



Liberty Defense Holdings, Ltd.

Charter of the Audit Committee

Approved by the Board on [--]

1. Purpose

The purpose of this charter (the “**Charter**”) is to stipulate the mission, composition and duties of the Audit Committee (the “**Committee**”) of Liberty Defense Holdings, Ltd. (the “**Company**”). The Committee is created by the board of directors of the Company (the “**Board**”) to oversee:

- the integrity, adequacy and timeliness of the Company’s financial statements, accounting and financial reporting processes, financial statements audits and disclosure practices;
- the effectiveness of internal control over financial reporting;
- the qualifications, independence, performance, and compensation of the Company’s independent auditor;
- to the extent maintained, the performance of the Company’s internal audit function; and
- the Company’s compliance with legal, ethical and regulatory requirements related to financial reporting.

The Committee’s role is one of oversight. The Company’s management is responsible for preparing the Company’s financial statements and providing all required certifications relating to those financial statements, and the external auditor is responsible for auditing those financial statements. In carrying out its oversight role, the Committee will be entitled to rely on information provided by management and the external auditor. The Committee is not responsible for providing any expert or special assurance or any guarantee as to the accuracy or completeness of the Company’s financial statements or its public disclosure.

The Committee shall also perform any other activities consistent with this Charter, the Company’s articles and governing laws as the Committee or the Board deems necessary or appropriate from time to time.

2. Membership

The Committee shall consist of at least three members, comprised solely of directors deemed by the Board to be independent and who meet the independence and experience requirements of the Nasdaq Stock Market LLC (“**Nasdaq**”) and the criteria for independence set forth in Section 1.4 of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) and Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), except in each case as otherwise permitted.

Each member of the Committee shall, in the judgment of the Board, have the ability to read and understand the Company’s fundamental financial statements, including the Company’s statement of financial position, income statement and cash flow statement. A majority of the Committee members must be “financially literate” (as defined in Section 1.6 of NI 52-110). At least one member of the Committee shall, in the judgment of the Board, be an “audit committee financial expert” in accordance with the rules

and regulations of the U.S. Securities and Exchange Commission (the “SEC”), and at least one member (who may also serve as the audit committee financial expert) shall, in the judgment of the Board, have requisite financial sophistication in accordance with Nasdaq listing standards. No member of the Committee may serve on more than two other public company audit committees, unless the Board determines that such simultaneous service will not impair the ability of the member to serve effectively on the Committee.

The Corporate Governance & Nominating Committee shall recommend nominees for appointment to the Committee annually and as vacancies or newly created positions occur. Committee members shall be appointed by a majority vote of the Board. No member of the Committee shall be removed except by a majority vote of the Board. The Board shall appoint the Chair of the Committee. The Chair of the Committee may, at his/her discretion, appoint a secretary of the Committee, who does not need to be a member of the Committee.

3. Responsibilities

The basic responsibility of the members of the Committee is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. In discharging that obligation, members should be entitled to rely on the honesty and integrity of the Company’s senior executives and its outside advisors and auditors, to the fullest extent permitted by law. In addition to any other responsibilities which may be assigned from time to time by the Board, the Committee is responsible for the following matters.

3.1 Independent Auditor

- The Committee shall be directly responsible for the selection, appointment, compensation, retention, termination and oversight of the work of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. Each such accounting firm shall report directly to the Committee.
- The Committee shall recommend to the Board the independent auditor to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Company, with any such appointment or removal to be confirmed by the shareholders of the Company at each annual general meeting in accordance with the requirements of the *Business Corporations Act* (British Columbia).
- The Committee shall review and recommend to the Board the compensation to be paid to the independent auditor.
- The Committee shall pre-approve the audit services and non-audit services (including the fees and terms thereof) to be provided by the Company’s independent auditor; *provided, however*, the pre-approval requirement is waived with respect to the provision of non-audit services for the Company if the “de minimus” provisions of Section 10A(i)(1)(B) of the Exchange Act and Section 2.4 of NI 52-110 are satisfied. The Committee may delegate its authority to pre-approve services to the Chair or one or more Committee members, *provided* that such designees present any such approvals to the full Committee at the next Committee meeting.

- The Committee shall discuss with the independent auditor its responsibilities under the applicable auditing standards of the Canadian Public Accountability Board and the United States Public Company Accounting Oversight Board (collectively, “PCAOB”), review and approve the planned scope and timing of the independent auditor’s annual audit plan(s) and discuss significant findings from the audit and any problems or difficulties encountered, including any restrictions on the scope of the auditor’s activities or on access to requested information, and any significant disagreements with management.
- The Committee shall evaluate the independent auditor’s qualifications, performance and independence, and shall present its conclusions with respect to the independent auditor to the full Board on at least an annual basis. As part of such evaluation, at least annually, the Committee shall:
 - obtain and review a report or reports from the Company’s independent auditor:
 - describing the independent auditor’s internal quality-control procedures;
 - describing any material issues raised by (A) the most recent internal quality-control review, peer review or **PCAOB** review, of the independent auditing firm or (B) any inquiry or investigation by governmental or professional authorities, within the preceding five years, regarding one or more independent audits carried out by the auditing firm; and any steps taken to deal with any such issues; and
 - describing all relationships between the independent auditor and the Company consistent with applicable requirements of the PCAOB regarding the independent auditor’s communications with the audit committee concerning independence;
 - engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact its objectivity and independence; and
 - confirm and evaluate the rotation of the lead audit partner on the audit engagement team as required by law.
- The Committee shall review and approve the Company’s hiring policies regarding partners and employees, and former partners and employees, of the present and former independent auditor of the Company.

3.2 Internal Auditors

- To the extent the Company maintains an internal audit function, at least annually, the Committee shall evaluate the performance, responsibilities, budget and staffing of the Company’s internal audit function and review and approve the internal audit plan. Such evaluation shall include a review of the responsibilities, budget and staffing of the Company’s internal audit function with the independent auditor.

- To the extent the Company maintains an internal audit function, at least annually, the Committee shall evaluate the performance of the senior officer or officers responsible for the internal audit function of the Company, and make recommendations to the Board and management regarding the responsibilities, retention or termination of such officer or officers.

3.3 Financial Statements; Disclosure and Other Risk Management and Compliance Matters

- The Committee shall meet to review and discuss with management and the independent auditor the annual audited financial statements and interim unaudited financial statements, including the “Management’s Discussion and Analysis of Financial Condition and Results of Operation” prior to public dissemination;
- The Committee shall review the annual audited financial statements and make its recommendation to the Board for their inclusion in the Company’s annual report;
- The Committee shall review the portions of the annual information form containing significant financial information derived from the Company’s financial statements and within the Committee’s mandate and make its recommendation to the Board for the public filing of the annual information form, with the disclosure required by Form 52-110F1 – *Audit Committee Information Required in an AIF* contained therein;
- The Committee shall review with management, the internal auditors (or other personnel responsible for the internal audit function), if any, and the independent auditor, in separate meetings whenever the Committee deems appropriate:
 - any analyses or other written communications prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative accounting policies available under International Financial Reporting Standards (“IFRS”) (as issued by the IFRS Foundation and the International Accounting Standards Board);
 - the critical accounting policies and practices of the Company;
 - the effect of regulatory and accounting initiatives, as well as off-balance sheet transactions and structures, on the Company’s financial statements;
 - all prospectuses, registration statements and other offering or tender documents, including any prospectus supplement filed pursuant to a base shelf prospectus to the extent that any of these documents include significant financial information derived from the Company’s financial statements and within the Committee’s mandate that has not previously been reviewed and approved by the Committee or the Board; and
 - any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company’s selection or application of accounting principles.

- The Committee shall review the type and presentation of information included in the Company’s earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies, paying particular attention to the use of “pro forma” or “adjusted” information and any non-IFRS financial information, and may review any of the Company’s other financial disclosures as the Chair of the Committee deems appropriate.
- Where reasonably possible, the Committee shall review all public disclosure containing financial information, including news releases, prior to release to the public, particularly “first-time disclosure” of significant financial information respecting the Company or of estimates or information regarding the Company’s future financial performance or prospect. The Committee must be satisfied that adequate procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements, and must periodically assess the adequacy of those procedures.
- The Committee shall, in conjunction with management, review the Company’s disclosure controls and procedures and internal control over financial reporting. The review of internal control over financial reporting shall include whether there are any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect the Company’s ability to record, process, summarize and report financial information and any fraud involving management or other employees with a significant role in internal control over financial reporting. The Committee shall also review any special audit steps adopted in light of material control deficiencies.
- The Committee shall review and discuss with the independent auditor any audit problems or difficulties and management’s response thereto, including those matters required to be discussed with the Committee by the auditor pursuant to established auditing standards, as amended, such as:
 - any restrictions on the scope of the independent auditor’s activities or on access to requested information;
 - any accounting adjustments that were noted or proposed by the auditor but were not adopted or reflected;
 - any communications between the audit team and the audit firm’s national office regarding auditing or accounting issues presented by the engagement;
 - any management or internal control letter issued, or proposed to be issued, by the auditor; and
 - any significant disagreements between management and the independent auditor.
- In connection with its oversight responsibilities, the Committee shall be directly responsible for the resolution of disagreements between management and the auditor regarding the Company’s financial reporting.

- The Committee shall review the Company's policies and practices with respect to risk assessment and risk management, including discussing with management the Company's major financial risk exposures and cybersecurity risk and the steps that have been taken to monitor and control such exposures.
- The Committee shall review and reassess periodically the adequacy of the Company's Code of Business Conduct and Ethics and recommend any proposed changes to the Board.
- The Committee shall oversee compliance with the Company's Code of Business Conduct and Ethics and report on such compliance to the Board.
- The Committee shall review and consider any requests for waivers of the Company's Code of Business Conduct and Ethics and shall make a recommendation to the Board with respect to such request for a waiver.
- The Committee shall oversee, maintain, and periodically evaluate the effectiveness of the procedures established under the Company's Whistleblower Policy for the receipt, retention and treatment of complaints, including complaints regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by employees of concerns using the channels set forth in the Whistleblower Policy. The Committee shall ensure appropriate retention of all documents and records regarding any such complaint for a period of at least five years, consistent with the Whistleblower Policy.
- The Committee shall be briefed on how management develops and summarizes interim financial information, the extent to which independent auditors review interim financial information.
- The Committee shall review and, as appropriate, approve related-party transactions in accordance with Section 3.5 of this Charter.
- The Committee shall prepare any report required by the rules of any applicable securities regulatory authority to be included in the Company's management proxy circular, as well as any other report required of the Committee under applicable laws.
- The Committee shall review the Company's compliance with laws and regulations, including the *Business Corporations Act (British Columbia)*, the *Securities Act (British Columbia)* and SEC regulations and major legal and regulatory initiatives.
- The Committee shall review any major litigation or investigations against the Company that may have a material impact on the Company's financial statements. The Committee shall meet and discuss these matters as needed with management and others as appropriate.

3.4 Reporting to the Board

- The Chair of the Committee shall report and update the Board at the next Board meeting on the Committee's activities, decisions taken and considerations which led to such decisions. This report shall include a review of any issues that arise

with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal, ethical or regulatory requirements, the independence and performance of the Company's independent auditor, the performance of the internal audit function, if any, and any other matters that the Committee deems appropriate or is requested to include by the Board. Important findings arising from the Committee's activities, which are urgent and should be known by the Chair of the Board, must be reported immediately by the Chair of the Committee to the Chair of the Board. Upon request of the Chair of the Board, the Chair of the Committee shall report on any other issue.

- At least annually, the Committee shall evaluate its own performance and report to the Board on such evaluation.
- At least annually, the Committee shall review and assess the adequacy of this Charter and recommend any proposed changes to the Board.

3.5 Related Party Transactions

- The Committee shall conduct a review of any material transaction involving a Related Party that would need to be disclosed under Item 7.B of Form 20-F under the Exchange Act or which constitutes a "related party transaction" under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*, or as otherwise required by law or applicable stock exchange requirements (collectively, a "**Related Party Transaction**"). "**Related Party**" means any (a) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the company, and close members of any such individual's family; (d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the company, including directors and senior management of companies and close members of such individuals' families; and (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence.
- All Related Party Transactions shall be approved or ratified by the Committee and may be referred to the Board if the Committee lacks a quorum of disinterested members or otherwise determines that Board review is appropriate. The Committee will not approve or ratify a Related Party Transaction, nor recommend such transaction to the Board, unless it shall have determined that, upon consideration of all relevant information, the transaction is in, or not inconsistent with, the best interests of the Company and its shareholders. The Committee shall not review a Related Party Transaction being reviewed by a special committee of independent directors. The Committee shall oversee procedures for identifying and reporting potential Related Party Transactions, including through annual and interim director and officer questionnaires and communication with the Company's management. The Committee's approval or ratification is not required for compensation and expense reimbursements approved by the Board or Compensation Committee, or for other categories of transactions that the

Committee determines do not require review under Item 7.B of Form 20-F or Nasdaq Rule 5630.

- The Committee shall review and make recommendations to the Board on all matters involving a Board member's potential or actual conflict of interest as may be referred to the Committee by the Board. In addition, directors may not use Company assets, labor or information for personal use unless approved by the Chair of the Committee or as a part of a compensation or expense reimbursement program available to all directors.
- Any member of the Committee who has a potential or actual conflict of interest in any matter must disclose that conflict to the Committee, shall not be present for any portion of the meeting in which such matter is discussed (except to provide factual context at the Committee's request) and shall abstain from any vote of the Committee pertaining to that matter, except where the Board or the Committee has expressly determined that it is appropriate for such Committee member to vote on such matter.

4. Authority and Delegations

The Committee is authorized (without seeking further Board approval) to:

- collect any information and assistance from within the Company that is needed to perform its functions;
- request any officer or employee of the Company or the Company's outside counsel or independent auditor to meet with any members of, or advisors to, the Committee;
- retain and terminate any advisors, including special legal, accounting or other advisors, at the Company's costs and whose fees and other retention terms the Committee has the sole authority to approve; and
- delegate its authority to subcommittees or the Chair of the Committee when it deems it to be appropriate and in the best interests of the Company and its shareholders, subject to ensuring adequate reporting by the subcommittee to the Committee or the Chair of the Committee.

The Committee shall have available appropriate funding from the Company as determined by the Committee for payment of (a) compensation to any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, (b) compensation to any advisors employed by the Committee, and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

5. Procedures

The Committee shall meet as often as it determines is appropriate to carry out its responsibilities under this Charter, but not less frequently than once every fiscal quarter. The Chair of the Committee shall preside at each meeting and, in the absence of the Chair, one of the other members of the Committee shall be designated as the acting Chair of the meeting. The Chair of the Committee, in consultation with the other Committee members, shall determine the frequency and length of the Committee meetings and shall set meeting agendas consistent with this Charter.

The Committee shall meet separately, periodically, with management, with the internal auditors (or other personnel responsible for the internal audit function), if any, and with the independent auditor.

The Committee shall keep minutes of its meetings and report the same to the Board when required and shall observe such procedures as are prescribed by the Board.

A majority of members of the Committee present in person or by means of a conference telephone, video or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum. The action of a majority of members at a meeting at which a quorum is present will be the action of the Committee.

6. Amendments

This Charter may be amended at any time by resolution of the Board.