



FINANCE & AUDIT COMMITTEE

CHARTER
of the Finance & Audit Committee
of the Board Of Directors
of Spectral Medical Inc.

Purpose

The primary function of the Finance & Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Spectral Medical Inc. (the “**Corporation**”) is to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reports, the audit process and the processes for identifying, evaluating and managing the company’s principal risks impacting financial reporting.

Consistent with this function, the Committee should encourage continuous improvement of, and should foster adherence to, the Corporation’s policies, procedures and practices.

Approval of Charter

This Committee charter requires approval by the Board.

Future changes of this charter require approval by the Board based on the recommendation of the Committee.

Structure and Composition

The Committee shall consist of no fewer than three members from among the Board.

- Each member of the Committee shall: (i) be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee; (ii) meet the independence and experience requirements of all applicable corporate, exchange and securities statutes, rules and regulations in Canada and the United States (the “**regulations**”)

All members of the Committee shall have a working familiarity with basic finance and accounting practices and shall be able to read and understand financial statements.

The members of the Committee shall be appointed by the Board annually on the recommendations of the Nomination & Governance Committee or until successors are duly appointed.

The Board shall normally designate the Chair of the Committee. In the event that a Board designation is not made the member of the Committee shall elect a Chair by majority vote of the full Committee.

In the event that the Chair of the Committee does not attend a meeting of the Committee, the members of the Committee shall elect a temporary Chair for such meeting by majority vote of the members in attendance at the meeting.

Once appointed, Committee members shall cease to be a member of the Committee only upon:

- (i) resignation from the Board;
- (ii) death;
- (iii) disability, as determined by an independent physician retained by the Board; or
- (iv) not being re-appointed pursuant to the annual appointment process described above.

Except as otherwise determined by the Board in any particular circumstance, members of the Committee shall not simultaneously serve on the Committees of more than three public companies.

Meetings

The Committee shall meet at least quarterly and more frequently as circumstances dictate.

A majority of Committee members is required for meeting quorum.

The Committee shall meet separately on a regular basis with management and the independent auditor in separate committee sessions.

The Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent auditor to attend a meeting of the Committee or to meet or provide consultations to the Committee or any member thereof.

The CEO, Executive Vice-President, CFO and Corporate Secretary of the Corporation shall attend meetings of the Committee at the request of the Chairman. Representatives of the independent auditors shall attend meetings of the Committee upon request by the Chair.

Notice of all meetings of the Committee shall be sent to the Auditors as well as Committee members.

Resolutions

Resolutions of the Committee shall require approval by a single majority of members voting on such resolution.

Responsibilities and Duties

(i) Minutes and Reporting to the Board

The Committee shall prepare written minutes of all of its meetings. In addition, the Chair of the Committee or designate shall report to the Board of Directors after each meeting the significant matters addressed by the Committee at such meeting and a copy of the Minutes shall be made available to all members of the Board.

(ii) Independent Auditor

With respect to the Corporation's independent auditor, the Committee shall:

- have the sole authority to recommend to the Board the appointment or replacement of the independent auditor (subject, if applicable, to shareholder approval)

- be directly responsible for establishing the compensation of the independent auditor
- have the independent auditor report directly to the Committee
- determine the extent of involvement of the independent auditor in reviewing unaudited quarterly financial results
- meet with the independent auditor prior to the annual audit to discuss the planning, scope and staffing of the audit
- approve the selection of the senior audit partners having primary responsibility for the audit
- provide for the periodic rotation of the senior audit partners having primary responsibility for the audit and the audit partner responsibility for reviewing the audit as required by law
- at least on an annual basis, evaluate the qualifications, performance and independence of the independent auditor and the senior audit partners having primary responsibility for the audit
- obtain and review a report from the independent auditor at least annually regarding: (i) the independent auditor's internal quality control procedures, (ii) any material issued raised by the most recent internal quality control review, or peer review, of the firm, or raised by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (iii) any steps taken to deal with any issues, and (iv) all relationships between the independent auditor and the Corporation
- obtain confirmation from management that the Corporation has not hired employees or former employees of the independent auditor who have participated in any capacity in the audit of the Corporation for the immediately previous 12-month period
- pre-approve all auditing services and permitted non-audit services (including fees and terms thereof) to be performed for the Corporation by its independent auditor.

(iii) Reporting to Board

The Committee shall make regular reports to the Board, but not less frequently than quarterly.

(iv) Financial Reporting

With respect to the Corporation's reporting of unaudited financial results, the Committee shall:

- prior to the public release and filing with securities regulatory agencies, review and discuss with management the:
 - press release
 - consolidated financial statements and notes thereof
 - management's discussion & analysis
 - results of any independent auditor's review requested/approved by the Committee

- review the Corporation’s unaudited quarterly financial results including:
 - any significant judgments (eg. estimates and reserves) made in the preparation of financial statement
 - the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented
 - significant financial reporting issues and judgments made in connection with the preparation of the Corporation’s financial statements, including any significant changes in the Corporation’s selection or application of accounting principles, any major issues as to the adequacy of the Corporation’s internal controls and any special steps adopted in light of material control deficiencies
 - the Corporation’s use of “pro forma” or “adjusted” non GAAP information
 - the Corporation’s use of forward looking financial guidance
 - critical accounting policies and practices
 - review of alternative treatments of financial information in all cases, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor
 - any written communications between the independent auditor and management
 - the effect of regulatory and accounting initiatives as well as off balance sheet structures on the Corporation’s financial statements
 - management certifications of reports filed by the Corporation pursuant to the Regulations
 - integrity of the Corporation’s financial reporting processes
 - any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Corporation’s financial statements or accounting policies
- approve the unaudited quarterly financial statements of the Corporation

(v) *Year End Audit*

With respect to the Corporation’s annual audit, the Committee shall:

- prior to the public release and filing with securities regulatory agencies, review and discuss with management and the independent auditor the:
 - financial statements and notes thereto for consolidated and separate entities
 - management’s discussion and analysis
 - results of the independent auditor’s audit

- the review of the Corporation's audited financial results, shall include:
 - all matters described above with respect to unaudited quarterly financial results
 - results of the independent auditor's audit
 - discussions with the independent auditors on the matters required to be discussed by Statement on Auditing Standards No. 61, including significant adjustments, management judgments and accounting estimates, significant new accounting policies, any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management
 - a verbal and/or written report, as appropriate, from the independent auditors describing (i) all critical accounting policies and practices to be used, (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors and (iii) other material communications between the independent auditors and management, such as the annual management letter or schedule of unadjusted differences
- recommend to the Board whether the audited consolidated financial statements of the Corporation should be approved by the Board

(vi) Annual Proxy Statement and Regulatory Filings

The Committee shall:

- issue any reports required of the Audit Committee to be included in the Corporation's annual proxy statement
- review and recommend to the Board the approval of all material documents filed with securities regulatory agencies including:
 - Consolidated Year End Financial Statements
 - Annual Information Form
 - Prospectus

(vii) Related Party Transactions and Off-Balance Sheet Structure

The Committee shall:

- review all related-party transactions including those between the Corporation and its officers or directors and, if deemed appropriate, recommend approval of any particular transaction to the Board
- review all material off-balance sheet structures which the Corporation is a party to

(viii) Internal Controls, Risk Management and Legal Matters

The Committee shall:

- consider the effectiveness of the Corporation's internal controls over financial reporting and related information technology security and control including the process to communicate such controls and roles and responsibilities
- discuss with management the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies including the use of derivative financial instruments

Areas to be considered in this respect include:

- Insurance Coverage
- Foreign Currency Exposure
- Interest Rate Exposure
- review with management, and if necessary, the Corporation's counsel, any legal matter which could reasonably be expected to have a material impact on the Corporation's financial statements or accounting policies

(ix) Capital Structure, Investment and Cash Management Policies, Disclosure Policy

The Committee shall:

- review and approve and changes to the Corporation's capital structure
- review and approve the Corporation's investment and cash management policy
- review and approve the Corporation's disclosure policy

(x) "Whistle Blower" and Related Procedures

- The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and fro the confidential and/or anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters. The identity of any person making a submission on a confidential basis shall be revealed, at a minimum, to the Chair of the Committee. The identity of any such person, however, will otherwise be treated as confidential. The Committee shall also be provided with such evidence as it requests to confirm that no disciplinary action has been taken against such person.
- Management shall report to the Committee on a timely basis, all discovered incidents of fraud within the Corporation, regardless of monetary value.

(xi) Review of Charter and Self-Assessment

The Committee shall:

- review and reassess annually the adequacy of this Charter
- review annually the Committee's own performance

(xii) Corporate Knowledge and Other Activities

The Committee shall:

- strive to expand continually its knowledge of the Corporation's activities
- carry out such other activities consistent with this Charter, the Corporation's bylaws and governing law, that the Committee or the Board deem necessary or appropriate

Other advisors

The Committee shall have the authority to retain independent legal, accounting or other advisors including consulting with the national office of the independent auditor. The Corporation shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Committee.

Limitations on Committee's Duties

While the Committee has the responsibilities and power set forth in this Charter, it is not the duty of this Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of either management and/or the independent auditor.

In discharging its duties, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter, including designating any member of the Committee as an "audit committee financial expert" is intended, or should be determined to impose on any member of the Committee a standard of care or diligence that is any way more onerous or extensive than the standard to which all members of the Board are subject.

The essence of the Committee's responsibilities is to monitor and review the activities described in this Charter to gain reasonable assurance (but not to ensure) that such activities are being conducted properly and effectively by the Corporation.