

NEWFOUNDLAND CAPITAL CORPORATION LIMITED
AUDIT AND GOVERNANCE COMMITTEE CHARTER

1. GENERAL

The board of directors (“**Board**”) of Newfoundland Capital Corporation Limited (“**Company**”) has established the Audit and Governance Committee (“**Committee**”) to assist the Board in fulfilling its oversight responsibilities with respect to the following:

- (a) accounting and financial reporting processes, internal financial controls, financial risk management systems and internal and external audit functions;
- (b) the composition of the Board, the recruitment and assessment of the performance of the chief executive officer (“**CEO**”) and senior management, and the compensation of the CEO, other officers and the directors (“**Directors**”) of the Company;
- (c) executive compensation disclosure and oversight of the compensation structure and benefit plans and programs of the Company;
- (d) corporate governance standards and practices; and
- (e) additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

The composition, responsibilities and authority of the Committee are set out in this Charter. This Charter and the By-Laws of the Company and such other procedures, not inconsistent therewith, as the Committee may adopt from time to time, shall govern the meetings and procedures of the Committee.

2. COMPOSITION

- (A) The Committee shall be composed of at least three Directors of the Company (“**Members**”):
 - (i) all of whom are *independent* (as required by regulations and as determined by the Board where permitted); and
 - (ii) all of whom are *financially literate* (i.e., have 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 accounting issues that can reasonably be expected to be raised by the financial statements of the Company).
- (B) Members shall be appointed by the Board and shall serve until they resign, cease to be a Director or are removed or replaced by the Board.
- (C) The Board shall designate one of the Members as chair of the Committee (“**Chair**”).

The Secretary of the Company shall be secretary of the Committee (“**Secretary**”) unless the Chair designates an alternative secretary for any meeting or meetings.

3. AUDIT, ACCOUNTING, FINANCIAL REPORTING, PUBLIC DISCLOSURE AND INTERNAL FINANCIAL CONTROLS RESPONSIBILITIES

The Committee shall assist the Board in fulfilling its oversight responsibilities with respect to accounting and financial reporting processes, internal financial controls, financial risk management systems and internal and external audit functions.

Management of the Company is responsible for the design and implementation of accounting and reporting systems, supported by internal controls to safeguard assets from loss or unauthorized use and responsible for the accuracy of the financial records, and the preparation, presentation and integrity of the Company’s financial statements. The external auditor of the Company is responsible for planning and performing an audit to express an opinion on whether the financial statements present fairly, in all material respects, the financial position of the Company and the results of its operations and its cash flows in accordance with generally accepted accounting principles as applied in Canada.

The Committee shall have such responsibilities as set out in this section 3.

(A) Managing, on behalf of the Shareholders of the Company, the Relationship between the Company and its External Auditors

The Committee shall be responsible for managing, on behalf of the shareholders of the Company, the relationship between the Company and its external auditors, including:

- (i) appointing and replacing the external auditors, subject to shareholder approval;
- (ii) setting the compensation of the external auditors;
- (iii) overseeing the work of the external auditors;
- (iv) pre-approving all audit services and permitted non-audit services to be provided to the Company and its subsidiary entities by the external auditors;
- (v) having the external auditors report to the Committee in a timely manner with respect to all required matters;
- (vi) reviewing and approving the hiring policies of the Company with respect to present and former partners and employees of the current and former external auditors;
- (vii) overseeing the rotation of the audit partner having primary responsibility for the external audit of the Company, the audit partner responsible for

reviewing the external audit and the external auditors at such intervals as may be required;

- (viii) overseeing any change in the external auditors, including the notice of change of auditors required under applicable laws; and
- (ix) reviewing and assessing the independence and objectivity of the external auditors.

(B) *Overseeing the External Audit*

The Committee shall be responsible for overseeing the external audit of the Company, including:

- (i) reviewing and defining the Policy on the Provision of Services by External Auditors, as currently defined in Appendix A;
- (ii) reviewing and approving the engagement letter and the audit plan, including financial risk areas identified by the external auditors and management, and facilitating coordination where more than one audit firm is involved;
- (iii) reviewing and assessing the accounting and reporting practices and principles used by the Company in preparing its financial statements, including:
 - (a) all significant accounting policies and practices used, including any changes from preceding years and any proposed changes for future years;
 - (b) all significant financial reporting issues, estimates and judgments made;
 - (c) all alternative treatments of financial information discussed by the external auditors and management, the results of such discussions and the treatments preferred by the external auditors;
 - (d) any material issues identified by the external auditors with respect to the adequacy of internal control structure and any special audit steps adopted in light of material deficiencies or weaknesses;
 - (e) the effect of regulatory and accounting initiatives and off-balance sheet transactions or structures on the financial statements;
 - (f) any errors or omissions in, and any required restatement of, the financial statements for preceding years;
 - (g) all significant tax issues;

- (h) the reporting of all material contingent liabilities; and
 - (i) any material written communications between the external auditors and management;
- (iv) reviewing and assessing the results of the external audit and the external auditors' opinion on the financial statements, including:
- (a) the scope and quality of the external audit work performed;
 - (b) the resources required to carry out the audit work performed;
 - (c) the quality of the internal financial personnel;
 - (d) the cooperation and any lack of cooperation received by the external auditors from employees of the Company; and
 - (e) the contents of the audit report;
- (v) reviewing and discussing with the external auditors and management any management or internal control letters issued or proposed to be issued by the external auditors;
- (vi) reviewing and discussing with the external auditors any problems or difficulties encountered by them in the course of their audit work and management's response (including any restrictions on the scope of activities or access to requested information and any significant disagreements with management); and
- (vii) reviewing with the external auditors and, when appropriate, with legal counsel and other advisors matters that may have a material impact on the financial statements, operations, assets or compliance policies of the Company and any material reports or enquiries received by the Company and its subsidiary entities from regulators or government agencies that may be relevant in respect of the external audit.

(C) *Responsibilities, Policies and Procedures for Reviewing Financial Statements, Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") Earnings, Financial Related Press Releases, Interim Financial Reports and Other Material Public Disclosure of Financial Information of the Company*

- (i) Overseeing the establishment of policies and procedures for the review of material public disclosure information that includes financial information extracted from the Company's financial statements; including periodically overseeing the assessment of the adequacy of such policies and procedures, the overseeing of the establishment and function of the Disclosure Committee of the Company and its policies and procedures, and the Committee's liaising on a regular basis with the Disclosure Committee.

- (ii) The Committee shall review and approve, as it sees fit, and where required recommend to the Board for approval, annual and interim financial statements, MD&As, Press Releases involving earnings or other financial information and other material public disclosure of financial information; with particular focus on:
 - (a) the quality and appropriateness of accounting and reporting practices and principles and any changes thereto;
 - (b) major estimates or judgments, including alternative treatments of financial information discussed by management and the external auditors, the results of such discussions and the treatments preferred by the external auditors;
 - (c) material financial risks;
 - (d) material transactions;
 - (e) material adjustments;
 - (f) compliance with loan agreements;
 - (g) material off-balance sheet transactions and structures;
 - (h) compliance with accounting standards;
 - (i) compliance with legal and regulatory requirements; and
 - (j) disagreements with management.

(D) Overseeing Internal Financial Controls and Financial Risk Management Systems

The Committee shall be responsible for overseeing the internal financial control structure and financial risk management systems of the Company, including:

- (i) reviewing with management, the external auditors and personnel performing certain internal audit functions the quality and adequacy of the internal control over financial reporting structure of the Company including any material deficiencies or weakness and the steps taken by management to rectify these deficiencies or weaknesses;
- (ii) reviewing with management, the external auditors and personnel performing certain internal audit functions the quality and adequacy of the financial risk management systems of the Company including the major financial risk exposures of the Company and the steps taken by management to monitor and control these exposures;
- (iii) reviewing with the Board, annually and more frequently if necessary, the Committee's financial risk management policies in conjunction with the Company's overall risk management policies, for which the Board as a whole is responsible, with management being involved in such review, in

making recommendations on such policies and in being responsible for implementing them;

- (iv) approve management's processes with respect to identifying principal financial risks, evaluating the impact of financial risk and implementing appropriate systems to manage such risk along with other risks of the Company;
- (v) regularly review with the CEO the appropriateness and effectiveness of management's financial risk identification and evaluation of financial risk management strategies;
- (vi) reviewing with management, the external auditors and personnel performing certain internal audit functions the establishment of and compliance with the Code of Business Conduct and Ethics ("**Code**") of the Company;
- (vii) communicating the Committee's expectation of internal audit duties, including coordination between the external auditors and personnel performing certain internal audit functions and the resources available for the internal audit duties;
- (viii) considering the findings of any internal audit reports and management's response thereto; and
- (ix) reviewing with the CEO and the Chief Financial Officer of the Company ("**CFO**") the procedures undertaken by them in connection with the certifications required to be given by them in connection with annual and other filings required to be made by the Company under applicable securities laws.

(E) Whistleblowing

The Committee shall be responsible to oversee the setting of policies for handling complaints or whistleblowing as they may relate to financial reporting and processes, internal financial controls, financial risk management systems, external audit functions and the administration thereof. In particular, without limitation, the Chair with the Members of the Committee shall set policies for and oversee the establishment of procedures to facilitate the submission, on a confidential and anonymous basis, of complaints, reports and concerns by any person regarding:

- (i) such financial, accounting, internal accounting controls or auditing matters;
- (ii) actual or potential violations of laws, rules or regulations in respect thereof; and
- (iii) other suspected wrongdoing in respect thereof.

Such responsibilities and procedures shall be as prescribed by the Code and shall include a policy on how complaints and whistleblowing should be submitted on a confidential basis and on a confidential, investigative and reporting process.

(F) *Other Responsibilities*

The Committee shall:

- (i) in cooperation with the Board and management of the Company, develop a calendar of activities and a meeting schedule for each year;
- (ii) review the annual operating and capital budgets of the Company;
- (iii) review of the status of income tax returns and potentially material tax issues as reported to the Committee by management;
- (iv) annually and more frequently if appropriate, review the funding and administration of the employee benefit plans of the Company;
- (v) review with management and, when appropriate, the external auditors, legal counsel and/or other advisors any material reports or enquiries from or issues with regulatory or government agencies with respect to financial matters and management's response thereto.

(G) *Matters for which the Committee is not Responsible*

For greater certainty, the Committee is not responsible for those matters which are the responsibility of management or the external auditors, including, without limitation:

- (i) planning and conducting the external audit;
- (ii) determining that the Company's financial statements and disclosures are complete and accurate, are in accordance with generally accepted accounting principles, fairly present in all material respects the financial condition, results of operations and cash flows of the Company and are in accordance with applicable rules and regulations;
- (iii) determining the adequacy of the internal control over financial reporting structure and the financial and other risk management systems of the Company; and
- (iv) compliance with the Code.

4. NOMINATING AND COMPENSATION RESPONSIBILITIES

The Committee shall assist the Board in fulfilling its oversight responsibilities in respect of the following matters:

- (a) the composition of the Board;
- (b) the recruitment and assessment of the performance of the CEO and senior management;
- (c) the compensation of the CEO, other senior management and the Directors;
- (d) executive compensation disclosure; and
- (e) oversight of the compensation structure and benefit plans and programs.

The Committee shall have such responsibilities as set out below in this section 4.

Composition of the Board

The Committee shall:

- (a) at least annually, assess the size and composition of the Board and Board committees in order to satisfy the Board that the competencies and skills required to enable the Board and Board committees to properly discharge their responsibilities are represented;
- (b) at least annually, assess the effectiveness of the Board and Board committees, competencies and skills of the Directors and report the results of that assessment to the Board;
- (c) oversee the process of identifying and recruiting new candidates for election or appointment of Directors, including assessing the competencies and skills of identified individuals and reporting the results of that assessment to the Board; and
- (d) at least annually, recommend candidates for election or appointment as Directors based on its conclusions with respect to the appropriate size, composition and skills required for the Board and its committees.

Recruitment and Assessment of the CEO

The Committee shall:

- (a) when required, oversee the process of identifying and recruiting new candidates for appointment as CEO, including assessing the competencies and skills of identified individuals and reporting the results of that assessment to the Board; and
- (b) at least annually, assess the performance of the CEO in light of the goals and objectives set by the Board and the Company.

Compensation of the CEO, Other Officers and Directors

The Committee shall:

- (a) make recommendations to the Board with respect to the compensation and benefits of the CEO;
- (b) make recommendations to the Board with respect to the compensation and benefits of the other senior management;
- (c) review and approve the terms of the employment agreements and severance arrangements of the CEO and other senior management;
- (d) review and approve the statement of executive compensation required to be included in the management proxy circular of the Company;
- (e) review and approve any other executive compensation disclosure before it is publicly disclosed by the Company; and
- (f) review the compensation of the directors for service on the Board and Board committees periodically and make recommendations to the Board with respect thereto.

Compensation, Benefit Plans and Programs

The Committee shall periodically review and assess the Company's compensation structure and benefit plans and programs and make recommendations to the Board with respect thereto.

5. CORPORATE GOVERNANCE RESPONSIBILITIES

The Committee shall assist the Board in fulfilling its oversight responsibilities with respect to corporate governance standards and practices and the composition and operation of the Board and Board committees.

The Committee shall have such responsibilities as set out below in this section 5.

(A) Corporate Governance

The Committee shall:

- (a) identify corporate governance standards and practices applicable to the Company and make recommendations to the Board;
- (b) periodically review the articles and By-Laws of the Company, the Corporate Governance Policy, the Code of Business Conduct and Ethics, the Policy on Corporate Disclosure, Confidentiality and Insider Trading, and the charter of the Board, the charters of any Board committees, position descriptions for the Chairperson of the Board and Board committee chairs; and make recommendations to the Board thereon;
- (c) review corporate governance-related shareholder proposals and make recommendations to the Board;

- (d) review and approve the disclosure with respect to corporate governance practices required to be included in the regulatory filings and the annual management information circular and annual report of the Company; and
- (e) review and approve any other corporate governance practices disclosure before it is publicly disclosed by the Company.

(B) Board and Committee Composition

The Committee shall:

- (a) at least annually, assess the size and composition of the Board and its committees, including the competencies and skills required to enable the Board and Board committees to properly discharge their responsibilities and report the results of that assessment to the Board;
- (b) at least annually, assess the effectiveness of the Board and its committees and assess the competencies and skills of the directors and report the results of that assessment to the Board; and
- (c) at least annually, assess the *independence and financial literacy* of the Directors and report the results of that assessment to the Board.

(C) Board and Committee Conduct

The Committee shall:

- (a) periodically assess the effectiveness of the relationship between the Board, the CEO and other senior management and report the results of such assessment to the Board;
- (b) at least annually, review with the Chairperson of the Board, the CEO and the Lead Director, if any, the succession planning for senior management and report the results of that review to the Board;
- (c) review the operation of the Board and Board committees periodically, including the frequency and location of meetings, the agenda for and reports and other information provided at meetings and the conduct of meetings, and make recommendations to the Board;
- (d) review the position descriptions of the Chairperson, the CEO and the Lead Director, if any, and make recommendations to the Board; and
- (e) monitor the orientation and advancement of the Directors.

6. AUTHORITY

- (A) The Committee is authorized to carry out its responsibilities as set out in this Charter and to make recommendations to the Board arising therefrom.
- (B) The Committee may delegate to the Chair the authority, within specified limits, to authorize in advance all engagements of the external auditors to provide pre-

approved services to the Company and its subsidiary entities. The Chair shall report all engagements authorized by him/her to the Committee at its next meeting.

- (C) The Committee shall have direct and unrestricted access to the external auditors, officers and employees and information and records of the Company.
- (D) The Committee is authorized to retain, and to set and pay the compensation of, independent legal counsel and other advisors if it considers this appropriate.
- (E) The Committee is authorized to invite officers and employees of the Company and outsiders with relevant experience and expertise to attend or participate in its meetings and proceedings if it considers this appropriate.
- (F) The external auditors shall have direct and unrestricted access to the Committee and shall report directly to the Committee.
- (G) The Company shall pay directly or reimburse the Committee for the expenses incurred by the Committee in carrying out its responsibilities.

7. MEETINGS AND PROCEEDINGS

- (A) The Committee shall meet at least five times each year and not less frequently than once each calendar quarter.
- (B) Any Member or the Corporate Secretary may call a meeting of the Committee. The external auditors of the Company or the CFO may ask a Member to call a meeting of the Committee in respect of matters involving audit, accounting, financial reporting and internal financial controls.
- (C) The Chair is responsible for the agenda of each meeting of the Committee, including input from the officers and employees of the Company, other Members and other directors of the Company as appropriate. Meetings will include presentations by management or professional advisors and consultants when appropriate and allow sufficient time to permit a full and open discussion of agenda items.
- (D) Unless waived by all Members, a notice of each meeting of the Committee confirming the date, time, place and agenda of the meeting, together with any supporting materials, shall be forwarded to each Member at least three days before the date of the meeting.
- (E) The quorum for each meeting of the Committee is two Members. Any matter to be voted upon shall be decided by a majority of the votes cast for a resolution. In the absence of the Chair, the other Members may appoint one of their number as chair of a meeting. The chair of a meeting shall not have a second or casting vote.
- (F) The Chair or his delegate shall report to the Board following each meeting of the Committee.

- (G) The Secretary shall keep minutes of all meetings of the Committee, including all resolutions passed by the Committee. Minutes of meetings shall be distributed to the Members and the other directors of the Company after preliminary approval thereof by the Chair.
- (H) An individual who is not a Member may be invited to attend a meeting of the Committee for all or part of the meeting. A standing invitation shall be given to the Chairperson of the Board, the CEO and the CFO, and the engagement partners at the external auditors.
- (I) The Committee shall meet regularly alone and also in separate private sessions with each of the external auditors, internal audit personnel and management of the Company to facilitate full communication.

8. ASSESSMENT OF THE COMMITTEE AND CHARTER REVIEW

- (A) At least annually, the Committee and the Board shall assess the effectiveness of the Committee with a view to having the Committee perform in accordance with best practices that are reasonably applicable to the Committee.
- (B) The Committee and the Board shall annually review and update this Charter as required.

Appendix A to Audit and Governance Committee Charter
NEWFOUNDLAND CAPITAL CORPORATION LIMITED
Policy on Provision of Services by External Auditors

1. GENERAL

The Audit and Governance Committee ("**Committee**") of Newfoundland Capital Corporation Limited ("**Company**") has developed this Policy after consideration of the rules with respect to the engagement of the external auditors of the Company to provide audit and permitted non-audit services to the Company.

2. PURPOSE

The purpose of this Policy is:

- (i) to describe the services that the external auditors may not provide to the Company;
- (ii) to describe the audit and permitted non-audit services that have been pre-approved by the Committee as services that the external auditors may provide to the Company; and
- (iii) to describe the authorization process for all engagements of the external auditors to provide services to the Company.

3. PROHIBITED SERVICES

- (A) The external auditors may not provide services to the Company that impair or have the potential to impair the independence and objectivity of the external auditors in relation to the external audit function ("**prohibited services**").

Generally, prohibited services include services where the external auditors participate in activities that are normally undertaken by management of the Company, are remunerated through a "success fee" structure, act in an advocacy role for the Company or may be required to audit their own work.

- (B) The following are examples of prohibited services:

- (i) record or book-keeping or preparing or providing other services in relation to accounting records and financial statements;
- (ii) designing and implementing financial information systems or financial controls;
- (iii) providing valuation services, appraisals or fairness opinions;
- (iv) providing internal audit services;

- (v) seconding employees to the Company where the secondee acts as a Company officer or employee or performs any decision-making, supervisory or ongoing monitoring function;
- (vi) providing human resources and recruitment services;
- (vii) providing actuarial services;
- (viii) providing management functions;
- (ix) providing legal services;
- (x) providing broker-dealer, investment advisor or investment banking services; and
- (xi) providing expert services unrelated to the external audit (eg, advocacy in litigation proceedings, other than tax matters).

4. PRE-APPROVED SERVICES

The following audit and permitted non-audit services have been pre-approved by the Committee as services that the external auditors may provide to the Company (*“pre-approved services”*) subject to the authorization process described below.

All services not specifically listed below are not pre-approved services and must be approved by the Committee before the external auditors are engaged to provide those services to the Company.

The following are pre-approved services:

- (A) *Audit services* – services that constitute the agreed scope of the external audit or interim reviews of the Company, including:
 - (i) statutory audits, financial audits or interim reviews; and
 - (ii) attestation of management reports on disclosure controls and procedures and internal control over financial reporting.
- (B) *Audit related services* – services that are outside the agreed scope of, but are consistent with, the external audit or interim reviews of the Company, including work that is a logical extension of or reasonably related to the performance of the external audit or interim reviews, is of an assurance or compliance nature and is work that the auditors must or are best placed to undertake. Items of such work are:
 - (i) services associated with prospectuses, registration statements and other documents filed with regulatory authorities or issued in connection with securities offerings (eg, comfort letters, consents) and assistance in responding to comment letters;
 - (ii) services associated with interim financial reports and other public disclosure of financial information;

- (iii) consultations with management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by regulatory or standard setting bodies;
 - (iv) financial statement audits of employee benefit plans;
 - (v) due diligence services pertaining to potential business acquisitions/dispositions and other major transactions and events (excluding valuation services, appraisals or fairness opinions);
 - (vi) agreed-upon or expanded audit procedures related to accounting or billing records required to respond to or comply with financial, accounting or regulatory reporting matters;
 - (vii) advice and assistance in connection with disclosure controls and procedures and internal control over financial reporting;
 - (viii) attest services not required by statute or regulation (eg, debt covenant certificates);
 - (ix) statutory, subsidiary or equity investee audits incremental to the external audit;
 - (x) closing balance sheets audits pertaining to dispositions; and
 - (xi) assistance in complying with legal, regulatory or stock exchange listing requirements.
- (C) *Tax services* – tax services that do not compromise the independence and objectivity of the external auditors in relation to the external audit. Items of such work are:
- (i) tax compliance and advice (excluding strategic tax planning and structuring);
 - (ii) review of income and other tax returns;
 - (iii) assistance with tax audits and appearances regulatory agencies and stock exchanges;
 - (iv) specialist tax services for acquisition and disposition due diligence activities – provided under the instruction and direction of management;
 - (v) tax advice and assistance regarding statutory, regulatory or administrative developments; and
 - (vi) employee tax assistance and compliance.
- (D) *Other services* – other services of an advisory nature that do not compromise the independence and objectivity of the external auditors in relation to the external audit. Items of such work are:
- (i) risk management advisory services (eg, assessment and testing of security infrastructure controls);
 - (ii) specific risk management and internal audit specialist services provided under the instruction and direction of management;

- (iii) treasury advisory services (eg, review of cheque-clearing and float-management practices and recommendations regarding potential areas of improvement);
- (iv) pension advisory services (eg, consulting on pension matters such as company contributions (but excluding actuarial services); and
- (v) review and assessment of environment, health and safety policies and procedures.

5. AUTHORIZATION PROCESS

- (A) Except as provided in section 5(2) and (3), the Committee must authorize in advance all engagements of the external auditors to provide pre-approved services to the Company.
- (B) The Committee has authorized the Chair of the Committee to authorize in advance all engagements of the external auditors to provide pre-approved services to the Company up to a maximum of \$30,000 for all engagements in each calendar year. The Chair of the Committee must report all engagements authorized by him/her to the Committee at its next meeting.
- (C) The Committee has authorized the Chief Financial Officer of the Company ("**CFO**") to authorize in advance all engagements of the external auditors to provide pre-approved services to the Company up to a maximum of \$15,000 for all engagements in each calendar year. The CFO must report all engagements authorized by him/her to the Committee at its next meeting.
- (D) Services that are not pre-approved services must be authorized by the Committee before the external auditors are engaged regardless of the dollar value of the services.
- (E) Exceptions can be made to this Policy where the exceptions are in the interests of the Company and appropriate arrangements are established with respect to the independence and objectivity of the external auditors in relation to the external audit. Any exception must be authorized by the Committee and must be reported to the board of directors of the Company.