

## **AUDIT AND RISK COMMITTEE CHARTER**

### **Introduction & Purpose**

This Charter governs the operations of the Audit & Risk Committee. The Committee shall review and reassess the charter at least annually and obtain the approval of the Board of Directors.

### **Constitution**

An Audit & Risk Committee will be established by resolution of the Board.

### **Membership**

The Audit & Risk Committee will consist of not less than three members. Members will be appointed by the Board from amongst the Directors, and will have a majority of independent directors. In addition, the Audit Committee will comprise:

- members who can all read and understand financial statements and are otherwise financially literate;
- at least one member with financial expertise either as a qualified accountant or other professional with experience in financial and accounting matters; and
- at least one member who has an understanding of the industry in which the Company operates.

Members of the Committee shall be considered independent so long as they do not have any relationship with the Company that may interfere with the exercise of independent judgement. This means that they should meet the definition of what constitutes an 'independent director' in *ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations*. The only compensation shall be directors' fees for services provided to the audit committee.

### **Chairman**

The Audit & Risk Committee will appoint a Director, other than the Chairman of the Board, to be the Chairman of the Committee.

### **Secretary**

The Chief Financial Officer ("CFO") will be the Secretary of the Audit & Risk Committee.

### **Other Attendees**

The Chief Executive Officer ("CEO") and CFO as well as other members of senior management may be invited to be present for all or part of the meetings of the Audit & Risk Committee, but will not be members of the Committee.

Representatives of the external auditor are expected to attend at least one meeting of the Audit & Risk Committee per year without any management staff or executives present.

### **Quorum**

A quorum will be two members.

### **Meetings**

Audit & Risk Committee meetings will be held not less than four times each year (with one meetings to be held before completion of the half yearly accounts and one meeting before the completion of the annual accounts) with the auditors and appropriate members of management. In addition, the Chairman of the Audit & Risk Committee is required to call a

meeting of the Committee if requested to do so by any member of the Audit & Risk Committee, the CEO or the external auditor.

### **Authority**

The Audit & Risk Committee is authorised by the Board to investigate any activity within its charter. In doing so:

- The Audit & Risk Committee will have access to management and auditors (external) with or without management present and has rights to seek explanations and additional information.
- It is authorised to seek any information it requires from any employees, including full access to all books and records, and all employees are directed to cooperate with any request made by the Audit & Risk Committee.

The Audit & Risk Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Audit & Risk Committee is required to make recommendations to the Board on all matters within the Audit & Risk Committee's charter.

### **Reporting Procedures**

The Audit & Risk Committee will keep minutes of its meetings. The Secretary shall circulate the minutes of the meetings of the Committee to all members of the Committee for comment and change before being signed by the Chairman of the Audit & Risk Committee and circulated to the Board with the Board papers for the next Board meeting. The minutes are to be tabled at the Board meeting following the Audit & Risk Committee meeting along with any recommendations of the Committee.

### **Responsibilities of the Audit and Risk Committee**

The Audit & Risk Committee shall ensure it understands the Company's structure, controls, and types of transactions in order to adequately assess the significant risks faced by the Company in the current environment.

The Audit & Risk Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. In particular, the Audit Committee has the following duties:

#### *Accounting Practices and External Reporting*

#### **Financial Statements**

1. To review the audited annual and half yearly financial statements and any reports which accompany published financial statements before submission to the Board, recommending their approval, focusing particularly on:
  - any changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments, accounting and financial reporting issues resulting from the external audit;
  - compliance with accounting policies and standards; and
  - compliance with legal requirements.
2. If the Company has a public accountant, to review the evaluation by management of factors related to the independence of the Company's public accountant and to assist them in the preservation of such independence.
3. To oversee management's appointment of the Company's public accountant if one is required.

### ***Related Party Transactions***

4. To monitor and review the propriety of any related party transactions.

### ***External Audit Function***

5. To recommend to the Board the appointment, reappointment or replacement (subject to shareholder ratification) of the external auditor.
6. Audit firms are evaluated in accordance with criteria, as appropriate from time to time, and are not assessed solely on the basis of who is cheapest, but on a number of issues such as:
  - (a) Skills and knowledge of the team proposed to do the work,
  - (b) Quality of work;
  - (c) Independence of the audit firm;
  - (d) Lead signing partner and independent review partner rotation and succession planning policy;
  - (e) Value for money; and
  - (f) Ethical behaviour and fair dealing.
7. Each year, to review the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.
8. To discuss with the external auditor before the audit commences the nature and scope of the audit, including identified risk areas, significant problems that may be foreseen and any additional agreed-upon procedures and to ensure coordination between the external auditor and the company's accounting staff.
9. To meet privately with the external auditor on at least an annual basis.
10. To determine that no management restrictions are being placed upon the external auditor.
11. To discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary).
12. To review the external auditor's management letter and management's response.
13. To review any regulatory reports on the Company's operations and management's response.
14. To attend the annual general meeting to answer questions by shareholders if requested.

### ***Internal Audit Function***

15. To recommend to the Board the appointment of an internal auditor if and when one is required. At the present time there is considered no requirement for an internal audit function.

### ***Communication***

16. If and when required, providing, through regular meetings, a forum for communication between the Board, senior financial management, staff involved in internal control procedures and the external auditors.
17. Enhancing the credibility and objectivity of financial reports with other interested parties, including creditors, key stakeholders and the general public.
18. If and when required, establishing procedures for complaints and reports regarding accounting, internal accounting controls and auditing matters and ensuring a

mechanism for the confidential treatment of such complaints and reports including the ability to submit them anonymously.

### ***Assessment of Effectiveness***

19. To evaluate the adequacy and effectiveness of the Company's administrative, operating and accounting policies through active communication with operating management, internal auditors (should they exist) and the external auditors.

### ***Consultancy***

20. To ensure independence of the Auditor the Company will ensure that any consultancy work undertaken by the Auditor is limited to the extent reasonably practicable.

### ***Risk, Governance, Compliance and Sustainability***

21. The Audit & Risk Committee is responsible for reviewing the strategy and monitoring the overall integrity of the Company's risk, governance, compliance and sustainability systems:

The Committee will do this by:

- monitoring the Company's corporate governance compliance requirements;
- ensuring management has established a sound system of risk management for non-financial related risks and reporting of keys risks through to the Board;
- ensuring management maintains high standards of social responsibility and sustainability in all communities in which the Company is engaged;
- ensuring management has systems and controls in place to maintain high environmental standards and practices and legal compliance with environmental laws and regulations;
- ensuring management has systems and controls in place to maintain high occupational health and safety standards and practices and legal compliance with occupational health and safety laws; and
- ensuring management has systems and controls in place to comply with all other laws, regulations and material contractual obligations impacting the Company's licence to operate.

### ***Assessment***

- The Chairman of the Committee shall report to the Board on the Committee's performance on an annual basis. The performance of the Committee shall be measured against this Charter and other relevant criteria as approved by the Board.
  - The Committee Charter shall be reviewed annually and revised as required.
- Any changes to the Charter will require approval of the Board, the Board will review the effectiveness of the Charter as appropriate.