



## AUDIT COMMITTEE CHARTER

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The board of directors (the “Board”) of Critical Elements Lithium Corp. (“Critical Elements” or the “Corporation”) has established an Audit Committee (the “Committee”) whose membership, authority and responsibilities shall be as set out in this Charter, as it may be amended from time to time by the Board. The following charter is adopted in compliance with *Multilateral Instrument 52-110 Audit Committees* (“MI 52-110”).

### MANDATE AND OBJECTIVES

The mandate of the audit committee of the Corporation (the “Committee”) is to assist the Board in fulfilling its oversight responsibilities with respect to:

- a) the integrity of the Corporation's and its subsidiaries' financial statements and reporting process,
- b) the Corporation's compliance with legal and regulatory requirements,
- c) the external auditor's qualifications and independence,
- d) the performance of the Corporation's internal and external audit functions,
- e) the preparation of any report of the Audit Committee required to be included in the Corporation's annual report, proxy material or other filings.

The head of the Corporation's internal audit function and the external auditors shall have direct and ready access to the chair of the Audit Committee (the "Chair").

### COMPOSITION

The Committee shall be comprised of at least three (3) directors as determined by the Board annually post the annual meeting of shareholders. All members of the Committee shall be “independent” within the meaning of applicable rules of securities regulatory authorities and stock exchanges (the “Listing Rules”), and shall appoint one of the Members to chair the Committee.

All members shall, from and after the time of their respective appointments to the Committee, should possess “financial literacy” defined as having a practical knowledge of finance and accounting and the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity that can reasonably be expected to be raised by the Corporation's financial statements. In addition, Members may be required to participate in continuing education, if

required by applicable law or the Listing Rules. At least one (1) of the Members shall be a “financial expert” as defined in the applicable Listing Rules.

The members of the Committee shall be elected by the Board at its first meeting following each annual shareholder’s meeting. Members shall serve until the next annual meeting of shareholders or until their successors are duly appointed or until such member resigns, retires or is removed from the Committee by the Board. The Board may fill any vacancy in the Committee by appointment from among the directors of the Corporation. Unless a Chairman is elected by the Board, the members of the Committee may designate a Chairman by a majority vote of all the Committee members.

The Committee may form and delegate authority to subcommittees when appropriate.

### **MEETINGS AND PROCEDURES**

The Committee shall meet at least four (4) times a year or more frequently, if required.

At all meetings of the Committee, every resolution shall be decided by a majority of the votes cast. In the case of an equality of votes, the Chairman shall not be entitled to a second vote. In the absence of the Committee chair for any meeting, the Members shall elect a chair from those in attendance to act as chair of that meeting.

A quorum for meetings of the Committee shall be a majority of its members. The rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing meetings of the Board, including meeting by teleconference, video conference and similar communications equipment.

Each meeting will include an in-camera session of (a) the Committee without members of management present and (b) the Committee with the independent auditor. At least annually, the Committee shall also hold in camera sessions with each of the Corporation’s Chief Financial Officer (“CFO”) and controller.

The Committee shall keep minutes of its meetings which shall be submitted to the Board. The Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.

## **REPORTING TO THE BOARD**

Following each meeting of the Committee, the Committee shall report to the Board on the issues considered by the Committee, and any recommendations being made by the Committee for approval by the Board and on any actions taken by the Committee.

## **RESPONSIBILITIES, DUTIES AND POWERS**

The Committee's principal responsibility is one of oversight. Critical Element's management is responsible for preparing the Corporation's financial statements, and the independent auditor is responsible for auditing and reviewing those financial statements. In carrying out these oversight responsibilities, the Committee is not providing any expert or special assurance as to Critical Element's financial statements or any professional certification as to the independent auditor's work.

The following are the general duties and responsibilities of the Committee:

### **External Auditor**

The external auditor reports to the Committee. In carrying out its responsibilities with respect to the external auditor, the Committee shall:

- a) recommend to the Board the selection and, where applicable, the replacement of the external auditors to be nominated annually, as well the compensation of such external auditors;
- b) oversee the work of the external auditor (including the resolution of disagreements between management and the independent auditor regarding financial reporting);
- c) review the audit plan and scope of the quarterly review and annual audit engagements with the external auditor;
- d) review annually the performance and independence of the external auditors who shall be ultimately accountable to the Board and the Committee as representatives of the shareholders of the Corporation;
- e) on an annual basis, review and discuss with the external auditors all significant relationships they may have with the Corporation that may impact their objectivity and independence;
- f) on an annual basis, obtain and review a report from the external auditor regarding (a) the independent auditor's internal quality-control procedures; and (b) any material issues raised by the most recent internal quality-control review, peer review or Public Company Accounting Oversight Board review, of the external auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, with respect to any independent audit carried out by the independent auditor, and any steps taken to deal with any such issues;

- g) consult with the external auditors about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements;
- h) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation;
- i) review and pre-approve all audit and audit-related services and fees and other compensation related thereto, as well as any non-audit services provided by the external auditors to the Corporation or its subsidiary entities. The pre-approval requirement is satisfied with respect to the provision of non-audit services if:
  - the aggregate amount of all such non-audit services provided to the Corporation constitutes no more than 5% of the total amount of fees paid by the Corporation and its subsidiary entities to its external auditors during the fiscal year in which the non-audit services are provided;
  - such services were not recognized by the Corporation or its subsidiary entities as non-audited services at the time of the engagement; and
  - such services are promptly brought to the attention of the Committee by the Corporation 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 by the Committee.

The Committee may delegate to one or more independent members of the Committee the aforementioned authority to pre-approve non-audited services, provided the pre-approval of the non-audit services is presented to the Committee at its first scheduled meeting following such approval.

### **Financial Reporting**

The Committee plays a critical role in the review and public release of the Corporation's financial information. In this regard, the Committee shall:

- a) review the Corporation's financial statements, MD&A of financial and operating results and any press releases regarding annual and interim earnings, prior to recommending the same for approval by the Board and filing with securities regulatory authorities and other public disclosure dissemination channels. The Committee shall, in conducting this review, discuss with management and the independent auditor:
  - i. the results of the external auditor's reviews and audit, any issues arising and management's response, including any restrictions on the scope of the external auditor's activities or requested information and any significant disagreements with management; the Corporation's critical accounting policies and practices (and any proposed or actual changes), alternative accounting treatments (including any

- ramifications of the use of such alternative disclosures and treatments, the treatment preferred by the independent auditor, and an explanation of why the independent auditor's preferred method was not adopted), significant accounting and reporting issues and judgments; material written communications between the independent auditor and management (including management representation letters and any schedule of unadjusted differences) and significant adjustments resulting from the independent auditor's review;
- ii. the impact of regulatory and accounting initiatives, as well as off-balance sheet structures, if in existence, on the financial statements of the Corporation;
  - iii. whether actual results for the period varied significantly from budgeted, projected or previous results;
  - iv. any significant or unusual events or transactions that require disclosure;
  - v. any correspondence with regulators or governmental agencies or any individual complaints raised through the Whistleblowing channel which raise material issues with respect to the Corporation's financial statements or accounting policies;
  - vi. the independent auditor's perception of the Corporation's financial and accounting personnel, records and systems, the cooperation which the external auditor received during the course of its review or audit and the availability of records, data and other requested information and any recommendations with respect thereto;
  - vii. any legal or business matters that may have a material impact on the financial statements or the Corporation's compliance policies; and
  - viii. whether the independent auditor and management are satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information, including information extracted or derived from the financial statements and assess the adequacy of such procedures;
- b) review, with management and the independent auditor, risks of material misstatement due to fraud, and the processes and controls implemented by the Corporation to manage the risks;
  - c) discuss with management generally the types of information (including financial information and earnings guidance) to be disclosed in earnings press releases and earnings calls, as well as to analysts and rating agencies;
  - d) receive confirmation from the Chief Executive Officer (the "CEO") and CFO that reports to be filed have been prepared in accordance with the Corporation's disclosure controls and procedures and contain no material misrepresentations or omissions and fairly present, in all material respects, the financial condition, results of operations and cash flow as of and for the period covered by such reports; and receive confirmation from the CEO and

CFO that they have concluded that the disclosure controls and procedures are effective as of the end of the period covered by the reports.

### **Financial Reporting Processes**

To ensure the integrity of the Corporation's internal control over financial reporting and the adequacy of reporting procedures, the Committee shall:

- a) review annually, evaluate and discuss with the external auditor and management the adequacy and effectiveness of the Corporation's internal controls over internal and external financial reporting, including reviewing and discussing any significant deficiencies or significant changes in the design or operation of the Corporation's internal controls (including controls over interim and annual financial reporting, computerized information systems and cybersecurity), material weaknesses in internal controls and any fraud (whether or not material), and determine whether any internal control recommendations made by external auditor have been implemented by management;
- b) review and discuss with external auditor and management the Corporation's process with respect to legal and regulatory disclosure requirements, 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;
- c) review the Corporation's Code of Business Conduct and Ethics and, in particular, the actions taken to monitor and enforce compliance; and
- d) establish procedures for the receipt, retention and treatment of complaints (Whistleblowing line) regarding accounting, internal controls or auditing matters, and the confidential, anonymous submission by individuals of concerns regarding questionable accounting or auditing matters.

### **Financial Management**

The Committee shall recommend the appointment of the CFO to the Board and will review with the CFO the qualifications of new key financial executives involved in the financial reporting process.

On an annual basis, the Committee shall (a) review the adequacy and quality of Critical Element's financial and accounting staff; and (b) review succession plans for the CFO and the controller.

### **Director and Officer Liability**

The Committee shall review the Corporation's insurance program on an annual basis, including the directors' and officers' (D&O) insurance and indemnities, and consider the adequacy of such coverage.

### **Related Party Transactions**

The Committee shall review and oversee any proposed related party transaction or situation involving a director's or officer's potential or actual conflict of interest, other than routine transactions and situations arising in the ordinary course of business, as well as make recommendations to the Board as to whether any such transaction, contract or other arrangement should be approved or continued.

### **Risk Management**

The Committee shall assist the Board in fulfilling its risk oversight responsibilities by, among other things, ensuring that processes are in place to enable management to identify significant financial related risks; ensuring that management establishes appropriate action plans to mitigate against such risks; and monitoring management's implementation of such action plans.

### **Public Disclosure**

In addition to the public disclosures specifically referenced elsewhere in this Charter, the Committee shall review and approve (or recommend to the Board for approval), prior to public release, such other public disclosures containing financial information including guidance with respect to earnings per share, financial information contained in any prospectus, annual information form, annual report, management information circular, material change disclosure of a financial nature, as the Committee considers appropriate.

### **Access to Management & Information**

The Committee will have full and free access to officers and employees of the Corporation and its books and records. Any meetings or contacts that the Committee wishes to initiate may be arranged through the CEO or the Corporate Secretary or directly by the chair or other member of the Committee. The Committee will use its judgment to ensure that any such contact is not disruptive to the business operations of the Corporation.

### **Advisors**

The Committee has the authority to retain, obtain the advice of, and terminate any consultant, external legal counsel or other advisor, to assist it in the performance of its duties. Critical Elements will provide appropriate funding, as determined by the Committee, for payment of reasonable compensation to any advisor retained by the Committee. The Committee shall have sole authority to approve such consultants' fees and retention terms, and shall be directly responsible for the selection, compensation and oversight of the advisors it retains.

### **Committee Evaluation**

The Committee shall review, at least once every two years, the Committee's duties, responsibilities and performance and determine if any changes in practices of the Committee or amendments to this Charter are necessary or otherwise deemed appropriate by the Committee. This review shall include reviewing with management and the external auditor the applicable law and the Listing Rules relating to the qualifications, activities, responsibilities and duties of audit committees and compliance therewith.

### **Additional Assignments**

The Committee shall undertake such additional responsibilities as from time to time may be delegated to the Committee by the Board, required by Critical Elements' incorporation documents or bylaws or required by applicable law or stock exchange rules.

Board of Directors Approval Date: June 14, 2021  
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