



Audit and Risk Committee Charter

S2 Resources Ltd
ACN 606 128 090

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S2 RESOURCES LTD

AUDIT AND RISK COMMITTEE CHARTER

1. INTRODUCTION

1.1 General

The board of the Company (**Board**) has established the Audit and Risk Committee (**Committee**), with the powers as set out in this Charter and as delegated in accordance with rule 8.1 of the Company's Constitution.

The Audit and Risk Committee Charter will be reviewed regularly. Any proposed changes will be recommended to the Board for approval.

1.2 Compliance with the listing rules of the ASX

As a company listed on the Australian Securities Exchange (**ASX**), the Company understands that it is required under the listing rules of the ASX to:

- (a) have an audit committee if it is included in the S&P All Ordinaries Index; and
- (b) comply with the structure and disclosure requirements of paragraph (a) of recommendation 4.1 of the third edition of the Corporate Governance Principles and Recommendations if it is included in the S&P / ASX 300 Index.

As at the date that this Charter was adopted, the Company was not required to establish an audit committee to comply with the listing rules of the ASX. The Company has nevertheless determined that it is appropriate in the circumstances to establish the Audit and Risk Committee, given the size, scale and nature of the Company's operations.

2. THE PURPOSE AND ROLE OF THE COMMITTEE

The purpose of the Committee is to assist the Board in the effective discharge of its responsibilities for risk management and compliance, financial and corporate reporting and audit matters. The Board retains ultimate responsibility for these matters.

The Committee will, in discharging its duties, seek to co-ordinate its activities with the Remuneration and Nomination Committee where appropriate. The Chairman of the Committee must liaise with the Chairman of the Remuneration and Nomination Committee on an ongoing basis to ensure that no material matter is overlooked by the two Committees.

The Committee may delegate all or a portion of its responsibilities to a subcommittee of the Committee.

3. COMPOSITION OF THE COMMITTEE

The Committee will consist of a minimum of three members of the Board.

Once the size and scale of the Company's activities, and therefore the size of the Board, permit, the Committee will consist of only non-executive Directors, a majority of whom are independent (as assessed by the Board in accordance with the Board Charter). Until such a time, the Committee will comprise a majority of non-executive Directors (including at least one independent non-executive Director) and one Executive Director.

The Chairman of the Committee will be an independent non-executive Director. The office of Chairman of the Committee will not be occupied by the Chairman of the Board.

Members of the committee will, between them, have financial and accounting experience, technical knowledge and an understanding of the industries in which the Company operates.

The Board may appoint additional non-executive Directors to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.

The Board will review the membership of the Committee at least annually.

A member of the Committee may, with the approval of the Chairman of the Committee and at the Company's expense, attend seminars or training courses in respect of issues related to the functions and responsibilities of the Committee.

The secretary of the Committee will be the Company Secretary.

4. **MEETINGS OF THE COMMITTEE**

The Committee will meet at least two times annually, and more frequently if it is deemed necessary to fulfil its role.

The Committee may invite any person to attend all or part of a meeting of the Committee. The MD / CEO, the Chief Financial Officer, other Directors and senior executives will be invited as required.

The quorum is three members of the Committee.

Any member may, and the Company Secretary will upon request from any member, convene a meeting of the Committee.

Notice will be given to every member of the Committee, of every meeting of the Committee, at the member's advised address for service of notice (or such other pre-notified interim address where relevant).

The Company Secretary will attend all Committee meetings to take minutes. All minutes of the Committee must be entered into a minute book.

Directors (who are not members of the Committee) may attend meetings of the Committee.

5. **REPORTING**

The Chairman of the Committee will prepare a written report of the actions of the Committee (**Report**). The Report will be included in the Board papers for the Board meeting next following a meeting of the Committee. The report will include Committee meeting agendas, papers and minutes.

The Chairman of the Committee will also, if requested, provide a brief oral report on any material matters arising out of a Committee meeting. All Directors will be permitted, during a Board meeting, to request information from the Chairman of the Committee or members of the Committee.

6. **AUTHORITY AND ACCESS**

In carrying out its responsibilities, the Committee:

- (a) will have access to any company records and any other document, report, material or information in the possession of an employee or external adviser of the Company, as reasonably necessary to perform its functions; and
- (b) may invite an employee (including from any internal audit function), the external auditor or any other person to attend a meeting of the Committee, including without management present for the purpose of seeking explanations and additional information from a person.

The Committee may seek the advice of independent advisers on any matter relating to the powers, duties or responsibilities of the Committee where the Committee considers it necessary or appropriate.

The Committee may initiate special investigations as it sees fit, or as directed by the Board, in relation to matters set out in this Charter.

7. **RESPONSIBILITIES OF THE COMMITTEE**

7.1 **Risk management and compliance**

In the area of risk management and compliance, the key responsibilities of the Committee are to:

- (a) review and evaluate, by receiving reports from management, the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of balance sheet risks;
- (b) evaluate the adequacy and effectiveness of the Company's financial and operational risk management control systems by reviewing risk registers and reports from management and the external auditor;
- (c) review and evaluate, by receiving reports from management, the structure and adequacy of the Company's own insurances on an annual basis, having regard to the Company's business and insurable risks associated with its business;
- (d) review and, where necessary, make recommendations on the strategic direction, objectives and effectiveness of the Company's financial and operational risk management policies (excluding those which are included as responsibilities in the Charters of other Board Committees);
- (e) oversee and monitor, by receiving reports from management, the establishment and maintenance, by management, of processes to ensure that there is:
 - (i) an adequate and effective system of internal control and a system to identify and manage business risks;
 - (ii) a process to identify and manage any material exposure to economic, environmental and social sustainability risks; and
 - (iii) a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and internal control;
- (f) arrange for management to report to the Board on whether the Company's material business risks (including any sustainability risks, but excluding those risks

which are included as responsibilities in the Charters of other Board Committees) are being managed effectively;

- (g) evaluate, by receiving reports from management, the Company's exposure to fraud and oversee investigations of allegations of material or systemic fraud or malfeasance, or a breakdown of the Company's internal controls;
- (h) review and evaluate, by receiving reports from management, the procedures the Company has in place to ensure compliance with laws and regulations (particularly those which have a major potential impact on the Company in areas such as trade practices, and the environment) and the Company's own codes of conduct (but excluding those which are included as responsibilities in the Charters of other Board Committees);
- (i) review the procedures in place to ensure compliance with insider trading laws, continuous disclosure requirements and other best practice corporate governance processes (including requirements under the ASX Listing Rules, *Corporations Act 2001* (Cth) and AASB requirements);
- (j) review and monitor, by receiving reports from management, the effectiveness of the Company's internal control framework;
- (k) ensure management establishes procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters, and procedures for the confidential, anonymous submission of concerns by employees regarding accounting and auditing matters;
- (l) review management processes supporting external reporting, and any complaints or concerns raised internally regarding business conduct matters, financial or accounting processes and practices;
- (m) review the Company's policies and culture with respect to the establishment and observance of appropriate ethical standards;
- (n) assess management's compliance with the limits set out in any delegated authority framework;
- (o) review and discuss with management and the external auditor the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs; and
- (p) receive reports, at least every three years, on an external review of the Company's risk management program undertaken by a suitably qualified consulting organisation, together with management's responses to that review.

7.2 **Financial and corporate reporting**

In the area of financial and corporate reporting, the responsibilities of the Committee are to:

- (a) oversee the Company's financial and corporate reporting and disclosure processes and make recommendations to the Board in relation to the adequacy of those processes;
- (b) assist the Board in determining the reliability and integrity of accounting policies and financial reporting and disclosure practices;

- (c) approve the Company's accounting policies and principles that are required to be reported in the notes to the financial statements (**Policies**) and changes to the Policies, review and assess the appropriateness of those Policies, including conformance with relevant accounting and reporting standards and, where appropriate (without limiting the Committee's powers to approve accounting policies and settle interpretation of accounting policies and standards), referring material changes to the Board;
- (d) make recommendations of the Board in relation to the appropriateness of the accounting judgments or choices exercised by management in preparing the Company's financial statements;
- (e) review the process implemented to support the certifications to be provided by the MD / CEO and the Chief Financial Officer in respect of the Company's financial reports and the related certifications in respect of risk management and internal control;
- (f) review all financial statements and reports which are required to be published and/or signed by Directors prior to approval by the Board and advise the Board whether the financial statements and reports provide a true and fair view of the financial position and performance of the Company. The review of financial statements and reports should include a discussion with the external auditor of accounting issues, accounting policies adopted and the proposed audit (or review) report. Subject always to ultimate Board approval of the published financial statements, the Committee has authority to approve accounting issues raised, review and interpret accounting policies adopted and the proposed audit (or review) report;
- (g) review the annual report, directors' report (excluding the remuneration report, which is for the Remuneration and Nomination Committee to advise the Board on) and any other report of management which is required by law to accompany any published financial statements (to the extent that such a report discusses the financial position or performance) before approval by the Board, including assessing whether the Company's external reporting is consistent with the Committee members' information and knowledge, and is adequate for shareholder needs;
- (h) review any statements or commentary to be released to ASX to accompany the half year or annual financial statements;
- (i) ensure that procedures are in place which are designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management; and
- (j) review and monitor related party transactions and assess their propriety.

7.3 **External audit**

In the area of audit, the responsibilities of the Committee are to:

- (a) make recommendations to the Board on the appointment, reappointment or replacement of the external auditor;
- (b) review and agree with the external auditor the terms of engagement for the external auditor, including fees;
- (c) oversee arrangements relating to the rotation of the audit engagement partner;
- (d) establish the scope of the audit for Board approval;

- (e) monitor the effectiveness / adequacy of the external audit, placing emphasis on areas where the Committee or the external auditor believes special attention is necessary;
- (f) review the performance and effectiveness of the external auditor after the completion of each end-of-year audit. In evaluating the external auditor, the Committee will consider:
 - (i) the independence of the external auditor;
 - (ii) the comprehensiveness of the external audit plan;
 - (iii) the timeliness and quality of communications promised under the plan and those delivered during the audit;
 - (iv) the competency and industry knowledge of the external audit staff; and
 - (v) the adequacy and availability of resources to achieve the scope of work outlined in the external audit plan;
- (g) develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and ensure compliance with that policy; and
- (h) review any proposal for the external auditor to provide non-audit services, and provide advice and an annual report to the Board as to whether the Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence, and an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the statements required by the *Corporations Act 2001* (Cth) to be included in the Company's annual report.

7.4 **Internal audit**

If, from time to time, the Company has an internal audit function, the responsibilities of the Committee are to:

- (a) make recommendations to the Board on the appointment or removal of the head of internal audit;
- (b) review and make recommendations to the Board on the scope and adequacy of the internal audit work plan; and
- (c) review and make recommendations to the Board as to the objectivity and performance of the internal audit function.

The head of the internal audit function will report directly to the Board and the Audit and Risk Committee.

8. **LIMITATION OF RESPONSIBILITIES**

The Committee does not have responsibility for the matters that are set out in the Board Charter, although the Chairman of the Committee must liaise with the Chairman of the Board on an ongoing basis to ensure that no material matter is overlooked by the two bodies.

The Committee's principal function is one of review, oversight and monitoring. Without limiting the Committee's duties as described in this Charter, neither the Committee, as a committee, nor any member of it by virtue of being a member, has the duty to actively

seek out activities occurring within the Group that are not compliant with the Group's policies and procedures, although they have a duty to act promptly if any such activity comes to their attention.

The Committee's role does not extend to risk management in respect to the responsibilities of the Remuneration and Nomination Committee.

The Committee:

- (a) is not required to personally conduct accounting reviews or audits; and
- (b) is entitled to rely on employees of the Company or professional advisers or consultants engaged by the Committee or the Company where:
 - (i) there are reasonable grounds to believe that the employee, adviser or consultant is reliable and competent; and
 - (ii) the reliance was made in good faith and after making an independent assessment of the information.

Charter adopted by the Board in June 2016.