

## Nautilus Minerals Inc (the "Company") Terms of Reference of the Audit Committee (the "Committee")

(approved at a meeting of the board of directors held on December 6, 2013)

### 1. **Mandate**

- 1.1 The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to:
- (a) the Company's financial reporting and continuous disclosure;
  - (b) the Company's systems of internal controls and financial reporting processes; and
  - (c) the review and appraisal of the performance and independence of the Company's external auditors.

### 2. **Membership**

- 2.1 The members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee. The Committee shall be made up of at least three members.
- 2.2 Subject to National Instrument 52-110 of the Canadian Securities Administrators ("**NI 52-110**"), all members of the Committee shall be independent non-executive directors and shall be financially literate. "Independent" and "financially literate" have the meanings given such terms in NI 52-110. The Chairman of the Board shall not be the Chairman of the Committee.
- 2.3 The Board shall appoint the Committee Chairman who shall be an independent non-executive director.
- 2.4 Committee members may serve on the committee for consecutive terms

### 3. **Secretary**

- 3.1 The Chief Financial Officer or his or her nominee shall act as the Secretary of the Committee.

### 4. **Meetings**

- 4.1 **Frequency:** The Committee shall meet at least twice a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 4.2 **Right to attend:** Only members of the Committee have the right to attend committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive Officer and Chief Financial Officer may be invited to attend all or part of any meeting as and when appropriate. The external auditors will be invited to attend meetings of the Committee on a regular basis.

- 4.3 **Notice:** Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of external or internal auditors if the committee considers it necessary. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person invited to attend, no fewer than five working days prior to the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.
- 4.4 **Remote or in person:** The Committee may meet either in person, by teleconference, or by videoconference, as determined by the Chairman.
- 4.5 **Quorum:** The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 4.6 **Chairman:** In the absence of the appointed chairman of the Committee and/or an appointed deputy, the remaining members shall elect one of their number to chair the meeting.
- 4.7 **Minutes:** The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings shall be filed in the Company's minute book and distributed to members of the Board.

## 5. Annual General Meeting

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

## 6. Duties

The Committee should carry out the duties below for the Company, major subsidiaries and the group as a whole, as appropriate.

### 6.1 Financial Reporting

With respect to the Company's financial reporting and continuous disclosure, the Committee shall:

- (a) review the Company's financial statements, MD&A and Annual Information Form prior to dissemination to ensure their appropriateness;
- (b) review reports and findings of the external auditors and resolve any pending issues;
- (c) review the certification by the CFO and CEO and ensure that it is in line with regulatory requirements; and
- (d) review any letters received from regulatory authorities in relation to financial matters and responses thereon.

## 6.2 **Internal Controls and Risk Management Systems**

With respect to the Company's internal controls over financial reporting, the Committee shall:

- (a) review the adequacy and effectiveness of the financial reporting system and internal control policies and procedures with the external auditors and management and monitor new regulations in this regard;
- (b) review with management and the external auditors any reportable condition and material weaknesses affecting internal controls;
- (c) review with management and make recommendations to the Board in respect of the adequacy and effectiveness of the Company's financial risk management systems; and
- (d) review any significant related-party transactions.

## 6.3 **Whistleblowing**

The Committee shall establish and review the Company's arrangements for: (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters; and (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

## 6.4 **Internal Audit**

The Committee shall review annually the need or otherwise for an internal audit function.

## 6.5 **External Audit**

- (a) The Committee shall:
  - (i) consider and make recommendations to the Board, to be put to shareholders at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
  - (ii) oversee the relationship with and the work of the external auditor including (but not limited to):
    - (A) recommendation to the Board of its remuneration, whether fees for audit or non audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;

- (B) pre-approving any non-audit services to be provided to the Company or its subsidiaries (which pre-approval may be delegated to one or more independent members of the Committee, provided that in such event the pre-approval must be presented to the Committee at its first scheduled meeting following such pre-approval);
  - (C) approval of its terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (D) assessing annually its independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non audit services;
  - (E) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
  - (F) agreeing with the Board a policy on the employment of former employees of the Company's auditor and monitoring the implementation of this policy;
  - (G) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
  - (H) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor; and
  - (I) assessing annually the auditor's qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on its own internal quality procedures;
- (iii) meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss its remit and any issues arising from the audit;
  - (iv) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
  - (v) review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
    - (A) a discussion of any major issues which arose during the audit;
    - (B) any accounting and audit judgements; and

(C) levels of errors identified during the audit.

- (b) The Committee shall also review the effectiveness of the audit and shall:
- (i) review any representation letter(s) requested by the external auditor before they are signed by management;
  - (ii) review the management letter and management's response to the auditor's findings and recommendations; and
  - (iii) develop and implement a policy on the supply of non audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

## 6.6 **Reporting Responsibilities**

- (a) The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- (b) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

## 6.7 **Other Matters**

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company's employees for assistance as required;
- (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- (c) give due consideration to applicable laws and regulations, and the requirements of the stock exchanges on which its securities are listed; and
- (d) at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## 7. **Authority**

7.1 The Committee is authorised:

- (a) to seek any information it requires from any employee or advisers of the Company in order to perform its duties;
- (b) to obtain, at the Company's expense, outside legal or other professional advice on any matters within its authority when the Committee reasonably believes it necessary to do so; and

- (c) to call any member of staff to be questioned at a meeting of the Committee as and when required.

