



# Audit Committee Charter

## INTRODUCTION

The Audit and Risk Committee is a committee of the board of directors of Freehill Mining Limited (the Company or FHM). The Board established the Audit and Risk Committee under the Company's constitution. This Charter governs the roles, responsibilities, composition and membership of the Audit and Risk Committee (the Committee) of the Company. The operation of the Committee is also governed, where applicable, by the constitution of the Company. The role of the Committee is not an executive role.

## 1. PURPOSE AND DUTIES

This charter sets out the scope of the Committee's responsibilities in relation to the Company. The objectives of the Committee are to assist the Board of the directors of the Company (the Board) in fulfilling its corporate governance responsibilities in regard to financial reporting, audit and risk management including:

- (1) the integrity of the Company's financial reporting and disclosure practices;
- (2) the effectiveness of internal financial control functions;
- (3) compliance with legal and regulatory requirements and its own code of business conduct;
- (4) the effectiveness of the Company's enterprise-wide risk oversight and management;
- (5) the independence, objectivity and competency of the external and internal auditors; and
- (6) oversight of accounting policies, professional accounting requirements, etc.

In particular, the Committee is to undertake the functions of an audit committee set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with Amendments 3rd Edition (ASX Principles).

## 2. POWERS

The Board authorises the Committee, within the scope of its responsibilities, to:

(1) maintain free and open communication with:

- a. any employee (and all employees are directed to co-operate with any request made by the Committee);
- b. external auditors and other parties;



- (2) investigate any matter brought to its attention with full access to all records, information and personnel of the Company;
- (3) engage any independent experts and obtain independent legal, financial and other advice as it is consider necessary; and
- (4) ensure the attendance of Company officers at meetings as appropriate.

### **3. COMPOSITION**

The Committee will comprise only non-executive members to be appointed by the Board. The Committee must have a minimum of three members with the majority being independent directors. The Committee chair shall be an independent director of the Company, who is not the Chairperson of the Board and shall have leadership experience and strong finance, accounting and/or business background. All members shall be financial literate; at least one member shall

be a qualified accountant or other finance professional with experience in financial and accounting matters; and at least one member with an understanding of the industry in which the Company operates.

The ASX Corporate Governance Council recognises that smaller companies may face particular issues in attaining all of its recommendations at the outset and that the corporate governance practices of a company will evolve in the light of changing circumstances. While the Company will aim to have a majority of independent non-executive directors on the Audit Committee, this may not always be possible, particularly while the Company's operations are at the development and initial commercialisation stage.

The Committee Chair is appointed by the Board. The Secretary of the Committee shall be the Company Secretary.

The Board will decide appointments, rotations and resignations within the Committee having regard to the ASX Listing Rules and the Corporations Act 2001 (Cth).

### **4. MEETINGS AND QUORUM**

- (1) At the next Board meeting after the Committee meeting, the Committee Chair should advise the Board of issues discussed at the Committee meeting. In addition, minutes of the Committee meeting should be provided to the Board.
- (2) A quorum for Committee meetings will be at least 2 members, save that 1 of the members of the quorum must be a non-executive director.
- (3) The Committee may pass or approve a resolution without holding a meeting in accordance with the procedures (so far as they are appropriate) in section 248A of the Corporations Act 2001(Cth).
- (4) Senior management of the Company may attend the meeting of the Committee upon



invitation and other Directors of the Company may attend at their discretion.

(5) Representatives of the external auditor are to attend Committee Meetings, at the invitation of the Committee Chairman, to provide reports and periodic presentations to the Committee.

(6) Comprehensive papers and an agenda should be provided to Committee members before each meeting.

(7) The Company Secretary is to attend all Committee Meetings to ensure minutes are taken of the Meetings.

## 5. OVERSIGHTS AND RESPONSIBILITIES

### 5.1 Review of Financial Information

The responsibilities of the Committee include:

(1) reviewing financial statements for accuracy, adequacy and clarity to make sure that they reflect a true and fair view as a basis for recommendation to and adoption by the Board including without limitation, requiring the Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) making signed and written declarations that:

a. the financial records for the financial year have been correctly maintained; and

b. the financial statements and notes for the financial year comply with the relevant accounting standards and give a fair and true view of the financial position and performance of the Company.

(2) reviewing financial statements for adherence to accounting standards and policies and the requirements of the ASX Listing Rules and the Corporations Act 2001;

(3) reviewing any half-yearly and annual financial reports (including those prepared on a

consolidated basis) with management, advisers and the internal and external auditors (as appropriate) to assess (among other things):

a. the compliance of accounts with accounting standards and the Corporations Act 2001 (Cth); and

b. the nature and impact of any changes in accounting policies during the applicable period;

(4) discussing any significant matters arising from the audit, management judgments and accounting estimates with management and internal and external auditors;

(5) reviewing and where necessary challenging, the actions and judgment of management in relation to all financial reports including management processes supporting external reporting; and



(6) following up on any matter raised by the Board regarding financial reports, audit opinions and management letters.

## 5.2 Risk Management and Internal control

The responsibilities of the Committee include:

(1) overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring there is a mechanism for assessing the efficiency and effectiveness of those systems;

(2) approving and recommending the Board adopts policies and procedures on risk oversight and management to establish an effective and efficient system for:

a. identifying, assessing, monitoring and managing risk; and

b. disclosing any material change to the risk profile;

(3) regularly reviewing and updating the risk profile;

(4) assessing the adequacy of the internal risk control system with management and internal and external auditors and monitoring the effectiveness of the internal risk control system;

(5) ensuring the risk management system takes into account all material risks, including risks arising from:

a. implementing strategies (strategic risk);

b. operations or external events (operational risk);

c. legal and regulatory compliance (legal risk);

d. changes in community expectation of corporate behaviour (reputation risk);

e. a counterparty's financial obligations within a contract (credit risk);

f. changes in financial and physical market prices (market risk); and

g. being unable to fund operations or convert assets into cash (liquidity risk); and

(6) assessing if management has controls in place for unusual transactions and any potential transactions that may carry more than an acceptable degree of risk



(7) assessing and prioritising the areas of greatest potential financial risk, including:

- a. safeguarding assets;
- b. litigation and claims;
- c. non-compliance with laws, regulations, standards and best practice guidelines that may result in significant financial loss;
- d. important judgments and accounting estimates; and
- e. maintenance of proper accounting records; and

(8) assessing the internal process for determining areas of greatest potential financial risk;

(9) assessing and monitoring the management of areas of greatest potential financial risk; and

(10) reporting to the Board on the adequacy of the financial risk management.

### 5.3 External Audit

The responsibilities of the Committee include:

(1) providing a link between the external auditors and the Board;

(2) reviewing procedures for the selection and appointment of external auditors as well as the scope, performance and independence of the external auditors;

(3) approving and recommending that the Board adopt policies and procedures for appointing or removing an external auditor, including criteria for:

- a. technical and professional competency;
- b. adequacy of resources; and
- c. experience, integrity, objectivity and independence;

(4) providing recommendations on the rotation of external audit engagement partners as well as recommending the appointment, remuneration and terms of engagement based on those policies and procedures referred to in paragraph (3) of 5.3;

(5) regularly reviewing the effectiveness and independence of the external auditor by taking into account:



- a. the length of the appointment;
- b. the last dates that lead engagement partners were rotated;
- c. an analysis and disclosure of fees paid to the external auditors, including the materiality of fees paid for non-audit services and the nature of those services; and
- d. any relationships with the Company or any other body or organisation that may impair or appear to impair the external auditor's independence;

(6) recommending to the Board for approval the types of non-audit services that the external auditor may provide without impairing or appearing to impair the external auditor's independence;

(7) satisfying itself that the external auditor can do an effective, comprehensive and complete audit for the external auditor's set fee;

(8) monitoring and reporting to the Board on management's response to the external auditor's findings and recommendations;

(9) reviewing and providing oversight of audit reports prepared and issued by the external auditors who shall not be placed with any management or restrictions. 5.4 Internal Audit

The responsibilities of the Committee include:

(1) ratifying the engagement and dismissal by management of any chief internal audit executive;

(2) reviewing the results, independence and effectiveness of the internal audit programs;

(3) reviewing and approving the scope, appointment and dismissal of internal audit who shall not be placed with any management or restrictions ;

(4) ensuring that the internal audit function has all necessary access to management and the right to seek information and explanations;

(5) receiving summaries of significant reports to management prepared by internal audit, the management response and the recommendations of internal audit.

#### 5.5 Compliance with Laws and Regulations

The responsibilities of the Committee include:

(1) assessing and prioritising the areas of greatest legal and regulatory risk and assessing the internal process for determining, monitoring and managing areas of greatest legal and regulatory risk;



(2) reviewing the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up; and

(3) reporting and making recommendations to the Board regarding:

a. the management of areas of greatest legal and regulatory risk (including fraud and theft); and

b. compliance with legal and regulatory obligations;

(4) obtaining regular updates from the senior compliance manager and Company's legal counsel regarding compliance matters or suspected fraud, theft or other breach of the law and make sure that all regulatory compliance matters have been considered in the preparation of the financial statements.

#### 5.6 Disclosure and reporting

The responsibilities of the Committee include:

(1) ensuring management establishes a comprehensive process to capture information that must be disclosed to ASX;

(2) reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the external reporting of financial and nonfinancial information (including, among other things, preliminary announcements, interim reporting, open or one-on-one briefings and continuous disclosure);

(3) assessing management's processes for ensuring non-financial information in documents (both public and internal) does not conflict inappropriately with financial reports and other documents;

(4) assessing internal control systems relating to the release of potentially adverse information; and

(5) reviewing for completeness and accuracy the reporting of corporate governance practices in accordance with the ASX Listing Rules.

#### 5.7 Other Responsibilities

The Committee is responsible for:

(1) reviewing and approving the charter of any committee dealing with audit, risk management and compliance by the Company and receiving and reviewing reports from any such committee;

(2) reporting to the Board on the company's ability to pay and frank interim and full year dividends, consistent with its review of the relevant financial statements and the company's current dividend policy;



(3) if necessary, instituting special investigations and, if appropriate, hire special counsel or experts to assist; and

(4) reviewing and discussing any other reports of material violations of laws and other regulations.

## **6. REVIEW OF THE CHARTER**

The Committee will undertake a formal review of its performance annually and provide the outcomes of this review to the Board. The review should seek to determine if the Committee is functioning effectively and in accordance with this Charter.

The Board will need to approve any further amendments recommended by the Charter that stem from the review.