

# TESSA-NILE LTD.

## AUDIT COMMITTEE

### MANDATE AND TERMS OF REFERENCE

#### CONSTITUTION

There shall be a committee, to be known as the Audit Committee (the “**Committee**”), of the board of directors (the “**Board**”) of TESSA-NILE Ltd. (the “**Corporation**”). The Committee has the oversight responsibility and specific duties described below.

#### PURPOSE

The Committee is responsible for reviewing the interim and annual financial statements of the Corporation, including any other mandatory disclosure releases containing financial information, and recommending for their approval or otherwise to the Board. The Committee is also responsible for reviewing and recommending to the Board the appointment and compensation of the external auditors of the Corporation, overseeing the work of the external auditors, including the nature and scope of the audit of the annual financial statements of the Corporation, pre-approving services to be provided by the external auditors and reviewing the assessments prepared by management and the external auditors on the effectiveness of the Corporation's internal controls over financial reporting.

The objectives of the Committee are to:

1. assist directors in meeting their responsibilities (especially for accountability) in respect of the preparation and disclosure of the Corporation's financial statements and related matters;
2. provide and facilitate effective communication between directors and external auditors;
3. support the external auditors' independence;
4. ensure the credibility and objectivity of financial reports;
5. monitor the performance and promote the effectiveness of the Corporation's internal control certification function; and
6. strengthen the role of the independent directors by facilitating in depth discussions between directors on the Committee, management and external auditors.

#### COMMITTEE COMPOSITION

1. The Committee shall be comprised of a minimum of three members or such greater number as the Board may from time to time determine, all of whom are “**independent**” from management and the Corporation and “**financial literate**” (in accordance with the definition of “**independent**” and “**financial literacy**”, respectively, set out in Multilateral Instrument 52-110 – Audit Committees, as amended from time to time).

2. The Committee members shall be free from any business or other relationship with the Corporation that may, or may reasonably be perceived to, interfere with the exercise of their independence or independent judgment from management and the Corporation.
3. The Board shall designate one of the members of the Committee, who shall be independent, to be the chair of the Committee (the “**Chair**”). If the Chair of the Committee cannot be present at any meeting of the Committee, the Chair will, in advance of the meeting, designate another member of the Committee, as Chair. Failing which, the Committee Chair will be chosen from among the members present.
4. Any members may be removed or replaced at any time by the Board and will cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy exists on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, following appointment as a member of the Committee, each member will hold such office until the Committee is reconstituted.

### **COMMITTEE SECRETARY**

The Corporation’s Corporate Secretary, or designate, will attend at and be the secretary of all Committee meetings.

### **COMMITTEE MEETINGS**

Subject to the Corporation’s Articles and By-Laws, the time and place of Committee meetings and the procedures at such meetings will be determined by the members provided that:

1. At all Committee meetings, every question will be decided by a majority of the votes cast. In case of an equality of votes, the Chair shall not be entitled to a second or casting vote and the vote shall fail.
2. A quorum for meetings will be a majority of Committee members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and hear each other. In circumstances where a quorum cannot be constituted, the Chairman of the Board may be considered in establishing quorum and will be entitled to vote for the duration of the meeting.
3. The rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board unless otherwise determined by the Committee or the Board.
4. The Committee will meet at least quarterly, and at such other times at the Chair may determine.
5. Agendas, approved by the Chair, along with background information will be circulated to Committee members on a timely basis prior to the Committee meetings. The Committee members, Board and management may recommend agenda items. The agenda for each meeting will be subject to approval at the start of each meeting.
6. The Committee may invite such officers, directors and employees of the Corporation and its subsidiary entities as it deems fit from time to time to attend at meetings of the Committee and to assist in the discussion and consideration of the matters being considered.

7. At each meeting, the members of the Committee will meet *in camera* without the participation of non-independent directors or of management.
8. Minutes of the Committee's meetings will be recorded and maintained by the Corporate Secretary or designate, and will be made available to all directors of the Board upon request.
9. The Committee will report the results of meetings and reviews undertaken and any associated recommendations to the Board.
10. Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated by the Chair to the Chairman of the Board and/or the Lead Director, as applicable.

### **MANDATE AND RESPONSIBILITIES OF THE COMMITTEE**

In addition to any other duties and authorities delegated to it by the Board from time to time, the Committee will have the authority and responsibility for:

#### **1. Financial Reporting and Disclosure**

- a) Reviewing the Corporation's annual financial statements prior to their submission to the Board for approval;
- b) Reviewing, and making a recommendation to the Board with respect to their approval of, all public disclosure of audited or unaudited financial information by the Corporation before its release (and, if applicable, prior to its submission to the Board for approval), including the interim and annual financial statements of the Corporation, prospectuses, management's discussion and analysis of results of operations and financial condition, press releases and the annual information form;
- c) Satisfying itself that adequate procedures are in place for the review of the Corporation's disclosure of all other financial information and periodically assessing the effectiveness of those procedures; and
- d) With respect to the internal control certification function, the Committee shall:
  - i) review with management and assess the Corporation's disclosure procedures and controls and material changes to the design of the Corporation's disclosure procedures and controls;
  - ii) review disclosures made respecting the design and operation of internal controls over financial reporting and disclosure controls and procedures, including any disclosure of limitations on their assessment by the Chief Executive Officer and Chief Financial Officer, review any deficiencies in their design or operating effectiveness and any fraud involving persons who have a significant role in the Corporation's internal controls;
  - iii) exercise oversight of, review and discuss with management and the external auditor, as well as the internal auditor(s), if one is appointed by the Corporation, (together and separately, as it deems necessary):
    - (1) The adequacy and effectiveness of the Corporation's internal control over financial reporting and disclosure controls and procedures;

- (2) Any significant deficiencies or material weaknesses in internal control over financial reporting or disclosure controls and procedures, and the status of any plans for their remediation;
- (3) The adequacy of the Corporation's internal controls and any related findings and recommendations of the external auditor and internal auditor(s) (if one is appointed by the Corporation), together with management's response thereto; and
- (4) Compliance with such controls, procedures and systems with legal, ethical and regulatory requirements.

## 2. Internal Controls

- a) Satisfying itself on behalf of the Board that the Corporation's internal control systems and disclosure control systems are satisfactory and operating effectively;
- b) With respect to internal audit and the engagement of internal auditors (if one is appointed by the Corporation), the Committee shall:
  - i) have the right to review and approve the appointment, the terms of engagement, replacement or dismissal of the internal auditor(s), and may delegate the appointment of the internal auditor(s) to management;
  - ii) have access to the internal auditor(s) to discuss their audit plan for the year, progress of their activities, any significant findings stemming from internal audits, any changes required in the planned scope of their audit plan and whether there are any disputes, restrictions or limitations on the internal auditor(s);
  - iii) review summaries of the significant reports to management prepared by the internal auditor(s), or the actual reports for the identifying and monitoring of financial reporting; and
  - iv) advise the Board on any significant issues relating to the internal audit function; and
- b) Reviewing and approving the Corporation's hiring policies regarding employees and former employees of the present and former external auditors of the Corporation.

## 3. External Auditors

- a) Overseeing the work of the external auditors, including resolution of disagreements between management and the external auditors regarding financial reporting;
- b) With respect to the appointment of external auditors by the Board:
  - i) recommending to the Board the appointment of the external auditors;
  - ii) recommending to the Board the terms of engagement of the external auditors, including the compensation of the auditors and a confirmation that the external auditors shall report directly to the Committee;
  - iii) reviewing annually with the external auditors their plan for their audit;

- iv) reviewing and approving any non-audit services to be provided by the external auditors' firm and considering the impact on the independence of the auditors; and
- v) when there is to be a change in auditors, reviewing the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
- c) Meeting with the external auditors at least four times per year (in connection with their review of the interim and annual financial statements of the Corporation and its subsidiaries) and at such other times as the external auditors and the Committee consider appropriate.

#### **4. Enterprise Risk Management**

- a) Review annually the enterprise risk management policies and procedures of the Corporation (including, without limitation, hedging, litigation and insurance);
- b) Receive annually reports on the Corporation's compliance with its risk management policies and procedures; and
- c) Review and assess annually the Corporation's risk framework to ensure alignment with its environmental social and governance ("**ESG**") initiatives and targets.

#### **5. Complaints**

- a) Establishing a procedure for the handling of whistleblower complaints which procedure shall include provisions for:
  - i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
  - ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

#### **6. Investigation**

- a) Investigating, or assigning responsibility for the investigation to management, the external auditor or internal auditor, any financial activity of the Corporation. All employees of the Corporation and its subsidiaries are to cooperate as requested by the Committee.

#### **7. Advisors and Other Third Parties**

- a) Retaining, as it determines appropriate, persons having special expertise and/or obtaining independent professional advice to assist in filling their responsibilities at the expense of the Corporation and without any further approval of the Board.