



**ORSU METALS CORPORATION**  
**(the "Company")**  
**AUDIT COMMITTEE**  
**TERMS OF REFERENCE**

**PURPOSE**

The overall purpose of the Audit Committee (the "Committee") is to ensure that: (i) the Company's management has designed and implemented an effective system of internal financial controls, (ii) to review and report on the integrity of the consolidated financial statements of the Company, (iii) to review the Company's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts, and (iv) to monitor and oversee the independent auditors' qualifications, independence and activities.

The responsibilities of a member of the Committee are in addition to such member's duties as a director. Nothing in these Terms of Reference, however, is intended to or does confer on any member a higher standard of care or diligence than that which applies to the directors as a whole.

The Committee does not plan or perform audits or warrant the accuracy or completeness of the Company's financial statements or financial disclosure or compliance with generally accepted accounting principles as these are the responsibility of management.

**COMPOSITION, PROCEDURES AND ORGANIZATION**

1. The Board of Directors of the Company (the "Board"), at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members and the Chair of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
2. The Committee shall consist of at least three members of the Board all of whom shall be independent as determined in accordance with applicable securities laws, rules, regulations and guidelines ("Securities Laws"). In particular, each member of the Committee must be independent of management and free from any interest, business or other relationship which could, or could reasonably be perceived to, materially interfere with the member's ability to act in the best interests of the Company.
3. All Committee members shall be financially literate. For this purpose, financial literacy shall mean the ability of a member to read and understand a set of financial statements that present a breadth and level 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. At least one member should have accounting or related financial expertise and should be able to analyze and interpret a full set of financial statements, including notes, in accordance with generally accepted accounting principles.
4. If the Chair is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside at the meeting.
5. The Secretary of the Company shall be the secretary of the Committee, unless otherwise determined by the Committee.
6. The Committee shall meet at least four times annually on such dates and at such locations as may be determined by the Chair of the Committee and may also meet at any other time or times on the call of the Chair of the Committee, the Chief Executive Officer, the Chief Financial Officer, the independent auditors or any two of the other members.

7. The Committee will also meet at least quarterly with the independent auditors without management present to discuss any matters that the Committee believes should be discussed in an in-camera session.
8. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
9. Any two Directors may request the Chair to call a meeting of the Committee and may attend at such meeting or inform the Committee of a specific matter of concern to such Directors, and may participate in such meeting to the extent permitted by the Chair of the Committee.
10. Notice of the time and place of every meeting shall be given in writing or by e-mail or facsimile communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting; provided, however, that a member may in any manner waive a notice of a meeting and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.
11. The Chief Financial Officer shall develop and set the Committee's agenda, in consultation with the Chair and other members of management. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practical, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review and, to the extent possible, at least 5 days in advance of each meeting.
12. At the invitation of the Chair, one or more officers or employees of the Company may, and if required by the Committee shall, attend a meeting of the Committee. The independent auditors shall receive notice of and have the right to attend all meetings of the Committee. The Chief Executive Officer shall be invited to attend all meetings, except executive sessions and private sessions with the independent auditors.
13. The Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board when the Committee may deem appropriate (but not later than the next meeting of the Board).
14. The Committee, when it considers it necessary or advisable, may retain, at the Company's expense, outside consultants or advisors to assist or advise the Committee independently on any matter within its mandate. The Committee shall have the sole authority to retain and terminate any such consultants or advisors or any search firm to be used to identify director candidates, including sole authority to approve the fees and other retention terms for such persons. The Committee shall also have the power to conduct or authorize investigations into any matter within the scope of its authority.
15. The independent auditors shall have a direct line of communication to the Committee through the Chair and may bypass management if deemed necessary. The independent auditors shall report to the Committee and are ultimately accountable to the Board and the Committee, as representatives of the shareholders.
16. The Committee, through its Chair, may contact directly the independent auditors, and any employee of the Company as it deems necessary.
17. In discharging its responsibilities, the Committee shall have full access to all books, records, facilities and personnel of the Company, to the Company's legal counsel and to such other information respecting the Company as it considers necessary or advisable in order to perform its duties and responsibilities.

## **ROLES AND RESPONSIBILITIES**

### **1. Overall Duties and Responsibilities**

The overall duties and responsibilities of the Committee shall be as follows:

- (a) to assist the Board in the discharge of its responsibilities relating to the quality, acceptability and integrity of the Company's accounting principles, reporting practices and internal controls;
- (b) to assist the Board in the discharge of its responsibilities relating to compliance with disclosure requirements under applicable Securities Laws, including approval of the Company's annual and quarterly consolidated financial statements and notes together with the Management's Discussion and Analysis;
- (c) to establish and maintain a direct line of communication with the Company's independent auditors and assess their performance;
- (d) to ensure that the management of the Company has designed, implemented and is maintaining an effective system of internal controls; and
- (e) to report regularly to the Board on the fulfillment of its duties and responsibilities.

### **2. Independent Auditors**

The independent auditors report to the Committee and the duties and responsibilities of the Committee as they relate to the independent auditors shall be as follows:

- (a) to recommend to the Board a firm of independent auditors to be engaged by the Company;
- (b) to review, at least annually, with the independent auditors their independence from management, including a review of all other significant relationships the auditors may have with the Company and to satisfy itself of the auditors' independence, the experience and the qualifications of the senior members of the independent auditor team and the quality control procedures of the independent auditor.
- (c) to review and approve the fee, scope, staffing and timing of the audit and other related services rendered by the independent auditors;
- (d) to ensure the rotation of the lead audit partner as required by applicable Securities Laws;
- (e) to be responsible for overseeing the work of the independent auditors and reviewing the audit plan prior to the commencement of the audit;
- (f) to review the engagement reports of the independent auditors on unaudited financial statements of the Company and to review with the independent auditors, upon completion of their audit:
  - i) contents of their report;
  - ii) scope and quality of the audit work performed;
  - iii) adequacy of the Company's financial and auditing personnel;
  - iv) co-operation received from the Company's personnel during the audit;
  - v) internal resources used;

- vi) significant transactions outside of the normal business of the Company;
- vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles and management systems;
- viii) the quality, acceptability and integrity of the Company's accounting policies and principles;
- ix) the non-audit services provided by the independent auditors;
- x) the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements;
- xi) management's response to significant written reports and recommendations from the independent auditors and the extent to which such recommendations have been implemented by management;

and report to the Board in respect of the foregoing;

- (a) to implement structures and procedures to ensure that the Committee meets the independent auditors on a regular basis in the absence of management in order to review the integrity of the Company's financial reporting, adequacy of internal controls over financial reporting and disclosure controls and procedures, any difficulties encountered by the independent auditors in carrying out the audit and to resolve disagreements between the independent auditors and management; and
- (b) to pre-approve the retention of the independent auditor for any non-audit service and the fee for such service.

The Committee may satisfy the pre-approval requirement in subsection 2(g) if:

- i) the aggregate amount of all the non-audit services that were not pre-approved constitutes no more than five per cent of the total amount of revenues paid by the Company to its independent auditors during the fiscal year in which the services are provided;
- ii) the services were not recognized by the Company at the time of the engagement to be non-audit services; and
- iii) the services are promptly brought to the attention of the Committee and are approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.

The Committee may delegate to one or more independent members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2(h) provided that the pre-approval of non-audit services by any member to whom authority has been delegated must be presented to the full Committee at its first scheduled meeting following such pre-approval.

### 3. **Internal Control Procedures**

The duties and responsibilities of the Committee as they relate to the internal control procedures of the Company are to:

- (a) review the adequacy, appropriateness and effectiveness of the Company's policies and business practices which impact on the integrity, financial and otherwise, of the Company, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting, code of conduct and risk management;

- (b) review compliance under the Company's Code of Business Conduct & Ethics;
- (c) review any issues between management and the independent auditors that could affect the financial reporting or internal controls of the Company;
- (d) periodically review the Company's accounting and auditing policies, practises and procedures and the extent to which recommendations made by the independent auditors have been implemented;
- (e) review the quarterly CEO and CFO certifications and any sub-certifications from senior management in respect of disclosure controls and procedures and internal controls over financial reporting;
- (f) review the internal control report prepared by management, including management's assessment of the effectiveness of the Company's internal controls over financial reporting and disclosure controls and procedures and any related report by the independent auditors; and
- (g) receive the certification from the Chief Financial Officer on compliance with statutory liabilities.

#### 4. **Public Filings, Policies and Procedures**

The Committee is charged with the responsibility to:

- (a) review and approve for recommendation to the Board:
  - i) the annual report to shareholders, including the annual audited financial statements, with the report of the independent auditors, the Management's Discussion and Analysis and the impact of unusual items and changes in accounting principles and estimates;
  - ii) the interim report to shareholders, including the unaudited financial statements, the Management's Discussion and Analysis and the impact of unusual items and changes in accounting principles and estimates;
  - iii) earnings press releases;
  - iv) the annual information form;
  - v) prospectuses; and
  - vi) other public reports and public filings requiring approval by the Board;
- and report to the Board with respect thereto;
- (b) ensure adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements, other than the disclosure described in subsection 4(a) above, and periodically assess those procedures;
- (c) review with management, the independent auditors and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Company and the manner in which such matters have been disclosed in the consolidated financial statements;
- (d) review with management and the independent auditors any off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other

relationships of the Company and its subsidiaries which could have a material current or future effect on the financial condition of the Company;

- (e) review with management and with the independent auditors any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;
- (f) review with management and with the independent auditors (i) all critical accounting policies and practises to be used by the Company in preparing its financial statements, (ii) all material alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of these alternative disclosures and treatments, and the treatment preferred by the independent auditor, and (iii) other material communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences;
- (g) review general accounting trends and issues of auditing policy, standards and practices which affect or may affect the Company;
- (h) review the appointments of the Chief Financial Officer and any key financial executives involved in the financial reporting process:
  - (i) review the Whistleblower Policy and ensure that the Company has sufficient processes in place for:
    - i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls, or auditing matters; and
    - ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;and review any issues and complaints arising thereunder
- (j) review and approve the issuer's hiring policies regarding employees and former employees of the present and former independent auditors of the Company;
- (k) review and approve related party transactions or any material amendment thereto prior to the transaction being entered into.

5. **Terms of Reference and Calendar of Activities**

The Committee will review these terms of reference and its calendar of activities on an annual basis and recommend such changes as may be considered necessary for approval by the Board of Directors.

**This Policy was last revised and approved by the Board on January 4, 2017**