

# Audit and Risk Committee Charter

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## **1. GENERAL**

This Charter sets out the specific responsibilities delegated by the Board of Directors (the 'Board') to the Audit and Risk Committee (the 'Committee') and the manner in which the Committee will operate.

The Board, as part of its obligation to ensure the highest standards of corporate governance, has constituted an Audit and Risk Committee to oversee and monitor the Company's audit processes including the Company's internal financial and business control activities and risk management.

## **2. ROLES AND RESPONSIBILITIES**

The Committee will provide strategic guidance and assistance to the Board in fulfilling its responsibilities to stakeholders of the Company, ensuring the Company's governance reflects appropriate due diligence and care, and an appropriate level of skill in relation to:

- a) Ensuring compliance with the Corporations Act, ASX Listing Rules and Corporate Governance Principles and all other relevant legislation
- b) Reporting financial information to users of financial reports
- c) Financial management
- d) Internal control systems
- e) Risk management systems
- f) Appointment of auditors
- g) Commercial and contractual management processes
- h) Business policies and procedures, and the compliance with same
- i) Protection of the Company's assets and reputation
- j) Other matters of corporate governance and/or external relations as required

The Committee does not maintain responsibility for policy development, rather assists the Board by implementing agreed policy objectives.

An expanded list of the responsibilities and accountabilities of the Committee is provided as an attachment (Appendix A) to this Charter.

## **3. OBJECTIVES OF THE COMMITTEE**

In performing its role, the Committee will:

- a) Assess periodically the credibility and objectivity of the accounting processes, including financial reporting and analysis
- b) Oversee the effectiveness of the external audit function and provide a forum for communication between the Board and the external auditors
- c) Ensure the independence of the external auditor
- d) Assess the quality of internal and external reporting of financial and non-financial information

- e) Ensure a sound risk management framework is in place and monitored twice a year
- f) Ensure the conduct of all representatives of the Company are always in line with the Code of Conduct and company policies and procedures
- g) Ensure the prompt, adequate and ethical resolution of any matters relating to an actual or perceived conflict of interest
- h) Ensure an ethical, transparent and accountable business culture is embedded throughout the organisation

#### **4. COMMITTEE COMPOSITION**

The Audit and Risk Committee is a committee of the Board and must consist of a minimum of two (2) Non-Executive Directors.

- a) The Committee will be comprised of members who hold a high degree of financial literacy and commercial acumen, to appropriately understand and lead Company business in addition to adequately carrying out the responsibilities of the Committee
- b) The Board will select the Committee Chair
- c) The Board will review all nominations and approve all appointments to the Committee including any external members
- d) Appointment to the Committee will be for a period of two (2) years or as otherwise determined by the Board
- e) Members of the Committee may withdraw their membership by providing written notification to the Chair
- f) The duties and responsibilities of members of the Committee will be in addition to those duties set out for a Director of the Board
- g) The Chief Executive Officer, Chief Financial Officer and External Auditor will be invited to attend Committee meetings when appropriate

#### **5. MEETINGS**

- a) The Committee will hold meetings at least two (2) times per year, and additionally as it considers necessary at appropriate points in the audit cycle
- b) Committee members will be required to disclose actual or perceived conflicts of interest at the commencement of each meeting
- c) In the absence of the Chair, the Committee members must elect one of their number to act as the Chair for that meeting. The Chair has a casting vote
- d) Any member of the Committee may request a meeting be convened. Meetings of the Committee may be held in person or via other means such as tele-conference / video-conference
- e) With the approval of the Chair, members of the Committee may invite any such other persons to attend as they see fit, and consult with other persons or seek any information they considers necessary to fulfil their responsibilities
- f) The internal or external auditors may request a meeting at any time and such requests are to be facilitated by the Committee
- g) The notice and agenda of meeting will include relevant supporting papers
- h) A minimum of three (3) business days period of notice or acknowledgement of receipt of notice by members will be required in order for a meeting to be validly held

## **6. SECRETARIAT DUTIES**

- a) The Secretary of the Committee will be the Company Secretary or other such person as nominated by the Board
- b) The Secretary will assist the Chair to develop and distribute agendas, papers, minutes and the calendar
- c) The minutes of all proceedings will be ratified by all members in attendance / involved in discussions and signed by the Committee Chair
- d) The Committee Chair or delegated Committee member will circulate the minutes of all meetings to members of the Committee, within fourteen (14) days of any meeting
- e) Minutes of all meetings of the Committee must be entered into the minute book which will be accessible to all Directors at all times
- f) The Committee Chair will report to the Board, providing copies of the minutes supplemented by all other necessary information, including recommendations requiring the Board's further action and/or approval, immediately following the Committee meeting
- g) The Committee Chair is to organise the supply of information regarding the Audit and Risk Committee which will be included in the Company's Annual Report

## **7. AUTHORITY OF THE COMMITTEE**

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

- a) Consult with other persons, seek any information or request the attendance of individuals with the necessary level of skills and experience, for any purpose it considers necessary to fulfil its responsibilities
- b) Obtain any external legal or other independent professional advice (fee for service basis) deemed appropriate, subject to the approval of the Chair of the Committee
- c) Have unrestricted access to members of the senior management group, employees and relevant information

## **8. VOTING**

Any matters requiring a decision will be decided by a majority vote of the members involved in any discussion of the Committee.

## **9. REVIEW OF CHARTER**

- a) The Committee will confirm this Charter on a bi-annual basis to provide assurance it remains consistent with both the Committee and Boards' objectives and responsibilities
- b) The Board is responsible for approval of this and all other reviews of the Charter

## **10. ACCESS TO BOARD CHARTER**

This Charter will be available via the corporate governance section of the Company website:

[\(http://www.hillgroveresources.com.au/Corporate-Governance/\)](http://www.hillgroveresources.com.au/Corporate-Governance/)

## **11. INTERPRETATION OF THIS CHARTER**

- a) The Chair of the Committee will be the arbiter for interpretation of this Charter
- b) Omissions should be immediately brought to the attention of the Chair for further consideration, investigation and/or resolution

## APPENDIX A – ROLES AND RESPONSIBILITIES

The Audit and Risk Committee will carry out the following responsibilities:

### Financial Reporting

- ▶ Review significant financial and reporting issues, including complex or unusual transaction and highly judgemental areas, and recent professional and regulatory announcements, understanding their effect on the financial report
- ▶ Review management's processes for ensuring and monitoring compliance with laws regulations and other requirements
- ▶ Review with management and the external auditors, the results of the audit including any issues raised
- ▶ Review the annual financial report
- ▶ Assess significant estimates and judgements in financial reports by asking management about the process used in making material estimates and then ask the internal and external auditors the basis for their conclusions on the reasonableness of management's estimates
- ▶ Review with management and the external auditors all matters required to be communicated to the Audit and Risk Committee under the Australian Auditing Standards and Corporations Act
- ▶ Consider the appropriateness of the accounting principles and policies adopted and any amendments, as well as the methods of applying those principles and policies ensuring they are in accordance with the stated financial reporting framework
- ▶ Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement
- ▶ Assess management explanations for unusual transaction or significant variations from prior year results or current year budget
- ▶ Assess the management of non-financial information in documents to ensure the information does not conflict with the financial statements or other documents
- ▶ Recommend to the Board whether the financial and non-financial statements should be signed based on the Audit and Risk committee's assessment of them

### Internal Control and Risk Management

- ▶ Assess the internal processes for determining and managing key risk areas, particularly:
  - Ensure compliance with the Corporations Act and all other relevant legislation, guidelines and standards
  - Important judgements and accounting estimates
  - Litigation and claims
  - Fraud and theft
  - Relevant business risks other than those dealt with by other specific board committees
- ▶ Ensure the Company has a sound and effective risk management framework in place which will identify, analyse and assess internal and external business risks in the context of the company's business strategy and ensure that significant or material risks are reported to the Board on a 6 monthly basis
- ▶ Establish appropriate levels of acceptable business risk

- ▶ Establish and review risk management and mitigation strategies
- ▶ Review the cover and scope of the Company's insurances
- ▶ Address the effectiveness of the internal control, risk management and performance management systems with management and the internal and external auditors
- ▶ Assess effectiveness of, and compliance with, the Company's Code of Conduct and compliance with internal plans, policies and procedures
- ▶ Obtain regular updates from management and Company lawyers / advisors about compliance matters
- ▶ Ensure the adequacy of the Company's computerised information systems security, controls and reliability

### **External Audit**

- ▶ Make recommendations to the Board on the appointment and monitoring of the effectiveness and independence of the external audit provider
- ▶ Review the external audit provider's fee and be satisfied that an effective audit can be conducted for the fee
- ▶ At the start of each audit, agree the terms of engagement with the provider and review the annual engagement letter
- ▶ Review and confirm the independence of the external audit provider by obtaining statements from the provider on relationships between the auditor and the Company (including non-audit services) and discussing the relationship with the auditor
- ▶ Monitor and critique management's responsiveness to the external audit provider's findings and recommendations – ask the provider if there have been any significant disagreements with management (irrespective of whether they have been solved)
- ▶ Provide the opportunity for audit committee members to meet with the external audit provider without management personnel being present, at least one per year
- ▶ Advise the Board on the rotation of the external audit provider at intervals of approximately each five (5) years or otherwise as appropriate
- ▶ Approve the level of non-audit services provided by the External Auditor

### **Related Party Transactions**

- ▶ Review and monitor the propriety of related party transactions

### **Corporate Governance**

- ▶ Assist the Board to ensure appropriate corporate governance is in place
- ▶ Review the delegations of authority within the Company
- ▶ Oversee whistle-blower policies and implementation
- ▶ Ensure the adequacy of procedures relating to the receipt, retention and treatment of complaints relating to accounting, internal accounting controls or auditing, including the confidential management of complaints made by employees on such matters
- ▶ Review due diligence procedures (capital raising, mergers/acquisitions etc.)



- ▶ Review the disclosures made by the Chief Executive Officer and Chief Financial Officer within reports filed with the Australian Securities Exchange regulators
- ▶ Ensure adequate investigation and mitigation of any breaches identified (e.g. fraud, disclosure of material information etc.)

#### **Other Responsibilities**

- ▶ Perform other activities related to this charter as requested by the Board
- ▶ Institute and oversee special investigations as required
- ▶ Review and assess the adequacy of this charter annually, requesting Board approval for changes and ensuring appropriate disclosure as required by law or regulation
- ▶ Confirm annually that all responsibilities outlined in this charter have been carried out
- ▶ Evaluate the Audit and Risk Committee and individual members' performance regularly