

# XANADU MINES LTD

## AUDIT AND RISK COMMITTEE CHARTER

## 1. ROLE

The role of the Audit and Risk Committee is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting, risk management and compliance. This Charter defines the Audit and Risk Committee's function, composition, mode of operation, authority and responsibilities.

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## 2. COMPOSITION

The Board will adhere to the following composition requirements for the Committee.

- (a) The Committee must comprise at least three members.
  - (b) All members of the Committee must be independent non-executive Directors.
  - (c) Except as permitted by National Instrument (NI) 52-110 *Audit Committees (NI 52-110)*, issued by the Ontario Securities Commission, all members of the Committee must be independent in accordance with the criteria set out in Annexure A.
  - (d) The Board will appoint members of the Committee. The Board may remove and replace members of the Committee by resolution.
  - (e) All members of the Committee must be able to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and level of complexity of the issues reasonably expected to be raised by the Company's financial statements.
  - (f) The Chairman of the Committee shall have leadership experience and a strong finance, accounting or business background and will not be the Chair of the Board.
  - (g) The external auditors, the other Directors, the Managing Director/ Chief Executive Officer, Chief Financial Officer, Company Secretary and other senior executives may be invited to Committee meetings at the discretion of the Committee.
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## 3. PURPOSE

The primary purpose of the Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:

- (a) the quality and integrity of the Company's financial statements, accounting policies and financial reporting and public disclosure practices;
- (b) compliance with all applicable laws, regulations and company policy;
- (c) the effectiveness and adequacy of internal control processes;
- (d) the performance of the Company's external auditors and their appointment and removal;
- (e) the independence of the external auditor and the rotation of the lead engagement partner;
- (f) the scope and adequacy of the external audit;
- (g) any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor;
- (h) the identification and management of business, economic, environmental, social sustainability and other non-financial risks; and
- (i) the review of the Company's risk management framework at least annually to satisfy itself that it continues to be sound and to determine whether there have been any changes in the material business risks the Company faces and to ensure that they remain within the risk appetite set by the Board.

A secondary function of the Committee is to perform such special reviews or investigations as the Board may consider necessary.

The Company seeks to follow NI 52-110.

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## 4. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

### 4.1 Review of Financial Reports

- (a) Review the appropriateness of the accounting principles adopted by management in the financial reports and the integrity of the Company's financial reporting.
- (b) Directly oversee the work of the external auditor engaged to prepare or issue an auditor's report and the results of the external audits of those reports.
- (c) Assess whether external reporting is adequate for shareholder needs.
- (d) Assess management processes supporting external reporting.
- (e) Establish procedures for receipt, retention and treatment of accounting complaints and confidential, anonymous submission by employees of the Company of complaints regarding questionable accounting or auditing matters.
- (f) Directly oversee the resolution of disagreements between management and the external auditor regarding financial reporting.
- (g) Review the impact of any proposed changes in accounting policies on the financial statements.
- (h) Review the financial statements, Management Discussion and Analysis (**MD&A**) and annual and interim profit or loss press releases before the Company publicly discloses the information.
- (i) Ensure that, before the Board approves the Company's financial statements for a financial period, the Chief Executive Officer and Chief Financial Officer (or, if none, the person(s) fulfilling those functions) have declared that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
- (j) Ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from its financial statements and periodically assess the adequacy of those procedures.

### 4.2 Relationship with External Auditors

- (a) Recommend to the Board (i) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing another audit, review or attestation services for the Company and (ii) the compensation of the external auditor.
- (b) Review performance, succession plans and rotation of lead engagement partner.
- (c) Approve the external audit plan and fees proposed for audit work to be performed.
- (d) Discuss any necessary recommendations to the Board for the approval of quarterly, half yearly or annual reports.
- (e) Review the adequacy of accounting and financial controls together with the implementation of any recommendations of the external auditor in relation thereto.
- (f) Meet with the external auditors at least twice in each financial year and at any other time the Committee considers appropriate.

- (g) Provide pre-approval of audit and non-audit services that are to be undertaken by the external auditor.
- (h) Ensure adequate disclosure as may be required by law of the Committee's approval of all non-audit services provided by the external auditor.
- (i) Review the Company's public disclosure required by applicable securities laws concerning the audit committee and its members to ensure it is accurate and complete.
- (j) Ensure that the external auditor prepares and delivers an annual statement as to their independence which includes details of all relationships with the Company.
- (k) Receive from the external auditor their report on, among other things, critical accounting policies and alternative accounting treatment, prior to the filing of their audit report in compliance with applicable securities law requirements and/or the Corporations Act.
- (l) Ensure that the external auditor attends the Company's Annual General Meeting and is available to answer questions from security holders relevant to the audit.

#### 4.3 Internal Audit Function

- (a) Monitor the need for a formal internal audit function and its scope.
- (b) Review and monitor the appointment or removal of the head of internal audit.
- (c) Assess the performance and objectivity of any internal audit procedures that may be in place.
- (d) Review risk management and internal compliance procedures.
- (e) Monitor the quality of the accounting function.
- (f) Review the internal controls of the Company via consideration of any comments from the Company's internal and/or external auditors and/or commissioning an independent report on the Company's internal controls.

#### 4.4 Risk Management

- (a) Oversee the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with the Company's *Risk Management Policy*, internal guidelines and external requirements.
- (b) Assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate) that could adversely affect the Company's prospects currently and for future financial years.
- (c) Review the Company's Risk Management Policy at least annually to satisfy itself that it continues to be sound.
- (d) Review reports by management on the efficiency and effectiveness of the Company's Risk Management Policy and associated internal compliance and control procedures.

#### 4.5 Other

- (a) The Committee will oversee the Company's environmental risk management, insurance and workplace health and safety processes.
- (b) The Committee will oversee procedures for whistleblower protection in accordance with the Company's *Whistleblower Policy*.
- (c) As contemplated by the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, and to the extent that such deviation or waiver does not result in any breach of the law, the Committee may approve any deviation or waiver from the Company's *Code of Conduct*. Any such waiver or deviation will be promptly disclosed where required by applicable law.

- (d) The Committee will monitor related party transactions.
- (e) The Committee will review and approve the Company's hiring policy regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

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## 5. MEETINGS

- (a) The Committee will meet at least twice in each financial year and additionally as circumstances may require for it to undertake its role effectively.
- (b) Meetings are called by the Secretary as directed by the Board or at the request of the Chairman of the Committee.
- (c) Where deemed appropriate by the Chairman of the Committee, meetings and subsequent approvals and recommendations can be implemented by a circular written resolution or conference call.
- (d) A quorum shall consist of two members of the Committee. In the absence of the Chairman of the Committee or their nominees, the members shall elect one of their members as Chairman of that meeting.
- (e) Decisions will be based on a majority of votes with the Chairman having a casting vote.
- (f) The Committee Chairman, through the Secretary, will prepare a report of the actions of the Committee to be included in the Board papers for the next Board meeting.
- (g) Minutes of each meeting are to be included in the papers for the next full Board meeting after each Committee meeting.

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## 6. SECRETARY

- (a) The Company Secretary or their nominee shall be the Secretary of the Committee and shall attend meetings of the Committee as required.
- (b) The Secretary will be responsible for keeping the minutes of meetings of the Committee and circulating them to Committee members and to the other members of the Board.
- (c) The Secretary shall distribute supporting papers for each meeting of the Committee as far in advance as possible.

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## 7. RELIANCE ON INFORMATION OR PROFESSIONAL OR EXPERT ADVICE

Each member of the Committee is entitled to rely on information, or professional or expert advice, to the extent permitted by law, given or prepared by:

- (a) an employee of the Group whom the member believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
- (b) a professional adviser or expert in relation to matters that the member believes on reasonable grounds to be within the person's professional or expert competence; or
- (c) another Director or officer of the Group in relation to matters within the Director's or officer's authority.

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## 8. ACCESS TO ADVICE

- (a) Members of the Committee have rights of access to management and to the books and records of the Company to enable them to discharge their duties as Committee members, except where the Board determines that such access would be adverse to the Company's interests.

- (b) Members of the Committee have the authority to communicate directly with the auditors, both internal and external, without management being present.
  - (c) Members of the Committee have the authority to engage independent legal counsel or other advisers they consider necessary to assist them in carrying out their duties and responsibilities and set and pay the compensation for any advisors employed by the Committee. Any costs incurred as a result of the Committee consulting an independent expert will be borne by the Company.
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## **9. REVIEW OF CHARTER**

- (a) The Board will conduct an annual review of the membership to ensure that the Committee has carried out its functions in an effective manner, and will update the Charter and Risk Management Policy as required or as a result of new laws or regulations.
  - (b) The Charter and Risk Management Policy shall be made available to members on request, to senior management, to the external auditor and to other parties as deemed appropriate, will be posted to the Company's website and will be included, where required, in the Company's public disclosure documents.
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## **10. REPORT TO THE BOARD**

- (a) The Committee must report to the Board formally at the next Board meeting following from the last Committee meeting on matters relevant to the Committee's role and responsibilities.
  - (b) The Committee must brief the Board promptly on all urgent and significant matters.
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## **11. APPROVED AND ADOPTED**

- 11.1 This charter was approved and adopted by the Board on 30 July 2020.
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## ANNEXURE A – DEFINITION OF INDEPENDENCE

An Audit and Risk Committee member is independent if he or she:

- (a) has no direct or indirect material relationship with the Company, being a relationship which could, in the view of the Company's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement; and
- (b) is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity and its security holders generally.

### Material relationships

Subject to certain exemptions and further clarification set out in Canadian securities laws applicable to the Company, the following individuals are considered to have a material relationship with the Company:

- (a) an individual who (i) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any subsidiary entity of the Company, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or (ii) is an affiliated entity of the Company or any of its subsidiary entities,
- (b) an individual who is, or has been within the last three years, an employee or executive officer of the Company;
- (c) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Company;
- (d) an individual who:
  - i. is a partner of a firm that is the Company's internal or external auditor,
  - ii. is an employee of that firm, or
  - iii. was within the last three years a partner or employee of that firm and personally worked on the Company's audit within that time;
- (e) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
  - i. is a partner of a firm that is the Company's internal or external auditor,
  - ii. is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
  - iii. was within the last three years a partner or employee of that firm and personally worked on the Company's audit within that time;
- (f) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Company's current executive officers serves or served at that same time on the entity's compensation committee; and
- (g) an individual who received, or whose immediate family member who is employed as an executive officer of the Company received, more than \$75,000 in direct compensation from the Company during any 12-month period within the last three years.

### Examples of interests, positions, associations or relationships affecting independence

Examples of interests, positions, associations and relationships that might cause doubts about the independence of a director include if the director:

- (a) is, or has been, employed in an executive capacity by the Company or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the board;

- (b) is, or has within the last three years been, a partner, director or senior employee of a provider of material professional services or a material consultant to the Company or any of its child entities;
- (c) is, or has been within the last three years, in a material business relationship (e.g. as a supplier or customer) with the Company or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship;
- (d) is a substantial security holder of the Company or an officer of, or otherwise associated with, a substantial security holder of the Company;
- (e) has a material contractual relationship with the Company or its child entities other than as a director;
- (f) has close family ties with any person who falls within any of the categories described above; or
- (g) has been a director of the Company for such a period that his or her independence may have been compromised.

In each case, the materiality of the interest, position, association or relationship needs to be assessed to determine whether it might interfere, or might reasonably be seen to interfere, with the director's capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of the Company and its security holders generally.