

DILI CAPITAL CORP

**AUDIT, RISK AND
COMPLIANCE COMMITTEE
MANDATE**

23 March 2020

Version 0.1

AUDIT, RISK AND COMPLIANCE COMMITTEE MANDATE

General

The Board of Directors (the "Board") of Dili Capital Corp. (the "Corporation") has delegated the responsibilities, authorities and duties described below to the Risk and Compliance Committee (the "Committee"). For the purpose of these terms of reference, the term "Corporation" shall include the Corporation and its subsidiaries.

The Committee shall be directly responsible for:

- overseeing the accounting and financial reporting processes of the Corporation and audits of the financial statements of the Corporation,
- ensuring that the Directors and Management are provided with high quality financial and non-financial information that can be relied upon by them to make informed judgments,
- the appointment, compensation, and oversight of the work of any registered external auditor employed by the Corporation (including resolution of disagreements between management of the Corporation and the external auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. In so doing, the Committee will comply with all applicable Canadian laws, rules and guidelines, any applicable guidelines and any other applicable regulatory rules,
- ensuring that appropriate and effective systems of internal, accounting and financial controls are in place and maintained to safeguard the Corporation's financial and physical resources, and
- ensuring that sound risk management and compliance frameworks are in place to identify, assess, and manage risks within the Corporation's risk appetite determined by the Board.

Members

1. The Committee will be comprised of a minimum of three directors. Each Committee member shall satisfy the financial literacy and experience requirements of applicable Canadian laws, rules and guidelines, any applicable stock exchange requirements or guidelines and any other applicable regulatory rules. In particular, each member shall be "financially literate" within the meaning of Multilateral Instrument 52-110 Committees (except as otherwise set forth in the limited exemptions contained therein). Determinations as to whether a particular director satisfies the requirements for membership on the Committee shall be made by the Board.

2. Members of the Committee shall be appointed annually by the Board at the first meeting of the Board after the annual general meeting of shareholders. Each member shall serve until such member's successor is appointed, unless that member resigns or is removed by the Board or otherwise ceases to be a director of the Corporation. The Board shall fill any vacancy if the membership of the Committee is less than three directors.
3. The Chair of the Committee will be designated by the Board, on the recommendation of the Nomination Committee, or, if it does not do so, the members of the Committee may elect a Chair by vote of a majority of the full Committee membership. The Chair of the Committee shall be responsible for overseeing the performance by the Committee of its duties, for assessing the effectiveness of the Committee and individual Committee members and for reporting periodically to the Board.

Meetings

4. The Committee will meet at least quarterly and at such times and at such locations as the Chair of the Committee shall determine, provided that meetings shall be scheduled so as to permit the timely review of the Corporation's quarterly and annual financial statements and related management discussion and analysis, if applicable. Notice of every meeting shall be given to the external auditor, who shall, at the expense of the Corporation, be entitled to attend and to be heard thereat. The external auditor or any member of the Committee may also request a meeting of the Committee. The Committee shall have an in-camera session with management as a regular feature of each regularly scheduled meeting. The external auditor and management employees of the Corporation shall, when required by the Committee, attend any meeting of the Committee. Any director of the Corporation may request the Chair of the Committee to call a meeting of the Committee and may attend at such meeting or inform the Committee of a specific matter of concern to such director, and may participate in such meeting to the extent permitted by the Chair of the Committee.
5. Meetings of the Committee shall be validly constituted if a majority of the members of the Committee is present in person or by telephone conference. A resolution in writing signed by all the members of the Committee entitled to vote on that resolution at a meeting of the Committee is as valid as if it had been passed at a meeting of the Committee.
6. The Committee shall submit the minutes of all meetings to the Board, and when requested to, shall discuss the matters discussed at each Committee meeting with the Board.

Committee Charter and Performance

7. The Committee shall have a written charter that sets out its mandate and responsibilities and the Committee shall review and assess the adequacy of such charter and the effectiveness of the Committee at least annually or otherwise, as it deems appropriate.

8. The Committee proposes recommended changes to the Nomination Committee who will do same and recommend changes to the Board for its approval. Unless and until replaced or amended, this mandate constitutes that charter.

Committee Authority and Responsibilities:

9. General

The overall duties of the Committee shall be to:

- i. assist the Board in the discharge of its duties relating to the Corporation's accounting policies and practices, reporting practices and internal controls;
- ii. establish and maintain a direct line of communication with the Corporation's external auditor and assess their performance;
- iii. oversee the work of the external auditor engaged to prepare or issue an auditor's report or to prepare other audit, review or attest services for the Corporation, including resolution of disagreements between management and the external auditor regarding financial reporting;
- iv. ensure that management has designed, implemented and is maintaining an effective system of internal controls and disclosure controls and procedures;
- v. monitor the credibility and objectivity of the Corporation's financial reports;
- vi. report regularly to the Board on the fulfillment of the Committee's duties, including any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance and independence of the external auditor or the internal audit function;
- vii. assist, with the assistance of the Corporation's legal counsel, the Board in the discharge of its duties relating to the Corporation's compliance with legal and regulatory requirements; and
- viii. assist the Board in the discharge of its duties relating to risk assessment and risk management.

10. External Auditor

The external auditor will report directly to the Committee and the Committee should have a clear understanding with the external auditor that such auditor must maintain an open and transparent relationship with the Committee and that ultimate accountability of the auditor is to the shareholders of the Corporation. The duties of the Committee as they relate to the external auditor shall be to:

- i. review management's recommendations for the appointment of the external auditor, and in particular their qualifications and independence, and recommend to the Board a firm of external auditors to be engaged and the compensation of such external auditor;
- ii. review the performance of the external auditor, including the fee, scope and timing of the audit, and make recommendations to the Board regarding the appointment or termination of the external auditor;
- iii. review, where there is to be a change of external auditor, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 Continuous Disclosure Obligations or any successor legislation ("NI 51-102"), and the planned steps for an orderly transition;
- iv. review all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102, on a routine basis, whether or not there is to be a change of external auditor;
- v. ensure the rotation of partners on the audit engagement team of the external auditor in accordance with applicable law, standards or rules;
- vi. review and pre-approve non-audit services to be provided to the Corporation by the external auditor;
- vii. review and approve the engagement letters of the external auditor, both for audit and permissible non-audit services, including the fees to be paid for such services;
- viii. review the nature of and fees for any non-audit services performed for the Corporation by the external auditor and consider whether the nature and extent of such services could detract from the external auditor's independence in carrying out the audit function; and
- ix. meet with the external auditor, as the Committee may deem appropriate, to consider any matter which the Committee or external auditor believes should be brought to the attention of the Board or shareholders of the Corporation.

11. Audits and Financial Reporting

The duties of the Committee as they relate to audits and financial reporting shall be to:

- i. review the audit plan with the external auditor and management;
- ii. review with the external auditor and management all critical accounting policies and practices of the Corporation (including any proposed changes in accounting policies), the presentation of the impact of significant risks and uncertainties, all material alternative accounting treatments that the external auditor has discussed with management, other material written communications between the external auditor and management (such as any management letter or schedule of unadjusted differences), and key estimates and judgments of management that may in any such case be material to financial reporting;
- iii. review the contents of the audit report;
- iv. question the external auditor and management regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
- v. review the scope and quality of the audit work performed;
- vi. review the adequacy of the Corporation's financial and auditing personnel;

- vii. review the co-operation received by the external auditor from the Corporation's personnel during the audit, any problems encountered by the external auditor and any restrictions on the external auditor's work;
- viii. review the evaluation of internal controls by the persons performing the internal audit function and the external auditor, together with management's response to the recommendations, including subsequent follow-up of any identified weaknesses. Particular emphasis will be given to the adequacy of internal controls to prevent or detect any payments, transactions or procedures that might be deemed illegal or otherwise improper;
- ix. review the appointments of the Chief Financial Officer, persons performing the internal audit function and any key financial executives involved in the financial reporting process;
- x. review with management and the external auditor the Corporation's interim unaudited financial statements and the annual audited financial statements in conjunction with the report of the external auditor thereon, and obtain an explanation from management of all significant variances between comparative reporting periods before recommending approval by the Board and the release thereof to the public; and
- xi. review the terms of reference for an internal auditor or internal audit function.

12. Accounting and Disclosure Policies

The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

- i. review the effect of regulatory and accounting initiatives and changes to accounting principles of the Canadian Institute of Chartered Accountants or any successor thereto, which would have a significant impact on the Corporation's financial reporting as reported to the Committee by management and the external auditor;
- ii. review the appropriateness of the accounting policies used in the preparation of the Corporation's financial statements and consider recommendations for any material change to such policies;
- iii. review the status of material contingent liabilities as reported to the Committee by management;
- iv. review the status of income tax returns and potentially significant tax problems as reported to the Committee by management;
- v. review any errors or omissions in the current or prior years' financial statements;
- vi. review and recommend approval by the Board before their release all disclosure documents containing audited or unaudited financial results, including all press releases containing financial results, offering documents, annual reports and management's discussion and analysis containing such results; and
- vii. satisfy itself 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 other than the public disclosure referred to in clause (vi), above, and periodically assess the adequacy of these procedures.

13. Risk Management

- i. Review and monitor the Corporation's risk management system to assess its effectiveness, and report their findings and recommendations to the Boards;
- ii. Identify, assess and monitor all material risks;
- iii. Review and monitor the effectiveness of the key risk management governance frameworks of its subsidiaries;
- iv. Regularly receive and consider risk management reports including workplace, health and safety prepared by the Management; and
- v. Review and monitor the effectiveness of the business continuity management framework and its compliance with regulatory requirements.

14. Compliance

- i. Monitor that a properly resourced, documented and continuously updated compliance framework and structure exists and that appropriate compliance reporting and monitoring systems are in place;
- ii. Monitoring that the compliance system and reporting are consistent with the agreed compliance framework;
- iii. Review periodically the effectiveness of the system for monitoring compliance with standards, applicable laws, regulations and internal policies;
- iv. Review the management and the effectiveness of regulator relationships;
- v. Review the adequacy and appropriateness of the Corporation's financial and human resources devoted to the implementation, operation and maintenance of an effective compliance framework; and
- vi. Monitor the standard of corporate conduct in areas such as related party transactions and conflicts of interest.

15. Other

The other duties of the Committee shall include:

- i. reviewing any inquiries, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;
- ii. reviewing annual operating and capital budgets;
- iii. reviewing and reporting to the Board on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;
- iv. establishing procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- v. reviewing and approving the Corporation's hiring policies regarding partners, employees

and former partners and employees of the present and former external auditor of the Corporation;

- vi. inquiring of management and the external auditor as to any activities that may be or may appear to be illegal or unethical; and
- vii. at the request of the Board, investigating and reporting on such other matters as it considers necessary or appropriate in the circumstances.

Authority to engage independent counsel and outside advisors

- 16. The Committee has the authority to engage independent counsel and other advisors it determines necessary to carry out its duties, to set and pay the compensation for any advisors employed by the Committee and to communicate directly with the internal and external auditors.
- 17. The Corporation shall provide appropriate funding, as determined by the Committee, in its capacity as a committee of the Board, for payment (a) of compensation to the external auditors employed by the issuer for the purposes of rendering or issuing an audit report and to any advisors engaged by the committee, and (b) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

★ CERTIFIED DOCUMENT ★

Signature  project financing & consulting
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23rd March, 2020.

Name

Date

★ CERTIFIED DOCUMENT ★

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Approved on 23rd March 2020.