

ALARIS ROYALTY CORP.

AUDIT COMMITTEE MANDATE

The Audit Committee (**Committee**) of board of directors (**Board**) of Alaris Royalty Corp. (**Company**) has the oversight responsibility and specific duties described below and shall comply with the requirements of applicable laws.

COMPOSITION

The Committee will be comprised of at least three directors. All Committee members will be independent under applicable law.

All Committee members will be "financially literate" under the definition set out in applicable law, which, for greater certainty, is currently defined in National Instrument 52-110 *Audit Committees* as "... the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements".

Committee members will be appointed and removed as required by the Board. The Committee Chair will be appointed by the Board.

RESPONSIBILITIES

The Committee's primary purpose is to assist the Board in fulfilling its oversight responsibilities with respect to (i) the integrity of annual and quarterly financial statements to be provided to the Company's shareholders and regulatory bodies; (ii) compliance with accounting and finance based legal and regulatory requirements; (iii) the external auditor's qualifications, independence and compensation, and communicating with the external auditor; (iv) the system of internal accounting and financial reporting controls that management has established; (v) performance of the external audit process and of the external auditor; (vi) financial policies and strategies including capital structure; (vii) financial risk management practices; and, (viii) transactions or circumstances which could materially affect the financial profile of the Company.

SPECIFIC DUTIES

The Committee will:

Audit Leadership

1. Have a clear understanding with the external auditor that it must maintain an open and transparent relationship with the Committee, and that the ultimate accountability of the external auditor is to the Committee, as representatives of the shareholders of the Company.
2. Provide an avenue for communication between each of the external auditor, financial and senior management and the Board, and the Committee has the authority to communicate directly with the external auditors.

Auditor Qualifications and Selection

3. Subject to required shareholder approval of the appointment of auditors of the Company, be solely responsible for recommending to the Board: (i) the external auditor of the Company for the purpose of preparing or issuing an auditor's report or performing other audit review or attest services for the Company; and, (ii) the compensation of the external auditor of the Company. The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting. In all circumstances the external auditor reports directly to the Committee. The Committee is entitled to adequate funding to compensate the external auditor for completing an audit and audit report or performing other audit, review or attest services.
4. Evaluate the external auditor's qualifications, performance and independence. Take all reasonable steps to ensure that the external auditor does not provide non-audit services that would disqualify it as independent under applicable law.
5. Review the experience and qualifications of the senior members of the external audit team and the quality control procedures of the external auditor. Ensure that the lead audit partner of the external auditor is replaced periodically, according to applicable law. Take all reasonable steps to ensure continuing independence of the external audit firm. Present the Committee's conclusions on auditor independence to the Board.
6. Review and approve policies for the Company's hiring of senior employees and former employees of the external auditor who were engaged on the Company's account to the Board for consideration.

Process

7. Pre-approve all audit services (which may include consent and comfort letters in connection with securities offerings). Pre-approve and disclose, as required, the retention of the external auditor for non-audit services to be provided to the Company or any of its subsidiaries permitted under applicable law. In the discretion of the Committee, annually delegate to one or more of its members the authority to grant pre-approvals provided that those pre-approvals are presented in writing to the Committee at the next regularly scheduled meeting.
8. Meet with the external auditor prior to the audit to review the scope and general extent of the external auditor's annual audit including (i) the planning and staffing of the audit; and, (ii) an explanation from the external auditor of the factors considered in determining the audit scope, including the major risk factors.
9. Require the external auditor to provide a timely report setting out (i) all critical accounting policies, significant accounting judgments and practices to be used; (ii) all alternative treatments of financial information within Generally Accepted Accounting Principles (**GAAP**) that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the external auditor; and, (iii) other material written communications between the external auditor and management.
10. Take all reasonable steps to ensure that officers and directors or persons acting under their direction are aware that they are prohibited from coercing, manipulating, misleading or

fraudulently influencing the external auditor when the person knew or should have known that the action could result in rendering the financial statements materially misleading.

11. Upon completion of the annual audit, review the following with management and the external auditor:
 - (a) The annual financial statements, including related notes, the management's Discussion and Analysis of Financial Condition and Results of Operations (**MD&A**) of the Company and the financial statement and internal control certifications by the Chief Executive Officer and Chief Financial Officer of the Company (**Certifications**), for filing with applicable securities regulators and provision to the shareholders of the Company, as required, as well as all annual earnings press releases before their public disclosure.
 - (b) The significant estimates and judgements and reporting principles, practices and procedures applied by the Company in preparing its financial statements, including any newly adopted accounting policies and the reasons for their adoption.
 - (c) The results of the audit of the financial statements and whether any limitations were placed on the scope or nature of the audit procedures.
 - (d) Significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit, including any problems or disagreements with management which, if not satisfactorily resolved, would have caused the external auditor to issue a non-standard report on the financial statements of the Company.
 - (e) The cooperation received by the external auditor during its audit, including access to all requested records, data and information.
 - (f) Any other matters not described above that are required to be communicated by the independent auditor to the Committee.

Risk Management

12. Discuss guidelines and policies with respect to risk assessment and risk management, including the processes management uses to assess and manage the Company's risk. Discuss major financial risk exposures and steps management has taken to monitor and control such exposures. Receive reports from management with respect to risk assessment, risk management and major financial risk exposures.

Financial Statements and Disclosure

13. At least annually, as part of the review of the annual financial statements, receive an oral report from the Company's counsel concerning legal and regulatory matters that may have a material impact on the financial statements.
14. Based on discussions with management and the external auditor, in the Committee's discretion, recommend to the Board whether the annual financial statements and MD&A of the Company, together with any annual earnings press releases and Certifications should be approved for filing with applicable securities regulators and provided to the Company's shareholders, as required, prior to their disclosure.

15. Review the general types and presentation format of information that it is appropriate for the Company to disclose in earnings news releases or other earnings guidance provided to analysts and rating agencies.
16. Review with management and the external auditor the quarterly financial statements, MD&A, Certifications and quarterly earnings releases prior to their release and recommend to the Board for consideration the quarterly results, financial statements, MD&A, Certifications and news releases prior to filing them with or furnishing them to the applicable securities regulators and prior to any public announcement of financial results for the periods covered, including a written report of the results of the external auditor's reviews of the quarterly financial statements, significant adjustments, new accounting policies, any disagreements between the external auditor and management and the impact on the financial statements of significant events, transactions or changes in accounting principles or estimates that potentially affect the quality of financial reporting.

Internal Control Supervision

17. As required by applicable law, review with management and the external auditor the Company's internal controls over financial reporting, any significant deficiencies or material weaknesses in their design or operation, any proposed major changes to them and any fraud involving management or other employees who have a significant role in the Company's internal controls over financial reporting.
18. Review with management, the Chief Financial Officer and the external auditor the methods used to establish and monitor the Company's policies with respect to unethical or illegal activities by employees that may have a material impact on the financial statements.
19. Meet with management and the external auditor to discuss any relevant significant recommendations that the external auditor may have, particularly those characterized as "material" or "serious" (typically, such recommendations will be presented by the external auditor in the form of a Letter of Comments and Recommendations to the Committee). Review responses of management to the Letter of Comments and Recommendations from the external auditor and receive follow-up reports on action taken concerning the recommendations.
20. Review with management and the external auditor any correspondence with regulators or government agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies of the Company (as required and at a minimum, on a quarterly basis).
21. Review with management and the external auditor any off-balance sheet financing mechanisms, transactions or obligations of the Company.
22. Review with management and the external auditor any material related party transactions.
23. Review with management and the external auditor any legal claims involving the Company.
24. Review with the external auditor the quality of the Company's accounting personnel. Review with management the responsiveness of the external auditor to the needs of the Company.

Disclosure Controls and Procedures

25. Periodically assess and be satisfied with the adequacy of procedures in place for the review of public disclosure of financial information extracted or derived from the applicable financial statements (other than the annual and quarterly required filings) for the Company.

Financial Leadership

26. Review the Company's financial strategy considering current and future business needs, capital markets and the Company's credit rating (if any).
27. Review the Company's capital structure including debt and equity components, current and expected financial leverage, and interest rate and foreign currency exposures and, in the Committee's discretion, make recommendations to the Board for consideration.
28. Review the financing of the Company's Annual Operating Plan and, in the Committee's discretion, make recommendations to the Board for consideration.
29. Periodically review and, in the Committee's discretion, recommend changes to the Company's dividend policy to the Board for consideration.
30. In conjunction with the Compensation and Governance Committee, annually review the appointment of the Chief Financial Officer (**CFO**) and other senior financial individuals within the Company.

Financial Management

31. On a quarterly basis, review proposed monthly dividends to be declared for each quarter and, in the Committee's discretion, make recommendations to the Board for consideration.
32. Regularly review current and expected future compliance with covenants under all financing agreements.
33. Annually review the instruments the Company and its subsidiaries are permitted to use for short-term investments of excess cash and, in the Committee's discretion, make recommendations to the Board for consideration.
34. Annually review a report of all expenses submitted by the Chair of the Board and by the Chief Executive Officer of the Company.

Financial Risk Management

35. Regularly review the financial risks arising from the Company's exposure to changes in interest rates, foreign currency exchange rates and credit. Review the management of these risks including any proposed hedging of the exposures. Review a summary report of the hedging activities including a summary of the hedge-related instruments.
36. Annually review the insurance program including coverage for property damage, business interruption, liabilities, and directors and officers.
37. Review any other significant financial exposures of the Company to the risk of a material financial loss including tax audits or other activities.

38. Establish procedures (through approval of the relevant sections of the Code of Business Conduct) for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting and financial reporting controls, or auditing matters; and, (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
39. Regularly review all submissions under the Company's Whistleblower Policy.

Transactions

40. Review any proposed issues of securities of the Company or proposed issues of securities of the subsidiaries of the Company to parties not affiliated with the Company and, in the Committee's discretion, make recommendations to the Board for consideration. When applicable, review the related securities filings and make recommendations to the Board for consideration.
41. Review any proposed material issues of debt including public and private debt, credit facilities with banks and others, and other credit arrangements such as capital and operating leases and, in the Committee's discretion, make recommendations to the Board for consideration. When applicable, review the related securities filings and make recommendations to the Board for consideration.
42. Receive reports on significant, non-material issues of or changes to debt including public and private debt, credit facilities with banks and others, and other credit arrangements such as capital and operating leases.
43. Review any proposed repurchases of shares, public and private debt or other securities and, in the Committee's discretion, make recommendations to the Board for consideration.

Committee Reporting

44. Following each meeting of the Committee, report to the Board on the activities, findings and any recommendations of the Committee.
45. Report regularly to the Board and review with the Board any issues that arise with respect to the quality or integrity of the financial statements of the Company, compliance with applicable law and the performance and independence of the external auditor of the Company.
46. Annually review and approve the information regarding the Committee required to be disclosed in the Company's Annual Information Form and Committee's report for inclusion in the annual Proxy Circular.
47. Prepare any reports required to be prepared by the Committee under applicable law.

Committee Meetings

48. Meet at least four times annually and as many additional times as needed to carry out its duties effectively. The Committee may, on occasion and in appropriate circumstances, hold meetings by telephone conference call.
49. Meet in separate, non-management, closed sessions with the external auditor at each regularly scheduled meeting.

- 50. Meet in separate, non-management, in camera sessions at each regularly scheduled meeting.
- 51. Meet in separate, non-management, closed sessions with any other internal personnel or outside advisors, as needed or appropriate.

Committee Governance

- 52. Once or more annually, as the Compensation and Governance Committee (**CG Committee**) decides, receive for consideration that Committee's evaluation of this Mandate and any recommended changes. Review and assess the CG Committee's recommended changes and make recommendations to the Board for consideration.

Advisors/Resources

- 53. Have the sole authority to retain, oversee, compensate and terminate independent advisors to assist the Committee in its activities.
- 54. Receive adequate funding from the Company for independent advisors and ordinary administrative expenses that are needed or appropriate for the Committee to carry out its duties.

Other

- 55. With the CG Committee, the Board and the Board Chair, respond to potential conflict of interest situations, as required.
- 56. Carry out any other appropriate duties and responsibilities assigned by the Board.
- 57. To honour the spirit and intent of applicable law as it evolves, authority to make minor technical amendments to this Mandate is delegated to the Secretary, who will report any amendments to the Compensation & Governance Committee at its next meeting.

Approved: March 11, 2009

On Behalf of the Board:

Director