



## INCENTIVE COMPENSATION CLAWBACK POLICY

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### OBJECTIVE AND SCOPE

This Incentive Compensation Clawback Policy (“Clawback Policy”) authorizes the Board of Directors (“Board”) of Critical Elements Lithium Corporation (“Critical Elements” or “Corporation”) to recover Excess Compensation from an Executive Officer (such terms as defined below) in certain instances. This Policy is in support of Critical Elements’ commitment to maintaining the highest standards of transparency, business conduct and ethics in its business activities, accounting standards and disclosures, internal accounting controls and audit practices. The principal guidelines of this Clawback Policy are set forth below.

### OVERSIGHT

The Compensation Committee of the Board shall review and evaluate this Clawback Policy annually to determine if it effectively ensures compliance. The Board reserves the right, based on recommendations from the Compensation Committee, to change this policy from time to time as it considers necessary.

### DEFINITIONS

For the purposes of this Clawback Policy, the following terms are defined below:

**“Excess Compensation”** means the difference between the amount or value of any Performance-Based Compensation actually paid or awarded to an Executive Officer subsequent to the effective date of the Clawback Policy and the amount or value that would have been paid or awarded as calculated or determined based on the financial statements of the Corporation as restated (and shall include an entire amount or value of an award or payment where it is determined that no award or payment would have been made based on the financial statements of the Corporation as restated);

**“Executive Officer”** means any individual at the Vice-President level or above whether currently or previously employed by the Company or any of its subsidiary companies;

**“Financial Restatement”** means a material restatement of previously issued financial statements of the Corporation, required by applicable securities laws and directly resulting or arising from the gross negligence, fraud or willful misconduct of an Executive Officer; and

**“Performance-Based Compensation”** includes all bonuses and other incentive compensation that is paid or awarded to any Executive Officer, the award, amount, payment and/or vesting of which was calculated or determined having regard to or based in whole or in part on the application of performance criteria or financial metrics measured during the applicable period preceding the applicable Financial Restatement as determined by the Board or the Compensation Committee in its sole discretion, and includes incentive compensation awarded or paid in any form, including cash or equity-based, whether vested or unvested.

## **RECOVERY PROCESS AND MANNER OF REPAYMENT**

Where there is a Financial Restatement, the Board may:

- require that the Executive Officer return or repay to the Corporation, or reimburse the Corporation for, all or part of the net amount paid to the executive officer by Critical Elements; and/or
- cause all or part of any awarded and unpaid or unexercised Performance-Based Compensation (whether vested or unvested) that constitutes Excess Compensation for such Executive Officer to be cancelled.

Any compensation recovered under this Clawback Policy shall be limited to Performance-Based Compensation awards issued on or after the Effective Date of this Clawback Policy.

In determining whether to require any cancellation, repayment or reimbursement under the Clawback Policy, the Board shall have regard to, in its sole discretion and in light of the circumstances, the best interests of the Corporation. In making such determination, the Board may take into account any considerations it deems appropriate, including, without limitation:

- the applicable governing laws;
- the likelihood of success of recovering such Excess Compensation;
- the likelihood that such claim may prejudice the interests of the Corporation;
- the passage of time since the occurrence of the applicable gross negligence, fraud or willful misconduct;
- the existence of any legal proceedings against the Executive Officer related to the applicable gross negligence, fraud or willful misconduct; and
- the participation of the Executive Officer in the circumstances relating to the Financial Restatement, including his or her involvement in any gross negligence, fraud or willful misconduct.

Before the Board makes a final determination as to whether to require any cancellation, repayment or reimbursement under the Clawback Policy from an Executive Officer, the Board shall provide the Executive Officer with written notice thereof and the opportunity to be heard at a duly held meeting of the Board, which may take place either in person or by way of a conference or video call, as determined by the Board.

If the Board makes a final determination that a repayment and/or reimbursement is payable under the Clawback Policy, the Board shall make a written demand for repayment and/or

reimbursement from the Executive Officer, and in the event that the Executive Officer does not, within a reasonable period, tender repayment and/or reimbursement in response to such demand, the Board shall be entitled to pursue such other actions or remedies, including, without limitation, legal recourse, against the Executive Officer to obtain such repayment and/or reimbursement, as applicable.

In the event the Board makes a final determination to cancel any awarded and unpaid or unexercised Performance-Based Compensation (whether vested or unvested) which constitutes Excess Compensation with respect to any Executive Officer under the Clawback Policy, such cancellation will be in effect as soon as reasonably practicable upon such determination.

To the extent practicable and as permitted by all applicable laws, including, without limitation, securities legislation and stock exchange rules, all investigations and related findings under this Clawback Policy shall be conducted, undertaken and treated in a confidential manner.

**COMMUNICATION OF THE POLICY**

This Policy will be posted on the Corporation’s website at [www.cec corp.ca/corporate-profile/governance/](http://www.cec corp.ca/corporate-profile/governance/).

Each Executive Officer of Critical Elements will be required to provide certification that they have read, understood and will comply with the Clawback Policy and will be informed whenever significant changes are made.

**ACKNOWLEDGEMENT**

I acknowledge that I have read and understand the Critical Elements Clawback Policy. I confirm that I am presently in compliance and I agree to abide by the provisions contained in this Policy. I further understand that failure to do so may result in disciplinary action being taken against me, which may include termination of my employment.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

Board of Directors Approval Date: June 14, 2021

Next review: June 14, 2022