



**ALMONTY INDUSTRIES INC.**  
**AUDIT COMMITTEE CHARTER**

**January 23, 2012**

**Policy Statement**

It is the policy of Almonty Industries Inc. (the “Corporation”) to establish and maintain an Audit Committee to assist the Board of Directors of the Corporation (the “Board”) in carrying out their oversight responsibility for the Corporation’s internal controls, financial reporting and risk management processes. The Audit Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board including administrative support. If determined necessary by the Audit Committee, it will have the discretion to institute investigations of improprieties, or suspected improprieties, within the scope of its responsibilities, including the standing authority to retain special counsel or experts.

**Composition of the Audit Committee**

1. The Audit Committee shall consist of at least three directors, the majority of whom are not officers, employees or control persons of the Corporation or any of its associates or affiliates (as such terms are defined from time to time under the requirements or guidelines for audit committee service under the applicable rules of any stock exchange on which the Corporation’s securities are listed for trading). The Board shall appoint the members of the Audit Committee annually and each member of the Committee shall remain on the Committee until the next annual meeting of shareholders of the Corporation after his or her appointment or until his or her successor shall be duly appointed and qualified. The Board shall appoint one member of the Audit Committee to be the Chair of the Audit Committee.
2. Each member of the Audit Committee shall be “financially literate”. In order to be financially literate, a director must have the ability 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 issues that can be reasonably expected to be raised by the Corporation’s financial statements.
3. A director appointed by the Board to the Audit Committee shall be a member of the Audit Committee until replaced by the Board at any time or until his or her resignation. A member of the Committee shall automatically cease to be a member of the Committee upon ceasing to be a director.
4. The Board may fill vacancies on the Audit Committee by appointing another director to the Audit Committee. The Board shall fill any vacancy if the membership of the Audit Committee is less than three directors. Whenever there is a vacancy on the Audit Committee, the remaining members may exercise all of the Audit Committee’s powers as long as a quorum remains in office.

## **Meetings of the Audit Committee**

1. The Audit Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair of the Audit Committee and whenever a meeting is requested by the Board, a member of the Audit Committee, the external auditors, or a senior officer of the Corporation. Meetings of the Audit Committee shall correspond with the review of the quarterly financial statements of the Corporation and management's discussion and analysis thereon.
2. Notice of each meeting of the Audit Committee shall be given to each member of the Audit Committee and to the external auditors of the Corporation, who shall be entitled to attend each meeting of the Audit Committee and shall attend whenever requested to do so by a member of the Audit Committee.
3. Notice of a meeting of the Audit Committee shall:
  - (a) be in writing;
  - (b) state the nature of the business to be transacted at the meeting in reasonable detail;
  - (c) to the extent practicable, be accompanied by copies of the documentation to be considered at the meeting; and
  - (d) be given at least two business days prior to the time stipulated for the meeting or such shorter period as the members of the Audit Committee may permit.
4. A quorum for the transaction of business at a meeting of the Audit Committee shall be the majority of the members of the Audit Committee. However, it shall be the practice of the Audit Committee to require review, and, if necessary, approval of certain important matters by all members of the Audit Committee.
5. A member or members of the Audit Committee may participate in a meeting of the Audit Committee by means of such telephonic, electronic or other communication facilities as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
6. In the absence of the Chair of the Audit Committee, the members of the Audit Committee shall choose one of the members present to be Chair of the meeting. In addition, the members of the Audit Committee shall choose one of the persons present to be the Secretary of the meeting.
7. The Chair of the Board, senior management of the Corporation and other parties may attend meetings of the Audit Committee; however the Audit Committee (i) shall meet with the external auditors independent of management as necessary, in the sole discretion of the Audit Committee, and (ii) may meet separately with management.
8. The Audit Committee shall provide the Board with a summary of all meetings together with a copy of the minutes from such meetings. Where minutes have not yet been

prepared, the Chair of the Audit Committee shall provide the Board with oral reports on the activities of the Audit Committee. All information reviewed and discussed by the Audit Committee at any meeting shall be retained and made available for examination by the Board upon request to the Chair of the Audit Committee. Minutes of the proceedings of the Audit Committee shall be kept in a minute book provided for that purpose. The minutes of the Audit Committee meetings shall accurately record the discussions of and decisions made by the Audit Committee, including all recommendations to be made by the Audit Committee to the Board and shall be distributed to all Audit Committee members.

### **Duties and Responsibilities of the Audit Committee**

1. The Audit Committee's primary duties and responsibilities are to:
  - (a) identify and monitor the management of the principal risks that could impact the financial reporting of the Corporation;
  - (b) monitor the integrity of the Corporation's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
  - (c) monitor the independence and performance of the Corporation's external auditors;
  - (d) deal directly with the external auditors to approve external audit plans, other services (if any) and fees;
  - (e) directly oversee the external audit process and results and resolve any disagreements between management and the external auditor regarding financial reporting;
  - (f) provide an avenue of communication among the external auditors, management and the Board; and
  - (g) establish a Whistleblower Policy for the Corporation to ensure that an effective "whistle blowing" procedure exists to permit stakeholders to express any concerns regarding accounting or financial matters to an appropriately independent individual.
  
2. The Audit Committee shall have the authority to:
  - (a) inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates;
  - (b) discuss with the management and senior staff of the Corporation, its subsidiaries and affiliates, any affected party and the external auditors, such accounts, records and other matters as any member of the Audit Committee considers necessary and appropriate;
  - (c) engage independent counsel and other advisors as it determines necessary to carry out its duties; and

- (d) set and pay the compensation for any advisors employed by the Audit Committee.
3. The Audit Committee shall, at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.
4. The Audit Committee shall:
- (a) evaluate the independence and performance of the external auditors and annually recommend to the Board the appointment of the external auditor and the compensation of the external auditors;
  - (b) consider the recommendations of management in respect of the appointment of the external auditors;
  - (c) review the audit plan with the Corporation's external auditors and with management;
  - (d) discuss with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgments of management that may be material to financial reporting;
  - (e) review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;
  - (f) review and resolve any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
  - (g) review with senior management the process of identifying, monitoring and reporting the principal risks affecting financial reporting;
  - (h) consider and review with management, the internal control memorandum or management letter containing the recommendations of the external auditors and management's response, if any, including an evaluation of the adequacy and effectiveness of the internal financial controls of the Corporation and subsequent follow-up to any identified weaknesses;
  - (i) review and recommend for approval by the Board, the audited annual financial statements, management's discussion and analysis and related documents in conjunction with the report of the external auditors;
  - (j) review and recommend for approval by the Board, the quarterly unaudited financial statements, management's discussion and analysis and related documents;

- (k) before release, review and recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including annual and quarterly financial statements, management's discussion and analysis, annual reports, annual information forms and press releases;
  - (l) oversee any of the financial affairs of the Corporation, its subsidiaries and affiliates, and, if deemed appropriate, make recommendations to the Board, external auditors or management;
  - (m) pre-approve all non-audit services to be provided to the Corporation, its subsidiaries and affiliates by the external auditors;
  - (n) approve the engagement letter for non-audit services to be provided by the external auditors or affiliates, together with estimated fees, and considering the potential impact of such services on the independence of the external auditors;
  - (o) when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the Change of Auditors Notice and documentation required pursuant to National Instrument 51-102 – *Continuous Disclosure Obligations* (or any successor legislation) and the planned steps for an orderly transition period;
  - (p) review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities laws, on a routine basis, whether or not there is to be a change of external auditors; and
  - (q) review with management at least annually, the financing strategy and plans of the Corporation.
5. The Audit Committee shall review the amount and terms of any insurance to be obtained or maintained by the Corporation with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities.
  6. The Audit Committee shall review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.
  7. The Audit Committee shall enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters, which are directed to the Audit Committee by any member of the Board, a securityholder of the Corporation, the external auditors, or senior management.
  8. The Audit Committee shall periodically review with management the need for an internal audit function.
  9. The Audit Committee shall review the Corporation's accounting and reporting of environmental costs, liabilities and contingencies.
  10. The Audit Committee shall establish and maintain procedures for:

- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting controls, or auditing matters; and
  - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
11. The Audit Committee shall review and approve the Corporation's hiring policies regarding employees and former employees of the present and former external auditors.
  12. The Audit Committee shall review with the Corporation's legal counsel as required, but at least annually, any legal matter that could have a significant impact on the Corporation's financial statements and any enquiries received from regulators or government agencies.
  13. The Audit Committee shall assess, on an annual basis, the adequacy of this Charter and the performance of the Audit Committee.