

## AUDIT AND RISK COMMITTEE CHARTER

### 1. INTRODUCTION

The objective of the Audit and Risk Committee (Committee) is to assist the Board of Kingsrose Mining Limited (Company) to fulfil its responsibilities in relation to the Company's accounting, financial reporting and risk management practices.

The Committee makes recommendations to the Board, however does not have any power to commit the Board or management to these recommendations. The Committee has unrestricted access to executives of the Company, and to the external auditors in order to fulfil its purpose and undertake its duties.

The Company recognises that the Committee plays a key role in assisting the Board to fulfil its responsibilities to oversee financial reporting, internal control structure, risk management systems and the internal and external audit functions.

The Committee oversees:

- a) The adequacy and integrity of the Company's accounting system and internal control environment.
- b) The adequacy of the Company's system for compliance with relevant laws, regulations, standards and codes.
- c) The effectiveness of their internal accounting controls.
- d) The identification of improvements that can or should be made to the Company's internal controls, policies and financial disclosures.
- e) The risk management framework of the Company and the adequacy of the framework and associated policies and process for managing risk.
- f) The frequency and significance of all transactions with related parties and assesses their propriety.
- g) The integrity and quality of the Company's financial information including financial information provided to ASIC, ASX and shareholders.
- h) The independence, objectivity, scope and quality of the external audit.

## **2. COMMITTEE**

### **2.1. Composition**

The Committee should comprise of at least three members. The Committee members:

- Should all be non-executive directors and, where possible, be independent.
- Should be appropriately financially literate, have an understanding of the industry in which the Company operates, and at least one member should have accounting or associated financial management expertise.
- Should be independent of management and free of any relationship or arrangement that may, in the opinion of the Board, be construed as comprising a conflict of interest.

The Board will review the membership of the Committee annually. The Board will appoint one of the Committee members as Chairman.

From time to time, non-Committee members may be invited to attend meetings of the Committee, if it is considered appropriate.

#### **2.1.1. Committee secretary**

The Company Secretary will be the secretary of the Committee.

### **2.2. Operations**

The Chairman will convene meetings of the Committee as and when required. At least two meetings should be held per annum to review and discuss the half-year and full-year financial reports and audit. The Chairman will also convene any additional meetings considered necessary to carry out the Committee's responsibilities.

Minutes of all meetings of the Committee are to be kept and a report of actions taken or recommended are to be given at each subsequent meeting of the full Board.

Committee meetings will be governed by the same rules, as set out in the Company's Constitution as they apply to the meetings of the Board.

## **3. DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the Committee is to engage in the pro-active oversight of the Company's financial reporting and disclosure process, the outputs of that process and the Company's risk management framework and associated policies and procedures. Relying on the external auditor, financial management of the Company and any internal auditors, the Committee is expected to exercise a high level of enquiry in relation to the accuracy of:

- Preparation and distribution of full and half year reports (full or concise) reconciled with any preliminary final report;
- Information likely to have a material effect on the value of securities, as and when the Company becomes aware of it; and
- The preliminary final report in the form set out in Appendix 4E of the ASX Listing Rules (if applicable).

The Committee will also review and consider all of the Company's publicly released material concerning financial information.

The Committee may obtain independent professional advice in the satisfaction of its duties if necessary and will have such direct access to the resources of the Company as it may reasonably require.

The Committee will have the following duties and responsibilities:

### **3.1. External reporting**

The Committee should review and assess the external financial reporting of the Company. In particular:

- a) Review and assess the appropriateness of the Company's accounting policies and principles. Any significant changes to the Company's policies and principles will be reviewed and assessed by the Committee. To ensure that the Committee can carry out this duty effectively, management is required to inform the Committee of:
  - any changes in accounting policies or their application during the reporting period.
  - whether the methods chosen by management are consistent with Accounting Standards, Accounting Concepts and Urgent Issues Group consensus views; and
  - the methods used to account for unusual transactions, for which there may be no specific accounting standard, including management's reasoning in determining that method.
- b) Review and assess any significant estimates and judgments in financial reports. To ensure that the Committee can carry out this duty effectively, management should inform the Committee of the method and process used in making material estimates and judgments, including management's reasoning in determining that method.
- c) Upon receipt of information from management relating to accounting policy choice or method for making significant estimates and judgments, the Committee may seek the opinion and views of any internal auditor and the external auditors in relation to that choice or method. This opinion should include the appropriateness, and not just the acceptability, of that choice or method.
- d) Review and assess information from any internal auditor and the external auditors that may affect the quality of financial reports. The Committee will have rights of access to any internal auditor and the external auditors without management being present.
- e) Review and assess documents and reports to regulators and make recommendations to the Board on their approval or amendment.

- f) Based on the assessment by the Committee, recommend to the Board whether the financial and non-financial statements should be signed.
- g) Where management does not offer information required to make any of the reviews or assessments required under this section, ensure that the Committee acquires that information from management.

### **3.2. Internal control and risk management**

The Committee should review and assess internal processes for determining, monitoring and assessing key risk areas. In particular, the Committee will consider:

- Non-compliance with laws, regulations, standards and ASX guidelines;
- Important judgments and accounting estimates;
- Litigation and claims;
- Fraud and theft; and
- Any other business risks that are not dealt with by a specific Board committee.

In relation to these risk areas, the Committee should ensure that:

- a) The Company is operating within the risk appetite set by the Board.
- b) The Company has an effective financial risk management system in place, including for macro risks, and that the Committee assesses this system.
- c) The Company has an effective internal control system in place and that the Committee assesses this system.
- d) The adequacy of the Company's process for managing risk, including appropriate systems in place for unusual and/or high risk transactions and that the Committee assesses this system.
- e) Ensuring the risk management framework deals with new and emerging sources of risk such a cyber security.
- f) The risk controls and mitigations measures that managements has put in place to deal with those risks.
- g) It meets periodically with management, any internal auditor and the external auditors to discuss the Company's control environment, including the processes for improvement in place.

### **3.3. External audit**

The Committee and the Board will select and appoint an external auditor in accordance with Annexure A.

The Committee will review and assess key areas relating to the external audit of the Company. The Committee has rights of access to the external auditors without management being present in order to conduct the review. In particular, the Committee should:

- Make recommendations to the Board on the appointment, reappointment or replacement, remuneration, monitoring of the effectiveness, and independence, of the external auditor.
- 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 judgment or independence in respect of the Company.
- Review and assess any prospect of auditor replacement and/or tender suggested by management.

Before any decision is made, the Committee should report the results of its investigation to the Board and make recommendations. Where the decision for replacement or a new tender is made, the Committee should conduct the tender.

- a) Discuss with the Chief Financial Officer and agree on the terms of engagement for the external auditor at the start of each audit
- b) Review the scope of the external audit with the external auditor including identified risk areas and any additional agreed-upon procedures.
- c) Monitor the activities and performance of the external auditor by:
  - liaising with the auditor to ensure that each audit is conducted effectively.
  - reviewing the auditor's assessment of financial statement materiality
  - appraising the quality of audit work.
  - ensuring that no management restrictions or limitations are placed on the auditor.
- d) Review the external audit findings in respect of any significant deficiencies or weaknesses in controls, and ensure that management agrees to and implements appropriate and timely corrective action.
- e) Review and assess non-audit service ("NAS") provision by the external auditor, with particular consideration given to the potential for the provision of these services to impair or appear to impair the external auditor's judgement or independence in respect of the Company.
- f) Review the external auditor's audit fee, and be satisfied that an effective, comprehensive and complete audit can be conducted for that fee.
- g) In addition to reviewing the audit fee, the Committee should review and assess total fees paid to the external auditor, considering in particular, fees paid for NAS provision and these fees as a proportion of total fees.
- h) Review and monitor management's responsiveness to the external auditor's findings and recommendations.
- i) Review with the external auditor any significant disagreements between the external auditor and management, irrespective of whether they have been resolved.

- j) Review all representation letters signed by management and be satisfied that the information provided is complete and appropriate.
- k) Consider whether taken as a whole, the various relationships between the Company and the external auditor impairs or appears to impair the auditor's judgment or independence in respect of the Company.
- l) Review the economic importance of the Company (in terms of fees paid to the external auditor for the audit as well as fees paid to the external auditor for the provision of non-audit services) to the external auditor and assess whether the economic importance of the Company to the external auditor impairs or appears to impair the external auditor's judgment or independence in respect of the Company.
- m) At least annually, meet with the external auditor without the presence of management.

### **3.4. Internal monitoring**

At least once per annum the Committee shall discuss with management and the external auditors, the adequacy and effectiveness of accounting controls and financial controls. This shall include discussion of the Company's policies and procedures to assess, monitor and manage risk.

The Company should conduct internal monitoring by:

- Ensuring that an appropriate internal control framework is established and maintained, including systems for:
  - incurring and recording liabilities and expenses and arranging for payment.
  - recording, monitoring and maintaining assets.
  - managing and investing liquid funds.
  - measuring financial performance of individual employees, groups and business units, and monitoring their performance against budget.
- Assessing internal processes for identifying and managing financial risk areas including: compliance with laws, regulations, standards and ASX guidelines;
  - Compliance with laws, regulations, standards and ASX guidelines;
  - Important judgements and accounting estimates;
  - Litigation and claims;
  - Fraud and theft.
- Reviewing in any financial report and director's report with particular emphasis on the accuracy and completeness of information and key disclosures, changes from prior periods and important judgment questions impacting the overall integrity of the information.
- When satisfied with the draft financial report and director's report, recommending those reports to the Board for approval and release;
- Assessing the management of non-financial information in internal and external documents to ensure the information does not conflict with the financial report and director's report.

### **3.5. Other responsibilities**

In addition to the responsibilities set out in this charter, the Committee also has responsibility for:

- Initiating and supervising special investigations.
- Reviewing the Company's whistle-blowing procedures for financial reporting.
- Reviewing the Company's insurance program, having regard to the Company's business and the insurable risks associated with the business.
- Performing any other such function as assigned by law, the Company's Constitution or the Board.

### **3.6. Disclosure**

In order to maintain transparency, the role of the Committee is to be fully and fairly reported. The Committee will review all material financial disclosures in the Company's annual report and other report on audited results.

## **4. AUTHORITY AND RESOURCES**

The Company is to provide the Committee with sufficient resources to undertake its duties, including provision of education information on accounting policies and other financial topics relevant to the Company, and such other relevant materials requested by the Committee.

Where the Committee considers it necessary or appropriate in order to fulfil its responsibilities, the Committee will be entitled to:

- Access all books and records of the Company.
- Draw on the expertise and resources of any employee of the Company, any internal auditor and the external auditors.
- Select and engage an external adviser or external service provider involving, where appropriate, advisers that are 'independent' in the sense that they are not usual service providers to the Company.

In this context 'independent' refers to the restrictions on relationships between the advisers providing the advice and management and/or third parties that might affect the adviser's capacity to provide zealous representation and advice to the Committee and should be determined in a way that is consistent with the Committee's approach to audit independence.

The Committee may access these resources without management present. The Committee will meet with the external auditors at least once a year without management present.

## **5. REPORTING TO THE BOARD**

The Chairman of the Committee reports the findings and recommendations of the Committee to the Board after each Committee meeting.

The report should contain all matters relevant to the Committee's responsibilities including assessing the external reporting including whether it:

- Is consistent with the members' information and knowledge and is adequate for shareholder needs;
- Assessing the management processes supporting external reporting;
- Procedures for selecting and appointing the external auditor and for the rotation of external audit engagement partners;
- Recommendations for the appointment or removal of an auditor;
- Assessing the performance and independence of the external auditors and whether the Committee is satisfied that this independence has been maintained having regard to the provision of non- audit services;
- Assessing the performance and objectivity of any internal audit function; the results of its review of risk management and internal compliance and control systems; and
- If applicable, recommendations on the appointment and/or dismissal of the head of internal audit.

## **6. REVIEW**

The Committee will conduct an annual review of this charter and recommend amendments to the Board if necessary.

## **ANNEXURE A**

### **Procedure for the selection and appointment of an external auditor**

#### **1. INTRODUCTION**

When a vacancy occurs, the Committee will meet and determine whether a replacement auditor should be selected by way of a formal tender or some other method. The Board is responsible for the appointment of the external auditor. The members at the next annual general meeting must ratify the appointment of an external auditor to fill a vacancy.

The selection and appointment process is the responsibility of the Committee. The Committee must conduct the selection process and recommend a preferred external auditor to the Board. If it thinks fit, the Board will appoint the preferred external auditor recommended by the Committee.

#### **2. ROLE OF THE CHIEF FINANCIAL OFFICER**

If requested to do so by the Committee, the Chief Financial Officer will:

- Assist the Committee in the selection and appointment process of the external auditor.
- Submit to the Committee the details of a proposed external auditor together with a written supporting submission.

#### **3. FORMAL TENDER**

##### **3.1 Request for submissions**

If the Committee elects to undertake a formal tender process, the Chief Financial Officer will prepare a draft request for submissions that will be reviewed by the Committee. The Committee may make such changes to the draft, as it considers appropriate.

The final request for submissions must contain sufficient information to enable a potential auditor to provide a proposal and fee estimate to the Company. Such information should include information about the Company, its operations, its key personnel and any other relevant information about the structure of the Company and its financial statements.

The Chief Financial Officer will assist the Committee to distribute the request for submissions and to arrange for candidates to meet with the selection panel.

##### **3.2 Selection panel**

The Committee will establish a selection panel comprising the Committee, the Chief Financial Officer and any other person the Committee considers appropriate to assess the suitability of the external auditor. The Committee will consult with the other members of the selection panel as to the preferred auditor however it is the responsibility of the Committee to recommend a preferred external auditor to the Board.

#### **4. SELECTION CRITERIA**

The candidate selected by the Committee as the preferred external auditor must satisfy the selection criteria whether or not it is selected by way of a formal tender.

##### **4.1 Fees**

A candidate must provide a fixed fee quotation for its audit services. However, price will not be the sole determining factor in the selection of a preferred external auditor.

##### **4.2 Independence**

A candidate must satisfy the Committee that it is independent and outline the procedures it has in place to maintain its independence. The external auditor must be independent from the Company and be seen to be independent from the Company.

The independence of the external auditor is integral to the role of auditor and the Committee will give due consideration to this requirement when selecting a preferred auditor for recommendation to the Board.

The main requirement for auditor independence is to avoid a 'conflict of interest situation'. This requirement will be contravened where an auditor engages in audit activity that involves a conflict of interest situation, and the auditor was aware of the conflict of interest and did not take all reasonable steps to ensure that it ceased to exist.

Where the auditor is unaware of the conflict of interest, the auditor will be prohibited from engaging in audit activity if the auditor would have been aware of the conflict of interest situation if they had in place a quality control system reasonably capable of making them aware of the conflict.

A 'conflict of interest situation' will exist in relation to the Company if:

- The auditor is incapable of exercising objective and impartial judgment in relation to the conduct of the audit of the Company; or
- A reasonable person, with full knowledge of all relevant facts and circumstances, would conclude that the auditor is incapable of exercising objective and impartial judgment in relation to the conduct of the audit of the Company.

The relationships between auditors (including current and former members of the audit firm) and the Company must be considered when determining auditor independence. There are specific requirements for individual auditors, audit firms and audit companies in relation to such matters as the identity of the auditor, audit firm or Audit Company, the maximum hours worked and independence. Furthermore, there are restrictions on employment relationships between retired auditors and their former clients.

Auditors must provide a written declaration to the Board at the time of delivery of their audit report. The declaration must state that the auditor has complied with the auditor independence requirements of the Corporations Act, the Corporations Regulations and any other applicable codes of professional conduct. A copy of this declaration must be included in the annual and half-year directors' reports.

#### **4.3 Material matters**

A candidate must outline its proposed procedures to address any issue of material significance or matter of disagreement with the Company's management.

The external auditor and the Chief Financial Officer will be required to disclose to the Committee all issues of material significance and all matters of disagreement with the Company's management, whether resolved or unresolved, and to assist the Committee to review such matters.

#### **4.4 Non-audit work**

A candidate must detail its approach to the provision of non-audit related services to the Company. The Committee must consider the circumstances in which the Company might use the external auditor for non-audit services. Matters to be considered include the potential quantum of non-audit fees and any circumstance where the external auditor may be required to review and rely upon work conducted by it in a non-audit capacity.

#### **4.5 Other matters**

The selection criteria may include such other matters as the Committee thinks fit.

### **5. POLICY ON AUDIT AND NON-AUDIT SERVICES**

The Committee will develop a policy that set out the circumstances in which the Company may use the external auditor for other services. A copy of this policy will be provided to the external auditor.

The policy will be based on the following principles:

- The auditor may provide audit and audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor;
- The external auditor should not provide services that are perceived to be materially in conflict with the role of auditor;
- The external auditor may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of auditor, subject to the approval of the Committee; and
- Exceptions may be made to the policy where the variation is in the interests of the Company and arrangements are put in place to preserve the integrity of the external audit process. The Board must specifically approve any such exception.

### **6. ROTATION OF EXTERNAL AUDIT ENGAGEMENT PARTNER**

The Committee will ensure that the external auditor has in place arrangements for rotation of the audit engagement partner.

The audit engagement partner for the audit must rotate every five years (subject to ASIC being given the power to extend the period to seven years). Audit firms will be responsible for ensuring that the members of their firm do not breach the rotation requirements.

## **7. REVIEW OF AUDIT ARRANGEMENTS**

The Committee will review the external auditor's performance annually. As part of this review the Committee will obtain feedback from the Chief Financial Officer and other members of senior management regarding the quality of the audit service.