

## Audit & Risk Committee Charter

---

### 1 Introduction

The Audit & Risk Committee is a committee of the Board of Directors of Magnetite Mines Limited ABN 34 108102 432 (**Company**).

The composition of the Audit & Risk Committee (**Committee**) is based on the size and composition of the Board and consideration was given to compliance against the ASX Corporate Governance Principles and Recommendations 4<sup>th</sup> edition (**Principles and Recommendations**).

---

### 2 Role

The role of the Committee is to assist the Company's Board of directors (**Board**) to meet its oversight responsibilities in relation to:

- a) the integrity and effectiveness of the Company's corporate reporting processes and internal controls.
- b) the integrity and effectiveness of the Company's risk management framework, risk management processes, and risk reporting.
- c) the internal and external audit functions.
- d) any other matter delegated by the Board.

Ultimate responsibility for the Company's financial statements rests with the full Board.

---

### 3 Composition

The Committee will be structured so that it has at least three members, two of whom are independent non-executive directors and one executive director. The majority of members must be independent directors. The Chair of the Committee must be an independent director and must not be the Chair of the Board.

All members of the Committee must be financially literate (that is, be able to read and understand financial statements); at least one member must have relevant qualifications and experience (that is, should be a qualified accountant or other finance professional with experience of financial and accounting matters); and all members should have an understanding of the industry in which the Company operates.

From time to time, non-Audit & Risk Committee persons may be invited to attend Committee meetings, if it is considered appropriate.

The Board will review the composition of the Committee annually to ensure it comprises the appropriate balance of skills, knowledge and experience to be able to discharge the Committee's mandate effectively.

---

## **4 Responsibilities**

The Committee will carry out the following responsibilities:

### **4.1 Corporate reporting**

- (a) Review the half-year and annual financial statements presented by management, together with reports and opinions from the external auditor and confirm they reflect the understanding of the Committee members and otherwise provide a true and fair view of the financial position and performance of the Company;
- (b) Review significant accounting and reporting issues and assess the appropriateness of accounting policies and methods chosen by management, particularly those relating to significant accounting estimates and judgements and the assessment of going concern;
- (c) Review recent regulatory and professional pronouncements and understand their impact on the financial statements;
- (d) Review the results of the audit with the external auditor, including significant adjustments, uncorrected misstatements and any difficulties encountered or unresolved disagreements with management;
- (e) Review the appropriateness of disclosures in the financial statements and financial reporting to stakeholders, particularly in regard to estimate and judgments;
- (f) Review all matters required to be communicated to the Committee under Australian Auditing Standards with management and the external auditor, such as key audit matters for listed companies, significant internal control deficiencies, indications of fraud or corruption and non-compliance with laws or regulations;
- (g) Review management representations, including the Chief Executive Officer and Chief Financial Officer declarations regarding the financial report and financial records;
- (h) Provide a recommendation to the Board whether the financial report should be approved, based on a review of the financial statements, note disclosures and other information;
- (i) Review the other sections of the annual report before its release and consider whether the information is understandable, unbiased and consistent with members' knowledge about the entity and its operations;
- (j) Review management's process for ensuring that information contained in analyst briefings, investor presentations and press announcements is balanced, transparent and consistent with published financial information; and
- (k) Ensure that the declaration referred to in Recommendation 4.2 of the Principles and Recommendations is given before the Board approves the Company's financial statements for each half-year and full year.

### **4.2 External audit**

- (a) Assess the quality and effectiveness of the audit conducted and evaluate performance of the auditor;
- (b) Meet with the external auditor at least twice each year, and any other time considered appropriate;
- (c) Review the Company's Procedure for the Selection, Appointment and Rotation of External Auditor set out in the Appendix to this Charter;
- (d) Carry out the functions ascribed to the Committee in the Procedure for the Selection, Appointment and Rotation of the External Auditor;

- (e) With the assistance of the Chief Financial Officer, review with the external auditor the scope and terms of the audit and the audit fee including a review of non-audit services provided by the external auditor;
- (f) With the assistance of the Chief Financial Officer, review the audit plan for coverage of material risks and financial reporting requirements;
- (g) Monitor and review auditor independence and objectivity;
- (h) Establish ongoing communications with the auditors and ensure access to directors and the Committee;
- (i) Review reports from the external auditors (including auditor's reports, closing reports and management letters);
- (j) Discuss with the external auditor matters relating to the conduct of the audit, including any difficulties encountered, any restrictions on scope of activities or access to information, significant disagreements with management and the adequacy of management responses;
- (k) Review any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor; and
- (l) Ensure that the external auditor is given notice of all general meetings and attends the Company's annual general meeting.

#### **4.3 Fraud and internal controls**

- (a) Consider the impact of the Company's culture and values on internal controls.
- (b) Monitor and review the adequacy of resources and governance arrangements of the internal audit function including their independence from executive decision making and any restrictions placed on them by management;
- (c) Review and approve the proposed audit plans of the internal auditors, including the scope, adequacy and materiality level of the audit plan;
- (d) Monitor and assess compliance with, and the effectiveness of implementation of, the audit plans of the internal auditors;
- (e) Receive and review reports from the internal auditors on their audit findings, management responses and action plans in relation to those findings and the implementation of those action plans;
- (f) Assess the internal processes for determining and managing key financial risk areas, particularly:
  - (i) compliance with laws, regulations, standards and best practice guidelines, including industrial relations laws;
  - (ii) important judgments and accounting estimates;
  - (iii) litigation and claims; and
  - (iv) fraud and theft;
- (g) Make recommendations to the Board for improvements (if any) in relation to the internal financial management and financial controls of the Company;
- (h) Obtain and assess management reports on any suspected or actual fraud, theft or breaches of law, and recommend appropriate actions by the Board;
- (i) Address the effectiveness of the internal control, financial risk management and performance management systems with management and the external audit providers;
- (j) Evaluate the processes the Company has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk; and

- (k) Meet periodically with key management and external auditors to understand and discuss the control environment.

#### **4.4 Risk Management Oversight**

The Committee will carry out the following responsibilities:

- (a) Consider the impact of the Company's culture and values on risk management;
- (b) Monitor changes in the economic and business environment, including consideration of emerging trends and other factors related to the Company's risk profile;
- (c) Review the effectiveness of processes for identifying the Company's risks and the appropriateness of the risk management procedures to maintain activities within the Board's risk appetite;
- (d) Consider the adequacy and effectiveness of the risk management framework by reviewing reports from management and external audit, and by monitoring management responses and actions to correct any noted deficiencies;
- (e) Formulate an action plan to address areas of perceived risk and monitor implementation programs;
- (f) Consider internal controls, including the Company's policies and procedures to assess, monitor and manage risks;
- (g) Review any material incident involving fraud or a breakdown of the Company's risk controls and the "lessons learned";
- (h) Review the Company's insurance program, having regard to the Company's business and the insurable risks associated with its business; and
- (i) Review disclosures in the annual corporate governance statement in relation to the recognition and management of business risks.

#### **4.5 Compliance and ethics**

- (a) Consider the impact of the Company's culture and values on compliance processes;
- (b) Monitor the impact of changes in key laws, regulations, internal policies and Accounting Standards affecting the entity's operations;
- (c) Review the effectiveness of the entity's systems, policies and practices that relate to compliance with laws, regulations, internal policies and Accounting Standards, and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- (d) Obtain regular updates from management and the head of compliance about compliance and ethical matters that may have a material impact on the entity's financial statements, strategy, operations, reputation, or any other material risk, including material breaches of laws, regulations, standards and company policies;
- (e) Review and monitor related party transactions;
- (f) Review processes and procedures designed to ensure compliance with the ASX Listing Rules on continuous disclosure;
- (g) Review and, where applicable, approve the policies, processes and framework for identifying, analysing and addressing complaints (including whistleblower) and review material complaints and their resolution;
- (h) Review the entity's process for communicating the code of conduct to staff and assess the effectiveness of, and compliance with the code; and
- (i) Discuss with management whether all regulatory compliance matters of the Company have been considered in the preparation of the financial statements, such as compliance with Accounting Standards and the requirement for the financial statements to reflect a 'true and fair' view.

#### **4.6 Other**

Perform such other functions related to this Charter as requested by the Board.

---

### **5 Operation**

- (a) The Committee will meet at least four times a year or more frequently as it determines or as directed by the Board.
- (b) A quorum for a meeting of the Committee is two members. A duly convened meeting of the Committee at which a quorum is present is competent to exercise all or any of the authorities, powers or discretions vested in, or exercisable by, the Committee.
- (c) The Company Secretary will act as Secretary to the Committee, unless otherwise determined by the Committee.
- (d) The Secretary to the Committee or any member of the Committee may call a meeting of the Committee.
- (e) The dates, times and venues of each meeting of the Committee will be notified by the Secretary to all members of the Committee as far in advance as possible.
- (f) Supporting papers for each meeting of the Committee will be distributed by the Secretary to all members of the Committee as far in advance as possible and where possible by the last working day of the week preceding the meeting.
- (g) Only members of the Committee are entitled to vote on a resolution of the Committee and the Chair does not have a casting vote in addition to their deliberative vote. The Committee may pass resolutions without a meeting in the manner set out in the constitution.
- (h) Members of the Committee will not participate in discussions and will not vote on any issue in respect of which there is an actual, potential or perceived conflict of interest.
- (i) Minutes of meetings of the Committee will, following preliminary approval by the Chair, be circulated to Committee members for confirmation. Copies of all minutes will be included in the meeting pack of the next Board meeting.

---

### **6 Authority and resources**

The Company will provide the Committee with sufficient resources to undertake its duties, including providing educational information on accounting policies and other financial topics relevant to the Company, to assist the Committee in fulfilling its duties.

The Committee is authorised to:

- (a) Interview any employee or seek any information it requires to perform its duties, from any employee of the Company;
- (b) seek explanations and additional information from the Company's external or internal auditors, (with or without management present), when required; and
- (c) obtain, at the Company's expense, external legal or other professional advice on any matter within its responsibilities as set out in this Committee Charter where the Committee considers that necessary or appropriate.

The Committee has the power to conduct or authorise investigations into any matter within its scope of responsibilities.

---

## **7 Reporting**

The Chair of the Committee will report to the Board, at the subsequent Board meeting, on the proceedings of each meeting of the Committee, presenting all recommendations of the Committee which require Board approval, and reporting on any actions taken by the Committee.

The Chair of the Committee is to be present at the Company's annual general meeting to answer questions, through the Chair of the Board.

---

## **8 Review**

The Audit & Risk Committee Charter will be reviewed at least annually and updated as required.

## Appendix – Procedure for the Selection, Appointment and Rotation of External Auditor

- 1 The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as per the recommendations of the Audit & Risk Committee. Any appointment made by the Board is subject to confirmation by shareholders at the next annual general meeting of the Company. In recommending the appointment of an auditor to members, the Board will consider the matters outlined in Australian Securities and Investments Commission Information Sheet 196 Audit quality: The role of directors and Audit & Risk Committees under the headings “Recommending the appointment of an auditor” and “Assessing potential and continuing auditors”.
- 2 Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company, and an ability to maintain independence through the engagement period. Further, the successful candidate must have arrangements in place for the rotation of the audit engagement partner in accordance with professional standards as current from time to time, including part 2M.4 Division 5 of the *Corporations Act 2001* (Cth).
- 3 Other than the mandatory criteria set out in paragraph 2 above; the Board will select an external auditor based on criteria relevant to the business of the Company such as experience in the industry in which the Company operates, references, cost, internal governance processes and any other matters deemed relevant by the Board. The Board may consider the matters outlined in the Australian Securities and Investments Commission Information Sheet 196 Audit quality: The role of directors and Audit & Risk Committees under the heading “Assessing potential and continuing auditors”.
- 4 The Audit & Risk Committee will review the performance of the external auditor on an annual basis and make any recommendations to the Board. The Audit & Risk Committee may refer to the matters outlined in the Australian Securities and Investments Commission Information Sheet 196 Audit quality: The role of directors and Audit & Risk Committees under the heading “Assessing potential and continuing auditors” when reviewing the performance of the external auditor.