

**REY RESOURCES LIMITED**  
**ACN 108 003 890**

**AUDIT AND RISK COMMITTEE CHARTER**

Revised and approved by Board July 2012

**The Board has not established an Audit and Risk Committee at this time. Until such time as the Board determines that it is appropriate to establish an Audit and Risk Committee, the responsibilities of the Audit and Risk Committee as set out in this Charter will be performed by the full Board.**

**1. Introduction**

1.1 The Audit Committee, established by the Board, is to be guided by the following Audit Committee Charter in conjunction with the Constitution of the Company.

**2. Purpose**

2.1 The purpose of the Audit Committee is to assist the Board in the effective discharge of its responsibilities in relation to financial reporting and disclosure processes, internal financial controls, funding, financial risk management, audit and oversight of the effectiveness of the systems of internal control and risk management.

**3. Audit Committee Composition**

3.1 The Audit Committee shall consist of not less than three non-executive directors, the majority of which will be independent, and each of whom shall be financially literate. The Board shall determine the total number of members of the Audit Committee.

3.2 Members shall be proposed by the Chairman of the Board and approved by the Board.

3.3 At least one member of the Audit Committee will be financially competent either through academic qualification or experience in a senior corporate financial role.

3.4 Chairman

The Chairman of the Audit Committee shall be an independent director and shall be appointed by the Chairman of the Board. The Chairman of the Board shall not be Chairman of the Audit Committee. The Audit Committee Chairman shall:

- Be knowledgeable of Rey Resources business, finance and auditing processes;
- Oversee the planning and conduct of Audit Committee meetings including approval of the agenda and minutes;
- Oversee reporting and verbal presentations to the Board from the Audit Committee;
- Be involved in the selection of Audit Committee members as appropriate.

3.5 Secretary

The Secretary to the Board shall be the Secretary to the Audit Committee.

**4. Responsibilities**

In meeting its purpose set out above, the Committee has the following responsibilities:

#### 4.1 *External Audit*

- 4.1.1 Review the appointment and selection of the external auditor and the rotation of the external audit engagement partners at least every five years and make recommendations to the Board in relation to any proposed change of external auditor or audit engagement partners.
- 4.1.2 Review and agree the terms of engagement for the external auditor at the commencement of each audit. Review the scope and approach of the external audit with the auditor and Management, including identified areas of risk, additional procedures if required and co-ordination of external audit effort with any internal audit activity.
- 4.1.3 Review and recommend to the Board the external auditor's fee, ensuring that a comprehensive and complete audit can be conducted for the agreed fee.
- 4.1.4 Evaluate and report to the Board on the performance of the external auditor. Where necessary, make appropriate recommendations to the Board on the appointment or discharge of auditors.
- 4.1.5 Evaluate and report to the Board on the auditor's independence.
- 4.1.6 Review the auditor's findings and Management's responsiveness thereto and discuss with the auditor any matters involving disagreement, whether resolved or otherwise. Resolve any matters which are not agreed between the auditor and Management.

#### 4.2 *Internal Control Systems for Financial Reporting and Risk Management*

- 4.2.1 Review, evaluate and monitor the adequacy and effectiveness of the Company's internal control systems and processes for financial reporting and management of financial risk. The Committee will report the results of its evaluation of the systems to the Board and will recommend to the Board any corrective action resulting from its evaluation.
- 4.2.2 Review and monitor the effectiveness of the Company's risk management framework including the allocation of responsibility for review of specific risks. (The Audit Committee is responsible for review of financial risks and for making recommendations to the Board; the Sustainability Committee is responsible for review of OHS&C risks and making recommendations to the Board; the Board remains responsible for overall review, evaluation and management of all business risks with executive management being responsible for implementation of risk management controls and systems.)

#### 4.3 *Compliance*

- 4.3.1 Review and monitor the adequacy of the Company's systems to monitor and ensure compliance with laws, regulations and accounting standards that may impact its financial statements.
- 4.3.2 Review and monitor the management of tax issues and strategies
- 4.3.3 Consider post audit reviews of major capital expenditures and acquisitions.
- 4.3.4 Assess significant financial business risks arising out of or in connection with major customer and supplier contracts.

#### 4.4 *Funding*

- 4.4.1 Monitor the ability of the Company to fund its activities, having regard to current funding arrangements and the Company's outlook as to solvency.
- 4.4.2 Review all funding strategies of the Company.

#### 4.5 *External Reporting*

- 4.5.1 Review and monitor the adequacy of the Company's policies relating to financial reporting and controls.
- 4.5.2 Review, assess and understand any significant accounting and reporting issues, including complex or unusual transactions, estimates and judgements, and recent professional and regulatory pronouncements. Discuss those issues with the auditors as to acceptability and appropriateness.
- 4.5.3 Ensure that all necessary compliance reports, statements and representations in relation to points 6.5.1 and 6.5.2 above are provided by Management in accordance with the internal control and other reporting procedures, procure other special purpose reports as required and review all such reports.
- 4.5.4 Review with Management, and the external auditor on completion of the audit, the draft half-year and annual financial statements, having regard to internal and external auditor reports, and the laws, regulations and other requirements relating to external reporting by the Company. Ensure that required amendments are effected as necessary, and recommend to the Board whether the financial and other statements should be signed.
- 4.5.5 Review with Management and the external auditor the results of the audit, including any difficulties encountered.
- 4.5.6 Review with Management and the external auditor all matters reported to the Committee under generally accepted auditing standards.

#### 4.6 *Related party transactions*

- 4.6.1 Review and monitor related party transactions and assess their propriety.

### **5 Meetings**

- 5.1 The number of meetings is to be determined by the Audit Committee Chairman so as to allow the Audit Committee to fulfil its obligations, but shall not be less than two each year.
- 5.2 The quorum for a meeting shall be a minimum of two directors. All meetings shall be conducted subject to an agenda to which Audit Committee members and auditors have the opportunity to contribute.
- 5.3 The Chairman is required to call a meeting of the Audit Committee if requested to do so by the Board, any Audit Committee member, Director or the auditors.
- 5.4 The secretary shall maintain minutes of all meetings of the Audit Committee. The minutes shall be signed by the Chairman.

- 5.5 Members of the Board may attend meetings of the Committee. The Managing Director and the engagement or audit partner of the external auditor shall attend meetings ex officio.
- 5.6 The Audit Committee shall meet with the auditor without the presence of Management of the Company at least on an annual basis. Meeting agendas will be prepared and provided in advance to members along with appropriate briefing materials.

## **6. Access**

- 6.1 The Audit Committee is granted unrestricted access to all information of the Company and its subsidiaries and shall have right of access to:
- All levels of Management; and
  - The auditors, if required, independent of Management.
- 6.2 The Audit Committee, or any individual Audit Committee member, with approval of the Chairman of the Board, is entitled to obtain independent professional or other advice at the expense of the Company where they consider it necessary to carry out their duties.

## **7 Reporting and Assessment**

- 7.1 The Chairman of the Audit Committee shall report to the Board subsequent to each Audit Committee meeting on:
- Results of the internal and external audit processes;
  - Minutes and formal resolutions; and
  - Other key activities and major issues of which the Board should be informed.
- 7.2 The Audit Committee shall provide an open avenue of communication between auditors and the Board of Directors.
- 7.3 The Committee and the Board will review the Audit Committee's performance on an annual basis. The performance of the Audit Committee shall be measured against this Charter and other relevant criteria as approved by the Board.
- 7.4 The Audit Committee Charter shall be reviewed annually and revised as required.

## **8 Other Responsibilities**

- 8.1 The Committee has authority from the Board to review and investigate any matter within the scope of its Charter and make recommendations to the Board in relation to the outcomes. The Committee has no delegated authority from the Board to determine the outcomes of its reviews and investigations and the Board retains its authority over such matters.
- 8.2 The Audit Committee shall perform other activities related to this Charter as requested by the Board of Directors.
- 8.3 The Audit Committee shall institute and oversee special investigations as requested by the Board of Directors.

8.4 The Audit Committee shall confirm annually that all responsibilities outlined in this charter have been carried out.