

## **Focus Minerals Ltd Audit and Risk Committee Charter** **Effective April 2016**

### 1.0 ROLE OF THE COMMITTEE

The role of the Audit and Risk Committee (Committee) is to assist the Company's Board of Directors (Board) in establishing policies and practices which:

- (a) Assist the Board in carrying out its responsibility to exercise due care, diligence and skill in relation to the Board's reporting of financial information, application of accounting policies, financial management, internal control systems, business policies and procedures, compliance with applicable laws and regulations, and monitoring and controlling of business risks;
- (b) Provide a formal forum for communication between the Board, auditors and senior management; and
- (c) Improve the effectiveness of the external audit function and the communication between the Board and the external auditors and evaluate the need for any internal audit function.
- (d) Use all reasonable endeavours to support and assist the Board of Directors to recognise and monitor all risks arising from the Company's activities.
- (e) Oversee the company's risk management systems, policies, practices and plans on behalf of the board and report the results of its activities to the Board.

### 2.0 DUTIES

#### 2.1 GENERAL DUTIES

The Committee shall consider any matters relating to the financial affairs, corporate governance and external audit of the Company and its controlled entities that it considers necessary. In addition, the Audit Committee shall examine any other matters referred to it by the Board. The role of the Audit Committee is as follows:

#### 2.2 UNDERSTANDING THE BUSINESS

The Committee will use all reasonable endeavours to understand the Company's business and operations in order to assess whether the financial and operating risks, including any consequential financial risks faced by the Company, have been identified and that appropriate mitigation plans have been implemented.

#### 2.3 AUDIT

The Committee will:

- (a) Monitor the need for an internal audit function or for any specific internal audits;
- (b) Make recommendations to the Board regarding the appointment of the external auditor;
- (c) Approve the audit fee and terms of engagement of the external auditors;
- (d) Review and approve the annual audit plan;

- (e) Review external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- (f) Review the performance of the external auditors;
- (g) Review the type of non-audit work carried out by the external auditors (and the associated fees), to ensure that the conduct of such work does not compromise the independence of the external auditors;
- (h) Review the annual declaration of independence from the external auditors; and
- (i) Initiate and supervise special investigations.

## 2.4 REPORTING

The Committee will:

- (a) Review significant accounting policies applied in financial reporting to ensure appropriateness for the organisation and compliance with accounting standards;
- (b) Review financial statements and other financial information distributed externally;
- (c) Monitor the procedures in place to ensure that the entity is in compliance with the Corporations Act, Australian Securities Exchange Listing Rules and other legislative and reporting requirements; and
- (d) Review related party transactions and consider the adequacy of disclosure of those transactions in the financial statements.

## 2.5 FINANCIAL RISK MANAGEMENT

The Committee will:

- (a) Ensure the establishment of an appropriate internal control framework, including information systems;
- (b) Review reports on any major defalcations, frauds and thefts from the entity and monitor procedures on fraud prevention;
- (c) Ensure that management has put in place a process to identify, manage and report on the significant financial risks facing the business;
- (d) Review policies on sensitive issues or practices such as environmental issues;
- (e) Review significant transactions which are not a normal part of the Company's business; and
- (f) Review declarations from management on compliance with statutory responsibilities.

## 2.6 FINANCIAL CORPORATE GOVERNANCE

The Committee will:

- (a) Monitor developments in corporate governance practices;
  - (b) Benchmark the entity's policies against best practice;
  - (c) Ensure that policies exist to deal with conflicts of interest;
  - (d) Review past or proposed transactions between the corporation and members of management or the Board;
  - (e) Make recommendations on corporate governance standards and practices to the Board; and
  - (f) Review documentation relating to corporate governance on an annual basis.
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## 2.7 HEALTH AND SAFETY

In assisting the Board (and without limiting its scope), the Committee will use all reasonable endeavours in:

- (a) Reviewing the processes in place so that safety is a priority at all Company operational sites;
- (b) Reviewing the processes in place which are designed so that there is compliance with all safety and occupational health related legal and regulatory requirements;
- (c) Reviewing the operational and personnel related risk management processes within the Company which are designed so that all high safety risks are identified and that appropriate risk management processes are in place;
- (d) Monitoring the adequacy of safety reporting systems for actual or potential accidents, breaches and incidents; and
- (e) Monitoring subsequent safety investigations and remedial actions.

## 2.8 ENVIRONMENT

In assisting the Board (and without limiting its scope), the Committee will use all reasonable endeavours in:

- (a) Reviewing the processes in place which are designed so that there is compliance with all environment related legal and regulatory requirements;
- (a) Reviewing the environmental risk management processes within the Company which are designed so that all high environmental risks are identified and that appropriate risk management processes are in place;
- (b) Reviewing the environmental related contingency planning processes within the Company which are designed so that all high environmental risks are identified and that appropriate contingency plans are in place;
- (c) Monitoring the adequacy of environment reporting systems for actual or potential accidents, breaches and incidents; and
- (d) Monitoring subsequent investigations and remedial actions.

## 2.9 COMMUNITY

In assisting the Board (and without limiting its scope), the Committee will use all reasonable endeavours in:

- (a) Reviewing the processes in place which are designed so that the Company properly manages community relationships;
- (b) Reviewing the processes in place which are designed to ensure that there is appropriate responsibility to communities impacted by the Company's operations and where necessary, that remedial action is taken;
- (c) Monitoring relevant community perceptions of the Company and effects of the consequences of the Company's activities;
- (d) Reviewing the community relations related contingency planning processes within the Company which are designed so that all high community relations risks are identified and that appropriate contingency plans are in place;
- (e) Monitoring the adequacy of community relations reporting systems for actual or potential issues, accidents, breaches and incidents; and
- (f) Monitoring subsequent investigations and remedial actions

## 2.10 OPERATIONAL RISK MANAGEMENT

Without limiting its scope, the Committee will use all reasonable endeavours in overseeing the operational risk management system which is designed to identify, assess, monitor and manage operational risk. In assisting the Board, the Committee will use all reasonable endeavours in:

- (a) Reviewing the operational risk management process within the Company so that all high risks are identified and that appropriate risk management processes are in place;
- (b) Liaising with the Audit Committee so that all high risks within the Company are identified and that appropriate risk management processes (including contingency plans) are in place;
- (c) Reviewing any periodic risk management reports prepared by the executive management; and
- (d) Reviewing the operational contingency planning processes within the Company to ensure all high risks and critical systems and processes are identified and that appropriate contingency plans are in place.

## 2.11 BUSINESS RISK MANAGEMENT

Without limiting its scope, the Committee will ensure management has established and operates a risk management system which will:

- (a) Establish an overall profile of the risks of the Company;
- (b) Assess the potential consequences and likelihood of the risks;
- (c) Rank the risks in accordance with their likely impact;
- (d) Assess the acceptability of each identified risk;
- (e) Consider and agree upon actions to eliminate, reduce or manage each material risk;
- (f) Assign responsibilities for risk management;
- (g) Establish a process for monitoring and reviewing the Company's risk profile, in particular when any of the Company's business circumstances change; and
- (h) Periodically review the effectiveness and suitability of the risk management system.

## 2.12 LEGAL AND REGULATORY COMPLIANCE

Without limiting its scope, the Committee will, in conjunction with the Board, use all reasonable endeavours so that the Company complies with:

- (a) All relevant statutory and regulatory obligations; and
- (b) All environmental licenses and permits.

## 3.0 MEMBERSHIP

3.1 The Committee must consist of at least 3 Non-Executive Directors (with a majority of independent Directors) one of whom will chair the Committee.

3.1.1 If the structure of the Board makes the structure outlined in 3.1 impossible, the Committee will be structured to ensure the Committee has a strong spirit of independence

3.2 The Committee may invite the CEO or any senior executive or any other individual to attend a meeting as they consider appropriate.

## 4.0 MEETINGS

### 4.1 MEETING FREQUENCY

The Committee will meet as frequently as required but not less than once each year. Any member of the Committee or the Company Secretary may call a meeting of the Committee.

#### 4.2 QUORUM

At least half of the members of the Committee must attend to form a quorum.

#### 4.3 COMMITTEE AGENDA AND PAPERS

Committee agendas should be settled by the Chairman in conjunction with the Company Secretary, and Committee papers should be provided to Committee members sufficiently far in advance of scheduled meetings to permit adequate preparation.

#### 4.4 PROFESSIONAL ADVICE

The Committee may have access where necessary to professional advice from external advisers, and may meet with external advisers without management being present

#### 5.0 REPORTING

##### 5.1 The Committee Chairman will:

- (a) Report to the Board on the proceedings of each Committee meeting (to the next Board meeting);  
and
- (b) Attend the Annual General Meeting and be available to respond to any shareholder questions on the Committee's activities and areas of responsibility.

#### 6.0 ASSESSMENT

At least once each year the Committee will review this Charter and make recommendations to the Board in relation to any proposed change to this Charter.