

## **Kaboko Mining Limited Audit & Risk Management Committee Charter**

### **1. Purpose of Charter**

The Board does not currently have a separate Audit and Risk Management Committee (**Committee**) and any audit or risk management issues are considered by the full Board in accordance with this Charter. Any references in this policy to “Committee” in relation to audit or risk management matters should be references to the Board, or in the event that the Board establishes an Audit and Risk Management Committee then such references should be read as referring to that committee.

### **2. Function**

The primary function of the Committee is to assist the Board in fulfilling its responsibilities relating to accounting and reporting practices of the Company. In addition, the Committee will:

- oversee, co-ordinate and appraise the quality of the audits conducted by both the Company’s external and internal auditors (if and when appointed);
- determine the independence and effectiveness of the external and internal auditors;
- maintain open lines of communications among the Board and the internal and external auditors to exchange views and information, as well as confirm of their respective authority and responsibilities;
- serve as an independent and objective party to review the financial information submitted by management to the Board for issue to shareholders, regulatory authorities and the general public; and
- review the adequacy of the reporting and accounting controls of the Company.

The Committee is not required to personally conduct accounting reviews or audits and is entitled to rely on employees of the Company or professional advisers where appropriate.

### **3. Membership and composition (where appropriate)**

The Board shall appoint the members of the Committee and review the composition of the Committee at least annually. The Committee should comprise:

- at least 2 members;
- only non-executive Directors, a majority of whom are independent;
- an independent chairperson appointed by the Board and who is not be the chairperson of the Board; and
- where possible, members with sufficient financial skills and experience relevant to the Committee’s functions.

All Committee members shall be financially literate (i.e. are able to read and understand financial statements). At least one member shall have accounting and/or related financial management expertise (i.e. is a qualified accountant or other financial professional with experience of financial and accounting matters) and some members shall have an understanding of the Company’s industry.

Members will be appointed for an initial term of 2 years and shall be eligible for re-appointment provided that they remain independent Directors of the Board.

The terms of appointment include the following:

- the members may resign upon reasonable notice in writing to the Committee Chairperson;
- a member may from time to time be immediately removed by notice in writing by the Committee Chairperson;
- the appointment as a member of the Committee is automatically terminated upon that member ceasing to be a Director of the Company.

#### **4. Meetings**

The Committee shall meet as frequently as required to undertake its role effectively and in any event at least twice each year. The minimum quorum for a Committee meeting is two members.

The secretary of the Committee shall be the Company Secretary or such other person as nominated by the Board. The Secretary is required to give Committee members reasonable notice of a meeting. Other officers of the Group or external persons may be invited to attend Committee meetings by the Chairperson of the Committee. The Chairperson will call a meeting of the Committee if so requested by any Committee member, any Director or the auditors.

The proceedings of all meetings of the Committee will be minuted and these will be included in the papers for the next Board meeting after each Committee meeting. The Chairperson of the Committee shall report the findings and recommendations of the Committee to the Board after each Committee meeting.

#### **5. Authority**

In performing its functions in accordance with any applicable law, the Committee:

- has unrestricted access to the external auditors, the internal auditors, senior management and employees of the Company;
- has unrestricted access to information and reports relevant to fulfilling its responsibilities;
- may seek independent external advice on matters brought before the Committee or in relation to the functions and responsibilities of the Committee;
- investigations into any matters within the Committee's scope of responsibilities or when requested by the Board.

#### **6. Responsibilities**

The Committee must promote an environment within the Company which is consistent with best practice financial reporting. In particular, the Committee must:

- ensure that the Committee understands the Company's structure, business and controls in order to adequately assess the significant risks of the Company.
- perform an independent review of financial information prepared by management for external reporting. This will include conducting reviews of the annual report, directors' report, annual financial statements, half yearly financial statements and any other externally reported financial information required by law;

- monitor the integrity and effectiveness of financial reporting processes;
- review the Company's financial statements to determine whether they are accurate and complete and make any necessary recommendations to the Board;
- review and assess the external audit arrangements;
- appoint, review and assess the internal audit arrangements, as applicable, and consider significant internal audit findings and management's responses and related actions;
- review and ensure the implementation of legislated major accounting changes;
- ensure that appropriate policies are established and adequate systems are in place to identify and disclose related-party transactions and assess the propriety of any related party transactions;
- ensure that the Board is kept regularly informed on general progress and activities, and is promptly briefed on all significant matters relating to audit, financial reporting, internal control, risk management or compliance which may significantly impact upon the Company in a timely manner; and
- review the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs.

## **7. External audit arrangements**

The Committee shall report to the Board on external audit arrangements, including:

- making recommendations to the Board on the appointment, re-appointment, replacement and remuneration of the external audit firm;
  - monitor the effectiveness and independence of the external auditors and resolution of disagreements between management and the auditor regarding financial reporting;
  - review the terms of engagement for the external auditor;
  - review the scope of the external audit with the external auditor including identified risk areas;
  - monitor the performance of the external audit including assessment of the quality and rigour of the audit, quality of the service provided and the audit firm's internal quality control procedures;
  - review and assess non-audit services to be provided by the external auditor, with particular consideration to the potential to impair or appear to impair the external auditors' independence;
  - review and monitor management's responsiveness to the external audit findings; and
  - on a periodic basis, meet with the external auditor without the presence of management.
- (a) Appointment of external auditors and scope of external audit

In the event that a change in auditor is considered necessary, a formal tendering process will be undertaken. The Committee will identify the attributes required of an auditor and will ensure the selection process is sufficiently robust so as to ensure selection of an appropriate auditor.

The Committee will ensure that prospective auditors have been provided with a sufficiently detailed understanding of the Company, its operations, its key personnel and any other information, including group structures and financial statements that will have a direct bearing on each firm's ability to develop an appropriate proposal and fee estimate.

The Committee and the Board will consider the appointment in conjunction with senior management.

In selecting an external auditor, particular consideration will be given to determining whether the fee quoted is sufficient for the work required, that the work is to be undertaken by people with an appropriate level of seniority, skill and knowledge and whether the work proposed is sufficient to meet the Company's needs and expectations.

The appointment of a new external audit firm will be placed before shareholders for ratification at the next annual general meeting after the appointment is made.

(b) Pre-approval of audit and non-audit services provided by external auditors

The Committee shall pre-approve all audit and non-audit services provided by the external auditors and shall not engage an external auditor to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.

The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting.

(c) Assessment of the external audit

The Committee shall annually obtain and review a report by the external auditors describing (or meet, discuss and document) the following:

- the audit firm's internal quality control procedures;
- any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any enquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues;
- all relationships between the external auditor and the Company (to assess the auditor's independence).

The Committee shall establish clear policies in relation to employees or former employees of the external auditor in order to prevent the impairment or perceived impairment of the external auditor's judgement or independence in respect of the Company.

The Committee shall review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.

(d) Rotation and succession planning

The Committee will discuss with the auditor the provisions the audit firm has in place for the rotation of the lead engagement partner and the independent review partner. The Company shall require that the lead engagement partner should be rotated at least every 5 years and the review partner should be rotated at least every 3 years.

## 8. Risk Management

The Committee shall be responsible for implementing and overseeing the Company's Risk Management policies.

In addition, the Committee shall:

- identify and assess the Company's risks;
- regularly review and update the Company's risk profile; and
- oversee the risk management system.

## 9. Committee performance

The Committee shall annually perform an evaluation of its performance to determine whether it is functioning effectively by reference to current best practice.

The Board will evaluate the performance of the Committee as appropriate.

## 10. Management sign-off procedure

The Committee will ensure that the Chief Executive Officer and Chief Financial Officer provide a written statement to the Board certifying the Company's annual financial report and half yearly financial reports in accordance with the requirements of Corporations Act prior to the Board sign-off of such financial reports.

### Policy History

Established:

Last review: September 2011

Review frequency: Annually or as required