments for the financial years ended April 30, 2011 and April 30, 2010 are set out below:

Inscape Sales by Geographic Segments (\$000's)

Financial Years Ended April 30,

	2011	2010
Sales from		
United States	\$ 75,549	\$ 62,426
Canada	10,115	8,390
Other	1,741	313
	\$ 87,405	\$ 71,129

(7) Distribution Methods

Architects, interior designers and facility managers have significant roles in the process of furniture selection by a potential customer. These professionals typically act as consultants to businesses in the design of facilities and interior space to meet their business needs. In carrying out their duties, architects, interior designers and facility managers are often asked to recommend office systems and furniture to their customers or employer.

The Company has divided North America into four geographic regions for the purposes of sales management. A Senior Sales Executive is assigned to each region to work closely with independent and direct sales representatives to promote the Company's products in specified territories. These sales representatives along with Inscape Sales Executives market the Company's products to architects, interior designers, facility managers, real estate brokers and dealers to increase awareness of the unique solutions offered by the Company's products. The Company has developed long-term relationships with a number of these independent sales organizations.

The Company continues to develop its extended sales organization with new sales representatives and dealers, especially in key growth target markets across North America.

In a typical transaction for a project order, the Inscape sales organization will work with furniture dealer sales personnel to promote Inscape's products to

end users and their advisors. When the customer has determined its furniture requirements, it places an order with a furniture dealer, which in turn orders the product from Inscape. The dealer, which typically carries a broad range of competitive office furniture products, installs the furniture and provides ongoing service to the end user. A smaller order would usually result from service provided by a dealer to an end user with little input from Inscape's sales staff or independent representatives.

The Company also promotes its products through the use of high quality sales literature, advertising in industry trade magazines, participation at industry trade shows and electronic media such as its website and email campaigns.

(8) Manufacturing

Inscape's emphasis on responsiveness to customer needs is reflected in its manufacturing methodology. Manufacturing processes are developed concurrently with product design and with the objective to be flexible enough to adapt to the unique requirements of its customers on a timely basis.

The Company's products are produced using the JIT/Cellular manufacturing method. Under this concept, each product is broken down into component parts. A manufacturing cell is designed to produce each of these parts and consists of dedicated machines capable of performing a specific series of functions. Semi-autonomous work teams control the production activity of each cell, including quality assurance. Employee productivity is enhanced through (i) cross-training of all employees in a team allowing them to perform virtually every operation in the cell; and (ii) incentive-based compensation linked to quality and production volumes. In connection with its JIT approach to manufacturing, the Company also seeks to achieve JIT inventory practices through its relations with its principal suppliers.

The use of the JIT/Cellular approach has generated significant economic benefits for the Company. Through the reduction of activities such as material handling and tooling set-ups, most non-productive time has been eliminated resulting in greatly reduced manufacturing costs.

The JIT/Cellular approach and its dedicated machine set-up ensure that manufacturing unit cost of production is minimized. This approach allows for the manufacture of small-customized orders in an efficient manner. As a result, small orders remain a profitable segment of the Company's business. This ability to respond quickly to customers is a significant competitive advantage.

(9) Facilities

Inscape's products are manufactured in two facilities: a 306,000 square foot plant in Holland Landing, Ontario and a 132,000 square foot plant in Falconer, New York.

The Holland Landing facility is built on 35 acres of land owned by the Company in Holland Landing, Ontario, approximately 45 minutes north of Toronto. This facility is used to manufacture systems and filing products. In addition, this facility houses most of the Company's administrative, support, engineering and corporate offices. The Company maintains a showroom at this location.

The architectural and movable wall systems are produced in the facility in Falconer, New York.

Other Company premises include showrooms in Chicago, Washington, D.C., Toronto and Montreal. A new showroom will open in New York City in Fall, 2011. In addition, the Company's representatives and dealers typically have and manage their own showrooms with Inscape furniture displays.

(10) Specialized Skills and Knowledge

In order to operate effectively, the Company requires a variety of skilled professionals including design, engineering, IT and manufacturing personnel. The Company has an adequate number of such skilled professionals.

(11) Components

The major raw materials used by the Company are cold-rolled steel, fabric, powder and liquid paint and plastic components. Most of these materials are sourced locally. These materials are readily available and the Company has not faced any significant material shortages.

(12) Cycles

Inscape's business is not impacted by seasonality but it is reliant on white collar employment and corporate profits and thus is affected by general economic cyclical trends.

(13) Employees

As at April 30, 2011, Inscape employed approximately 409 people of whom 232 were unionized.

(14) Intellectual Properties

The Company believes that its success depends, in part, upon its ability to develop and protect proprietary technology contained in its products and its manufacturing process and relies on a valuable body of technical know-how related to the design of its products. Inscape holds a number of design and utility patents relating to its furniture products in the principal markets in which it competes. These patents expire at varying dates, with the majority of the key patents expiring in the next five to fifteen years. An application for a patent for a new product introduced in January 2010 (Addwall) has been submitted along with a number of other patent applications. An application for a patent for the new Inscape System to be launched in September 2011 has been filed. In financial year 2009, the Company signed a ten-year licence agreement with a successful European manufacturer to manufacture and market an award-winning table-based system (Tisch) in North America. The licence will be automatically renewed for another ten years unless the agreement is terminated pursuant to the provisions of the agreement. The Company currently relies upon these patents, intellectual property laws, as well as contractual restrictions, to establish and protect proprietary rights in its products and designs. Inscape has also entered into non-disclosure agreements with its employees as appropriate and non-disclosure agreements with certain of its suppliers so as to limit access to and disclosure of its proprietary information.

(15) Environmental Protection Requirements

The Company is subject to environmental regulation by federal, provincial, state and local authorities. Although Inscape's operations do not involve activities likely to create significant environmental risks, its operations involve the use of chemicals that must be stored, handled, used and disposed of in accordance with environmental regulation. Environmental protection requirements did not have a material impact on capital expenditures, earnings, or competitive position of the Company in financial year 2011. Based on existing practices and legislative requirements, the impact of environmental requirements in future years is expected to be similar to the experience in the current financial year.

(16) Competition

Inscape operates in a highly competitive environment. In the markets in which it operates, the Company generally competes with a small number of larger companies. Several of Inscape's larger competitors operate in many of the Company's geographic and product-markets and exert a high degree of control over office furniture dealers who principally sell their products. The Company also competes with a large number of smaller, independent companies, many of which are well established in the markets in which they sell their products.

(17) Reorganization

Effective May 1, 2007, Inscape Corporation amalgamated with its Canadian subsidiaries Inscape Ltd. and Office Specialty Ltd. to form one corporation. The surviving corporation has the name "Inscape Corporation" ("Amalco") and carries on business as such. Inscape Ltd. and Office Specialty Ltd. ceased to exist as corporations as of May 1, 2007 and instead, their respective obligations, liabilities, assets, property, employees and undertaking flowed through and became those of Inscape Corporation "Amalco".

There was no third party change of ownership as Amalco is still owned by the same shareholders that owned the pre-amalgamated companies. This amalgamation did not include or impact the Company's U.S. based subsidiaries. It provides more flexibility in the tax planning of the Canadian operations.

(18) Risk Factors

Risk factors relating to the Company and its business in order of seriousness are as follows:

Access to the U.S. Markets

The Company depends heavily on unrestricted access to the U.S. markets as a significant portion of the Company's sales is derived from there. The Company's business, operating results, cash flows and financial condition will be seriously affected if access to the U.S. markets is restricted due to political, social, economic or regulatory reasons. Buy America sentiment and regulations may deny the Company's chance in bidding contracts, especially with the governments. The Company needs to monitor closely developments in various U.S. statutes, regulations, procurement requirements and border crossing restrictions. Where appropriate, the Company publicizes its extensive investment in the U.S. and contribution to the economy by operating a production plant in New York State, providing employment opportunities in different states and purchasing from U.S. suppliers.

U.S. Dollar Exchange Rate

As the U.S. is the main market for the Company, fluctuations in the U.S./Canadian dollar exchange rate have a significant impact on the operating results, cash flows and financial condition of the Company. As the U.S./Canadian dollar exchange rate declines, the amount of Canadian dollars available from the conversion of U.S. dollar sales diminishes. The Company manages its foreign currency exposure through the use of U.S. dollar hedge instruments. As the hedge instruments provide the Company with an opportunity to lock in the U.S. currency conversion rate at a prevailing hedge rate, they facilitate the Company's business

planning process with pre-determined exchange rate exposure. However, the instruments do not eliminate the adverse effects of unfavorable U.S./Canadian dollar exchange rates, as the prevailing hedge contract rate is affected by the prevailing spot exchange rate. To minimize the adverse effect of a declining exchange rate, the Company increases purchases in U.S. dollars where appropriate and seeks to increase sales volume in Canadian markets.

Effectiveness of market representatives

The Company relies on the effectiveness of independent market representatives to market our products to customers. A market representative may choose to terminate relationship with us or the effectiveness of a market representative may decline. Disruption of the relationship or transition of an underperforming representative could have an adverse impact on our business in the affected market. The Company manages this risk by maintaining strong connection to performing representatives at the regional senior management level. The Company also assesses the effectiveness of the representatives on a regular basis.

Effectiveness of growth strategy implementation

The Company seeks to grow its business and market share by promoting our brand awareness, creating a corporate image as a creative designer and manufacturer of office furniture, offering simple, easy to work with products, and providing visualization tools to assist designers and clients with solutions for workspaces. Effective implementation of these strategies is essential to the future growth of the Company. The Company's sales and results of operations will be adversely affected if there are delays or difficulties in carrying out the strategies.

General economic and market conditions

Demand for office furniture is sensitive to general economic conditions such as the white-collar employment rate, corporate growth and profitability, government spending, office relocations and commercial property development. The Company manages to moderate the impact of this risk by increasing the differentiation of our products to attract new customers, the launching of new products to gain market share and enhancing the coverage of customers and designers.

Competitive environment

Office furniture is a mature and highly competitive industry. Our main competitors include global companies with strong brand name recognition and capability to utilize offshore outsourcing. The competition results in price pressure and aligned dealers' ability to carry Inscape products along with those of the competitors. The Company competes on product design, functionality, innovation and customer service. Our success will depend on targeting highly autonomous aligned dealers that are receptive to our corporate position of being a creative solution for unique

applications, and automating certain processes to keep improving our productivity and quality.

Raw material and commodity costs

Fluctuations in raw material and commodity prices could have a significant impact on the Company's cost of sales and operating results. Since most of the raw materials and commodities used by the Company are not unique to the office furniture industry, their costs are often affected by supply and demand in other industries and countries. As a result, the Company may experience rising raw material and commodity costs that cannot be recovered from customers when the office industry is in recession. The Company manages its manufacturing costs by improving production yields, reducing spoilage, focusing on quality control and overseas sourcing where appropriate.

DIVIDENDS

The Board of Directors decides on the declaration of dividends quarterly by considering the Company's financial condition, performance, investment requirements and other relevant factors. The Company did not declare dividends for the three most recently completed financial years.

CAPITAL STRUCTURE

The Company's capital structure as at April 30, 2011 was as follows:

(in thousands of dollars)

	April 30, 2011	April 30, 2010
<hr/>		
Authorized		
7,670,881 Class A multiple voting shares, 10 votes per share		
Unlimited Class B subordinated voting shares, 1 vote per share		
Issued		
5,345,881 Class A multiple voting shares (April 30, 2010 - 5,345,881)	\$ 375	\$ 375
9,253,279 Class B subordinated voting shares (April 30, 2010 - 9,750,936)	53,791	56,684
	<hr/> \$ 54,166 <hr/>	<hr/> 57,059 <hr/>

On July 9, 2010 the Company repurchased 441,317 Class B subordinated voting shares from an ex-officer of the Company. The shares were returned to treasury and were subsequently cancelled. After this transaction, the Company has 9,309,619 Class B subordinated voting shares outstanding.

In September 2010 the Company received approval from the Toronto Stock Exchange to launch a one-year share buy-back program - Normal Course Issuer Bid ("NCIB"). Under the NCIB, the Company can repurchase from the market for cancellation up to a maximum of 465,481 Class B subordinated voting shares at prevailing market prices over a twelve month period ending in September 2011. As at July 29, 2011, 81,562 Class B subordinated voting shares have been repurchased at an average of \$2.87 per share

MARKET FOR SECURITIES

The Subordinated Voting Shares are listed and posted for trading on the Toronto Stock Exchange (TSX) under the symbol "INQ".

Trading Price and Volume

Month	Range of trading (\$)		Trading Volume
	High	Low	
Apr-11	3.10	2.75	86,662
Mar-11	3.50	3.00	18,801
Feb-11	3.49	3.25	6,139
Jan-11	3.44	3.20	39,100
Dec-10	3.49	2.49	108,107
Nov-10	2.50	2.30	102,381
Oct-10	2.50	2.28	46,825
Sep-10	2.58	2.00	97,042
Aug-10	1.90	1.85	31,152
Jul-10	1.93	1.70	542,791
Jun-10	1.75	1.51	1,100
May-10	2.00	1.75	3,947

**ESCROWED SECURITIES AND SECURITIES SUBJECT
TO CONTRACTUAL RESTRICTION ON TRANSFER**

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Class A Multiple Voting Shares	5,345,881	100%

The Class A Multiple Voting Shares may only be held by Madan Bhayana, the Chairman of the Board, and certain persons related to, or controlled by him. The holders of the Multiple Voting Shares have entered into a stock control agreement dated December 9, 1997 (the "Control Agreement") to prohibit transfers, granting a security interest in, encumbering or otherwise disposing of their Multiple Voting Shares except by way of a Permitted Transfer (as defined under the Control Agreement and being principally a transfer to affiliates of the present holders of the Multiple Voting Shares or the granting of a security interest in such shares by such holders to a Canadian financial institution with which it deals at arms length with the holder in connection with a bona fide debt; provided that such financial institution may not vote or direct the voting of such shares). The Multiple Voting Shares are convertible at any time at the option of the holder on a one-for-one basis into Subordinated Voting Shares. Multiple Voting Shares will be deemed to be converted into Subordinated Voting Shares in certain events, including the death of Madan Bhayana or a transfer of Multiple Voting Shares pursuant to a transfer that is not a Permitted Transfer. The shares are deposited with CIBC Mellon acting as trustee.

DIRECTORS AND EXECUTIVE OFFICERS

The names, municipalities of residence, positions with the Company and principal occupations of the directors and executive officers of the Company are as follows:

<u>Name and Municipality of Residence</u>	<u>Office held with Inscape Corporation</u>	<u>Date First Elected Director</u>	<u>Principal Occupation</u>
Madan Bhayana Markham, Ontario	Chairman of the Board and CEO	December 8, 1997	Chairman of the Board and CEO Inscape Corporation
Bartley Bull ^{(1) (2)} Toronto, Ontario	Director	December 8, 1997	Corporate Director
Dezső J. Horváth ^{(1),(3)} Toronto, Ontario	Director	December 21, 2002	Dean, Schulich School of Business, York University
Robert G. Long, FCA ^{(1),(2)} Markham, Ontario	Director	September 29, 2004	Corporate Director
Douglas C. Lord ^{(1) (3)} Toronto, Ontario	Director	April 1, 2008	Corporate Director
Brian A. Mirsky ^{(2) (3)} Toronto, Ontario	Director	April 1, 2008	President and Chief Executive Officer, Fresh Change Foods Group Ltd
Kent Smallwood Toronto, Ontario	Chief Financial Officer, Treasurer , Secretary & Executive VP Corporate Development	NA	Chief Financial Officer, Treasurer , Secretary & Executive VP Corporate Development
Craig Dunlop Southern Pines North Carolina	Executive VP Sales and Distribution	NA	Executive VP Sales and Distribution
David Parshad Markham, Ontario	Vice President, Product Design & Development	NA	Vice President, Product Design & Development
Sharad Mathur Markham, Ontario	Vice President, Architecture & Design	NA	Vice President, Architecture & Design

Notes:

- (1) Member of audit committee
- (2) Member of compensation and corporate governance committee
- (3) Member of strategy committee

Each director holds office until the next annual meeting of shareholders unless his office is earlier terminated or vacated. Other than as noted below, each director and executive officer has held the same principal occupation for the previous five years.

Madan Bhayana was appointed CEO on November 30, 2009.

Prior to his retirement in July 2010, Douglas Lord was the President of Xerox, North American Solutions Group. Prior to January 1, 2008, he was President of Xerox Canada.

Craig Dunlop was President of Bedlam International from 2006 to 2009.

Prior to September 2007, Sharad Mathur was Senior Manager of Marketing Intelligence of Teknion Corporation.

As at July 29, 2011, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, an aggregate of 3,936,630 Class B subordinated voting shares and 5,345,881 of the Multiple Voting Shares of the Company, being 42.7% and 100%, respectively of the issued and outstanding shares of each such class.

AUDIT COMMITTEE

Audit Committee Charter

The charter of the Audit Committee is attached as Appendix A to this Annual Information Form.

Composition

The members of the Audit Committee are: Robert G. Long (Chair), Dezső J. Horváth, Douglas C. Lord and Bartley Bull. All of them are independent and financially literate within the meaning of Multilateral Instrument 52-110 *Audit Committees*.

Relevant Education and Experience

The education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Committee is summarized below:

Name	Education and relevant experience
Robert G. Long	<ul style="list-style-type: none">• Bachelor of Commerce (University of Toronto)• Chartered Accountant and FCA• Formerly Vice-Chair of Ernst & Young LLP
Dezső J. Horváth	<ul style="list-style-type: none">• M.B.A and PhD degrees obtained in Sweden• Dean and Tanna H. Schulich Chair in Strategic Management at the Schulich School of Business, York University
Douglas C. Lord	<ul style="list-style-type: none">• Honours Degree in Economics and Political Science (McMaster University)• Formerly President Xerox, North American Solutions Group
Bartley Bull	<ul style="list-style-type: none">• Bachelor of Commerce (Queen's University)• Chartered Accountant• Formerly CFO of Inscape Corporation

Pre-approval Policies and Procedures

The Audit Committee is responsible for overseeing the work of the independent auditors and considering whether the provision of services, other than audit services, is compatible with their independence. All non-audit services proposed to be performed by the external auditors are submitted to the Audit Committee for pre-approval, except that the Committee has adopted a practice whereby the Chair of the Committee is authorized to review and approve engagements for non-audit services involving fees of \$50,000 or less.

External Auditor Service Fees by Category

	Financial Years Ended April 30,	
	2011	2010
Audit and Quarterly Review Fees (1)	\$202	\$231
Audit-Related Fees	53	18
Canadian and US Tax Related Compliance	11	41
Total	\$266	\$290

All amounts in thousands of dollars

(1) includes one quarterly review in 2010

TRANSFER AGENT AND REGISTRAR

By mail:
CIBC Mellon Trust Company
c/o Canadian Stock Transfer Company Inc.
P.O. Box 7010
Adelaide Street Postal Station
Toronto, ON
M5C 2W9

Tel: 416-643-5500 1-800-387-0825 (within Canada and the United States)

Fax #416-643-5501

E-mail: inquiries@cibcmellon.com

Website: www.cibcmellon.com

ADDITIONAL INFORMATION

Additional information relating to Inscope Corporation may be found on SEDAR at www.sedar.com

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's information circular for the Annual Meeting of security holders to be held on September 8, 2011.

Additional financial information is provided in the Company's financial statements and MD&A for the financial year ended April 30, 2011.

Appendix A

INSCAPE CORPORATION CHARTER OF THE AUDIT COMMITTEE

1) **AUTHORITY**

The Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Inscape Corporation (the “**Corporation**”) was established pursuant to Section 158 of the Ontario Business Corporations Act. The Committee shall be comprised of at least three members of the Board. Consistent with the appointment of other Board committees, the members of the Committee shall be elected by the Board at the meeting when the Corporation’s first quarter results are reviewed or at such other times as may be determined by the Board. The Chairman of the Committee 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 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.

2) **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. It is the objective of the Committee to maintain free and open means of communication among the Board, the Committee, the independent auditor and the financial and senior management of the Corporation.

3) **COMPOSITION OF THE COMMITTEE**

The Committee shall be made up of “independent directors” within the meaning of the corporate governance policy of the Canadian Securities Administrators (the “CSA”) and all should be non-management directors.

All members of the Committee shall be financially literate at the time of their election to the Committee. “Financial Literacy” shall be determined by the Board in the exercise of its business judgment and shall include a working familiarity with basic finance and accounting practices and an ability to read and understand fundamental consolidated financial statements, including a balance sheet, income statement, a cash flow statement and the notes thereto. At least one member shall have “accounting or related financial expertise” as

contemplated under the corporate governance policy of the CSA. Specifically, the Audit Committee's financial expert and the member with "accounting or related financial expertise" must have the following attributes:

- (1) An understanding and ability to analyze and interpret a full set of financial statements, including the notes attached thereto, prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP").
- (2) An ability to assess the general application of Canadian GAAP in connection with the accounting for estimates, accruals and reserves.
- (3) Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements or experience actively supervising one or more persons engaged in such activities.
- (4) An understanding of internal controls and procedures for financial reporting.
- (5) An understanding of audit committee functions.

Committee members, if they or the Board deem it appropriate, may enhance their understanding of finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant or firm.

4) 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. As part of its purpose to foster open communications, the Committee shall meet with Management, and the Corporation's independent auditors in separate executive sessions to discuss any matters that the Committee or each of these groups or persons believe should be discussed privately. In addition, the Committee (or the Chairman) should meet or confer with the independent auditors and Management to review the Corporation's interim consolidated financial statements prior to their filing with the Ontario Securities Commission (the "**OSC**") or any other regulatory body. The Chairman should work with the Chief Financial Officer and Management to establish the agendas for Committee meetings. The Committee, in its discretion, may ask members of Management or others to attend its meeting (or portions thereof) and to provide pertinent

information as necessary. The Committee shall maintain minutes of its meetings and records relating to those meetings and the Committee's activities and provide copies of such minutes to the Board.

5) DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The Committee is responsible for the appointment (subject to shareholder approval), compensation, retention, evaluation and oversight of the work of the Corporation's independent auditors engaged for the purpose of preparing or issuing an audit report or related work or performing in other audit, review or attest services for the Corporation and, in accordance with the requirements of the TSX and the rules promulgated by the OSC, the independent auditors must report directly to the Committee and are accountable to the Committee (as representatives of the shareholders of the Corporation). The Committee's oversight responsibilities include the authority to approve all audit engagement fees and terms, as well as all permitted non-audit engagements and resolution of disagreements between Management and the independent auditors regarding financial reporting.

The Committee is responsible for ensuring that the Corporation's independent auditors submit, on a periodic basis to the Committee, a formal written statement delineating all relationships between the independent auditors and the Corporation and actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and for taking appropriate action to ensure the independence of the independent auditors within the meaning of applicable Canadian law.

The Committee is responsible for the oversight of the Corporation's accounting and financial reporting processes generally and shall develop procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

In carrying out its duties and responsibilities the Committee's policies and procedures should remain flexible so that it may be in a position to react or respond to changing circumstances or conditions. While there is no "blueprint" to be followed by the Committee in carrying out its duties and responsibilities, the following specific matters should be considered within the authority of the Committee (it being understood that the Committee may diverge from such matters as considered appropriate given the circumstances).

Selection and Evaluation of Auditors

- (1) Select the firm of independent public accountants to audit the consolidated financial statements of the Corporation and its subsidiaries for each fiscal year (subject to shareholder approval).
- (2) Review and approve the Corporation's independent auditor's annual engagement letter, including the proposed fees contained therein.
- (3) Review the performance of the Corporation's independent auditors and replace or terminate the independent auditors when circumstances warrant.
- (4) Oversee the independence of the Corporation's independent auditors by, among other things:
 - i. Requiring the independent auditors to deliver to the Committee on a periodic basis a formal written statement delineating all relationships between the independent auditors and the Corporation.
 - ii. Actively engaging in a dialog with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and taking appropriate action to satisfy itself of the auditors' independence.
- (5) Instruct the Corporation's independent auditors that:
 - i. They are ultimately accountable to the Committee (as representatives of the shareholders of the Corporation).
 - ii. They must report directly to the Committee.
 - iii. The Committee is responsible for the appointment (subject to shareholder approval), compensation, retention, evaluation and oversight of the Corporation's independent auditors.
 - iv. They must inform the Committee, on a timely basis, of any material concerns which they may have about internal controls and the financial operations of the Corporation and any material differences of opinion

between Management and the independent auditors on such subjects.

- v. They must inform the Committee of any practices or conditions affecting the Corporation that, in the opinion of the independent auditors, are not satisfactory and require rectification.
- (6) Review and pre-approve all audit and permitted non-audit services or mandates to be provided by the independent auditors to the Corporation, including tax services and to determine which non-audit services the independent auditors are prohibited from providing.

Oversight of Annual Audit and Quarterly Reviews

- (1) Review and accept, if appropriate, the annual audit plan of the Corporation's independent auditors, including the scope of audit activities and monitor such plan's progress and results during the year.
- (2) Confirm through private discussion with the Corporation's independent auditors and the Corporation's Management that no management restrictions are being placed on the scope of the independent auditors' work.
- (3) Review the results of the year-end audit of the Corporation, including (as applicable):
 - i. the auditors' report, the consolidated financial statements, the management representation letter, memorandum prepared by the Corporation's independent auditors regarding internal controls, any other pertinent reports and Management's responses concerning such memorandum
 - ii. the review of and discussions with the independent auditors as to the qualitative judgments of the independent auditors about the appropriateness, not just the acceptability of accounting principle and financial disclosure practices used or proposed to be adopted by the Corporation including any alternative treatments of financial information that have been discussed with Management, the ramification of their use and the

independent auditors' preferred treatment, as well as any other material communication with Management and, particularly, about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates

- iii. the selection and application of the Corporation's critical accounting policies
 - iv. the methods used to account for significant unusual transactions or circumstances
 - v. the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus
 - vi. significant recorded and unrecorded audit adjustments
 - vii. any material accounting issues between Management and the independent auditors
 - viii. other matters required to be communicated to the Committee under generally accepted auditing standards, as amended, by the independent auditors
- (4) Review with Management and the Corporation's independent auditors such accounting policies (and changes therein) of the Corporation, including any financial reporting issues which could have a material impact on the Corporation's consolidated financial statements, as are deemed appropriate for review by the Committee prior to any interim or year-end filings with the OSC or other regulatory body.
- (5) Review the Corporation's interim consolidated financial statements prior to the filing thereof with the OSC or other regulatory body and confirm that such statements have been reviewed by the Corporation's independent auditors.
- (6) Review the completion of OSC's requirements with respect to CEO/CFO certification of annual and interim filing and ensure compliance with prevailing OSC requirements.
- (7) Review and, if appropriate, recommend approval of the Board, of the Management's Discussion and Analysis relating to the Corporation's consolidated financial statements, the Corporation's

interim consolidated financial statements and the Corporation's earnings press releases.

- (8) Review and, if appropriate, recommend approval of the Board, of the reports to security holders issued by the Corporation with respect to the Corporation's annual and quarterly financial statements, and the Annual Information Form and Proxy Circular.

Oversight of Financial Reporting Process and Internal Controls

- (1) Review the adequacy and effectiveness of the Corporation's accounting and internal control policies and procedures through inquiry and discussions with the Corporation's independent auditors and Management.
- (2) Review with Management the Corporation's administrative, operational and accounting internal controls, including controls and security of the computerized information systems, and evaluate whether the Corporation is operating in accordance with its prescribed policies, procedures and codes of conduct.
- (3) Review with Management and the independent auditors any reportable conditions and material weaknesses affecting internal control.
- (4) Receive periodic reports from the Corporation's independent auditors and Management of the Corporation to assess the impact on the Corporation of significant accounting or financial reporting developments that may have a bearing on the Corporation.
- (5) Establish and maintain free and open means of communication between and among the Board, the Committee, the Corporation's independent auditors and Management.

Other Matters

- (1) Meet with outside counsel, when appropriate, to review legal and regulatory matters, including any matters that may have material impact on the Corporation's consolidated financial statements.
- (2) Review the Corporation's policies relating to the avoidance of conflicts of interest and review and approve any transactions between the Corporation and members of Management, as well as policies and procedures with respect to officers' expense accounts

and perquisites, including the use of corporate assets. The Committee shall consider the results of any review of these policies and procedures by the Corporation's independent auditors;

- (3) Conduct or authorize investigations into any matters within the Committee's scope of responsibilities, including retaining outside counsel or other consultants or experts as the Committee determines necessary to carry out its duties.
- (4) Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- (5) Review any significant transactions outside the Corporation's ordinary course of business and all pending litigation involving the Corporation.
- (6) Review periodically with Management the Corporation's major financial risk exposure and the steps Management has taken to monitor and control such exposures.
- (7) Examine the compliance of the Corporation with all applicable legislation, including tax withholding and all tax laws (filing of tax returns and assessments).
- (8) Review the appropriateness and adequacy of the Corporation's insurance program.
- (9) Review with the Chief Financial Officer, at least annually, the quality and sufficiency of the Corporation's accounting and financial personnel and the consideration of implementation of an internal audit group.
- (10) Review of communications from security regulators and the Corporation's responses.
- (11) Review of any prospectus documents and material change reports.
- (12) Review, on an annual basis, the funding status of the Corporation's pension plans, investment performance and asset allocation.
- (13) Review of the Corporation's compliance with health, safety and environmental regulations.

- (14) Review and reassess the adequacy of this Charter annually and report the results of the assessment to the Board.
- (15) Perform such additional activities, and consider such other matters within the scope of its responsibilities, as the Committee or the Board deems necessary or appropriate.

With respect to the duties and responsibilities listed above, the Committee should:

- (1) Report regularly to the Board on its activities, as appropriate.
- (2) Exercise reasonable diligence in gathering and considering all material information.
- (3) Understand and weigh alternative courses of conduct that may be available.
- (4) Focus on weighing the benefit versus harm to the Corporation and its shareholders when considering alternative recommendations or courses of action.
- (5) If the Committee deems it appropriate, secure independent expert advice and understand the expert's findings and the basis for such findings, including retaining independent counsel, accountants or others to assist the Committee in fulfilling its duties and responsibilities.

6) FUNDING

The Committee's effectiveness may be compromised if it is dependent on Management's discretion to compensate the independent auditors or the advisors employed by the Committee. Consequently, the Corporation shall provide for appropriate funding, as determined by the Committee, for payment of any compensation (i) to any independent auditors engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Corporation, and (ii) to any independent advisors employed by the Committee.

7) DISCLOSURE OF CHARTER

This Charter shall be (i) published in the Corporation's annual report or information circular once every three years or following a material amendment to it; or (ii) be posted in an up-to-date format on the Corporation's web site.

While the Committee has the duties and responsibilities set forth in this Charter, the Committee is not responsible for planning or conducting the audit or for determining whether the Corporation's consolidated financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Similarly, it is not the responsibility of the Committee to ensure that the Corporation complies with all laws and regulations.