

# Australian Mines Limited ABN 68 073 914 191

## Audit and Risk Charter

### 1 Purpose

- 1.1 The purpose of the Committee is to assist the Board of Australian Mines Limited (**Company**) in the effective discharge of its responsibilities in the areas of statutory reporting, internal control systems, risk management systems, insurance and legal proceedings, compliance with applicable laws and regulations and the internal and external audit function.
- 1.2 The Company strives to create a risk management culture where all material risks are identified, assessed and effective controls are established. To ensure this objective is met, the Committee is specifically tasked to improve the effectiveness of the external audit function, identify the need for internal audit and ensure risk management systems and processes are functioning appropriately.

### 2 Introduction

- 2.1 The Company, a publicly listed company on the ASX has an Audit and Risk Committee (**Committee**) that is governed by:
- (1) this Audit and Risk Management Charter, developed and approved by the board of directors of the Company (**Board**);
  - (2) the constitution of the Company (where applicable); and
  - (3) the ASX Corporate Governance Council's Principles and Recommendations (as amended from time to time) (**ASX Recommendations**), where appropriate.
- 2.2 The Company acknowledges that it is required to comply with the accounting and auditing standards prescribed by the *Corporations Act 2001* (Cth) (**Australian accounting standards**).
- 2.3 The Company has a number of subsidiaries. Some of those subsidiaries are Australian registered companies and other subsidiaries are registered companies other countries. It is acknowledged that the Company's:
- (1) Australian subsidiaries will comply with the Australian accounting standards;
  - (2) Other subsidiaries will comply with local accounting standards and the Australian accounting standards given the Company is publicly listed.
- 2.4 A reference to the Company in this Charter includes a reference to the subsidiaries of the Company unless the context appears otherwise.

### 3 Objectives

- 3.1 The primary purpose of the Committee is to support and advise the Board about the matters identified in this Charter. The Committee is accountable to the Board for its performance.

- 3.2 Unless expressly permitted by this Charter, the Committee does not have the power or authority to bind the Board to any of the recommendations made by the Committee in its advisory role.
- 3.3 In broad terms, the Committee is responsible for overseeing the integrity of
- (1) the Company's financial statements;
  - (2) each Annual Report and half year report;
  - (3) the effectiveness of the internal and external audit processes;
  - (4) the Company's internal financial control and risk management;
  - (5) the Company's compliance with the systems of compliance with relevant legal and regulatory requirements within the Committee's responsibility; and
  - (6) the Company's capital structure and funding.

## **4 Composition**

### **4.1 Members**

- (1) The Committee will have a minimum of three members, with a majority of members of the Committee being non-executive, independent directors.
- (2) The members of the Committee will be appointed and removed by the Board.
- (3) The Board will appoint the Chair of the Committee. The Committee will be chaired by a non-executive director
- (4) The Company Secretary will be the secretary for the Committee.

### **4.2 Expertise**

- (1) Each Member of the Committee must:
  - (a) be financially literate; and
  - (b) have an appropriate level of understanding about the principles of corporate governance and knowledge of the ASX Recommendations.
- (2) As a whole, the Committee must have:
  - (a) at least one member experienced in the mining industry;
  - (b) at least one other member with suitable financial experience; and
  - (c) one member can have one or more of these requirements.

### **4.1 Liaison**

The principal liaison between Executives (including senior and key officers of the company) (**Executives**) and the Committee will be the Company Secretary.

## **5 Meetings**

### **5.1 Frequency**

- (1) To the extent reasonably practicable given the size and composition of the board from time to time, the Committee will meet as frequently as required but must, at a minimum, meet twice per year.
- (2) The Company Secretary must call a meeting of the Committee if requested to do so by any member of the Committee or any member of the Board.

### **5.2 Agenda and notice**

The Company Secretary will be responsible, in conjunction with the Chair, for drawing up the agenda (supported by any necessary explanatory documentation) and circulating it to Committee members prior to each meeting. The Company Secretary must notify members of the Committee of the date, time and location of Committee meetings as far in advance as possible.

### **5.3 Quorum**

To the extent reasonably practicable given the size and composition of the board from time to time, a quorum for Committee meetings will be at least 2 members, save that 1 of the members of the quorum must be a non-Executive Director, ideally an independent director.

### **5.4 Minutes**

The Company Secretary is responsible for taking minutes of each meeting and distributing them to Committee members as soon as practicable after the close of the meeting.

### **5.5 Attendance**

- (1) The Committee may invite any person to attend part or all of any meeting of the Committee as it considers appropriate.
- (2) Voting at Committee meetings is restricted to Committee members.
- (3) Any member of the Board may attend a meeting on request.

## **6 Advice and Resourcing**

- 6.1 The Committee has the right to seek internal and external advice when it considers such advice necessary in order to fulfil its responsibilities.
- 6.2 Senior Executives must supply the Committee with information in a form, timeframe and of a quality that will enable the Committee to effectively discharge its responsibilities.
- 6.3 The Committee must ensure that it obtains sufficient information to enable it to make informed decisions with respect to the advice and recommendations it provides to the Board.
- 6.4 At the cost of the Company, or any relevant subsidiary, the Committee may appoint and instruct an external expert adviser to solely advise the Committee. Unless otherwise agreed by the Committee, no external expert adviser will have a standing invitation to attend Committee meetings.

## **7 Training**

The members of the Committee will participate in a program of induction, training and development relating to the responsibilities of them prescribed by this Charter. Any such costs will be borne by the Company.

## **8 Reporting**

### **8.1 Reporting to the Board**

The Committee Chair, or a delegate, will provide a detailed report to the Board following each meeting of the Committee to facilitate Board awareness of the work of the Committee, including details about:

- (1) key issues discussed by the Committee and decisions made by the Committee; and
- (2) any recommendations to the Board of any specific decisions or actions that the Committee considers the Board should take.

### **8.2 Annual Report**

- (1) The Committee will prepare and adopt an annual report on its activities for incorporation in the Annual Report.
- (2) The Committee will provide advice to the Board on whether the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Managing Director will provide to the Committee, and discuss with it, information on the system for ensuring the Annual Report meets these requirements.
- (3) The Chair of the Committee will attend the Annual General Meeting to respond to questions from shareholders about the Committee's activities.

## **9 Integrity of Financial Statements**

### **9.1 Accounting Policies and Practices**

The Committee will review the appropriateness of the accounting policies and practices used by the Company, including management's interpretation of accounting standards. The Committee will consider and if thought fit and compliant with the appropriate accounting standards, approve any material changes proposed to the Company's accounting interpretations.

### **9.2 Financial Statements and other documents containing significant financial information**

- (1) Prior to consideration by the Board, the Committee will review and discuss with the Managing Director and the external auditor, any draft financial statements and any related information, to support the Committee's assessment as to the integrity of the financial statements.
- (2) The Managing Director will present to the Committee at relevant times, the Company's accounting interpretations and practices, including their effect on the financial statements of the Company and its subsidiaries.

- (3) The information to be presented for the Committee's consideration and the Committee's approval if appropriate, will include:
  - (a) major estimates and significant financial reporting decisions including unusual, uncertain or significant transactions;
  - (b) significant accounting issues; and
  - (c) materiality and adjustment thresholds.
- (4) The Managing Director shall provide the Committee with draft financial statements and accompanying information in a form that highlights the items that vary from previous financial statements and provides the rationale and underpinning assumptions for them, including:
  - (a) major estimates, decisions on significant financial issues, uncertain, unusual or significant transactions and provisions made in the financial statements and having regard to matters communicated with the external auditor;
  - (b) the going concern statement (including adherence to any loan agreements and borrowing powers) and the viability statement;
  - (c) related financial and other information presented with the financial statements, including any operating and financial review and any presentation to be made to investors accompanying release of results;
  - (d) dividend recommendations;
  - (e) interpretation of financial reporting standards, ASX requirements, and legal requirements;
  - (f) unrecorded adjustments;
  - (g) the clarity, completeness, balance and ease of understanding of financial statements; and
  - (h) compliance with the Company's disclosure requirements, controls and procedures for periodic disclosures.
- (5) The Managing Director will design, maintain and evaluate a range of procedures and internal controls to satisfy the objective of safeguarding the integrity of the Company's financial statements, including compliance with the applicable accounting standards and legal requirements. The Managing Director will present the system of safeguarding the integrity of the financial statements to the Committee on an annual basis for the Committee's consideration and feedback.
- (6) The system of safeguarding the integrity of financial statements will be designed in a manner that preserves the independence of and maximises the effectiveness of, the Committee, its individual members, and that of the Board, in testing and evaluating the preparation and content of financial statements and in making any formal adoptions required by law. In particular, the Committee will review and discuss the process relating to the contents of any necessary declarations to be made at law in respect of the financial records.
- (7) The Committee will prior to release review significant financial reporting issues and decisions made in connection with the financial statements that are contained in related formal announcements.

## **10 Appointment, performance and remuneration of the external auditor and integrity of the external audit process**

### **10.1 Appointment, remuneration and audit process**

- (1) The Committee will evaluate the expertise and experience of potential external auditors, taking into account the fact that the Company operates its business in several countries, and will have the sole responsibility to recommend to the Board the organisation to be proposed to be appointed, replaced or terminated by the Company.
- (2) The Committee will consider and make recommendations to the Board as to when the external auditor contract should be put out to tender, taking into account any applicable law and regulation.
- (3) The Committee will manage the relationship between the Company and the external auditor, including the external auditor's remuneration including overseeing the external auditor's work. The external auditor must report directly to the Committee and is accountable to the Committee.
- (4) If the external auditor resigns, the Committee will investigate and consider whether any action is required.
- (5) The terms of engagement and remuneration of the external auditor are the responsibility of and subject to the approval by the Committee. The Committee will require:
  - (a) an audit plan that identifies areas of risk of material misstatement which is to be incorporated into the external auditor's terms of engagement;
  - (b) the external auditor to disclose material information about its independence and other regulatory requirements to the Committee in a timely fashion, as it arises and annually in its independence letter;
  - (c) the external auditor is to discuss with the Committee any problems or reservations arising from the external auditor's work, including should it occur, any significant disagreement between the external auditors and the management of the Company;
  - (d) a review of any letter to the external auditor that makes representations about the truth and accuracy of financial statements;
  - (e) the external auditor to discuss its findings with the Committee, including:
    - (i) any major issues which arose during the audit;
    - (ii) any accounting and audit decisions;
    - (iii) the level of errors identified during the audit; and
    - (iv) the effectiveness of the audit.
- (6) The Committee will report the outcome of the external audit to the Board, including the Committee's role in the process, make any necessary recommendations to the Board where appropriate and explain how the external audit contributed to the integrity of the financial reporting.

### **10.2 Performance, independence and integrity**

- (1) The Committee will progressively monitor and evaluate the performance of the external auditor and the progress of the external audit. The criteria for evaluation of the performance of the external audit will include;
  - (a) the value delivered to shareholders and the Company;
  - (b) cost-effectiveness;
  - (c) findings or conclusions arising from any review of the external auditor by a regulator;
  - (d) the maintenance of the highest levels of professional integrity; and
  - (e) objectivity and independence, taking into consideration relevant professional and regulatory requirements.
- (2) The Committee will obtain feedback about the conduct of the external audit from the Managing Director and any other key Personnel.
- (3) The Committee will make decisions and take actions that are appropriate and necessary if it becomes aware of a potential or actual conflict of interest between the interests of the external auditor and the interests of the Company.
- (4) The Committee will recommend to the Board:
  - (a) the scope of the audit services to be provided by the external auditor, including materiality thresholds;
  - (b) any non-audit services that the external auditor should provide the Company; and
  - (c) any standards or procedures to govern the audit and any non-audit services by the external auditor to the Company.
- (5) The Company Secretary will keep a record of any non-audit services provided by the external auditor.
- (6) The Committee will report annually to the Board its evaluation of the integrity, objectivity and independence of the external audit taking into account matters such as:
  - (a) the external auditor's annual report;
  - (b) a written statement from the external auditor which identifies:
    - (i) its professional opinion it is objective and independent of the Company
    - (ii) its internal quality-control procedures;
    - (iii) any material issues raised by recent internal quality-control review or peer review of the external auditor or by any enquiry or investigation by any regulatory authority (government or professional) within the last 5 years about any independent audit carried out by the external auditor where the independence of the external auditor was in doubt;

- (iv) all relationships between the external auditor and the Company and each of its subsidiaries, including the economic significance of the Company and its subsidiaries to the external auditor.
  - (c) any concerns that the Committee has about the independence and integrity of the external auditor; and
  - (d) fees paid to the external auditor are reasonable and proportionate, such that the fees paid would not impair or appear to impair the external auditor's independence and integrity when dealing with the Company.
- (7) A term of the engagement of the external auditor will be that the external auditor may request a member of the Committee to call a meeting of the Committee.
- (8) The Committee will meet with the external auditor, with or without the Company's Senior Executives or other Personnel, whenever it is deemed necessary by the Chair of the Committee.

## **11 Specific Mining Activities Risk**

- 11.1 The Company now and in the future has operations and/or sales in foreign countries and as such requires greater awareness to sovereign risk, political and legal risks. The Committee is required annually to review all aspects of the risks outlined above and comment on these risks for Board comment and review.
- 11.2 The Company also has specific risks associated with mining operations and plant construction. The Committee is to review as necessary all relevant and critical risk management processes in relation to mining operations and any other of the business operations and make recommendations to the Board where appropriate for any necessary alteration.

## **12 The effectiveness of systems of risk management and internal control**

- 12.1 The Committee will assist the Board in the identification of the principal risks to the Company, including those that risk the Company's business model, future performance, solvency or liquidity.
- 12.2 The Managing Director will ensure that effective standards and procedures are implemented and maintained to identify, assess and manage risks that are material to the achievement of the business objectives, plan and strategy approved by the Board (pursuant to the Board Charter). The standards and procedures will be designed to ensure:
- (1) the Committee (and the Board) remains independent and the Committee, and each of its members, can perform its responsibilities under this Charter with maximum effectiveness;
  - (2) that the Committee (and the Board) can test the effectiveness of the risk management and internal controls for financial, operational, and corporate compliance requirements, so that the Board can make any formal adoptions that may be required by law.
- 12.3 The Committee will monitor, and review annually, the effectiveness of the Company's risk management and internal control systems.
- 12.4 The Committee will seek assurances from the Managing Director that:



- (1) an effective system of internal control over financial reporting is implemented and maintained to provide reasonable assurances about:
  - (a) the reliability of financial reporting and the fair presentation of the financial statements; and
  - (b) the protection of the Company's financial and other assets, and the effective use of the Company's resources;
- (2) the system identifies, assesses and manages material risks to the Company meeting its objectives, plan and strategy (as approved by the Board);
- (3) an internal audit system exists (that is separate to the external audit) that objectively assesses the Company's risk management, internal control and corporate governance processes; and
- (4) an identifiable system for sharing the results of this assurance process and learning from that process is in place to ensure continuous improvement.

These assurances are to be reported to the Board.

12.5 The Managing Director will present annually, reviews of the system of internal control and risk management to the Committee. The review must include the Company's:

- (1) insurance cover;
- (2) processes and systems for managing the budget, forecasting and financial reporting;
- (3) effectiveness of the processes and systems that monitor:
  - (a) the reporting of reserves and resources;
  - (b) the control of information material to the Company's financial statements, including its subsidiaries;
  - (c) the preparation of financial statements to the standards required by law;
  - (d) compliance with taxation laws;
  - (e) compliance with the ASX Corporate Governance Principles and Recommendations;
  - (f) the protection of confidential information, intellectual property and other assets (physical or non-physical) required by the Code of Conduct;
  - (g) compliance with the Continuous Disclosure Policy;
  - (h) the preparation and dissemination of information to shareholders, the ASX, the investor market beyond the scope of the Continuous Disclosure Policy;
  - (i) compliance with the Anti-Corruption and Anti-Bribery Policy;
  - (j) compliance with the Securities Trading Policy;
  - (k) compliance with the Whistle-blower Policy; and
  - (l) any other information that is material to the maintenance of this Charter.

### **13 Capital Management**

The Committee will assist the Board when approval is being sought for capital structure and funding including any capital management planning and other such initiatives.

### **14 Recommendations to the Board**

The Committee will consider and make recommendations for approval by the Board regarding;

- (1) the commencement, defence or settlement of any litigation, arbitration, or alternate dispute resolution;
- (2) guarantees or indemnities in favour of third parties;
- (3) marketing strategy, controls and risk limits;
- (4) directors' and officers' insurance; and
- (5) any Policies relevant to the Committee, which the Board directs the Committee to review.

### **15 Committee's performance evaluation**

- 15.1 The Committee will review its performance from time to time and whenever there are major changes to the management of the Company.
- 15.2 The performance evaluation will have regard to the extent to which the Company has met its responsibilities in terms of this Charter.

### **16 Availability of this Charter**

The Company will make this Audit and Risk Charter publicly available on its website in a clearly marked corporate governance section.

### **17 Review of the Charter**

This Charter shall be reviewed annually and revised by the Board as required.

Adopted by the Board on 25 July 2018