

# TIMAH RESOURCES LIMITED

## AUDIT AND RISK COMMITTEE CHARTER

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### INTRODUCTION

The primary function of the Audit and Risk Management Committee (the Committee) is to assist the Board in fulfilling its responsibilities to provide Shareholders with timely and reliable financial reports and to safeguard the Company's interests taking into account the reasonable interests of Shareholders, employees, customers, the communities in which the Company operates and other relevant stakeholders through the effective identification, assessment, monitoring and management of risks.

### 1. AUDIT

The Committee is to serve as a focal point for communication between non-audit and risk committee directors, the external auditors, internal auditors and the Company's management as their duties relate to financial accounting and reporting and controls. The Committee is to assist the board of directors in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the company and all subsidiaries and the sufficiency of auditing relative thereto. It is to be the board's principal agent in assuring the independence of the Company's external auditors, the integrity of management, and the adequacy of disclosures to shareholders.

The Committee is to:

- i. Review the following and report the same to the board of directors:
  - a. With the external auditors:
    - a. The external audit plan;
    - b. The evaluation of the system of internal controls; and
    - c. The external audit report.
  - b. Assistance given by the Company's officers to the external auditors;
  - c. Adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its works;
  - d. The internal audit program, processes, the results of the internal audit program, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - e. The half yearly financial reports and full year financial statements, prior to the approval by the board of directors, focusing particularly on:
    - Changes in or implementation of major accounting policy changes;
    - Significant matters highlighted including financial reporting issues;
    - Significant judgements made by management;
    - Significant and unusual events or transactions and how these matters are addressed;
    - The going concern assumption;
    - Compliance with accounting standards and other legal requirements.

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- Significant transactions not forming a normal part of the Company's operations; and
  - Significant adjustments proposed by the external auditors.
- f. The policies and procedures for assessment of sustainability and independence of external auditors.
  - g. The policies and procedures governing the provision of non-audit services by external auditors.
  - h. Any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
  - i. Letter of resignation from the external auditors, if any; and
  - j. Whether there is any reason (supported by grounds) to believe that the external auditors is not suitable for reappointment.
- ii. Consider the nomination of external auditors.
  - iii. Review the scope of audit and general extent of the external auditor's examination, including their engagement letter.
  - iv. Review with the Company's management, external auditors and the internal auditor, the Company's general policies and procedures to reasonably assure the adequacy of internal accounting and financial reporting controls.
  - v. Discuss with the external auditors any relevant recommendations, which the external auditors may have, especially those in their letter of comments and recommendations. Topics to be considered during this discussion include improving internal financial controls, the selection of accounting principles, and management reporting systems. Review written responses of management to the letter of comments and recommendations from the external auditors.
  - vi. Evaluate the cooperation received by the external auditors during their examination, including their access to all requested records, data and information. Also, elicit the comments of management regarding the responsiveness of the external auditors to the Company's needs. Enquire the external auditors whether there have been any disagreements with management, which if not satisfactorily resolved would have caused them to issue a non-standard report on the Company's financial statements.
  - vii. Review the scope and results of the internal audit procedures and discuss with the Company management the remedial actions taken on the areas that need improvement.

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- viii. Apprise the Board of Directors, through minutes and special presentations as necessary, of significant developments in the course of performing the above duties.
- ix. Perform such other functions as may be agreed to by the Committee and the Board of Directors.

## 2. RISK MANAGEMENT

The Committee is to:

- i. Perform such other functions as assigned by law, TML's constitution, or the Board;
- ii. Approve the corporate governance section of TML's Annual Report relating to the Committee and its responsibilities;
- iii. Review compliance with legal and regulatory requirements;
- iv. To review and oversee management policies and profiles and the risk management and internal control system and to review effectiveness and compliance;
- v. Identifying material business risks and monitoring emerging risks;
- vi. Reviewing legal matters, compliance and reporting issues;
- vii. Reviewing the compliance function at least annually;
- viii. Reviewing findings of any regulatory examinations and liaising with regulators;
- ix. Consideration of TML's official documents including media releases, ASX announcements and analyst information;
- x. Establishing a procedure for the receipt and treatment of complaints received regarding accounting and auditing matters;
- xi. Reviewing corporate legal reports of evidence of violations of the Corporations Act, ASX Listing Rules or breaches of fiduciary duties; and
- xii. Evaluating its performance at least annually.

## 3. COMPOSITION

The Committee shall comprise of at least three directors who must be Non-Executive Director and a majority of whom are independent directors. There shall be at least one member who shall have recent and relevant financial management experience.

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All Committee members shall have a working familiarity with basic accounting and finance practices with at least one member having financial expertise (i.e. as a qualified accountant or other financial professional) and at least one member having experience relevant to the industry in which the Company operates.

The members of the committee shall elect a Chairman from among their number who shall be an independent director.

Any vacancy in the Committee resulting in the non-compliance of the above, shall be filled within three months.

#### **4. AUTHORITY**

The Committee shall:

- a. have the authority to investigate any activity of the Group within its terms of reference;
- b. have resources which are required to perform its duties;
- c. have full and unrestricted access to the Group's information;
- d. have direct communication channels with the external auditors, internal auditors and all employees of the Group;
- e. be able to obtain independent professional or other advice; and
- f. be able to convene meetings with the external auditors, the internal auditors or both (excluding the executive directors and employees), if necessary.

#### **5. MEETINGS**

##### **Frequency/Quorum**

The Committee is to meet at least four times per year. Quorum shall be majority of the members who are Independent Directors. The Committee shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, where deemed necessary.

##### **Attendance**

Members of the committee are to be present at all meetings. If necessary or desirable, the chairman may request that members of management, the head of internal audit and representatives of the external auditors be present at meetings of the Committee.

##### **Secretary**

The Company Secretary or his/her representative shall be the secretary of the Committee.

##### **Minutes**

Minutes of each Committee meeting are to be made available to the Board of Directors.

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**6. REPORT**

The Committee shall keep minutes of its meetings, which shall be distributed in draft to Committee members for approval at the next subsequent Committee meeting. The Company Secretary shall distribute copies of the minutes of a meeting of the Committee to the Board for discussion at the next full Board meeting.

The Committee shall regularly inform the Board about Committee activities and make recommendations to the Board on matters relevant to the Committee's purpose. The Committee will prepare any reports required by law or the listing rules or as requested by the Board including reports on corporate governance required to be included in the Annual Report.

**REVIEW OF CHARTER**

The Charter will be reviewed periodically and updated in accordance with the needs of the Company and any new regulation that may have an impact on the discharge of the Board's responsibilities.

The Charter is made available for reference in the Company's website at [www.timahresources.com.au](http://www.timahresources.com.au)

**Approved by the Board – 27 September 2016**

**Reviewed by the Board – 17 November 2016**