



CALISTO COBRE RESOURCES CORP.

MANDATE OF AUDIT COMMITTEE Adopted by the Board of Directors September 2023

1. MANDATE

The Audit Committee (the “**Committee**”) will assist the Board of Directors (the “**Board**”) of Calisto Cobre Resources Corp. (the “**Corporation**”) in fulfilling its financial oversight responsibilities. The Committee will review and consider, in consultation with the Corporation’s external auditors, the financial reporting process and the quality, transparency and integrity of the Corporation’s consolidated financial statements and other related public disclosures, the system of internal control over financial reporting and the audit process. The Committee will also assist the Board to ensure that there is an appropriate standard of corporate conduct for senior financial personnel and employees including, if necessary, adopting a corporate code of ethics, and will also review and consider the external auditors’ qualifications and independence, and the performance of the internal audit function and the external auditors. In performing its duties, the Committee will maintain effective working relationships with the Board, management and the external auditors. To effectively perform his or her role, each Committee member must obtain an understanding of the principal responsibilities of Committee membership as well as the Corporation’s business, operations and risks.

2. COMPOSITION

The Board will appoint, from among their membership, a Committee after each annual meeting of the shareholders of the Corporation. The Committee will consist of a minimum of three directors.

2.1 Independence

A majority of the members of the Committee must be “independent” (as defined in Sec. 1.4 of National Instrument 52-110 (Audit Committees)) (“**NI 52-110**”).

2.2 Expertise of Committee Members

All members of the Committee must be “financially literate” (as defined in Sec. 1.6 of NI 52-110) or must become financially literate within a reasonable period of time after his or her appointment to the Committee. At least one member of the Committee must have accounting or related financial management expertise.

2.3 Chair of the Committee

The Board shall designate one member of the Committee to act as the chair of the Committee (the “**Chair**”). The Chair shall be independent. If for any reason a Chair of the Committee is not appointed by the full Board, members of the Committee may designate a Chair of the Committee by majority vote of the full membership of the Committee.

2.4 Duties of the Chair of the Committee

The fundamental responsibility of the Chair is to be responsible for the management and effective performance of the Committee and provide leadership to the Committee in fulfilling its mandate and any other matters delegated to it by the Board. To that end, the Chair’s responsibilities shall include:

- (a) working with the Chairman of the Board, the Chief Executive Officer and the Secretary of the Corporation to establish the frequency of Committee meetings and the agendas for meetings;
- (b) providing leadership to the Committee and presiding over Committee meetings;
- (c) facilitating the flow of information to and from the Committee and fostering an environment in which Committee members may ask questions and express their viewpoints;

- (d) reporting to the Board with respect to the significant activities of the Committee and any recommendations of the Committee;
- (e) meet regularly with the Chief Financial Officer of the Corporation and other members of management to review material issues relating to matters under discussion, review and consideration by the Committee and to provide the Committee and the Board, in a timely manner, all information necessary to permit the Board to fulfill its statutory obligations;
- (f) leading the Committee in annually reviewing and assessing the adequacy of its mandate and evaluating its effectiveness in fulfilling its mandate; and
- (g) taking such other steps as are reasonably required to ensure that the Committee carries out its mandate.

3. MEETINGS

The Committee shall meet in accordance with a schedule established each year by the Board, and at other times that the Committee may determine. The Committee shall meet at least annually with the Corporation's Chief Financial Officer and external auditors in separate executive sessions.

The time and place of the meetings of the Committee, the calling of meetings and the procedure in all things at such meetings shall be determined by the Chair. A meeting of the Committee may be called by notice, which may be given by written notice, telephone, facsimile, email or other communication equipment, given at least 48 hours prior to the time of the meeting provided that no notice of a meeting will be necessary if all of the members are present either in person or by means of telephone or web conference or if those absent waive notice or otherwise signify their consent to the holding of such meeting.

The Committee will hold an in camera session without any senior officers present at each meeting, unless deemed not necessary by the Chair. The Chair will inform the Chief Financial Officer of the substance of such meetings to the extent that action is required by management.

The Committee will keep minutes of its meetings which shall be available for review by the Board. The Committee may appoint any individual, who need not be a member, to act as the secretary at any meeting.

The Committee may invite such directors, senior officers and other employees of the Corporation and such other advisors and persons as is considered appropriate to attend any meeting of the Committee.

A quorum for the transaction of business at all meetings of the Committee shall be a majority of members of the Committee.

Any matter to be determined by the Committee will be decided by a majority of the votes cast at a meeting of the Committee called for such purpose. Each member will have one vote and decisions of the Committee will be made by an affirmative vote of the majority. The Chair will not have a deciding or casting vote in the case of an equality of votes. Any action of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee (including in counterpart) and any such action will be as effective as if it had been decided by a majority of the votes cast at a meeting of the Committee called for such purpose.

The Committee will report its determinations and recommendations to the Board.

4. ROLES AND RESPONSIBILITIES

The Committee shall fulfill the following roles and discharge the following responsibilities:

4.1 External Audit

The Committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor's report, or performing other audit, review or attestation services, including the resolution of disagreements between management and the external auditors regarding financial reporting. In carrying out this duty, the Committee shall:

- (a) recommend to the Board that the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the Corporation;
- (b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors;
- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards;
- (f) review and approve the Corporation's hiring policies regarding partners and employees, and former partners and employees, of the present and former external auditor of the Corporation;
- (g) review any post-audit or management letter containing the recommendations of the external auditor and management's response thereto, and monitoring the subsequent follow-up to any identified weaknesses; and
- (h) obtain and review an annual report prepared by the external auditors describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the 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, and any steps taken to deal with any such issues.

4.2 Internal Control

The Committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Corporation. In carrying out this duty, the Committee shall:

- (a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Corporation;
- (b) ensure that the external auditors discuss with the Committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls;
- (c) discuss the Corporation's process with respect to risk assessment (including fraud risk), risk management and the Corporation's major financial risks and financial reporting exposures, all as they relate to internal controls over financial reporting, and the steps management has taken to monitor and control such risks;
- (d) review and discuss with management, if and when adopted, the Corporation's code of conduct and/or ethics and anti-fraud program and the actions taken to monitor and enforce compliance;
- (e) review and discuss with management, the external auditors and the head of internal audit the responsibilities and effectiveness of the Corporation's internal audit function, including reviewing the internal audit mandate, independence, organizational structure, internal audit plans and adequacy of resources, receiving periodic internal audit reports and meeting privately with the head of internal audit on a periodic basis; and
- (f) approve in advance the retention and dismissal of the head of internal audit.

4.3 Financial Reporting

The Committee shall review the financial statements and financial information of the Corporation prior to their release to the public. In carrying out this duty, the Committee shall:

General

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions; and
- (b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate.

Annual Financial Statements

- (a) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;
- (b) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered; and
- (c) review management's discussion & analysis respecting the annual reporting period prior to its release to the public.

Interim Financial Statements

- (a) review and approve the interim financial statements prior to their release to the public; and
- (b) review management's discussion & analysis respecting the interim reporting period prior to its release to the public.

Release of Financial Information

- (a) where reasonably possible, review and approve all public disclosure containing financial information, including news releases, prior to release to the public. The Committee must be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and must periodically assess the adequacy of those procedures.

4.4 Non-Audit Services

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Corporation or any subsidiary of the Corporation shall be subject to the prior approval of the Committee.

Delegation of Authority

- (a) The Committee may delegate to one or more independent members of the Committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the Committee at its next scheduled meeting.

De-Minimis Non-Audit Services

- (a) The Committee may satisfy the requirement for the pre-approval of non-audit services 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 total amount of fees paid by the Corporation and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or
 - (ii) the services are brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated.

Pre-Approval Policies and Procedures

- (a) The Committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:
 - (i) the pre-approval policies and procedures are detailed as to the particular service;
 - (ii) the Committee is informed of each non-audit service; and

(iii) the procedures do not include delegation of the Committee's responsibilities to management.

4.5 Other Responsibilities

The Committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- (c) require the Corporation to appoint an independent service provider to maintain a whistleblower hotline and be responsible for receiving complaints or concerns. As soon as practical after receiving such information, the independent service provider is to inform the Chair of the complete details of any complaint or concern received. The Chair shall promptly advise the other members of the Committee of the complaint or concern and the Committee shall determine how best to deal with the complaint or concern.
- (d) ensure that significant findings and recommendations made by management and the external auditor are received and discussed on a timely basis;
- (e) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (f) perform other oversight functions as requested by the Board;
- (g) review and update this Mandate and receive approval of changes to this Mandate from the Board; and
- (h) ensure that an annual review is undertaken of the Corporation's directors and officers insurance coverage and indemnities coverage and the adequacy of such coverage.

4.6 Reporting Responsibilities

The Committee shall regularly update the Board about Committee activities and make appropriate recommendations.

5. RESOURCES AND AUTHORITY OF THE AUDIT COMMITTEE

The Committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the Committee; and
- (c) communicate directly with the internal and external auditors.

6. GUIDANCE – ROLES & RESPONSIBILITIES

The Committee should consider undertaking the actions described in the following guidance, which is intended to provide the Committee members with additional guidance on fulfilment of their roles and responsibilities on the Committee:

6.1 Internal Control

- (a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities,
- (b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown, and

- (c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.

6.2 Financial Reporting

General

- (a) review significant accounting and reporting issues (including pursuant to applicable securities laws), including recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- (b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks; and
- (c) understand industry best practices and the Corporation's adoption of them.

Annual Financial Statements

- (a) review the annual financial statements and determine whether they are complete and consistent with the information known to Committee members, and assess whether the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Corporation reports or trades its shares;
- (b) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- (c) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;
- (d) consider management's handling of proposed audit adjustments identified by the external auditors; and
- (e) ensure that the external auditors communicate all required matters to the Committee.

Interim Financial Statements

- (a) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;
- (b) meet with management and the auditors, either telephonically or in person, to review the interim financial statements;
- (c) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:
 - (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;
 - (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financials statements are consistent with changes in the Corporation's operations and financing practices;
 - (iii) generally accepted accounting principles have been consistently applied;
 - (iv) there are any actual or proposed changes in accounting or financial reporting practices;
 - (v) there are any significant or unusual events or transactions;
 - (vi) the Corporation's financial and operating controls are functioning effectively;
 - (vii) the Corporation has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and
 - (viii) the interim financial statements contain adequate and appropriate disclosures.

6.3 Compliance with Laws and Regulations

- (a) periodically obtain updates from management regarding compliance with this policy and industry “best practices”;
- (b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements and other public disclosures relating to financial matters;
- (c) review the findings of any examinations by securities regulatory authorities and stock exchanges; and
- (d) be satisfied that the Corporation has adequate policies, procedures and practices for the maintenance of the books, records and accounts by the Corporation with respect to third party payments in compliance with applicable laws, including, without limitation, the *Corruption of Foreign Public Officials Act* (Canada).

6.4 Other Responsibilities

- (a) review with the Corporation’s counsel, any legal matters that could have a significant impact on the Corporation’s financial statements.