



## AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

### AEX GOLD INC. (the "Corporation")

The following charter is adopted in compliance with *Regulation 52-110 respecting Audit Committees ("52-110")*.

#### 1. COMPOSITION

- 1.1 The Committee shall be comprised of at least three directors, appointed by the Board, on the recommendation of the Corporate Governance and Nomination Committee. At least two of the members of the Committee shall be independent, within the meaning of 52-110 and the UK Corporate Governance Code 2018 (published by the Financial Reporting Council).
- 1.2 At least one member of the Committee shall have recent accounting or related financial management expertise. All members of the Committee shall be financially literate.
- 1.3 The Committee should have an adequate balance of skills and ideally include members who, between them, have not only recent and relevant financial experience but also overall:
  - (i) extensive business experience particularly in relation to the sector in which the Corporation operates;
  - (ii) knowledge of financial markets;
  - (iii) an understanding of management practices including risk management activities, both generally and in the Corporation's industry sector; and
  - (iv) knowledge of any relevant specialist regulatory or legal requirements.
- 1.4 For the purposes of this charter, the definition of "financially literate" is 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 presumably be expected to be raised by the Corporation's financial statements.
- 1.5 The appointment of members to the Committee shall take place annually at the first meeting of the Board after a meeting of shareholders at which directors are elected. 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 to serve as members until their successors are validly appointed. The Board may appoint a member to fill a vacancy that occurs in the Committee between annual elections of directors.
- 1.6 Provided the member of the Committee continues to meet the criteria for membership of the Committee, a member of the Committee may serve for up to six years.
- 1.7 The chair of the Committee (the "**Chair**") who shall be an independent non-executive director shall be appointed by the Board on the recommendation of the Corporate Governance and Nomination Committee. The Chair of the Board may be a member of (but may not chair) the Committee provided that he or she was considered independent on appointment as chairman of the Board.



- 1.8 In the absence of the Chair of the Committee (or any deputy appointed by the Board) from any meeting of the Committee, the members of the Committee participating in the meeting shall elect one of their number (being a member who would qualify under these terms of reference to be appointed as the chairman of the Committee by the Board) to chair the meeting.
- 1.9 The secretary of the Corporation (or such other person as the Committee may appoint) shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

## **2. MEETINGS AND PROCEDURES**

- 2.1 The Committee shall meet at least three times a year, at appropriate times in the financial reporting and audit calendar, or more frequently if required.
- 2.2 At all meetings of the Committee, every item brought to resolution shall be decided by a majority of the votes cast. In the case of an equality of votes, the Chair shall not be entitled to a second vote.
- 2.3 Quorum for meetings of the Committee shall be a majority of its members (being a minimum of two members) and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing meetings of the Board.
- 2.4 The powers of the Committee may be exercised at a meeting at which a quorum of the Committee is present in person or by telephone or other electronic means (including by video conference) or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Committee.
- 2.5 Each member (including the Chair) is entitled to one vote in Committee proceedings.
- 2.6 The Committee may meet separately with senior management and may request that any member of the Corporation's senior management or the Corporation's outside counsel or independent auditors to attend meetings of the Committee or other meetings with any members of, or advisors to, the Committee. At least once per year the Committee should have the opportunity to have an independent, objective discussion and debate, without the presence of management and assurance providers.
- 2.7 Furthermore, the Committee has the authority to hire the services of outside advisors, from time to time, when it is necessary to do so for carrying out its mandate.
- 2.8 The Committee shall, at the meeting of the Board following its own meeting, report to the directors on its work, activities and recommendations.
- 2.9 Each member of the Committee must, at or prior to the commencement of each meeting of the Committee, disclose to the Committee any interest that he has in any matter to be considered at the meeting. A member of the Committee must not participate in any discussions concerning, and is not entitled to vote in relation to, any matter to be considered at a meeting of the Committee in which he has a direct or indirect interest unless that interest cannot reasonably be regarded as likely to give rise to a conflict of interest.



### **3. DUTIES AND RESPONSIBILITIES**

The following are the general duties and responsibilities of the Committee:

#### **3.1 Financial Statements and Disclosure Matters**

- 3.1.1 review the Corporation's financial statements, management's discussion and analysis and any press releases regarding annual and interim (as required by the Board) profit or loss, before the Corporation publicly discloses such information, and any reports or other financial information which are submitted to any governmental body or to the public. In particular, and without limitation, the Committee shall:
- 3.1.2 review and, where necessary, challenge:
  - (v) the consistency of, and any changes to, significant accounting policies or practices on a year-on-year basis across the Corporation and its subsidiaries and ensure that such policies or practices remain appropriate;
  - (vi) the methods used to account for significant or unusual transactions where different approaches are possible;
  - (vii) whether appropriate accounting standards, and whose relevant, best industry practice, have/has been complied with and appropriate estimates and judgements made, taking into account the views of the external auditor. Where accounting standards provide a choice, discuss that choice with management to ensure the policy selected is appropriate;
  - (viii) the clarity and completeness of disclosure in the Corporation's financial reporting and the context in which statements are made;
  - (ix) all material information presented with the financial statements, such as the strategic report/operating and financial review and any corporate governance statement;
  - (x) the appropriateness of any qualifications or assumptions and methods to deliver the financial results;
  - (xi) significant adjustments resulting from audit in the financial statements; and
  - (xii) the payment of any dividend. The Committee should consider the legality of any proposed dividend and the ability to pay such dividend and remain a going concern;
- 3.1.3 Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy;

#### **3.2 Internal Controls & Risk Management Systems**

- 3.2.1 regularly review and report to the Board on the adequacy and effectiveness of the Corporation's internal financial controls and internal control and risk management systems;



- 3.2.2 provide support and oversight on the effectiveness of the risk management and internal control systems put in place by the Board;
- 3.2.3 work with management to determine how the Corporation's information, training and monitoring processes are used to provide assurance that the Corporation's systems of risk management and internal control are functioning as intended;
- 3.2.4 review and approve the statements to be included in the annual financial statements concerning internal controls and risk management;
- 3.2.5 review any internal reports on risk management;
- 3.2.6 where requested by the Board, review the approach to the identification and assessment of the emerging and principal risks of the Corporation, including the management and mitigation of those risks and the consideration of acceptable risk and tolerance levels for the Corporation; and
- 3.2.7 where requested by the Board, provide advice on how, taking into account the Corporation's financial position and principal risks, the Corporation's prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee will also advise on whether there is a reasonable expectation that the Corporation will be able to continue in operation and meet its liabilities as they fall due over that period, drawing attention to any qualifications or assumptions as necessary.

### **3.3 Independent Auditors**

- 3.3.1 recommend to the Board the selection and, where applicable, the replacement of the independent auditors to be appointed annually as well the compensation of such independent auditors;
- 3.3.2 determine that the independent auditors appointed are a Public Accounting Firm that has entered into a Participation Agreement as such terms are defined in Regulation 52- 108 respecting Auditor Oversight and that at the time of their report on the annual financial statements of the Corporation, they are in compliance with any restrictions or sanctions imposed by the Canadian Public Accountability Board;
- 3.3.3 oversee the work and review annually the performance and independence of the independent auditors taking into account relevant professional and regulatory requirements and the group's relationship with the independent auditor as a whole, including any threats to the independent auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- 3.3.4 satisfy itself that there are no relationships between the independent auditor and the Corporation (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- 3.3.5 consult with the independent auditors about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements;
- 3.3.6 review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former independent auditors of the Corporation;



- 3.3.7 monitor the independent auditor's compliance with relevant legislation and ethical and professional guidance on the rotation of audit partners and the level of fees paid by the Corporation compared to the overall fee income of the firm and other related requirements;
- 3.3.8 assess annually the qualifications, expertise and resources of the independent auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- 3.3.9 evaluate the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of withdrawal of their auditor from the market in that evaluation;
- 3.3.10 ensure that at least once every 10 years the audit services contract is put out to tender so as to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms;
- 3.3.11 in respect of the tender referred to in 3.3.7 above, oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- 3.3.12 if an independent auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 3.3.13 meet regularly with the independent auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 3.3.14 discuss with the independent auditor the factors that could affect audit quality and review and approve the audit plan for the year-end financial statements and intended template for such statements, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 3.3.15 review the findings of the audit with the independent auditor. This review shall include (without limitation):
  - 3.3.15.1 a discussion of any major issues which arose during the audit;
  - 3.3.15.2 key accounting and audit judgements;
  - 3.3.15.3 the auditor's view of their interactions with senior management;
  - 3.3.15.4 the auditor's explanation of how the risks to audit quality were addressed;
  - 3.3.15.5 levels of errors identified during the audit; and
  - 3.3.15.6 the effectiveness of the audit;
- 3.3.16 review any representation letter(s) requested by the independent auditor before they are signed by management;
- 3.3.17 review the management letter and management's response to the independent auditor's findings and recommendations;



- 3.3.18 review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the independent auditor, and the independent auditor's response to questions from the Committee;
- 3.3.19 review and pre-approve all audit and audit-related services and the fees and other compensation related thereto (ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted), as well as any non-audit services provided by the independent auditors to the Corporation or its subsidiary entities. The pre-approval requirement is satisfied with respect to the provision of non-audit services if:
  - 3.3.19.1 the aggregate amount of all such non-audit services provided to the Corporation constitutes no more than 5% of the total amount of fees paid by the Corporation and its subsidiary entities to its independent auditors during the fiscal year in which the non-audit services are provided; and
  - 3.3.19.2 such services were not recognized by the Corporation or its subsidiary entities as non-audited services at the time of the engagement; and
  - 3.3.19.3 such services are promptly brought to the attention of the Committee by the Corporation and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee.
- 3.3.20 The Committee may delegate to one or more independent members of the Committee the aforementioned authority to pre-approve non-audited services, provided the pre-approval of the non-audit services is presented to the Committee at its first scheduled meeting following such approval;

### **3.4 Financial Reporting Processes**

- 3.4.1 review with management, in consultation with the independent auditors, the integrity of the Corporation's financial reporting process, both internal and external;
- 3.4.2 consider the independent auditor's judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting;
- 3.4.3 consider and report to the Board changes to the Corporation's auditing and accounting principles and practices as suggested by the independent auditors and management;
- 3.4.4 review any significant disagreement among management and the independent auditors in connection with the preparation of the financial statements;
- 3.4.5 review, with the independent auditors and management, the extent to which changes and improvements in financial or accounting practices have been implemented; and
- 3.4.6 establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters and the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters;

### **3.5 Risk Management**



- 3.5.1 regularly review and report to the Board on the adequacy and effectiveness of the Corporation's internal financial controls and internal control and risk management systems;
- 3.5.2 oversee the identification, prioritisation and management of the risks faced by the Corporation;
- 3.5.3 direct the facilitation of risk assessments and measurement to determine the material risks to which the Corporation may be exposed and to evaluate the strategy for managing those risks;
- 3.5.4 monitor the changes in the internal and external environment and the emergence of new risks;
- 3.5.5 review the adequacy of insurance coverage;
- 3.5.6 review and approve the statements to be included in the annual report concerning internal controls and risk management;
- 3.5.7 monitor the procedures to deal with and review disclosure of information to third parties insofar as these disclosure represent a risk for the Corporation;
- 3.5.8 where requested by the Board, review the approach to the identification and assessment of the emerging and principal risks of the Corporation, including the management and mitigation of those risks and the consideration of acceptable risk and tolerance levels for the Corporation; and
- 3.5.9 where requested by the Board, provide advice on how, taking into account the Corporation's financial position and principal risks, the Corporation's prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee will also advise on whether there is a reasonable expectation that the Corporation will be able to continue in operation and meet its liabilities as they fall due over that period, drawing attention to any qualifications or assumptions as necessary;

### **3.6 Compliance, whistleblowing and fraud**

- 3.6.1 monitor the adequacy of, and review compliance with, the Corporation's Whistleblowing Policy;
- 3.6.2 establish a procedure for the receipt and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters;
- 3.6.3 review the Corporation's procedures for detecting fraud;
- 3.6.4 review the Corporation's systems, processes and controls for ensuring compliance with applicable laws and standards including, without limitation, for the prevention of bribery, money-laundering, corporate criminal offences and data protection and receive reports on any instances of non-compliance; and
- 3.6.5 review the Corporation's processes for preparing co-ordinated plans for business continuity;

### **3.7 Reporting Responsibilities**





- 3.7.1 the Committee chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The report shall include:
  - 3.7.1.1 the significant issues that the Committee considered in relation to the financial statements, and how these issues were addressed;
  - 3.7.1.2 the assessment of the effectiveness of the independent audit process and its recommendations on the appointment or reappointment of the independent auditor; and
  - 3.7.1.3 any other issues on which the Board has requested the Committee's opinion;
- 3.7.2 the Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- 3.7.3 in addition, the Committee shall report to the Board on a regular basis, and in any event:
  - 3.7.3.1 at least annually, with an assessment of the performance of management in the preparation of financial statements and Auditors in conducting the annual audit of the Corporation and discuss the report with the full Board following the end of each fiscal year;
  - 3.7.3.2 before the public disclosure by the Corporation of its financial statements, management's discussion and analysis and any press releases regarding annual and interim profit or loss and any reports or other financial information which are submitted to any governmental body or to the public; and
  - 3.7.3.3 as required by applicable legislation, regulatory requirements and policies of the Canadian Securities Administrators, the London Stock Exchange and the United Kingdom Financial Conduct Authority;
- 3.7.4 the Chair should attend the Corporation's annual general meeting to answer any shareholder questions on the Committee's activities; and
- 3.7.5 where the Committee is not satisfied with any aspect of the proposed financial reporting by the Corporation, it shall report its views to the Board.

### **3.8 Annual Evaluation**

- 3.8.1 annually, the Committee shall, in a manner it determines to be appropriate:
  - 3.8.1.1 conduct a review and evaluation of the performance of the Committee and its members, including the compliance of the Committee with this charter; and
  - 3.8.1.2 review and assess the adequacy of this charter and the position description for the chairman of the Committee and recommend to the Board any improvements to this charter or the position description that the Committee determines to be appropriate, except for minor technical amendments to this charter, authority for which is delegated to the Corporate Secretary, who will report any such amendments to the Board at its next regular meeting.





#### **4. OTHER MATTERS**

- 4.1 The Committee shall be provided with:
  - 4.1.1 access to sufficient resources in order to carry out its duties (including access to the secretary of the Corporation for assistance as required); and
  - 4.1.2 appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 4.2 The Committee shall:
  - 4.2.1 work and liaise as necessary with all other committees of the Board;
  - 4.2.2 give due consideration to laws and regulations, the provisions of the QCA Code, the requirements of the AIM Rules for Companies and any other applicable rules, as appropriate;
  - 4.2.3 carry out such other duties shall consider such other matters as may be referred to it by the Board from time to time; and
  - 4.2.4 arrange for periodic reviews of its own performance and shall, at least once a year, review its own performance, constitution and the terms of this charter to ensure that it is operating at maximum effectiveness and recommend any changes that it considers necessary to the Board for approval.
  - 4.2.5 Outside of the formal meeting programme, the Chair, and to a lesser extent the other members of the Committee, will maintain a dialogue with key individuals involved in the company's governance, including the Board chair, the chief executive, the finance director, the external audit lead partner and the head of internal audit.

#### **5. AUTHORITY OF THE COMMITTEE**

- 5.1 The Committee is authorised by the Board:
  - 5.1.1 to examine any activity and undertake such investigations and research as it considers necessary or appropriate for the purpose of carrying out its duties;
  - 5.1.2 to have unrestricted access to the Corporation's external auditors;
  - 5.1.3 to obtain, at the Corporation's expense, independent legal, accounting or other professional advice on any matter within its remit where the Committee considers it necessary or appropriate to do so;
  - 5.1.4 to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee;
  - 5.1.5 to seek any information it requires from any employee or director, and all such employees or directors will be directed to co-operate with any request made by the Committee; and
  - 5.1.6 to call any employee or director to be questioned at a meeting of the Committee as and when required.



APPROVED BY THE BOARD OF DIRECTORS ON  
23<sup>RD</sup> JULY 2020