

## **FALCO RESOURCES LTD.**

### **AUDIT COMMITTEE CHARTER**

#### **I. PURPOSES OF THE AUDIT COMMITTEE**

The purposes of the Audit Committee (the “**Committee**”) are to assist the Board of Directors (the “**Board**”) of Falco Resources Ltd. (the “**Corporation**”):

1. in its oversight of the Corporation’s accounting and financial reporting principles and policies and internal audit controls and procedures;
2. in its oversight of the integrity, transparency and quality of the Corporation’s financial statements and the independent audit thereof;
3. in selecting, evaluating and, where deemed appropriate, replacing the Auditor;
4. in evaluating the qualification, independence and performance of the Auditor;
5. in its oversight of the Corporation’s risk identification, assessment and management program; and
6. in the Corporation’s compliance with legal and regulatory requirements in respect of the above.

The function of the Committee is to provide independent and objective oversight. The Corporation’s management team (“**Management**”) is responsible for the preparation, presentation and integrity of the Corporation’s financial statements. Management is responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The external auditor (the “**Auditor**”) is responsible for planning and carrying out a proper audit of the Corporation’s annual financial statements and other procedures. In fulfilling its responsibilities hereunder, it is recognized that members of the Committee are not full-time employees of the Corporation and are not, and do not represent themselves to be, accountants or auditors by profession or experts in the fields of accounting or auditing including in respect of auditor independence. As such, it is not the duty or responsibility of the Committee or its members to conduct “field work” or other types of auditing or accounting reviews or procedures or to set auditor independence standards, and each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and external to the Corporation from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board) and (iii) representations made by Management as to non-audit services provided by the Auditor.

The Auditor is ultimately accountable to the Board and the Committee as representatives of shareholders. The Committee is directly responsible (subject to the Board' approval) for the appointment, compensation, retention (including termination), scope and oversight of the work of the Auditor engaged by the Corporation (including for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services or other work of the Corporation), and is also directly responsible for the resolution of any disagreements between Management and any such firm regarding financial reporting.

The Auditor shall submit annually, to the Corporation and the Committee:

- as representatives of the shareholders of the Corporation, a formal written statement delineating all relationships between the Auditor and the Corporation (“**Statement as to Independence**”); and
- A formal written statement of the fees billed in compliance with the disclosure requirements of Form 52-110F1 or Form 52-110F2 of National Instrument 52-110 *Audit Committees*, as applicable.

## **II. COMPOSITION OF THE COMMITTEE**

The Committee shall be comprised of three or more directors, two of which shall be independent to the extent required under National Instrument 52-110 and other applicable legislation and stock exchange rules. The members of the Committee are appointed (and may be replaced) by the Board. Determination as to whether a particular director satisfies the requirements for membership on the Committee shall be made by the Board.

All members of the Committee shall be financially literate (able 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 Corporation's financial statements), and at least one member of the Committee shall have accounting or related financial expertise or sophistication as such qualifications are interpreted by the Board in light of applicable laws and stock exchange rules. The later criteria may be satisfied by past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer of an entity with financial oversight responsibilities.

## **III. MEMBERSHIP, MEETINGS AND QUORUM**

The Committee shall meet at least four times annually or more frequently if circumstances dictate, to discuss with Management the annual audited financial statements and quarterly financial statements, and all other related matters. The Committee may request any officer or employee of the Corporation or the Corporation's external counsel or Auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

Proceedings and meetings of the Committee are governed by the provisions of the Corporation's

by-laws relating to the regulation of the meetings and proceedings of the Board as they are applicable and not inconsistent with this Charter and the other provisions adopted by the Board in regards to Committee composition and organization.

The quorum at any meeting of the Committee is a majority of members in office. All members of the Committee should strive to be at all meetings.

#### **IV. DUTIES AND POWERS OF THE COMMITTEE**

To carry out its purposes, the Committee shall have unrestricted access to information and shall have the following duties and powers:

1. with respect to the Auditor:
  - (a) to review and assess, annually, the performance of the Auditor, and recommend to the Board the nomination of the Auditor for appointment by the shareholders, or if required, the revocation of appointment of the Auditor;
  - (b) to review and approve the fees charged by the Auditor for audit services;
  - (c) to review and pre-approve all services other than audit services, to be provided by the Corporation's Auditor or to its subsidiaries (as applicable), and associated fees and to ensure that such services will not have an impact on the Auditor's independence. The Committee may delegate such authority to one or more of its members, which member(s) shall report thereon to the Committee;
  - (d) to ensure that the Auditor prepare and deliver annually a Statement as to Independence (it being understood that the Auditor are responsible for the accuracy and completeness of such statement), to discuss with the Auditor any relationships or services disclosed in the Statement as to Independence that may impact the objectivity and independence of the Corporation's Auditor and to recommend that the Board take appropriate action in response to the Statement as to Independence to satisfy itself of the Auditor's independence; and
  - (e) to instruct the Auditor that it is ultimately accountable to the Committee and the Board, as representatives of the shareholders.
2. with respect to financial reporting principles and policies, financial risk management and internal controls:
  - (a) to advise Management that they are expected to provide to the Committee a timely analysis of significant financial reporting issues and practices;
  - (b) to ensure that the Auditor prepares and delivers as applicable, a detailed report covering 1) critical accounting policies and practices to be used; 2) material alternative treatments of financial information within generally accepted accounting principles that have been discussed with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Auditor; 3) other material written communications between the

Auditor and Management such as any Management letter or schedule of unadjusted differences; and 4) such other aspects as may be required by the Committee or legal or regulatory requirements;

(c) to consider any reports or communications (and Management's responses thereto) submitted to the Committee by the Auditor, including reports and communications related to:

- deficiencies noted following the audit of the design and operation of internal controls;
- consideration of fraud in the audit of the financial statements;
- detection of illegal acts;
- the Auditor's responsibilities under generally accepted auditing standards;
- significant accounting policies;
- Management judgements and accounting estimates;
- adjustments arising from the audit;
- the responsibility of the Auditor for other information in documents containing audited financial statements;
- disagreements with Management;
- consultation by Management with other accountants;
- major issues discussed with Management prior to retention of the Auditor;
- difficulties encountered with Management in performing the audit;
- the Auditor's judgement about the quality of the entity's accounting principles; and
- reviews of interim financial information conducted by the Auditor.

(d) to meet with Management and Auditor:

- to discuss the scope of the annual audit and to review and approve the audit plan;
- to discuss the audited financial statements, including the accompanying Management's discussion and analysis;
- to discuss the unaudited interim quarterly financial statements, including the accompanying Management's discussion and analysis;
- to discuss the appropriateness and quality of the Corporation's accounting principles as applied in its financial reporting;
- to discuss any significant matters arising from any audit or report or communication referred to in item 2(c) above, whether raised by

Management or the Auditor, relating to the Corporation's financial statements;

- to resolve disagreements between Management and the Auditor regarding financial reporting;
  - to review the form of opinion the Auditor proposes to render to the Board and shareholders;
  - to discuss significant changes to the Corporation's auditing and accounting principles, policies, controls, procedures and practices proposed or contemplated by the Auditor or Management, and the financial impact thereof;
  - to review any non-routine correspondence with regulators or governmental agencies and any employee complaints or published reports that raise material issues regarding the Corporation's financial statements or accounting policies;
  - to review, evaluate and monitor (as applicable) the Corporation's risk Management program including the revenue protection program and the Corporation's cyber security initiatives. This function should include:
    - risk assessment;
    - quantification of exposure;
    - risk mitigation measures; and
    - risk reporting.
  - to monitor and review communications received in accordance with the Corporation's Internal Whistleblowing Policy and any other relevant policy, as approved by the Board from time to time;
  - to review major capital expenditures and other major spending or any other transactions that could change the Corporation's financial or organizational structure, including off-balance sheet items;
  - following completion of the annual audit and quarterly reviews, review separately with each of Management and the Auditor, any significant changes to planned procedures, any difficulties encountered during the course of the audit and reviews, including any restrictions on the scope of the work or access to required information and the cooperation that the Auditor received during the course of the audit and review.
- (e) to discuss with the Chief Financial Officer any matters related to the financial affairs of the Corporation;
- (f) to discuss with Management any significant legal matters that may have a material effect on the financial statements, the Corporation's compliance policies,

- including material notices to or inquiries received from governmental agencies;  
and
- (g) to review, and discuss with the Corporation's President and Chief Executive Officer and Chief Financial Officer the procedure with respect to the certification of the Corporation's financial statements pursuant to National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings* and any other applicable law or stock exchange rule.
3. with respect to reporting and recommendations:
- (a) to prepare/review any report or other financial disclosures to be included in the Corporation's annual information form, if any;
  - (b) to review and recommend to the Board for approval, the interim and audited annual financial statements of the Corporation, Management's discussion and analysis of the financial conditions and results of operations (MD&A) and the press releases (as applicable) related to those financial statements;
  - (c) to review and recommend to the Board for approval, the annual report, Management's assessment on internal controls (as applicable) and any other like annual disclosure filings to be made by the Corporation under the requirements of securities laws or stock exchange rules applicable to the Corporation;
  - (d) to review and reassess the adequacy of the procedures in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in paragraph 3(b) above;
  - (e) to review this Charter at least annually and recommend any changes to the Board;  
and
  - (f) to report its activities to the Board on a regular basis and to make such recommendations with respect to the above and other matters as the Committee may deem necessary or appropriate.
4. to coordinate oversight and risk Management work with the Corporation's Environment and Technical Committee of the Board of any matters in relation to Health and Safety, Corporate Social Responsibility and Environmental issues;
5. to review the adequacy of the resources of the finance and accounting group, along with its development and succession plans;
6. to review and approve transactions with related parties, unless the review thereof was delegated by the Board to a special committee of independent directors formed in connection with a particular related party transaction. In carrying out its responsibilities, the Committee will: 1) receive details of related party transactions proposed by the Corporation, and actual and potential conflicts of interest relating thereto, to verify their propriety and that disclosure is appropriate; 2) if a valuation

or fairness opinion is required by any applicable laws or regulations, supervise the preparation of such valuation or fairness opinion; and 3) if approval of the Board is necessary, ensure that a recommendation is provided to the Board with respect to the related party transaction;

7. to monitor periodically the Corporation's insurance coverage;
8. to create an agenda for the ensuing year;
9. to review quarterly the expenses of the President and Chief Executive Officer;
10. to establish and reassess the adequacy of the procedures for the receipt, retention and treatment of any complaint received by the Corporation regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential anonymous submissions by employees of concerns regarding questionable accounting or auditing matters in accordance with applicable laws and regulations; and
11. to set clear hiring policies regarding partners, employees and former partners and employees of the present and, as the case may be, former external auditor of the Corporation.

## **V. RESOURCES AND AUTHORITY OF THE COMMITTEE**

The Committee shall have the resources and authority appropriate to discharge its responsibilities, as it shall determine, including the authority to engage Auditor for special audits, reviews and other procedures and to retain special counsel and other experts or consultants.

*This Charter was approved and ratified on May 25, 2016 and was last reviewed and amended on September 27, 2022.*