

# AUDIT COMMITTEE CHARTER



**Mineral Deposits**  
ABN 19 064 377 420

## Charter of the Audit Committee

### OBJECTIVES

- ▶ To ensure the integrity of external financial reporting.
- ▶ To ensure that directors are provided with financial and non-financial information that is of high quality and relevant to the judgments to be made by them.
- ▶ To ensure that controls are established and maintained in order to safeguard the Company's financial and physical resources.
- ▶ To ensure that systems or procedures are in place so that the Company complies with relevant statutory, regulatory and reporting requirements.
- ▶ To assess financial risks arising from the Company's operations, and consider the adequacy of measures taken to moderate those risks.

### MEMBERSHIP

- ▶ Members shall be non-executive directors appointed by the Board for a limited period and shall not automatically be re-appointed. The minimum and maximum numbers of members of the Committee will be determined by the Board and, until otherwise determined, will be three and six respectively.
- ▶ The Committee shall consist of independent directors and all members of the Committee should be financially literate (that is, be able to read and understand financial statements). The Board may engage outside experts to strengthen the Committee (either as members or advisers).
- ▶ Executive directors shall not be members of the Committee.
- ▶ The chairperson of the Committee shall be an independent director who is not chairperson of the Board.

### AUTHORITY

- ▶ The Committee shall make determinations about matters for which it is responsible, save where this Charter limits the Committee's authority to that of making recommendations to the Board.
- ▶ The Committee shall be provided with secretarial and other services as required to enable it to perform its functions.
- ▶ The Committee has the authority to require members of management (including executive directors) or others to attend meetings and to provide advice or information.
- ▶ The Committee has the authority to access the Company's documents and records.
- ▶ Subject to giving the Board prior notice of its intention to seek same, the Committee shall have access to legal or other specialist advice.

### RESPONSIBILITIES

#### Generally

- ▶ To assess whether the resources devoted to the accounting function (including training and succession planning) are adequate to ensure that reporting arrangements are of high quality – and to advise the Board of any identified shortcomings.
- ▶ To ensure that periodic assessments of the financial risks faced by the Company in the course of its operating activities are undertaken and to review and agree on the arrangements effected to manage or mitigate those risks.
- ▶ To consider and review the adequacy of internal controls, having regard to risks.
- ▶ To provide a line of communication so that employees wishing to do so may raise issues of concern relating to the management of the Company's physical and financial resources, or to the accuracy or sufficiency of information being provided to the Board.

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### Responsibilities in relation to independent external audit

- ▶ To conduct audit tenders periodically, and recommend the appointment of an auditor.
- ▶ To propose to the Board the external auditor to be nominated and the terms of the contractual engagement with the auditor, including remuneration, over and above statutory requirements.
- ▶ To review the audit plan proposed by the auditor, and suggest potential improvements or changes in coverage.
- ▶ To ensure that the auditor is independent and to consider and, if appropriate, pre-approve, any arrangements for the provision of non-audit services to ensure that these will not threaten the independence of the auditor.
- ▶ To review audit fees each year and the terms of the audit engagement.
- ▶ To assess the performance of the external auditor on an annual basis, and to consider whether it is appropriate to propose to the Board that an auditor be removed, or that competitive tenders for audit work be sought.
- ▶ To resolve any disagreements between management and the external auditors regarding financial reporting.
- ▶ To review and approve the Company's hiring policies regarding current and former partners and employees of current and former external auditors.
- ▶ To review and approve all non-audit services to be provided to the Company or its subsidiaries by its external auditor.

### Responsibilities in relation to internal reporting

- ▶ To consider the completeness and quality of financial and operational information being provided to the Board, and to suggest ways in which those reports might be improved.
- ▶ To periodically seek advice from external auditors regarding the completeness and quality of financial and operational information being provided to the Board.

### Responsibilities in relation to external reporting

- ▶ To review the Statement of Accounting Policies and other notes in the draft accounts, and to gain an awareness of the areas in which management discretion in the choice of accounting methods has been exercised, to make determinations in relation to the choice of accounting policies, and also to ensure that Notes to the financial statements describing the choice and application of accounting policies are meaningful.
- ▶ To review draft financial statements and management's discussion and analysis of financial condition and operation results and make a recommendation to the Board prior to endorsement by the Board for public disclosure.
- ▶ To review the Annual Information Form (including risk factors that could materially affect the business of the Company) and recommend approval to the Board.
- ▶ To review half yearly and other interim reports prior to public disclosure for compliance with regulatory requirements.
- ▶ To ensure 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 periodically assess the adequacy of these procedures.
- ▶ To review any press release relating to financial statements or financial results (including any financial guidance or updates thereto) prior to public disclosure and recommend approval to the Board.
- ▶ To review reporting arrangements to ensure that the Company meets its obligations to undertake continuous disclosure to the market and regulatory agencies.

### Responsibilities in relation to risk management

- ▶ To review management's approach to the management of risks (including economic dependency, the adequacy of insurance arrangements, business continuity planning, and, if applicable, exposures to movements in exchange rates or interest rates).
- ▶ To assess whether audit plans developed by the external auditor are consistent with the financial and operating risks facing the organisation.

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### Responsibilities in relation to compliance

- ▶ To ensure that the procedures established to monitor compliance with statutory requirements, regulations, and contractual obligations are appropriate.

## PROCEDURES

### Attendance

- ▶ All directors who are not members of the Committee shall have the right to attend meetings of the Committee.
- ▶ The Managing Director/CEO and the Chief Financial Officer may be invited to attend any or all meetings of the Committee (though not necessarily for all agenda items).
- ▶ The external auditor may be invited to attend any or all meetings (though not necessarily for all agenda items).

### Meetings

- ▶ The Committee's secretary shall, in consultation with the chairperson of the Committee, propose a schedule of Committee meetings to ensure that all of the Committee's responsibilities are addressed during the financial year.
- ▶ The Committee shall meet often enough to undertake its role effectively, but in any event at least twice per annum.
- ▶ Meetings may be called by the chairperson of the Committee, or at the request of the chairperson of the Board.

### Secretarial services and minutes

- ▶ The Company Secretary shall act as secretary to the Committee. The secretary shall (in conjunction with the chairperson) be responsible for:
  - drawing up the agenda, supported by documentation, and circulating that material to Committee members at least five business days prior to each meeting; and
  - preparing draft minutes of the meetings of the Committee, and circulating minutes to members of the Committee and the Board.
- ▶ Reports from the external auditor shall be provided to members prior to the meeting.
- ▶ The secretary shall provide draft minutes of each meeting of the Committee to the chairperson and other members of the Committee within 10 business days.
- ▶ Minutes shall be accompanied by an 'action plan' detailing matters that require attention as the result of the Committee's deliberations.

### Reporting relationships with the external auditor

- ▶ The external auditor shall report directly to the Committee and the Committee shall have authority to communicate directly with the external auditor.
- ▶ The chairperson of the Committee shall be provided with draft management letters or other reports at the same time as they are provided to management (but shall, other than in exceptional circumstances, not pursue enquiries until management have had an opportunity to respond to the draft report).
- ▶ The chairperson of the Committee shall provide opportunities for the external auditor to meet with the Committee without executive directors or other management representatives present.

### Reporting to the Board

- ▶ The Committee should report regularly to the Board. The report should contain all matters relevant to the Committee's role and responsibilities.
- ▶ Copies of minutes of Committee meetings shall be provided to the Board at its next full meeting after each Committee meeting.

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### Confidential communications from employees and others

- ▶ Employees shall be advised that, under certain limited circumstances, they may communicate to the chairperson of the Committee regarding potential fraud or misappropriation, weaknesses in internal controls, or the adequacy or accuracy of information being provided within the Company to the Board. Such employee communications (which shall be in writing) shall be treated as confidential. They should state whether the matters have previously been discussed with an employee's supervisor and, if not, why the employee has chosen to communicate directly with the Committee.
- ▶ The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters.

### Maintenance of registers

- ▶ The secretary of the Committee shall maintain a register of recommendations made by the external auditors. The register shall record a summary of management responses to those recommendations, and whether the recommendations were adopted, implemented or rejected.
- ▶ The secretary shall provide to the Committee at each meeting a summary of the register, highlighting management responses to recent recommendations and any recommendations that have yet to be resolved.
- ▶ The chairperson of the Committee shall maintain a register of employee confidential communications, and how they were dealt with.

### Review of Committee performance

- ▶ The Committee shall review its performance annually, with particular attention being paid to the extent to which it has met its responsibilities in terms of this Charter. The Board will conduct an annual review of the operation and performance of the Committee.

### Review of the Charter

- ▶ The Charter shall be reviewed and, if necessary, updated annually, initially by the Committee itself and then by the Board.