

## **NAMIBIA RARE EARTHS INC.**

### **AUDIT COMMITTEE CHARTER**

#### **1.0 PURPOSE**

The Audit Committee ("**Committee**") is a standing committee of the board of directors ("**Board**") of Namibia Rare Earths Inc. ("**Corporation**") charged with assisting the Board in fulfilling its responsibility to the shareholders and investment community. The Committee's role is to:

- (a) serve as an independent and objective party to oversee the Corporation's accounting and financial reporting processes, internal control system and audits of its financial statements;
- (b) review and appraise the audit efforts of the Corporation 's external auditor; and
- (c) provide an open avenue of communication among the independent auditor, financial and senior management and the Board.

#### **2.0 COMMITTEE MEMBERSHIP**

- 2.1 The Board shall annually appoint a minimum of three (3) directors to the Committee, all of whom shall be independent of management and free from any material relationship which, in the opinion of the Board, would interfere with the director's exercise of independent judgment as a member of the Committee.
- 2.2 All members of the Committee must be financially literate or, if not financially literate at the time of their appointments, must become so within a reasonable period of time following their appointments.
- 2.3 Members of the Committee shall be appointed at the first meeting of the Board held following the annual general meeting of the Corporation.
- 2.4 Any member may resign from the Committee and may be removed and replaced by the Board at any time. A Committee member may resign by providing notice in writing or by electronic transmission to the Corporation's secretary. Such resignation shall take effect upon receipt thereof or at any later time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.
- 2.5 A member of the Committee will automatically cease to be a member at such time as that individual ceases to be a director of the Corporation.

#### **3.0 CHAIR OF THE COMMITTEE**

- 3.1 The Board shall in each year appoint a chair of the Committee ("**Chair**") from among the members of the Committee. In the Chair's absence, or if the position is vacant, the Committee may select another member to act as interim Chair.
- 3.2 The Chair shall have the right to exercise all powers of the Committee between meetings but will attempt to involve all other members as appropriate prior to the exercise of any powers and shall, in any event, advise all other members of any decisions made or powers exercised as soon as practicable thereafter.

3.3 The Chair shall be responsible to:

- (a) ensure the Committee meets regularly and performs its duties as set out herein; and
- (b) report to the Board on the activities of the Committee.

#### 4.0 RESPONSIBILITIES

4.1 The Committee is responsible to:

- (a) make recommendations to the Board regarding the selection and compensation of the external auditor to be engaged to prepare or issue an auditor's report or perform other audit, review or attest services for the Corporation who shall report directly to the Committee. The external auditor shall be accountable to the Board and the Committee;
- (b) obtain and review a report from the external auditor at least annually regarding:
  - (i) the external auditor's internal quality-control procedures;
  - (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the external audit firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm;
  - (iii) any steps taken to deal with any such issues; and
  - (iv) all relationships between the external auditor and the Corporation including non-audit services,
- (c) evaluate the qualifications, performance and independence of the external auditor, including considering whether the external auditor's quality controls are adequate and whether the provision of permitted non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of management and internal auditors, if any, and to present its conclusions with respect to the external auditor to the Board;
- (d) satisfy itself of the rotation of the audit partners as required by law and consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the external auditing firm on a regular basis;
- (e) meet with the external auditor and financial management of the Corporation to review the scope of the proposed audit for the current year and the audit procedures to be used;
- (f) oversee the work of the external auditor engaged to prepare or issue an auditor's report or perform other audit, review or attest services for the Corporation, including the resolution of any disagreements between management and the external auditor regarding financial reporting;
- (g) pre-approve all non-audit services to be provided to the Corporation or any of its subsidiaries by the Corporation's external auditor;
- (h) recommend to the Board the compensation of the independent auditor;

- (i) review with management and, where appropriate, the external auditor:
    - (i) the Corporation's interim and annual audited financial statements and footnotes, management's discussion and analysis and any annual or interim financial news releases before the Corporation publicly discloses this information;
    - (ii) any significant changes required in the external auditor's audit plan and any serious difficulties or disputes with management encountered during the course of the audit; and
    - (iii) other matters related to the conduct of the audit that are to be communicated to the Committee under generally accepted auditing standards;
  - (j) satisfy itself that the Corporation's interim and annual audited financial statements are fairly presented in accordance with applicable Canadian generally accepted accounting principles and recommend to the Board whether the annual financial statements should be approved and included in the Corporation's annual report;
  - (k) review with the external auditor and management the quality of the Corporation's accounting principles as applied in its financial reporting process and any proposed changes in accounting principles;
  - (l) satisfy itself that the Corporation has implemented appropriate systems of internal control over accounting, financial reporting and the safeguarding of the Company's assets and other "risk management" functions (including the identification of significant risks and the establishment of appropriate procedures to manage those risks and the monitoring of corporate performance in light of applicable risks) affecting the Corporation's assets, management and financial and business operations and that these are operating effectively;
  - (m) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters and for the confidential, anonymous submission by the Corporation's employees of concerns regarding questionable accounting or auditing matters;
  - (n) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation; and
  - (o) perform any other activities consistent with this charter, the Corporation's By-Laws and governing law, as the Committee or the Board deems necessary or appropriate.
- 4.2 The Committee may delegate to one or more members the authority to pre-approve non-audit services in satisfaction of Section 4.1(g) above, provided that the pre-approval by any member to whom authority has been delegated must be presented to the Committee at its first scheduled meeting following such pre-approval.

## **5.0 MEETINGS**

- 5.1 The Committee shall meet often as it deems necessary to carry out its responsibilities but not less frequently than quarterly.
- 5.2 No business shall be transacted by the Committee unless a quorum of the Committee is present or the business is transacted by resolution in writing signed by all members of the Committee. A majority of the Committee shall constitute a quorum, provided that if the number of members of the

Committee is an even number, one half of the number of members plus one shall constitute a quorum.

- 5.3 The Chairman will appoint a secretary ("**Secretary**") who will keep minutes of all meetings. The Secretary does not have to be a member of the Committee or a director and can be changed by simple notice from the Chair.
- 5.4 The time and place of meetings of the Committee, and the procedure in all respects of such meetings, shall be determined by the Committee, unless otherwise provided for in the By-Laws of the Corporation or otherwise determined by resolution of the Board.
- 5.5 Meetings may be held in person, by teleconferencing or by videoconferencing.
- 5.6 Any decision made by the Committee shall be determined by a majority vote of the members of the Committee present. A member will be deemed to have consented to any resolution passed or action taken at a meeting of the Committee unless the member dissents.
- 5.7 The approved minutes of the Committee meetings shall be circulated to the Board forthwith and shall be duly entered in the books of the Corporation.

## **6.0 ACCESS TO MANAGEMENT AND OUTSIDE ADVISORS**

- 6.1 The Committee shall have full, free and unrestricted access to management and employees and to the relevant books and records of the Corporation.
- 6.2 The Committee may invite such other persons (e.g., the CEO, CFO, Controller) to its meetings, as it deems necessary.
- 6.3 The Committee shall have the authority to:
  - (a) retain independent accounting or other relevant advisors as it may deem necessary or appropriate to allow it to discharge its responsibilities; and
  - (b) set and pay the compensation of any such advisors, at the expense of the Corporation.
- 6.4 Any advisors retained shall report directly to the Committee.

## **7.0 REPORTING REQUIREMENTS**

- 7.1 The Committee shall make regular reports to the Board, through the Chair, following meetings of the Committee.

## **8.0 ANNUAL REVIEW AND ASSESSMENT**

- 8.1 The Committee shall review and assess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
- 8.2 The Committee shall review its own performance annually

**9.0 REMUNERATION**

- 9.1 The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine.