

DANIER LEATHER INC.
CHARTER
AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS

(As Adopted on June 12, 2006 and Amended and Restated on January 25, 2012)

I. PURPOSE

The audit committee (the "Committee") has been appointed by the board of directors (the "Board") of Danier Leather Inc. (the "Corporation") and is responsible for performing the duties set out in this Charter to enable the Board to fulfill its oversight responsibilities in relation to:

- (a) identifying and monitoring the management of the principal risks that could impact upon the financial condition, position or financial reporting of the Corporation;
- (b) monitoring the integrity of the Corporation's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
- (c) selecting and monitoring the "independence" (as defined under Canadian securities legislation) and performance of the Corporation's external auditors;
- (d) providing an avenue of communication among the external auditors, management of the Corporation and the Board; and
- (e) performing the additional duties set out in this Charter or otherwise delegated to the Committee by the Board from time to time.

This Charter is subject to the provisions of the *Business Corporations Act* (Ontario) and the Corporation's articles and by-laws, as each may be amended, supplemented or replaced from time to time.

II. MEMBERS

The Committee shall consist of three or more directors as determined by the Board. Each member of the Committee shall be "independent" (as such term is defined in National Instrument 52-110 – *Audit Committees*, as amended, supplemented or replaced from time to time ("NI 52-110")). The members of the Committee shall serve at the pleasure of the Board.

If a member of the Committee ceases to independent for reasons outside that member's reasonable control, that member will be exempt from the requirement to be independent for a period ending on the later of (a) the next annual meeting of shareholders of the Corporation and (b) the date that is six months from the occurrence of the event which caused the member to not be independent, provided that the Board has determined that appointing such member to the Committee will not materially adversely affect the ability of the Committee to act independently

and to satisfy the requirements of NI 52-110. Exemptions from the "independence" requirements may also be available to members of the Committee in certain other circumstances, subject to and in compliance with NI 52-110.

Annually, the Board shall appoint the members of the Committee and the chairman of the Committee following the annual meeting of the shareholders of the Corporation at which directors are elected. If, in any year, the Board does not appoint a chairman of the Committee, the incumbent chairman of the Committee shall continue in office until a successor is appointed. The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of directors. If a vacancy exists on the Committee, the remaining members shall exercise all of their powers so long as a quorum remains in office. Any member of the Committee may be removed or replaced at any time by the Board.

In addition to being independent, each member of the Committee shall be, or must become within a reasonable period of time after his or her appointment to the Committee, "financially literate" (as such term is defined in NI 52-110).

To the extent possible, members of the Committee should, as a group, have the following attributes:

- (a) an understanding of International Financial Reporting Standards ("IFRS") and financial statements and such other accounting policies, standards and practices as are applicable to the Corporation;
- (b) ability to assess the general application of IFRS in connection with the accounting for estimates, accruals and reserves;
- (c) 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;
- (d) an understanding of internal controls and procedures for financial reporting; and
- (e) an understanding of audit committee functions.

Members of the Committee, including the chairman of the Committee, shall receive such remuneration for their service on the Committee as the Board may determine from time to time. No member of the Committee may earn fees from the Corporation or any of its subsidiaries other than directors' fees (which may include cash, shares, options or other in-kind consideration ordinarily available to directors of the Corporation, as well as all of the regular benefits that other directors receive). For greater certainty, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation.

III. MEETINGS

The Committee shall meet at least four times per year, or more frequently as circumstances require. Meetings of the Committee may be held at such time and place and in person, telephonically or by video conference, as may be determined by the chairman of the Committee. A quorum of the Committee shall be two members. Each member shall have the right to vote on all matters that come before the Committee.

As part of each meeting of the Committee at which the Committee recommends that the Board approve the annual audited financial statements or at which the Committee approves the quarterly financial statements, the Committee shall meet separately with management of the Corporation and the external auditors of the Corporation to discuss any matters that the Committee, management or the external auditors believe should be discussed.

The chairman of the Committee shall preside at all meetings of the Committee at which he or she is present and shall develop the agenda for each Committee meeting. The chairman of the Committee shall designate from time to time a person who may, but need not, be a member of the Committee, to be Secretary of the Committee. Minutes shall be kept of all meetings of the Committee.

The Committee may invite any of the Corporation's directors, officers, employees, advisors or consultants or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee. The external auditors of the Corporation shall receive notice of each meeting of the Committee and shall be entitled to attend any such meeting at the Corporation's expense.

IV. REPORTS

The Committee shall report to the Board on the proceedings of each meeting and all recommendations made by the Committee at such meeting.

V. RESPONSIBILITIES AND DUTIES

The Committee shall perform the duties set out in this Charter and shall perform such other duties as may be necessary or appropriate under applicable laws or the rules of the Toronto Stock Exchange, or as may be delegated to the Committee by the Board from time to time. The Committee may from time to time appoint a subcommittee or one or more individual Committee member or members to consider any matter which falls within the mandate of the Committee and to make recommendations to the Committee.

The Committee may establish such rules as it deems necessary or appropriate to conduct the Committee's business. The following responsibilities are set forth as a guide for fulfilling the Committee's purposes, with the understanding that the Committee's activities may diverge as appropriate given the circumstances.

(a) Review and Approval of Financial Information

The Committee shall:

- (i) review and discuss with management and the external auditors the Corporation's audited annual financial statements and related management's discussion and analysis ("MD&A") together with the report of the external auditors thereon and, if appropriate, recommend to the Board that it approve the audited annual financial statements;
- (ii) review and discuss with management and the external auditors and, if appropriate, recommend to the Board that it approve the Corporation's interim unaudited financial statements and related MD&A;
- (iii) review and discuss with management and the external auditors the type of information to be disclosed and the type of presentation to be made in connection with earnings press releases;
- (iv) satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of those procedures;
- (v) review and discuss with management and the external auditors the effectiveness of the overall process for identifying and managing the principal risks affecting financial reporting and the Corporation's financial condition and position and provide the Committee's view to the Board in respect thereof;
- (vi) annually review and discuss with management and the external auditors:
 - (A) the appropriateness of the Corporation's accounting policies, critical accounting estimates, disclosures, reserves, key estimates and judgments, including changes or variations thereto and obtain reasonable assurance that they are presented fairly in accordance with IFRS;
 - (B) any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles;
 - (C) any major issues as to the adequacy of the Corporation's internal controls over financial reporting;
 - (D) any significant financial risk exposures and the steps management has taken to monitor, control and report such exposures;

- (E) significant findings prepared by the external auditors together with management's responses; and
- (F) any other issues or information that the Committee deems necessary or appropriate;
- (vii) review and discuss with management and the external auditors any financial information or financial statements in prospectuses and other offering documents;
- (viii) review and discuss with management and the external auditors the management certifications of the financial statements as required under applicable securities laws in Canada; and
- (ix) resolve any disagreements between management of the Corporation and the external auditors regarding financial reporting.

(b) External Auditors

As a representative of the Corporation's shareholders, the Committee shall be directly responsible for the appointment, compensation and oversight of the work of the Corporation's external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. In the discharge of this responsibility, the Committee shall:

- (i) have sole responsibility for recommending to the Board the firm to be proposed to the Corporation's shareholders for appointment as the external auditors, as well as the responsibility for recommending their compensation and determining at any time whether the Board should recommend to the Corporation's shareholders whether the incumbent external auditors should be removed from office;
- (ii) review the terms of the external auditors' engagement, discuss the audit fees with the external auditors and be solely responsible for approving such audit fees and any other significant compensation to be paid to the external auditors;
- (iii) require the external auditors to confirm in its engagement letter each year that the external auditors shall report directly to the Committee as representatives of the shareholders of the Corporation;
- (iv) oversee the work of the external auditors;
- (v) review and satisfy itself, on at least an annual basis, as to the independence of the external auditors;
- (vi) pre-approve any non-audit services to be provided by the external auditors to the Corporation;

- (vii) review and approve the Corporation's policies relating to hiring partners, employees and former partners and employees of the present and former external auditors of the Corporation;
- (viii) review any problems experienced by the external auditors in conducting the audit, including any restrictions on the scope of the external auditors' activities or access to requested information;
- (ix) review any significant disagreements with management and, to the extent possible, resolve any disagreements between management and the external auditors;
- (x) if there is a plan to change external auditors, review all issues related to such a change and the steps planned for an orderly transition;
- (xi) instruct management to promptly bring to its attention any services performed by the external auditors which were not recognized by the Corporation at the time of the engagement as being non-audit services and review at least annually all non-audit services provided by the Corporation's external auditors; and
- (xii) review and discuss with the external auditors:
 - (A) the extent to which the external auditors are satisfied with the quality and effectiveness of the financial recording and reporting procedures and systems of the Corporation and with the nature and scope of their financial examination of the Corporation;
 - (B) any accounting adjustments that were proposed by the external auditors but were not made by management;
 - (C) any management or internal control letter issued or proposed to be issued by the external auditors to the Corporation;
 - (D) the responsibilities, budget and staffing of the Corporation's internal audit function; and
 - (E) any matters that are required to be communicated to the Committee in accordance with the standards established by the Canadian Institute of Chartered Accountants or the International Accounting Standards Board.

(c) Evaluation of External Auditors

The Committee shall, in coordination with management and any person(s) responsible for the Corporation's internal audit function, review and evaluate the external auditors at least annually and present its conclusions to the Board.

(d) Oversight of Internal Controls and Disclosure Controls

The Committee shall review with management of the Corporation the controls and procedures that have been adopted to ensure that effective internal control over financial reporting and disclosure controls and procedures are in place to allow the Corporation to satisfy all of its audit and continuous disclosure obligations, including certification requirements. To that end, the Committee shall, among other things, review, in consultation with the external auditors and any person(s) responsible for the Corporation's internal audit function, the adequacy of the Corporation's internal control structure and procedures designed to ensure compliance with laws and regulations and, if applicable, any special audit steps adopted in light of any material deficiencies and controls, and review and submit to the Board any recommendations the Committee may have from time to time with respect to financial reporting, accounting procedures and policies and internal control and disclosure procedures.

(e) Related Party Transactions

The Committee shall review and, if appropriate, approve all related party transactions in which the Corporation is involved or which the Corporation proposes to enter into, and shall report any recommendations relating thereto to the Board for its approval.

(f) Risk Assessment and Risk Management

Risk management is a significant aspect of the management of the Corporation's business and affairs. The objective of the Corporation's risk management activities is to gain reasonable assurance that the strategic, operational, financial, legal and reporting risks of the Corporation's business are identified in a timely manner and are effectively and appropriately assessed, monitored, managed and responded to. Although it is management's duty to assess and manage the Corporation's exposure to risk and it is the Board's duty to supervise, review and monitor the Corporation's risk identification and management practices to ensure they remain effective and appropriate, the Committee shall have primary oversight responsibility for overseeing the identification and management of the principal financial risks of the Corporation's business. In the discharge of this responsibility, the Committee shall, among other things:

- (i) receive regular reports from management and receive comments from the external auditors, if any, on the Corporation's principal financial risks, the systems implemented to monitor those risks and the strategies (including hedging strategies) in place to manage those risks;
- (ii) recommend to the Board whether any new material strategies presented by management should be considered appropriate and approved;
- (iii) review regularly with management, the external auditors and the Corporation's counsel, any legal claim or other contingency, including tax

assessments, that could have a material effect upon the financial position or operating results of the Corporation and the manner in which these matters have been disclosed in the financial statements;

- (iv) review the adequacy of insurance coverages maintained by the Corporation; and
- (v) conduct, at least annually, an assessment of the Corporation's principal financial risks and report to the Board on the results of such assessment including any material developments or changes to the Corporation's principal financial risks and any recommended changes to the systems and strategies in place or to be implemented to effectively identify, monitor and manage such risks.

(g) Legal Compliance

The Committee or its chairman, shall review, at least annually, with the Corporation's external legal counsel, any legal matters that could have a significant impact on the Corporation's financial statements, the Corporation's compliance with applicable laws, rules and regulations and inquiries received from regulators, government agencies or the Toronto Stock Exchange. The Committee shall review with a representative of the governance, compensation, human resources and nominating committee (the "Governance Committee") any material matters arising from any known or suspected violation of the Corporation's code of business conduct and ethics (the "Code") with respect to financial and accounting matters and any material concerns regarding questionable accounting or auditing matters raised through the Corporation's compliance and reporting procedures set out in the Code.

(h) Other Responsibilities

The Committee shall:

- (i) review financial and accounting personnel succession planning with the management Corporation;
- (ii) develop and recommend to the Board for approval a whistleblower protection policy (the "Whistleblower Policy");
- (iii) oversee the implementation of, and monitor compliance with, the Whistleblower Policy;
- (iv) appoint an employee of the Corporation as compliance officer in connection with the implementation of the Whistleblower Policy and, at least quarterly, receive from such compliance officer a report summarizing all complaints made under the Whistleblower Policy and the Code;

- (v) consider and evaluate, as well as respond to questions relating to, certain issues that arise from time to time in connection with the Whistleblower Policy and the Code, and make recommendations to the chairman of the Committee regarding such matters;
- (vi) oversee the implementation of the Corporation's disclosure and trading policy; and
- (vii) perform any other activities consistent with this Charter, applicable laws, the Corporation's constating documents and the mandate of the Board, as the Committee or the Board may deem appropriate.

VI. COMPLAINTS PROCEDURE

The Committee shall establish a procedure for the receipt, retention and treatment of complaints received by the Corporation regarding the Corporation's accounting, internal accounting controls, disclosure controls or auditing matters and a procedure for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Such procedures, and the Committee's responsibilities relating thereto, are outlined in the Whistleblower Policy.

VII. ACCESS TO OUTSIDE ADVISORS

The Committee has the authority to communicate directly with the external auditors and to engage independent counsel and other advisors with respect to any issue or to assist it in fulfilling its responsibilities including, without limitation, external legal counsel and compensation consultants. The retention of outside advisors by the Committee shall be approved by the chairman of the Committee. The Committee also has the authority to authorize the payment of:

- (a) compensation to any external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation;
- (b) compensation for any advisors employed by the Committee from time to time; and
- (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

VIII. REVIEW AND ASSESSMENT

On an annual basis, the Committee shall conduct a review and assessment of its performance and the adequacy of this Charter and recommend to the Board any changes it deems appropriate.

IX. MISCELLANEOUS

Nothing contained in this Charter is intended to expand the applicable standards of liability under statutory or regulatory requirements for the directors of the Corporation or members of the Committee. The purposes and responsibilities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules, and the Committee may adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.