

**KABUNI LTD.**

**Corporate Governance Policies**

**Audit Committee Charter**

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## 1. Composition of the Audit Committee

The audit committee (the “**Audit Committee**”) of the board of directors (the “**Board**”) of Kabuni Ltd. (the “**Company**”) shall consist of three or more directors. Each member of the Audit Committee shall be independent in accordance with all applicable corporate and securities laws and stock exchange listing standards and policies. Each member of the Audit Committee must be financially literate, as this term is defined under National Instrument 52-110 - *Audit Committees*.

The Board shall appoint members to the Audit Committee. Each Audit Committee member shall serve until a successor is duly appointed or until the member's earlier death, resignation, disqualification or removal. The Board may remove any member from the Audit Committee at any time with or without cause. The Board shall fill Audit Committee member vacancies by appointing a member from the Board. If a vacancy on the Audit Committee exists, the remaining members shall exercise all the Audit Committee's powers so long as a quorum exists. The Board shall appoint the chairperson of the Audit Committee from the Committee members.

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## 2. Role of the Audit Committee

The purpose of the Audit Committee is to oversee the Company's accounting and financial reporting processes and the preparation and auditing of the Company's financial statements. The role as an Audit Committee is to:

- (a) monitor and review the integrity of the financial reporting of the Company, reviewing significant financial reporting judgments;
- (b) to oversee and review the adequacy and effectiveness of the Company's internal financial control system (“**Internal Controls**”) and, unless expressly addressed by a separate risk committee, risk management framework and systems. To review management's roles, responsibilities, and performance in relation to the Internal Controls;
- (c) To review and discuss with the CEO and CFO, or those officers who perform the duties similar to a CEO or CFO, the steps taken to complete the required certifications of the annual and interim filings with the securities commissions;
- (d) monitor, review and oversee the external audit function including matters concerning appointment and remuneration, independence and non-audit services, taking into account the matters set out in Schedule 2;
- (e) to review and discuss with management the design, implementation and maintenance of effective procedures relating to the Audit Committee's prior review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements (“**Disclosure Procedures**”). To ensure that the Disclosure Procedures put in place are followed by the Company's management and employees, and to periodically assess the adequacy of the Disclosure Procedures;
- (f) to review the Company's profit and loss press releases and other related press releases before they are released to the public, including the Company's annual information form, earnings press releases and any other public disclosure

documents required by the securities commissions, and to review the nature of any financial information and ratings information provided to agencies and analysts per the Company's disclosure policy, if any;

- (g) to review all proposed related party transactions, other than those reviewed by a special committee of disinterested directors in accordance with corporate or securities laws;
- (h) monitor and review compliance with the Company's Code of Conduct and review, discuss and investigate any alleged fraud involving the Company's management or employees in relation to the Internal Controls, including management's response to any allegations of fraud; and
- (i) perform such other functions as assigned by law or the Company's Constitution.

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### **3. Operations**

The Audit Committee shall meet at least quarterly at such times and places as determined by the Audit Committee. The Audit Committee is governed by the same rules regarding meetings (including the procedure used to call meetings, and conducting meetings electronically, in person or by telephone), notice of meetings and waiver of notice by committee members, written resolutions in lieu of a meeting, and voting at meetings that apply to the Board. From time to time, non Board members may be invited to attend Board meetings when audit matters are being discussed, if it is considered appropriate.

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### **4. Authority and Resources**

- (a) The Audit Committee may seek provision of all books and records of the Company and educational information on accounting policies and other financial topics relevant to the Company to assist in fulfilling their duties. Further, the Audit Committee may seek explanations and additional information from the Company's external auditors, without management present, when required.
- (b) When considered necessary or appropriate, the Audit Committee may conduct or authorise investigations and may retain independent legal, accounting or other advisors.

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### **5. Reporting to the Board and Shareholders**

The Audit Committee should compile a report to the Board on, or the Board should document for the record, at least annually, the following matters:

- (a) assessment of whether external reporting is consistent with Board members' information and knowledge and is adequate for shareholder needs;
- (b) the adequacy of the Internal Controls;
- (c) the review of the Company's annual and interim financial statements, and any reconciliations, including any issues respecting the quality and integrity of financial statements, along with the MD&A;
- (d) assessment of the management processes supporting external reporting;

- (e) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- (f) recommendations for the appointment or, if necessary, the removal of the external auditor;
- (g) assessment of the performance and independence of the external auditors. Where the external auditor provides non-audit services, the report should state whether the Board is satisfied that provision of those services has not compromised the auditor's independence; and
- (h) the results of the review of risk management framework and internal control systems, including consideration of whether the Company has a material exposure to any particular risks.

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## **6. Responsibilities**

Annual responsibilities of the Audit Committee are as set out in the Audit Committee Charter - Annual Action Points contained in Schedule 1.

## Schedule 1 — Audit Committee Charter—Annual Action Points

### 1. Financial Reporting and Internal Controls

- (a) Review half-year, annual and quarterly financial statements. This review will include discussing with the external auditor and management the Company's annual audited financial statements as well as the accompanying auditor's report and the interim financial statements and respective management discussion and analyses (“**MD&A**”). The Audit Committee's review of the financial statements will include a review of the notes contained in the financial statements, in particular the notes on: (a) significant accounting policies, including any changes made to them and the effect this may have on the Company; (b) significant estimates and assumptions; (c) significant adjustments resulting from the an audit; (d) the going concern assumption; (e) compliance with accounting standards; (f) investigations and litigation undertaken by regulatory authorities; (g) the impact of unusual transactions; and (h) off-balance sheet and contingent asset and liabilities, and related disclosures;
- (b) Assess management's selection of accounting policies and principles.
- (c) Consider the external audit of the financial statements and the external auditor's report thereon including an assessment of whether external reporting is consistent with Board members' information and knowledge.
- (d) Consider internal controls including the Company's policies and procedures to assess, monitor and manage financial risks (and other business risks if authorised), and the Company's risk management framework and systems generally.
- (e) Monitor and review the effectiveness of the Company's internal audit function (the “**Internal Auditors**”), including ensuring that the Internal Auditors have adequate monetary and other resources to complete their work, and ensuring that the Internal Auditors have appropriate standing within the Company. If the Company has no Internal Auditors, to consider, on an annual basis, whether the Company requires Internal Auditors, and to recommend to the Board whether Internal Auditors should be employed by the Company;
- (f) Assess if the external auditors report is adequate for shareholder needs.

### 2. Annual meeting with External Auditor

- (a) Discuss the Company's choice of accounting policies and methods, and any recommended changes.
- (b) Discuss the adequacy and effectiveness of the Company's internal controls.
- (c) Discuss any significant findings and recommendations of the external auditor and management's response thereto.
- (d) Discuss any difficulties of disputes with management encountered during the course of the audit including any restrictions or access to required information.

### **3. External Auditor**

- (a) Review the Company's procedures regarding the external auditor including the matters set out in Schedule 2.
- (b) Appoint and, if necessary, remove the external auditor and approve the terms on which the external auditor is engaged including the matters set out in Schedule 2.
- (c) Establish/review permissible services that the external auditor may perform for the Company and pre-approve all audit/non-audit services.
- (d) Confirm the independence of the external auditor, including reviewing the external auditor's non-audit services and related fees.
- (e) Assess the overall performance of the external auditor.
- (f) Ensure auditor attendance at Company's annual general meeting and availability to answer questions from security holders relevant to the audit.

### **4. Internal Communications and Reporting**

Provide the report described in clause 5 of the Audit Committee Charter.

### **5. Other**

- (a) Verify the composition of the Audit Committee function is in accordance with the Audit Committee Charter.
- (b) Review the independence of each Board member based on the Company's policy on assessing the independence of Directors in the Board Charter.
- (c) Review and update the Audit Committee Charter and Action Points.
- (d) Develop and oversee procedures for treating complaints or employee concerns received by the Company regarding accounting, internal accounting controls, auditing matters and breaches of the Company's Code of Conduct.
- (e) Conduct an annual evaluation of the performance of its duties and responsibilities under this Charter and shall present the results of the evaluation to the Board. The Audit Committee shall conduct this evaluation in such manner as it deems appropriate.

## **Schedule 2 — Procedure for selection and appointment of external auditor**

### **1. Introduction**

The Audit Committee conducts the selection process and recommends a preferred external auditor to the Board. The Board may endorse the external auditor recommended by the Audit Committee and appoint the auditor. Alternatively the Board may wish to review the recommendation of the Audit Committee.

At the request of the Audit Committee, the chief financial officer and/or chief executive officer may assist the Audit Committee in the selection and appointment process including by proposal of an external auditor, together with a written supporting submission.

### **2. Tender**

#### **(a) Request for submissions**

If the Audit Committee elects to undertake a tender process, the chief executive officer or chief financial officer will prepare or cause to be prepared a draft request for submissions that will be reviewed for approval by the Audit Committee (with such changes as it considers appropriate).

The request should contain sufficient information to enable a proposal and fee estimate to be given to the Company. The request should include information about the Company, its operations, its key personnel, its structure, its financials and any other relevant information.

The chief executive officer or chief financial officer will arrange for candidates to meet with a selection panel appointed by the Audit Committee.

#### **(b) Selection Panel**

The selection panel will comprise nominated members of the Audit Committee, and any other person the Audit Committee considers appropriate to assist it to assess the suitability of the external auditor.

### **3. Selection Criteria**

The preferred external auditor should best satisfy the selection criteria identified by the Audit Committee including:

#### **(a) Fees**

A candidate must provide a firm fee quotation for its audit services. Price will be only one of the relevant factors in the selection of a preferred external auditor.

#### **(b) Independence**

A candidate must satisfy the Audit Committee that it is independent and outline the procedures it has in place to maintain its independence.

The external auditor must be independent from, and be seen to be independent from, the Company.

In monitoring external auditor independence, the Audit Committee will have regard to the following principles:

- (i) monitor the number of former employees of the external auditor who were involved in auditing the Company and who are currently employed in senior financial positions in the Company, and assess whether this impairs or appears to impair the auditor's judgement or independence in respect of the Company. An individual auditor who was engaged by the external auditor and participated in the Company's audit shall be precluded from employment as chief executive officer or chief financial officer of the Company for a period of at least 12 months from the time of the audit; and
- (ii) consider whether taken as a whole, the various relationships between the Company and the external auditor and the economic importance of the Company (in terms of fees paid to the external auditor for the audit as well as fees paid to the external auditor for the provision of any non-audit services) to the external audit impair or appear to impair the auditor's judgement or independence in respect of the Company.

(c) Scope of audit/issues resolution

A candidate must outline its response to the scope of audit in the request for submissions and any proposed procedures to address any issue of material significance or matter of disagreement with the Company's management.

The external auditor and the chief financial officer will be required to disclose to the Audit Committee all such issues of material significance and all matters of disagreement, whether resolved or unresolved.

(d) Non-audit work

A candidate must detail its approach to the provision of non-audit related services to the Company. Generally such work should be at most negligible.

If proposed otherwise, the Audit Committee must consider the circumstances in which the Company might use the external auditor for non-audit services. Matters to be considered include the extent, scope and potential value of non-audit fees and any circumstance where the external auditor may be required to review and rely upon work conducted by it in a non-audit capacity.

The scope of non-audit work must not be allowed to impinge upon the external auditor's independence (refer also to paragraph 4 below).

(e) Other matters

The selection criteria may include such other matters as the Audit Committee thinks fit.



#### **4. Policy on audit and non-audit services**

The Audit Committee will develop a policy that sets out the circumstances in which the Company may use the external auditor for other services. A copy of this policy will be provided to the external auditor.

The policy will be based on the following principles:

- (a) the external auditor may provide audit and audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor;
- (b) the external auditor should not provide services that are perceived to be materially in conflict with the role of auditor;
- (c) the external auditor may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of auditor, subject to the approval of the Chair of the Audit Committee, who will report to the Audit Committee;
- (d) exceptions may be made to the policy (with specific Board approval) where the variation is in the interests of the Company and arrangements are put in place to preserve the integrity of the external audit process.

#### **5. Rotation of external audit engagement partner**

The Audit Committee will ensure that the external auditor has in place arrangements with regard to any legislative or regulatory requirements for rotation of the audit engagement partner.

The audit engagement partner for the audit must rotate at least every 5 years. At least two years must expire before the Audit Partner can again be involved in the audit of the Company.

#### **6. Review of audit arrangements**

The Audit Committee will periodically review the external auditor's performance, at least annually. As part of this review the Audit Committee will obtain feedback from the chief financial officer and other members of senior management regarding the quality of the audit service.