



**CHARTER OF THE AUDIT COMMITTEE  
STINGRAY DIGITAL GROUP INC.**

# CHARTER OF THE AUDIT COMMITTEE STINGRAY DIGITAL GROUP INC.

## GENERAL

### 1. PURPOSE AND RESPONSIBILITIES OF THE COMMITTEE

#### 1.1 Purpose

The primary purpose of the Committee is to assist the Board in its oversight of:

- (a) the integrity of the Corporation's financial statements and related information;
- (b) the Corporation's compliance with applicable legal and regulatory requirements;
- (c) the independence, qualifications, appointment and performance of the External Auditor;
- (d) the performance of the Corporation's internal audit function;
- (e) the Corporation's risk management processes, credit worthiness, trading and financial policies; and
- (f) the Corporation's whistle blower, complaint procedures and ethics policies.

### 2. DEFINITIONS AND INTERPRETATION

#### 2.1 Definitions

In this Charter:

- (a) "**Board**" means the board of directors of the Corporation;
- (b) "**Chair**" means the chair of the Committee;
- (c) "**Chief Executive Officer**" means the President and Chief Executive Officer of the Corporation;
- (d) "**Committee**" means the audit committee of the Board;

- (e) “**Corporate Secretary**” means the Corporate Secretary of the Corporation;
- (f) “**Corporation**” means Stingray Digital Group Inc.;
- (g) “**Director**” means a member of the Board;
- (h) “**External Auditor**” means the Corporation’s independent auditor;
- (i) “**IFRS**” means International Financial Reporting Standards issued by the International Accounting Standards Board; and
- (j) “**Lead Director**” means the lead director of the Board.

## 2.2 Interpretation

The provisions of this Charter are subject to the provisions of the articles and by-laws of the Corporation and to the applicable provisions of the Canada Business Corporations Act, and any other applicable legislation.

## **CONSTITUTION AND FUNCTIONING OF THE COMMITTEE**

### 3. ESTABLISHMENT AND COMPOSITION OF THE COMMITTEE

#### 3.1 Establishment of the Committee

The Committee is hereby continued with the constitution, function and responsibilities herein set forth.

#### 3.2 Appointment and Removal of Members of the Committee

- (a) *Board Appoints Members.* The members of the Committee shall be appointed by the Board, having considered the recommendation of the Human Resources and Compensation Committee of the Board.
- (b) *Annual Appointments.* The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of the shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.
- (c) *Vacancies.* 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.

- (d) *Removal of Member.* Any member of the Committee may be removed from the Committee by a resolution of the Board.

### 3.3 Number of Members

The Committee shall consist of three or more Directors.

### 3.4 Independence of Members

Subject to applicable laws, each member of the Committee shall be independent for the purposes of all applicable regulatory and stock exchange requirements.

### 3.5 Financial Literacy

- (a) *Financial Literacy Requirement.* Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee.
- (b) *Definition of Financial Literacy.* “Financially literate” means 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 Corporation’s financial statements.

### 3.6 Qualifications

The Board will appoint to the Committee at least one Director who has accounting or financial management expertise.

### 3.7 Board Approval Required

No member of the Committee shall serve on more than 3 public company audit committees without the approval of the Board.

## 4. COMMITTEE CHAIR

### 4.1 Board to Appoint Chair

The Board or, if it fails to do so, the members of the Committee, shall appoint the Chair from the members of the Committee who are independent directors. The Chair leads the Committee in all aspects and is responsible to effectively manage the affairs

of the Committee and ensure that it is properly organized and functions efficiently. More specifically, the Chair shall:

- (a) provide leadership to enable the Committee to act effectively in carrying out its duties and responsibilities as described elsewhere in this Charter and as otherwise may be appropriate;
- (b) in consultation with the chair of the Board, the Lead Director and the Chief Executive Officer, ensure that there is an effective relationship between management and the members of the Committee;
- (c) chair meetings of the Committee;
- (d) in consultation with the chair of the Board, the Lead Director, the Chief Executive Officer and the Corporate Secretary, determine the frequency, dates and locations of meetings of the Committee to enable it to efficiently carry out its duties and responsibilities;
- (e) review quarterly, on a retrospective basis, the expenses of the chair of the Board and of the Chief Executive Officer;
- (f) ensure, in consultation with the chair of the Board, that all items, requiring the Committee's approval, are appropriately tabled;
- (g) ensure the proper flow of information to the Committee and review, with the Chief Executive Officer, Chief Financial Officer, the Corporate Secretary the adequacy and timing of materials in support of management's proposals;
- (h) report to the Board on the matters reviewed by, and on any decisions or recommendations of, the Committee at the next meeting of the Board following any meeting of the Committee; and
- (i) carry out any special assignments or any functions as requested by the Board.

#### 4.2 Chair to be Appointed Annually

The designation of the Chair shall take place annually at the first meeting of the Board after a meeting of the shareholders at which Directors are elected, provided that if the designation of Chair is not so made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

## 5. COMMITTEE MEETINGS

### 5.1 Quorum

A quorum of the Committee shall be two members of the Committee.

### 5.2 Secretary

The Chair 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.

### 5.3 Time and Place of Meetings

The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; *provided, however*, the Committee shall meet at least quarterly.

### 5.4 In Camera Meetings

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 each of:

- (a) management; and
- (b) the External Auditor.

### 5.5 Right to Vote

Each member of the Committee shall have the right to vote on matters that come before the Committee.

### 5.6 Voting

Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose, except where only two members are present, in which case any question shall be decided unanimously. Actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose.

## 5.7 Invitees

The Committee may invite Directors, officers, advisors, consultants and employees of the Corporation 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 Auditor shall receive notice of each meeting of the Committee and shall be entitled to attend any such meeting at the Corporation's expense.

## 5.8 Regular Reporting

The Committee shall report to the Board at the Board's next meeting the proceedings at the meetings of the Committee and all recommendations made by the Committee at such meetings and shall otherwise regularly report its activities and recommendations to the Board as appropriate.

## 6. AUTHORITY OF COMMITTEE

### 6.1 Retaining and Compensating Advisors

The Committee shall have the sole authority to engage independent counsel and any other advisors as the Committee may deem appropriate in its sole discretion and to set the compensation for any advisors employed by the Committee. The Committee shall not be required to obtain the approval of the Board in order to retain or compensate such consultants or advisors.

### 6.2 Funding

The Committee shall have 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 (National Instrument 52-110 – *Audit Committees* requires disclosure of fees by category paid to the External Auditor);
- (b) compensation for any advisors employed by the Committee under Section 6.1 hereof; and
- (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

### 6.3 Subcommittees

The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee.

### 6.4 Recommendations to the Board

The Committee shall have the authority to make recommendations to the Board, but shall have no decision-making authority other than as specifically contemplated in this Charter.

### 6.5 Communication with External Auditor

The Committee has the authority to communicate directly with the External Auditor.

## 7. **REMUNERATION OF COMMITTEE MEMBERS**

### 7.1 Remuneration of Committee Members

Members of the Committee and the Chair shall receive such remuneration for their service on the Committee as the Board may determine from time to time.

### 7.2 Directors' Fees

No member of the Committee may earn fees from the Corporation or any of its subsidiaries other than Directors' fees, which fees may include cash and/or shares or options or other in kind consideration ordinarily available to Directors, 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.

## **SPECIFIC DUTIES AND RESPONSIBILITIES**

## 8. **INTEGRITY OF FINANCIAL STATEMENTS**

### 8.1 Review and Approval of Financial Information

- (a) *Annual Financial Statements.* The Committee shall review and discuss with management and the External Auditor the Corporation's audited annual financial statements and related management's discussion and analysis ("**MD&A**") together with the report of the External Auditor thereon and, if appropriate, recommend to the Board that it approve the audited annual financial statements.



- (b) *Interim Financial Statements.* The Committee shall review and discuss with management and the External Auditor, as applicable, and, if appropriate, approve the Corporation's interim unaudited financial statements and related MD&A.
- (c) *Material Public Financial Disclosure.* The Committee shall discuss with management:
  - (i) the types of information to be disclosed and the type of presentation to be made in connection with profit or loss or earnings press releases;
  - (ii) financial information and earnings guidance, if any, provided to analysts and rating agencies; and
  - (iii) press releases containing financial information (paying particular attention to any use of "pro-forma" or "adjusted" non-IFRS information).
- (d) *Procedures for Review.* The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements (other than financial statements, MD&A and profit or loss or earnings press releases, which are dealt with elsewhere in this Charter) and shall periodically assess the adequacy of those procedures.
- (e) *General.* The Committee shall review and discuss with management and the External Auditor, as applicable:
  - (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles;
  - (ii) major issues as to the adequacy of the Corporation's internal controls over financial reporting and any special audit steps adopted in light of material control deficiencies;
  - (iii) analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative accounting methods on the financial statements;

- (iv) the effect on the financial statements of the Corporation of regulatory and accounting initiatives, as well as off-balance sheet arrangements, obligations (including contingent obligations) and other relationships of the Corporation with unconsolidated entities or other persons that have a material current or future effect on the financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses of the Corporation;
- (v) the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented;
- (vi) any financial information or financial statements in prospectuses and other offering documents;
- (vii) the management certifications of the financial statements as required under applicable securities laws in Canada or otherwise;
- (viii) any other relevant reports or financial information submitted by the Corporation to any governmental body or the public; and
- (ix) pension plan financial statements, if any.

## 9. **EXTERNAL AUDITOR**

### 9.1 **External Auditor**

- (a) *Authority with Respect to External Auditor.* 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 External Auditor 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 person to be proposed to the Corporation's shareholders for appointment as External Auditor for the above-described purposes and recommending such External Auditor's compensation;
  - (ii) determine at any time whether the Board should recommend to the Corporation's shareholders that the incumbent External Auditor be removed from office;

- (iii) review the terms of the External Auditor's engagement, discuss the audit fees with the External Auditor and be solely responsible for approving such audit fees; and
  - (iv) require the External Auditor to confirm in its engagement letter each year that the External Auditor is accountable to the Board and the Committee as representatives of shareholders.
- (b) *Independence.* The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process the Committee shall:
  - (i) assure the regular rotation of the lead audit partner as required by law and consider whether, in order to ensure continuing independence of the External Auditor, the Corporation should rotate periodically the audit firm that serves as External Auditor;
  - (ii) require the External Auditor to submit on a periodic basis to the Committee a formal written statement delineating all relationships between the External Auditor and the Corporation that may be reasonably thought to bear on the External Auditor's independence and engage in a dialogue with the External Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditor and recommend that the Board take appropriate action in response to the External Auditor's report to satisfy itself of the External Auditor's independence;
  - (iii) unless the Committee adopts pre-approval policies and procedures, it must approve any non-audit services provided by the External Auditor, provided that the Committee may delegate such approval authority to one or more of its independent members who shall report promptly to the Committee concerning their exercise of such delegated authority; and
  - (iv) review and approve the policy setting out the restrictions on the Corporation hiring partners, employees and former partners and employees of the Corporation's current or former External Auditor.
- (c) *Issues Between External Auditor and Management.* The Committee shall:
  - (i) review any problems experienced by the External Auditor in conducting the audit, including any restrictions on the scope of the

External Auditor's activities or an access to requested information;  
and

- (ii) review any significant disagreements with management and, to the extent possible, resolve any disagreements between management and the External Auditor.

(d) *Non-Audit Services.*

- (i) The Committee shall either:

- (A) approve any non-audit services provided by the External Auditor or the external auditor of any subsidiary of the Corporation to the Corporation including its subsidiaries; or

- (B) adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approval policies and procedures are detailed as to the particular service, the Committee is informed of each non-audit service and the procedures do not include delegation of the Committee's responsibilities to management.

- (ii) The Committee may delegate to one or more independent members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services so approved to the full Committee at its first scheduled meeting following such pre-approval.

- (iii) The Committee shall instruct management to promptly bring to its attention any services performed by the External Auditor which were not recognized by the Corporation at the time of the engagement as being non-audit services.

(e) *Evaluation of External Auditor.* The Committee shall evaluate the External Auditor each year and present its conclusions to the Board. In connection with this evaluation, the Committee shall:

- (i) obtain and review a report by the External Auditor describing:

- (A) the External Auditor's internal quality-control procedures;

- (B) any material issues raised by the most recent internal quality-control review, or peer review, of the External

Auditor's firm 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 Auditor's firm, and any steps taken to deal with any such issues; and

- (C) all relationships between the External Auditor and the Corporation that may be reasonably thought to bear on the External Auditor's independence for the purposes of assessing the External Auditor's independence;
  - (ii) review and evaluate the performance of the lead partner of the External Auditor; and
  - (iii) obtain the opinions of management and of the persons responsible for the Corporation's internal audit function with respect to the performance of the External Auditor.
- (f) *Review of Management's Evaluation and Response.* The Committee shall:
- (i) review management's evaluation of the External Auditor's audit performance;
  - (ii) review the External Auditor's recommendations, and review management's response to and subsequent follow-up on any identified weaknesses;
  - (iii) receive regular reports from management, if any, on:
    - (A) the Corporation's principal financial risks;
    - (B) the systems implemented to monitor those risks; and
    - (C) the strategies, including hedging strategies, in place to manage those risks; and
  - (iv) recommend to the Board whether any new material strategies presented by management should be considered appropriate and approved.

## 10. INTERNAL CONTROL AND AUDIT FUNCTION

### 10.1 Internal Control and Audit

In connection with the Corporation's internal audit function, the Committee shall:

- (a) in consultation with the internal audit group, review the adequacy of the Corporation's internal control structure and procedures designed to ensure compliance with laws and regulations and any special audit steps adopted in light of material deficiencies and controls;
- (b) review management's response to significant internal control recommendations of the internal audit group; and
- (c) review the internal control report prepared by management, including management's assessment of the effectiveness of the Corporation's internal control structure and procedures for financial reporting.

## 11. RISK MANAGEMENT

### 11.1 Risk Assessment and Risk Management

The Committee shall discuss the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures.

### 11.2 Related Party Transactions

The Committee shall review and approve all related party transactions in which the Corporation is involved or which the Corporation proposes to enter into.

### 11.3 Expense Accounts

The Committee shall review and make recommendations with respect to:

- (a) the expense account summaries submitted by the Chief Executive Officer on a semi-annual basis (as of the end of March and September); and
- (b) the Corporation's expense account policies, including those applicable to Directors, and rules relating to the standardization of the reporting on expense accounts.

#### 11.4 Whistle Blowing

The Committee shall put in place procedures for:

- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

#### 12. ANNUAL PERFORMANCE EVALUATION

On an annual basis, the Committee shall follow the process established by the Board and overseen by the Human Resources and Compensation Committee of the Board for assessing the performance and effectiveness of the Committee.

#### 13. CHARTER REVIEW

The Committee shall review and assess the adequacy of this Charter annually and recommend to the Board any changes it deems appropriate. The Board may amend this Charter, as required.

**Approved by the Board of Directors on April 21, 2015.**