



## **ELEMENT 29 RESOURCES INC.**

### **AUDIT COMMITTEE CHARTER**

As Adopted by the Board of Directors on July 8<sup>th</sup>, 2019

#### **I. PURPOSE**

The purpose of the Audit Committee (the “Committee”) of Element 29 Resources Inc. (the “Company”) is to:

1. Assist the Board of Directors of the Company (the “Board”) in fulfilling its oversight responsibilities relating to:
  - (a) the quality and integrity of the Company’s financial statements, financial reporting process and systems of internal controls and disclosure controls regarding risk management, finance, accounting, and legal and regulatory compliance;
  - (b) the appointment, independence, qualifications, and compensation of the Company’s independent accountants and review of the audit efforts of the Company’s independent accountants; and
  - (c) the development and implementation of policies and processes regarding corporate governance matters.
2. Provide an open avenue of communication between the independent accountants, the Company’s financial and senior management, and the Board.
3. Prepare any reports required to be prepared by the Committee pursuant to the rules of any stock exchange on which the Company’s shares are listed and pursuant to the rules of any securities commission or other regulatory authority having jurisdiction, whether for inclusion in the Company’s continuous disclosure filings or otherwise.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section VII below of this Charter.

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 financial statements are complete and accurate or are in accordance with generally accepted accounting principles, international financing reporting standards, accounting standards, or applicable laws

and regulations. This is the responsibility of management of the Company and the Company's independent accountants, as well as any advisors employed by the Committee. Because the primary function of the Committee is oversight, the Committee shall be entitled to rely on the expertise, skills and knowledge of management and the Company's independent accountants and the integrity and accuracy of information provided to the Committee by such persons in carrying out its oversight responsibilities. Nothing in this Charter is intended to change the responsibilities of management and the independent accountants.

## II. COMPOSITION

The Committee shall be composed of at least three directors, each of whom the Board determines has no relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, is otherwise "unrelated" and satisfies the definition of "independent" as set forth by National Instrument 52-110 - *Audit Committees* ("NI 52-110") and any other applicable securities laws, rules or requirements of any stock exchange upon which the Company's securities are listed as in effect from time to time.

If the Company's securities are listed on the Toronto Stock Exchange, *each* member of the Audit Committee must serve on the Board and satisfy independence requirements. For the purposes of satisfying the independence requirement, Audit Committee members may not, other than in their capacity as members of the Committee, the Board, or any other committee of the Board (i) accept, directly or indirectly, any consulting, advisory, or other compensatory fee<sup>1</sup> from the Company, or of the Company's subsidiaries; or (ii) be an affiliate of the Company or any of the Company's subsidiaries.

Each Committee member must have no direct or indirect material relationship with the Company. For the purpose of this Charter, a "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member's independent judgement.

All members of the Committee must be financially literate, meaning that such member has 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.

If any member of the Committee ceases to be "independent", as defined by the applicable securities laws and exchange requirements for reasons outside that member's reasonable control, that person, with prompt notice to the exchange on which the Company's securities are listed, may remain an audit committee member until the earlier of the next annual meeting of the shareholders or six months from the occurrence of the event that caused the member to no longer be independent.

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<sup>1</sup> Compensatory fees do not include the receipt of remuneration for acting in his or her capacity as a member of the Board or any Board Committee, or as a part-time chair or vice-chair of the Board or any Board Committee or fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided, however, that such compensation is not contingent upon continued service to the Company.)

### **III. AUTHORITY**

The Committee shall have the authority to (i) retain (at the Company's expense) its own legal counsel, accountants and other consultants that the Committee believes, in its sole discretion, are needed to carry out its duties and responsibilities; (ii) conduct investigations that it believes, in its sole discretion, are necessary to carry out its responsibilities; and (iii) take whatever actions that it deems appropriate to foster an internal culture that is committed to maintaining quality financial reporting, sound business risk practices and ethical behaviour within the Company. In addition, the Committee shall have the authority to request any officer, director, employee or consultant of the Company, the Company's outside legal counsel and the independent accountants to meet with the Committee and any of its advisors and to respond to their inquiries. The Committee shall have full access to the books, records and facilities of the Company in carrying out its responsibilities. Finally, the Board shall adopt resolutions which provide for appropriate funding, as determined by the Committee, for (i) services provided by the independent accountants in rendering or issuing an audit report, (ii) services provided by any adviser employed by the Committee which it believes, in its sole discretion, are needed to carry out its duties and responsibilities, or (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties and responsibilities.

The Committee shall be responsible for establishing procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and (ii) the confidential, anonymous submissions by employees of the Company regarding questionable accounting or auditing matters.

The Committee, in its capacity as a committee of the Board, is directly responsible for the appointment, compensation, retention and oversight of the work of the independent accountants engaged (including resolution of disagreements between the Company's management and the independent accountants regarding financial reporting) for the purpose of preparing and issuing an audit report or performing other audit, review or attest services for the Company.

The independent accountants shall submit to the Audit Committee annually a formal written statement delineating all relationships between the independent accountants and the Company and its subsidiaries, addressing the non-audit services provided to the Company or its subsidiaries and the matters set forth in or required by the rules and regulations of all relevant regulatory authorities.

The independent accountants shall submit to the Audit Committee annually a formal written statement of the fees billed for each of the following categories of services rendered by the independent accountants: (i) the audit of the Company's annual financial statements for the most recent fiscal year and any reviews of the financial statements; (ii) information technology consulting services for the most recent fiscal year, in the aggregate and by each service (and separately identifying fees for such services relating to financial information systems design and implementation); and (iii) all other services rendered by the independent accountants for the most recent fiscal years, in the aggregate and by each service.

#### **IV. APPOINTING MEMBERS**

The members of the Committee shall be appointed or re-appointed by the Board on an annual basis. Each member of the Committee shall continue to be a member thereof until such member's successor is appointed, unless such member shall resign or be removed by the Board or such member shall cease to be a director of the Company. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than three directors as a result of the vacancy.

#### **V. CHAIRPERSON**

The Board, or in the event of its failure to do so, the members of the Committee, must appoint a Chairperson from the members of the Committee. If the Chairperson of the Committee is not present at any meeting of the Committee, an acting Chairperson for the meeting shall be chosen by majority vote of the Committee from among the members present. In the case of a deadlock on any matter or vote, the Chairperson shall refer the matter to the Board. All requests for information from the Company or the independent accountants shall be made through the Chairperson.

#### **VI. MEETINGS**

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provided that:

1. A quorum for meetings shall be two members, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak and hear each other.
2. The Committee shall meet at least quarterly (or more frequently as circumstances dictate).
3. Notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Committee and the external auditors of the Company at least 48 hours prior to the time of such meeting.

While the Committee is expected to communicate regularly with management, the Committee shall exercise a high degree of independence in establishing its meeting agenda and in carrying out its responsibilities. The Committee shall submit the minutes of all meetings of the Committee to, or discuss the matters discussed at each Committee meeting with, the Board.

#### **VII. SPECIFIC DUTIES**

In meeting its responsibilities, the Committee is expected to:

1. Select the independent accountants, considering independence and effectiveness, approve all audit and non-audit services in advance of the provision of such services and the fees and other compensation to be paid to the independent accountants, and oversee the services rendered by the independent accountants

(including the resolution of disagreements between management and the independent accountants regarding preparation of financial statements) for the purpose of preparing or issuing an audit report or related work, and the independent accountants shall report directly to the Committee.

2. To pre-approve any non-audit services to be provided to the Company or its subsidiaries by the external auditor and the fees for those services subject to NI 52-110.
3. Review the performance of the independent accountants, including the lead partner of the independent accountants, and, in its sole discretion, approve any proposed discharge of the independent accountants when circumstances warrant, and appoint any new independent accountants.
4. Periodically review and discuss with the independent accountants all significant relationships the independent accountants have with the Company to determine the independence of the independent accountants, including a review of service fees for audit and non-audit services.
5. Review and approve the issuer's hiring policies from time to time regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.
6. Inquire of management and the independent accountants and evaluate the effectiveness of the Company's process for assessing significant risks or exposures and the steps management has taken to monitor, control and minimize such risks to the Company. Obtain annually, in writing, the letters of the independent accountants as to the adequacy of such controls.
7. Consider, in consultation with the independent accountants, the audit scope and plan of the independent accountants.
8. Review with the independent accountants the coordination of audit effort to assure completeness of coverage, and the effective use of audit resources.
9. Consider and review with the independent accountants, out of the presence of management:
  - (a) the adequacy of the Company's internal controls and disclosure controls including the adequacy of computerized information systems and security;
  - (b) the truthfulness and accuracy of the Company's financial statements; and
  - (c) any related significant findings and recommendations of the independent accountants together with management's responses thereto.
10. Following completion of the annual audit, review with management and the independent accountants:

- (a) the Company's annual financial statements and related notes;
  - (b) the independent accountants' audit of the financial statements and the report thereon;
  - (c) any significant changes required in the independent accountants' audit plan; and
  - (d) other matters related to the conduct of the audit which are to be communicated to the committee under generally accepted auditing standards or international financing reporting standards.
11. Following completion of the annual audit, review separately with each of management and the independent accountants any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
12. Establish regular and separate systems of reporting to the Committee by each of management and the independent accountants regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
13. In consultation with the independent accountants, review any significant disagreement among management and the independent accountants in connection with the preparation of the financial statements, including management's responses.
14. Consider and review with management:
- (a) significant findings during the year and management's responses thereto; and
  - (b) any changes required in the planned scope of their audit plan.
15. Review, prior to publication, all filings with regulatory authorities and any other publicly disclosed information containing the Company's financial statements, including Management's Discussion & Analysis, any annual and interim profit or loss press releases, any certification, report, opinion or review rendered by the independent accountants, any press releases announcing earnings (especially the use of "pro forma" or "adjusted" information not prepared in compliance with generally accepted accounting principles or international financing reporting standards) and all financial information and earnings guidance intended to be provided to analysts and the public or to rating agencies, and consider whether the information contained in these documents is consistent with the information contained in the financial statements.

16. Facilitate the preparation and inclusion of any report from the Committee or other disclosures as required by applicable laws and regulations in the Company's continuous disclosure filings of all regulatory authorities having jurisdiction.
17. Review with management the adequacy of the insurance and fidelity bond coverages, reported contingent liabilities, and management's assessment of contingency planning. Review management's plans regarding any changes in accounting practices or policies and the financial impact of such changes, any major areas in management's judgment that have a significant effect upon the financial statements of the Company, and any litigation or claim, including tax assessments, that could have a material effect upon the financial position or operating results of the Company.
18. Review with management and the independent accountants each annual, quarterly and other periodic report prior to its filing with the relevant regulators or prior to the release of earnings.
19. Review policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the independent accountants.
20. Review, with the Company's counsel, any legal, tax or regulatory matter that may have a material impact on the Company's financial statements, operations, related Company compliance policies, and programs and reports received from regulators.
21. Evaluate and review with management the Company's guidelines and policies governing the process of risk assessment and risk management.
22. Meet with the independent accountants and management in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee.
23. Report Committee actions to the Board with such recommendations as the Committee may deem appropriate.
24. Maintain, review and update the procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters, as set forth in the Company's Whistleblower Policy.
25. Review, assess and update this Charter on an annual basis and recommend any proposed changes to the Board for approval, in accordance with the requirements of the all applicable laws; and

26. Perform such other functions consistent with this Charter, the Company's Articles and governing law, as the Committee deems necessary or appropriate.
27. Together with the Board, ensure policies and procedures are in place and are effective to maintain the integrity of the Company's: (i) disclosure controls and procedures; (ii) internal control over financial reporting; and (iii) management information systems.