



**METAMATERIAL INC.  
AUDIT COMMITTEE CHARTER**

**Effective Date: 14 August 2020**

**Review Cycle: Annual**

This charter (the “**Charter**”) sets forth the purpose, composition, responsibilities **and authority of the Audit Committee** (the “**Committee**”) of the Board of Directors (the “**Board**”) of Metamaterial Inc. (the “**Corporation**”)

**A. PURPOSE AND SCOPE**

**The primary function of the Audit Committee is to assist the Board and work with management in fulfilling its responsibilities with respect to the integrity of the Corporation’s financial reporting process by: (i) reviewing the financial statements and reports provided by the Corporation to applicable securities regulators, the Corporation’s shareholders or to the general public, (ii) monitoring and overseeing the accounting and financial reporting processes of the Corporation, (iii) monitoring and overseeing the Corporation’s internal controls, including internal controls over financial reporting, and (iv) reviewing and overseeing the audits of the Corporation’s financial statements.**

**B. COMPOSITION**

**The Committee shall be comprised of persons who have the suitable experience and skills given the nature and function of the Audit Committee. The Board will appoint the members (“Members”) of the Committee. The Committee shall be comprised of a minimum of three directors as appointed by the Board annually, who shall meet the independence, financial literacy and audit committee composition requirements under any applicable rules or regulations of applicable securities regulators and stock exchanges, including, but not limited to, the policies of the Canadian Securities Exchange (the “CSE”) and National Instrument 52-110 — *Audit Committees*, as in effect from time to time, and each such director shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. Further, no member of the Committee shall have participated in the preparation of the financial statements of the Corporation or any current subsidiary of the Corporation at any time during the past three (3) years.**

**All Members shall either (i) be able to read and understand fundamental financial statements, including a balance sheet, cash flow statement and income statement, or (ii) be able to do so within a reasonable period of time after appointment to the Committee.**

**The Members shall be elected by the Board at the meeting of the Board following each annual meeting of shareholders and shall serve until their successors shall be duly elected and qualified or until their earlier resignation or removal. Unless the chair of the Committee (“Chair”) is elected by the full Board, the Members may designate a Chair by majority vote of the full Committee membership.**

**C. MEETINGS**

- 1. Meetings of the Committee will be held at such times and places as the Chair may determine, but in any event not less than once per quarter.**
- 2. Twenty-four (24) hours advance notice of each meeting will be given to each Member orally, by telephone, by facsimile or email, unless all Members are present and waive notice, or if those absent waive notice before or after a meeting.**
- 3. Members may attend all meetings either in person, videoconferencing or by telephone.**
- 4. The Chair, if present, will act as the chair of meetings of the Committee. If the Chair is not present at a meeting of the Committee, the Members in attendance may select one of their number to act as chair of the meeting.**
- 5. A majority of Members will constitute a quorum for a meeting of the Committee.**

6. 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. Powers of the Committee may also be exercised by written resolutions signed by all Members.
7. The Committee may invite from time to time such persons as it sees fit to attend its meetings and to take part in the discussion and consideration of the affairs of the Committee.
8. The Committee should meet in camera without members of management in attendance for a portion of each meeting of the Committee.
9. In advance of every regular meeting of the Committee, the Chair, with the assistance of the Corporate Secretary, shall prepare and distribute to the Members and others as deemed appropriate by the Chair, an agenda of matters to be addressed at the meeting together with appropriate briefing materials. The Committee may require officers and employees of the Company to produce such information and reports as the Committee may deem appropriate in order to fulfill its duties.
10. The Board may remove a Member at any time and may fill any vacancy occurring on the Committee. A Member may resign at any time and a Member will automatically cease to be a Member upon ceasing to be a director. In the event of a vacancy on the Committee, the remaining Members may exercise all of the powers of the Committee, so long as a quorum remains.

#### D. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Committee shall:

##### Financial Reporting Processes

1. In consultation with the auditor and management, review annually the adequacy of the Corporation's internal financial and accounting controls, including any significant deficiencies and significant changes.
2. Oversee the resolution of issues, if any, between management and the auditor regarding financial reporting.
3. Review and approve all material related party transactions to be disclosed, pursuant to Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*, as applicable, and be responsible for the review and oversight contemplated by CSE as applicable, with respect to any such reported transactions.
4. Assist the Board in ensuring the Corporation's compliance with legal and regulatory requirements related to the Corporation's financial reporting process.
5. Seek to ensure that adequate procedures are in place for the review of Corporation's public disclosure of financial information extracted or derived from Corporation's financial statements, periodically assess the adequacy of those procedures and recommend any proposed changes to the Board for consideration.

##### Document Review

6. Review and assess the adequacy of this Charter at least annually (and update this Charter if and when appropriate).
7. Review and recommend to the Board for approval, the annual financial statements including the auditor's report thereon, the quarterly financial statements, accounting policies that affect the statements, annual disclosure to be included in management's discussion and analysis, financial reports, and any associated press release, prior to the public disclosure of such information. Review the Corporation's annual reports for consistency with the financial disclosure referenced in the annual financial statements.

##### Internal Controls and Risk Management

8. Review the effectiveness and integrity of internal controls in consultation with the Corporation's external auditor.

9. Review significant financial risks or exposures and assess the steps management has taken to monitor, control and mitigate such risks or exposures.
10. Satisfy itself, through discussions with management, that the adequacy of internal controls, systems and procedures has been periodically assessed in order to ensure compliance with regulatory requirements and recommendations.
11. Review, and in the Committee's discretion make recommendations to the Board regarding, the adequacy of Corporation's risk management policies and procedures with regard to identification of the Corporation's principal risks and implementation of appropriate systems to manage such risks including an assessment of the adequacy of insurance coverage maintained by the Corporation;

#### Independent External Auditor

12. Recommend to the Board for approval, the selection of the external auditor, and approve the fees and other compensation to be paid to the external auditor. The Committee and the Board shall have the ultimate authority and responsibility to select, evaluate and, when warranted, replace such external auditor (or to recommend such replacement for shareholder approval in any management information circular).
13. On an annual basis, receive from the external auditor a formal written statement identifying all relationships between the external auditor and the Corporation consistent with any applicable rules or regulations of applicable securities regulators and stock exchanges. The Committee shall actively engage in a dialogue with the external auditor as to any disclosed relationships or services that may impact its independence or objectivity. The Committee shall take, or recommend that the Board take, appropriate action to oversee the independence of the external auditor.
14. On an annual basis, discuss with representatives of the external auditor the matters required to be discussed by any applicable rules or regulations of applicable securities regulators and stock exchanges.
15. Meet with the external auditor prior to the audit to review the planning and staffing of the audit. The Committee shall review any major issues regarding accounting principles and the presentation of financial information with the external auditor and management of the Corporation and meet with the external auditor and management to discuss and resolve any such issues or disagreements
16. Evaluate the performance of the external auditor and recommend to the Board any proposed discharge of the external auditor when circumstances warrant. The external auditor shall be ultimately accountable to the Board and the Committee.
17. Pre-approve all audit and non-audit services to be provided by the external auditor to the Corporation in accordance with applicable securities laws. The Committee may delegate the pre-approval of non-audit services to a Member or certain Members. Such Member or Members shall notify the Committee at each Committee meeting of the non-audit services approved since the last Committee meeting.

#### Compliance

18. To the extent deemed necessary by the Committee, it shall have the authority to engage outside counsel, independent accounting consultants or other advisors to assist with or review any matter under its responsibility and to pay the compensation for any advisors employed by the Committee at the cost of the Corporation without obtaining Board approval, based on its sole judgment and discretion. The Committee has the authority, without obtaining Board approval, to pay for ordinary administrative expenses deemed necessary and appropriate in carrying out its duties.
19. Cause to be provided to any applicable stock exchange on which the Corporation's securities are listed, appropriate written confirmation of any of the foregoing matters as such stock exchange may from time to time require.

#### Related Party Transactions

20. Review any material or non-ordinary course related party transactions other than those delegated to a special committee or independent committee of the Board against applicable legal and regulatory requirements, discuss

with management the business rationale for the transactions, review applicable disclosures and report to the Board on all such transactions, if any, each quarter.

21. Review and discuss with the Corporation's independent auditor the auditor's evaluation of the Corporation's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit in connection therewith.

#### **Associated Responsibilities**

22. Review and approve the Corporation's hiring policies regarding employees and partners, and former employees and partners, of the present and former external auditor of the Corporation.

#### **Other Duties**

23. The Committee may: (i) engage and compensate outside professionals where the Members believe it is necessary to carry out their duties and responsibilities; (ii) direct and supervise the investigation into any matter brought to its attention within the scope of its duties; and (iii) perform such other duties as may be assigned to it by the Board and perform any other activities consistent with this Charter, from time to time or as may be required by applicable regulatory authorities or legislation.

**While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with applicable generally accepted accounting principles.**

This Charter is a broad policy statement and is intended to be part of the Committee's flexible governance framework. **While this Charter should comply with all applicable laws, regulations and listing requirements and the Corporation's articles and by-laws, this Charter does not create and legally binding obligations of the Committee, the Board or the Corporation.**

\* \* \* \* \*