

Audit Committee Charter

The Audit Committee (the “**Committee**”) is a standing committee appointed by the Board of Directors (the “Board”) of AutoCanada Inc. (the “Company”) to assist the Board in fulfilling its oversight responsibilities with respect to the Company’s financial reporting, including responsibility to:

- oversee the integrity of the Company’s consolidated financial statements and financial reporting process, including the audit process and the Company’s internal accounting controls and procedures and compliance with related legal and regulatory requirements;
- oversee the qualifications and independence of the Company’s internal and external auditors;
- oversee the work of the Company’s financial management and internal and external auditors in these areas; and
- provide an open avenue of communication between the Company and the internal and external auditors of the Company.

In addition, the Committee will review and/or approve any other matter specifically delegated to the Committee by the Board.

AUTHORITY

The Audit Committee Charter (the “**Charter**”) sets out the authority of the Committee to carry out the responsibilities established for it by the Board as articulated within the Charter.

In discharging its responsibilities, the Committee will have unrestricted access to members of Management, employees, and relevant information it considers necessary to discharge its duties. The Committee also will have unrestricted access to records, data, and reports. If access to requested documents is denied due to legal or confidentiality reasons, the Committee and/or director of internal audit will follow a prescribed, Board approved mechanism for resolution of the matter.

The Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The Company’s Management and staff should cooperate with Committee requests.

The Committee is empowered to:

- a) appoint, compensate, and oversee all audit and non-audit services performed by auditors, including the work of any registered public accounting firm employed by the Company;
- b) resolve any disagreements between Management and the external auditor regarding financial reporting and other matters; and
- c) preapprove all auditing and non-audit services performed by auditors or other external assurance providers.

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 the Company’s consolidated financial statements are complete and accurate or are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of Management and the Company’s external auditors. The Committee, its Chair and any Committee members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Company, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities. Although the designation of a Committee member as having accounting or related financial expertise for disclosure purposes or otherwise 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. Rather, the role of a Committee member who is identified as having accounting or related financial expertise, like the role of all Committee members, is to oversee the process, not to certify or guarantee the internal or external audit of the Company’s financial information or public disclosure.

COMPOSITION AND PROCEDURES

In addition to the procedures and powers set out in any resolution of the Board, the Committee will have the following composition and procedures:

1. Composition

The Committee shall consist of no fewer than three members. None of the members of the Committee shall be an officer or employee of the Company or any of its subsidiaries and each member of the Committee shall be an "independent director" (in accordance with the definition of "independent director" from time to time under the requirements or guidelines for Committee service under applicable securities laws and the rules of any stock exchange on which the Company's shares are listed for trading). A minimum of two-thirds of the members of the Committee shall constitute a quorum of the Committee.

At the time of the annual appointment of the members of the Committee, the Board shall appoint a Chair of the Committee. The Chair shall be a member of the Committee and shall preside over all Committee meetings including ensuring compliance with this Charter. The Chair may vote on any matter requiring a vote by the Committee and shall provide a second vote in the case of a tie vote.

2. Appointment and Replacement of Committee Members

Any member of the Committee may be removed or replaced at any time by ordinary resolution of the Board and shall automatically cease to be a member of the Committee upon ceasing to be a member of the Board. The Board may fill vacancies on the Committee by election from among its members. The Board shall fill any vacancy if the membership of the Committee is less than three. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its power so long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be elected by the Board annually and each member of the Committee shall hold office as such until the next annual meeting of shareholders after his or her election or until his or her successor shall be duly elected.

3. Financial literacy

All members of the Committee must be "financially literate" (as that term is interpreted by the Board in its

reasonable judgment or as may be defined from time to time under the requirements or guidelines for Committee service under securities laws and the rules of any stock exchange on which the Company's shares are listed for trading) or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

4. Separate Executive Meetings

The Committee will endeavour to meet at least once every quarter, and more often as warranted, with the CFO of the Company, the internal auditors, and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

5. Professional Assistance

The Committee may retain special legal, accounting, financial or other consultants to advise the Committee at the Company's expense.

6. Reliance

Absent actual knowledge to the contrary (which will be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Company from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by Management of the Company and the external auditors, as to any information, technology, internal audit and other non-audit services provided by the external auditors or other assurance providers to the Company and its subsidiaries.

7. Review of Charter

The Committee will periodically review and reassess the adequacy of this Charter as it deems appropriate and recommend changes to the Board. The Committee will evaluate its performance with reference to this Charter. The Committee will approve the form of disclosure of this Charter, where required by applicable securities laws or regulatory requirements, in the annual proxy circular or annual report of the Company.

8. Delegation

The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

9. Reporting to the Board

The Committee will report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter. The person designated as secretary shall prepare minutes of all meetings to be filed in the corporate records.

SPECIFIC MANDATES OF THE COMMITTEE

The Committee will:

I. In Respect of the Company's Internal Auditors

- (a) review and approve the internal audit charter at least annually. The internal audit charter should be reviewed to ensure that it accurately reflects the internal audit activity's purpose, authority, and responsibility, consistent with the mandatory guidance of the IIA's *International Professional Practices Framework* and the scope and nature of assurance and consulting services, as well as changes in the financial, risk management, and governance processes of the Company and reflects developments in the professional practice of internal auditing;
- (b) advise the Board about increases and decreases to the requested resources to achieve the internal audit plan. Evaluate whether any additional resources are needed permanently or should be provided through outsourcing;
- (c) perform the following in regards to the director of internal audit:
 - (i) advise the Board regarding the qualifications and recruitment, appointment, and removal of the director of internal audit;
 - (ii) provide input to Management related to evaluating the performance of the director of internal audit;
 - (iii) review and approve Management's recommendation for the appropriate compensation of the director of internal audit;
- (d) review and provide input on the internal audit activity's strategic plan, objectives, performance measures, and outcomes. Review and approve proposed risk-based internal audit plan and make recommendations concerning internal audit projects;
- (e) review and approve the internal audit plan and engagement work program, including reviewing internal audit resources necessary to achieve the plan and review the internal audit activity's performance relative to its audit plan;
- (f) review internal audit reports and other communications to Management and review and track Management's action plans to address the results of internal audit engagements;
- (g) review the assistance internal audit provides Management in the creation of a testing plan over Internal Controls over Financial Reporting (ICFR) for the Company to obtain assurance over ICFR activities;
- (h) review and advise Management on the results of any special investigations;
- (i) inquire of the director of internal audit whether any internal audit engagements or non-audit engagements have been completed but not reported to the Committee; if so, inquire whether any matters of significance arose from such work;
- (j) inquire of the director of internal audit whether any evidence of fraud has been identified during internal audit engagements and evaluate what additional actions, if any, should be taken;

- (k) inquire of the director of internal audit about steps taken to ensure that the internal audit activity conforms with the IIA's *International Standards for the Professional Practice of Internal Auditing* (Standards);
- (l) ensure that the internal audit activity has a quality assurance and improvement program and the following steps are taken:
 - (i) ensure the results of these periodic assessments are presented to the Committee;
 - (ii) ensure that the internal audit activity has an external quality assurance review every five years;
 - (iii) review the results of the independent external quality assurance review and monitor the implementation of the internal audit activity's action plans to address any recommendations; and
 - (iv) advise the Board about any recommendations for the continuous improvement of the internal audit activity.

II. In Respect of the Company's External Auditors

- (a) review the performance of the external auditors (including the lead partner of the independent audit team) of the Company who are accountable to the Committee and the Board. Make recommendations to the Board as to the reappointment or appointment of the external auditors of the Company to be proposed in the Company's proxy circular for shareholder approval and shall have authority to terminate the external auditors;
- (b) review the reasons for any proposed change in the external auditors of the Company 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 replacement auditors before making its recommendation to the Board;
- (c) recommend to the Board the terms of engagement and the compensation to be paid by the Company to the Company's external auditors;
- (d) review the independence of the Company's external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;
- (e) approve in advance all permitted non-audit services to be provided to the Company or any of its affiliates by the external auditors or any of their affiliates, subject to any *de minimus* exception allowed by applicable law; the Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this subsection;
- (f) review the disclosure with respect to its pre-approval of audit and non-audit services provided by the Company's external auditors;
- (g) approve any hiring by the Company or its subsidiaries of employees or former employees of the Company's external auditors;
- (h) review a written or oral report describing:
 - (i) critical accounting policies and practices to be used in the Company's financial statements,
 - (ii) alternative treatments of financial information within IFRS that have been discussed with Management and that are significant to the Company's consolidated financial statements, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors, and
 - (iii) other material written communication between the Company's external auditors or

Management, such as any management letter or schedule of unadjusted differences;

- (i) review with the external auditors and Management the general audit approach and scope of proposed audits of the consolidated financial statements of the Company, the objectives, staffing, locations, co-ordination and reliance upon Management in the audit, the overall audit plans, the audit procedures to be used and the timing and estimated budgets of the audits;
- (j) if a review engagement report is requested of the external auditors, review such report before the release of the Company's interim consolidated financial statements; and
- (k) discuss with the external auditors any difficulties or disputes that arose with Management during the course of the audit, any restrictions on the scope of activities or access to requested information and the adequacy of Management's responses in correcting audit-related deficiencies.

III. In Respect of the Company's Financial Disclosure

- (a) review with the external auditors and Management:
 - (i) the Company's audited consolidated financial statements and the notes and Managements' Discussion and Analysis relating to such consolidated financial statements, the annual report (if any), the annual information form, the financial information of the Company contained in any prospectus or information circular or other disclosure documents or regulatory filings of the Company, the recommendations for approval of each of the foregoing from each of the Chairman of the Board, CEO and CFO, and based on such recommendations provide, where applicable, its own recommendations to the Board for

their approval and release of each of the foregoing to the public;

- (ii) the Company's interim consolidated financial statements and the notes and Managements' Discussion and Analysis relating to such consolidated financial statements, the recommendations for approval of each of the foregoing from each of the Chairman of the Board, CEO and CFO, and based on such recommendations provide, where applicable, its own recommendations to the Board for their approval and release of each of the foregoing to the public;
- (iii) the quality, appropriateness and acceptability of the Company's accounting principles and practices used in its financial reporting, changes in the Company's accounting principles or practices and the application of particular accounting principles and disclosure practices by Management to new transactions or events;
- (iv) all significant financial reporting issues and judgments made in connection with the preparation of the Company's consolidated financial statements, including the effects of alternative methods in respect of any matter considered significant by the external auditor within IFRS on the consolidated financial statements and any "second opinions" sought by Management from an independent or other audit firm or advisor with respect to the accounting treatment of a particular item;
- (v) the effect of regulatory and accounting initiatives on the Company's consolidated financial statements and other financial disclosures;
- (vi) any reserves, accruals, provisions or estimates that may have a

- significant effect upon the consolidated financial statements of the Company;
- (vii) the use of special purpose entities and the business purpose and economic effect of off balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Company and their impact on the reported financial results of the Company;
 - (viii) any legal matter, claim or contingency that could have a significant impact on the consolidated financial statements, the Company's compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the Company's consolidated financial statements;
 - (ix) review the treatment for financial reporting purposes of any significant transactions that are not a normal part of the Company's operations; and
 - (x) the use of any "pro forma" or "adjusted" information not in accordance with IFRS.
- (b) review and resolve disagreements between Management and the Company's external auditors regarding financial reporting or the application of any accounting principles or practices;
 - (c) review earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Company gives earning guidance;
 - (d) establish and monitor procedures for the receipt and treatment of complaints received by the Company regarding accounting, internal accounting controls or audit matters and the anonymous submission by employees of concerns regarding questionable accounting or auditing matters and review periodically with the Management these procedures and any significant complaints received;
 - (e) receive from the CEO and CFO a certificate certifying in respect of each annual and interim report the matters such officers are required to certify in connection with the filing of such reports under applicable securities laws; and
 - (f) review and discuss the Company's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities.
- IV. In Respect of Insurance**
- (a) review annually insurance programs relating to the Company and its investments.
- V. In Respect of Internal Controls**
- (a) review the adequacy and effectiveness of the Company's internal accounting and financial controls based on recommendations from Management, the internal auditors, and the external auditors for the improvement of accounting practices and internal controls;
 - (b) review Management's assessment of the effectiveness of internal control over financial reporting as of the end of each fiscal year; and
 - (c) oversee compliance with internal controls.
- V. In Respect of Other Items**
- (a) on an annual basis review and assess Committee member attendance and

- performance and report thereon to the Board and review this Charter and, if required implement amendments to this Charter;
- (b) on an annual basis review the dividend reinvestment plan and normal course issuer bid if any;
 - (c) on a quarterly basis review compliance with the Disclosure Policy of the Company; and
 - (d) review and carry out the activities set forth on the attached schedule (Appendix "A") as well as other actions which may be necessary for the Committee to carry out the spirit and intent of this Charter. The schedule shall be reviewed from time to time by the Committee.