

## WOODBINE ENTERTAINMENT GROUP AUDIT COMMITTEE CHARTER

This charter (the “**Charter**”) sets forth the purpose, composition, responsibilities and authority of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Woodbine Entertainment Group (“**WEG**”).

### 1.0 Purpose

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

- financial reporting;
- ensuring that an effective risk management and financial control framework has been implemented and tested by management of WEG; and
- external and internal audit processes.

The Committee is also responsible for establishing procedures to receive and investigate, or direct the investigation of, complaints regarding accounting, internal auditing controls and auditing matters and for the confidential, anonymous submission by employees and others of concerns regarding questionable accounting or auditing matters.

### 2.0 Composition and Membership

- (a) The Board will appoint the members (“**Members**”) of the Committee. The Members will be appointed to hold office until the next annual general meeting of members of WEG or until their successors are appointed. The Board may remove a Member at any time and may fill any vacancy occurring on the Committee. A Member may resign at any time and a Member will automatically cease to be a Member upon ceasing to be a director.
- (b) The Committee will consist of at least three directors. Each Member will meet the criteria for independence established by WEG’s Standards of Director Independence. At least one Member will be financially literate. In addition, each Member will be free of any relationship which could, in the view of the Board, reasonably interfere with the exercise of a Member’s independent judgment.
- (c) The Board will appoint one of the Members to act as the chair of the Committee (the “**Chair**”). The secretary of WEG (the “**Secretary**”) will be the secretary of all meetings and will maintain minutes of all meetings and deliberations of the Committee. If the Secretary is not in attendance at any meeting, the Committee will appoint another person who may, but need not, be a Member to act as the secretary of that meeting.

### **3.0 Meetings**

- (a) Meetings of the Committee will be held at such times and places as the Chair may determine, but in any event not less than three (3) times per year. Five (5) business days' advance notice of each meeting will be given to each Member orally, by telephone, by facsimile or email, unless all Members are present and waive notice, or if those absent waive notice before or after a meeting. Members may attend all meetings either in person or by telephone.
- (b) The Chair, if present, will act as the chair of meetings of the Committee. If the Chair is not present at a meeting of the Committee the Members in attendance may select one of their number to act as chair of the meeting.
- (c) A majority of Members will constitute a quorum for a meeting of the Committee. Each Member will have one vote and decisions of the Committee will be made by an affirmative vote of the majority. The Chair will not have a deciding or casting vote in the case of an equality of votes. Powers of the Committee may also be exercised by written resolutions signed by all Members.
- (d) The Committee may invite from time to time such persons as it sees fit to attend its meetings and to take part in the discussion and consideration of the affairs of the Committee. The Committee will meet in camera without members of management in attendance for a portion of each meeting of the Committee.
- (e) In advance of every regular meeting of the Committee, the Chair, with the assistance of the Secretary, will prepare and distribute to the Members and others as deemed appropriate by the Chair, an agenda of matters to be addressed at the meeting together with appropriate briefing materials. The Committee may require officers and employees of WEG to produce such information and reports as the Committee may deem appropriate in order for it to fulfill its duties.

### **4.0 Duties and Responsibilities**

The duties and responsibilities of the Committee as they relate to the following matters, are as follows:

#### **4.1 *Financial Reporting***

- (a) review and recommend to the Board for approval, the audited annual financial statements, including the auditors' report thereon, and all financial reports, with such documents to indicate whether such information has been reviewed by the Board or the Committee;
- (b) review and recommend to the Board for approval, where appropriate, financial information contained in any annual report to members and similar

disclosure documents prior to the disclosure of such information to members;

- (c) review with management of WEG, and with external auditors, significant accounting principles and disclosure issues and alternative treatments under Canadian generally accepted accounting principles for private enterprise (“**Private Enterprise GAAP**”), all with a view to gaining reasonable assurance that financial statements are accurate, complete and present fairly WEG’s financial position and the results of its operations in accordance with Canadian Private Enterprise GAAP;
- (d) seek to ensure that adequate procedures are in place for the review of WEG’s disclosure of financial information extracted or derived from WEG’s financial statements, periodically assess the adequacy of those procedures and recommend any proposed changes to the Board for consideration;

#### **4.2 *Internal Controls and Audit***

- (a) review the adequacy and effectiveness of WEG’s system of internal control and management information systems through discussions with management, the internal audit department and the external auditor to ensure that WEG maintains: (i) the necessary books, records and accounts in sufficient detail to accurately and fairly reflect WEG’s transactions; (ii) effective internal control systems; and (iii) adequate processes for assessing the risk of material misstatement of the financial statement and for detecting control weaknesses or fraud;
- (b) satisfy itself, through discussion with management, that the adequacy of internal controls, systems and procedures has been periodically assessed in order to ensure compliance with regulatory requirements and recommendations;
- (c) review, and in the Committee’s discretion make recommendations to the Board regarding, the adequacy of WEG’s risk management policies and procedures with regard to identification of WEG’s principal risks and implementation of appropriate systems to manage such risks including an assessment of the adequacy of insurance coverage maintained by WEG;
- (d) monitor and assess, on an ongoing basis, significant financial, operational and other risks faced by WEG and mitigating activities, as appropriate;
- (e) oversee the investigation of or request the investigation of any significant instance of non-compliance with internal controls, systems and procedures, including the Financial Irregularities Whistleblower Policy;
- (f) recommend the appointment, or if necessary, the dismissal of the head of WEG’s internal audit process;
- (g) on a regular basis, assess the independence, effectiveness and compensation

of and adequacy of resources available to WEG's internal audit department, including the head of WEG's internal audit process;

#### **4.3** *External Audit*

- (a) recommend to the Board a firm of external auditors to be nominated for appointment as the external auditor of WEG;
- (b) ensure the external auditors report directly to the Committee on a regular basis;
- (c) review the independence of the external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;
- (d) review and recommend to the Board the fee, scope and timing of the audit and other related services rendered by the external auditors;
- (e) review the audit plan of the external auditors prior to the commencement of the audit;
- (f) establish and maintain a direct line of communication with WEG's external and internal auditors;
- (g) meet in camera with only the auditors, with only management, and with only the members of the Committee at every Committee meeting where, and to the extent that, such parties are present;
- (h) oversee the performance of the external auditors who are accountable to the Committee and the Board as representatives of the members, including the lead partner of the independent auditors team;
- (i) oversee the work of the external auditors appointed by the members of WEG with respect to preparing and issuing an audit report or performing other audit, review or attest services for WEG, including the resolution of issues between management of WEG and the external auditors regarding financial disclosure;
- (j) review the results of the external audit and the report thereon including, without limitation, a discussion with the external auditors as to the quality of accounting principles used, any alternative treatments of financial information that have been discussed with management of WEG, the ramifications of their use as well as any other material changes. Review a report describing all material written communication between management and the auditors such as management letters and schedule of unadjusted differences;
- (k) discuss with the external auditors on an ongoing basis their perception of

WEG's financial and accounting personnel, records and systems, the cooperation which the external auditors received during their course of their review and availability of records, data and other requested information and any recommendations with respect thereto;

- (l) review the reasons for any proposed change in the external auditors which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendations to the Board;
- (m) review annually a report from the external auditors in respect of their internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review of the external auditors, or 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 external auditors, and any steps taken to deal with any such issues; and

#### **4.4 *Non-Audit Services***

- (a) pre-approve all non-audit services to be provided to WEG or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. The Committee may delegate to one or more of its members the authority to pre-approve non-audit services, pursuant to a policy predetermined by the Committee, but pre-approval by such member or members so delegated shall be presented to the full Committee at its first scheduled meeting following such pre-approval.

### **5.0 Oversight Function**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that WEG's financial statements are complete and accurate or comply with Canadian Private Enterprise GAAP, and other applicable requirements. These are the responsibilities of Management, the internal auditors and the external auditors. The Committee is to provide broad oversight of the financial, risk and control related activities of WEG, and is specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a Member as having accounting or related financial expertise is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation.

## **6.0 Reporting**

The Chair will report to the Board at each Board meeting on the Committee's activities since the last Board meeting.

## **7.0 Access to Information and Authority**

The Committee will be granted unrestricted access to all information regarding WEG that is necessary or desirable to fulfill its duties and all directors, officers and employees will be directed to cooperate as requested by Members. The Committee has the authority to retain, at WEG's expense, independent legal, financial and other advisors, consultants and experts, to assist the Committee in fulfilling its duties and responsibilities, including sole authority to retain and to approve any such firm's fees and other retention terms without prior approval of the Board. The Committee also has the authority to communicate directly with internal and external auditors.

## **8.0 Review of Charter**

The Governance and Compliance Committee will regularly review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration.

Dated: December 6, 2013  
Approved by: Board of Directors