



**NXGOLD LTD.  
(the “Company”)**

**AUDIT COMMITTEE CHARTER**

**PURPOSE**

The primary function of the Audit Committee (“the **Committee**”) of the Company is to assist the Board of Directors (the “Board”) fulfill its oversight responsibilities relating to accounting and financial reporting process and internal controls.

**COMPOSITION, PROCEDURES AND ORGANIZATION**

- (a) The Board shall appoint the members and the Chair of the Committee each year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
- (b) The Committee shall consist of at least three members of the Board, each of whom (or if permitted by applicable securities laws, a majority of whom) shall be “independent” as determined in accordance with and required by applicable securities laws.
- (c) All Committee members shall be “financially literate” within the meaning and to the extent required by, applicable securities laws.
- (d) 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.
- (e) The Committee may choose any person, who need not be a member to act as secretary at any meeting of the Committee.
- (f) 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.
- (g) 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. The Committee may also act by unanimous written consent of its members.
- (h) Notice of the time and place of every meeting of the Committee 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 has not been lawfully convened.

- (i) The Chair of the Committee shall set the agenda for meetings of the Committee. 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.
- (j) The Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board when the Committee deems appropriate.
- (k) 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, including sole authority to approve the fees and other terms for the engagement of such persons.
- (l) 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.
- (m) The Committee shall periodically review this Charter, and submit any recommended changes thereto for approval by the Board.

## **ROLES AND RESPONSIBILITIES**

The Committee has the following overall duties and responsibilities:

- (a) assist the Board in the discharge of its responsibilities relating to the quality and integrity of the Company's accounting principles, reporting practices and internal controls;
- (b) assist the Board in the discharge of its responsibilities relating to the Company's disclosure obligations under applicable securities laws, including approval of the Company's annual and quarterly consolidated financial statements together with management's discussion and analysis thereon;
- (c) establish and maintain a direct line of communication with the Company's external auditors and periodically assess their performance;
- (d) ensure that management has designed, implemented and is maintaining an effective system of internal financial controls; and
- (e) report regularly to the Board on the fulfillment of its duties and responsibilities.

## **PUBLIC FILINGS, POLICIES AND PROCEDURES**

The Committee has the following duties and responsibilities in respect of public filings, policies and procedures:

- (a) reviewing and, if appropriate, recommending that the Board approve:

- (i) all annual audited financial statements together with the report of the external auditors thereon and management's discussion and analysis thereon;
- (ii) all unaudited financial statements and management's discussion and analysis thereon;
- (iii) all annual and interim profit and loss press releases;
- (iv) the financial sections of each annual information form (if applicable);
- (v) the financial sections of all prospectuses; and
- (vi) all financial information in other public documents, requiring approval by the Board;

in all cases, prior to their public disclosure or filing with the appropriate regulatory authority;

- (b) ensuring adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of those procedures;
- (c) discussing the impact of any significant issues regarding accounting principles, practices and judgements of management with management and the external auditors, as and when appropriate;
- (d) reviewing with management and, if appropriate, the external auditor:
  - (i) significant variances in actual financial results from budgeted or projected results;
  - (ii) any actual or proposed regulatory changes or other changes in accounting, or financial reporting practices or policies;
  - (iii) any significant or unusual events or transactions and, where applicable, alternative methods used to account for significant or unusual transactions;
  - (iv) any actual or potential breaches of debt covenants;
  - (v) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments;
  - (vi) the presentation and impact of significant risks and uncertainties;
  - (vii) the accuracy, completeness and clarity of disclosure of the Company's financial information;
  - (viii) any tax assessments, changes in tax legislation or any other tax matters 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 financial statements;

- (ix) any litigation, claim or other contingency 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 Company's financial statements;
  - (x) material communications between the external auditor and management, such as any management letter or schedule of unadjusted differences;
  - (xi) with the external auditor only, any fraud, illegal acts, deficiencies in internal control or other similar issues;
  - (xii) Compliance with the regulations and statutory requirements as they relate to financial statements, tax matters and disclosure of material facts; and
  - xiii) general accounting trends and issues of auditing policy, standards and practices which affect or may affect the Company;
- (e) review with management and the external auditors any correspondence with securities regulators or other regulatory or government agencies which raise material issues regarding the Company's financial reporting or accounting policies.

## **FINANCIAL MANAGEMENT**

The Committee has the following duties and responsibilities with respect to financial management:

- (a) reviewing and if appropriate, recommend for Board approval, all annual capital and operating budgets (and amendments thereto); and
- (b) at regularly scheduled meetings of the Committee:
  - (i) reviewing the Company's financial position as disclosed in the income statement, balance sheet and statement of cash flows;
  - (ii) review the Company's forecast against the approved budget; and (iii) reviewing the Company's cash position, liquidity and capital requirements.

## **INTERNAL CONTROLS, RISK MANAGEMENT AND COMPLIANCE**

The Committee has the following duties and responsibilities with respect to the internal controls, risk management and compliance:

- (a) reviewing 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 insurance, accounting, information services and systems and financial controls, management reporting and risk management;
- (b) reviewing compliance with the Company's Code of Business Ethics;
- (c) reviewing any issues between management and the external auditors that could affect the Company's financial reporting or internal controls;

- (d) periodically reviewing the Company's compliance with recommendations made by the external auditors;
- (e) reviewing annually, the adequacy and quality of the Company's financial and accounting resources;
- (f) reviewing annually with the external auditor, any significant matters regarding the Company's internal controls and procedures over financial reporting, including any significant deficiencies or material weaknesses in their design or operation;
- (g) receiving and reviewing reports from management assessing the Company's risk management and assessing and identifying major risk exposure and mitigation strategies against the guidelines and policies that management implemented to govern the monitoring, controlling and reporting of such risks;
- (h) establishing procedures 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 concerns regarding questionable accounting or auditing matters; and
- (i) reviewing and approving all related party transactions.

## **EXTERNAL AUDITOR**

The Committee has the following duties and responsibilities as they relate to the external auditor:

- (a) consider and make recommendations to the Board, for approval by the Company's shareholders, the appointment, re-appointment and removal of the Company's external auditor;
- (b) oversee the selection process for a new auditor and, upon resignation of the external auditor, investigate the circumstances surrounding such resignation and determine whether further action is required;
- (c) oversee the relationship between management and the external auditor; review and negotiate and recommend to the Board, for approval, the terms of engagement of the external auditor, including remuneration and scope of services;
- (d) oversee the work of any external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- (e) assess annually, the independence and objectivity of the external auditor, considering relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of, and fees for, any non-audit services;

- (f) meet with the external auditors on a regular basis in the absence of management in order to review accounting practices, internal controls, any difficulties encountered by the external auditors in performing the audit and any other matters it deems appropriate; and
- (g) pre-approve all non-audit services to be provided to the Company by the its external auditors (and remuneration therefor). The Committee may satisfy the pre-approval requirement in this subsection (g) if:
  - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the fees paid by the Company (and its subsidiaries) to its external auditors during the fiscal year in which the services are provided;
  - (ii) the Company (or its subsidiary) did not recognize the services as non-audit services at the time of engagement; 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 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.

#### **COMMITTEE CHAIR**

The Chair of the Committee shall:

- a) provide leadership to the Committee with respect to its functions as described in this Charter and as otherwise may be appropriate;
- b) chair meetings of the Committee, unless not present, including in camera sessions, and report to the Board following each meeting of the Committee on the findings, activities and any recommendations of the Committee;
- c) ensure that the Committee meets on a regular basis and determines, in consultation with the Committee and management, the time and places of the meetings of the Committee.
- d) establish the agenda for each meeting of the Committee, with input from other Committee members, the Chair of the Board, and any other parties as applicable;
- e) act as a liaison and maintain communication with the Chair of the Board and the Board to optimize and co-ordinate input from Board members, and to optimize the effectiveness of the Committee;
- f) ensure that the members of Committee understand and discharge their duties and obligations;

- g) organize the Committee to function independently of management, including organizing in-camera sessions and other meetings without management;
- h) foster ethical and responsible decision-making by the Committee and its members;
- i) deal effectively with dissent and work constructively towards arriving at decisions and achieving consensus;
- j) ensure that resources and expertise are available to the Committee so that it may conduct its work effectively and efficiently, and pre-approve work to be done for the Committee by advisers; and
- k) facilitate effective communication between members of the Committee and management.

Last reviewed and approved by the Board on February 16, 2017