

# **Compass Resources NL**

## **Audit Committee Charter**

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## 1. Purpose

The Audit Committee of Compass Resources is a sub-committee of the Board of Directors, appointed by the Board, to assist the Board in fulfilling its statutory and fiduciary corporate governance and oversight responsibilities in relation to:

- The quality and integrity of the financial reporting process and financial information
- The external audit functions
- Internal control, business risk management and insurance
- Compliance with statutes, regulations, policies and codes of business conduct

## 2. Responsibilities

The Audit Committee monitors the matters delegated to it by the Board, and provides advice and recommendations to facilitate the Board's decision making on these matters. The Committee's key responsibilities are to:

### 2.1 Financial Statements and External Reporting

- Review the integrity of the annual financial statements and annual report and determine if they are complete and consistent with information known to Committee members relative to the Company's financial position and operations.
- Ensure that appropriate accounting policies and principles which are in accordance with relevant accounting standards are in place, and obtain confirmation that they are consistently applied and adequately disclosed.
- Require the Chief Executive Officer and the Chief Financial Officer to state in writing to the Committee that:
  - o The annual financial statements present a true and fair view, in all material respects, of the Company's financial condition and operational results, and are prepared in accordance with relevant accounting standards.
  - o The integrity of the financial statements is founded on a system of risk management, and internal compliance and control, which implements the policies adopted by the Board, and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
- Ensure annual and half yearly financial reporting is performed, and in fulfillment of the Board's commitment to continuous disclosure, the results are announced to shareholders.
- Review major judgemental areas, such as provisions, valuations, product and environmental liability and litigation costs.
- Review current and pending litigation which management or legal counsel believes may potentially have a material effect on financial statements.

- Gain an understanding of current areas of financial risk and determine whether management is managing those risks effectively.
- Review, monitor and approve the propriety of all related-party transactions.

## 2.2 External Audit

- Recommend the appointment, reappointment or termination of the external auditor.
- Consider the audit scope and fee.
- Review the external audit plan and assess the effectiveness of the annual audit.
- Review the performance of the external auditor on an annual basis.
- Monitor the independence of the external auditor and any potential conflicts of interest.
- Ensure that the external auditor's engagement partners and managers are rotated at appropriate intervals.
- Recommend policies for the provision of non-audit services by the external auditor.
- Obtain and review reports from the external auditor in relation to major audit findings and management responses.
- Ensure that no management or other restrictions are placed on the external auditor.
- Discuss with the external auditor the appropriateness of the accounting policies applied in the financial report.
- Meet separately with the external auditor at least once per year to discuss any matters that the Committee or the external auditor believes should be discussed privately.
- Ensure the external auditor has access to the Committee when required.

## 2.3. Internal Control

- Review management's processes for identifying, assessing and monitoring internal control risks to ensure that adequate and effective systems of internal control are in place, and are complied with, in support of the integrity of the financial statements.
- Assess whether a culture of internal control responsibility and understanding is communicated by management, and exists throughout the Company.
- Assess the adequacy and effectiveness of internal controls over management information systems and applications, including back up and contingency plans.

## 2.4. Business Risk Management

- Oversee management's development and implementation of an appropriate risk management framework which encompasses:
  - o Establishment of a business risk policy and risk profile for the Company
  - o Identification and categorization of business risks
  - o Assessment of the likelihood and consequences of business risk occurring

- Identification of risk prevention, mitigation and response procedures
- Monitoring of compliance with risk prevention, mitigation and response procedures
- Measuring and reporting the effectiveness of business risk management procedures
- Ensure there is accountability at executive management level for risk management.
- Review the ongoing adequacy and effectiveness of the business risk management framework and process adopted by management, and ensure it is amended as required to reflect changes in the risk profile of the Company and changes in the business risk environment faced.

#### 2.5. Insurance

- Review and assess the cost, extent and adequacy of insurance coverage for the Company's operations, and ensure that there is financial protection for exposures arising from potential risks.

#### 2.6. Compliance

- Review the effectiveness of management's processes for monitoring compliance with:
  - External legal and regulatory requirements
  - The internal policy framework and code of conduct
- Ensure procedures are in place for dealing with instances of non-compliant, unethical or unlawful behaviour that is not consistent with the policy framework or code of conduct.
- Obtain regular updates from management regarding compliance matters that may have a material impact on the financial statements.

#### 2.7. Other

- Perform other oversight functions or other investigations or projects that the Board requests on matters relevant to any of the Committee's responsibilities.

### 3. Authority

The Audit Committee has the delegated authority of the Board to:

- Perform its responsibilities within the scope of its Charter.
- Have unrestricted access to all members of management, staff, records, financial and legal advisors and external auditors as deemed necessary to perform its responsibilities.
- Engage independent counsel and other advisers as deemed necessary to perform its responsibilities, after consultation with the Chairman of the Board.

- Ensure the attendance of company officers at meetings as appropriate.

#### 4. Membership

The Audit Committee will have at least three members and no more than five members, comprising of non-executive Directors with at least one independent Director, with a background in financial reporting and auditing.

The board shall annually confirm the membership of the Audit Committee. The Chairman of the Committee shall be appointed by the Board. The Chairman of the Committee must be a member of the Board, an independent Director and not the Chairman of the Board of Directors.

The Board will appoint the members of the Committee, for a term of three years. Members will be eligible for reappointment. The terms of the members and turnover of membership should be staggered so that rotation and continuity are in place.

Each Committee member shall:

- Obtain an understanding of the responsibilities of Committee membership
- Be financially literate
- Have reasonable knowledge of the Company's risks, controls and business operations
- Have relevant industry knowledge

Committee members who do not have the requisite level of financial literacy and/or industry knowledge at the time of his/her appointment must undertake induction training and additional training within six months of appointment, to raise his/her competency to the level required.

#### 5. Secretarial

The Secretary to the Committee shall be from the management of Compass and his appointment be agreed to by the Chairman of the Committee.

The Secretary, in conjunction with the Chairman of the Committee and the Chief Financial Officer, shall draw up an agenda for each meeting. Relevant papers will be in the possession of members at least three working days prior to each meeting.

Formal minutes of each meeting are to be kept by the Secretary and sent to Committee members within two weeks of each meeting. The formal minutes are to be approved by the Committee, and signed by the Chairman of the Committee at the subsequent meeting.

#### 6. Meetings

The Audit Committee shall have at least four meetings per year and such additional meetings as the Chairman shall decide in order for the Committee to fulfill its duties. The Secretary of the Committee and the Chief Financial Officer shall, in advance of each year, prepare the Committee meeting schedule for the year for approval by the Committee. In addition, the Chairman is required to call a meeting of the Committee if requested to do so by any Committee member, the Chief Executive Officer, the Chief Financial Officer or the external auditor.

In the absence of the Chairman, the remaining members will elect one of their number as Chairman of the meeting.

A quorum for a meeting is a majority of Committee 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. There is no casting vote. If there is a tied vote, the matter will be taken to the Board.

The Chairman is responsible for inviting the Chief Executive Officer, the Chief Financial Officer, the Secretary, other management personnel, the external auditor and other experts to participate in advising the Committee, as required. The Committee may have private sessions with these stakeholders if required.

Any Director may attend a meeting of the Committee for the purposes of discussion but is not entitled to vote.

## 7. Reporting to the Board

The Committee shall report formally or informally through the Chairman of the Committee, to the Board of Directors following each meeting of the Committee, on the following matters:

- Formal resolutions of the Committee
- Approved minutes of the previous Committee meeting
- Material changes to accounting, financial, internal control, risk management or compliance policies adopted
- Material changes to judgemental issues affecting financial reporting
- Other key issues arising, including external audit and internal risk findings
- External audit plans, internal risk plans and other work plans

## 8. Performance Assessment

The Committee members shall, on an annual basis, review and evaluate their own performance and the extent to which they have performed the role required of them pursuant to this Charter, inviting comments from the Board. A self-assessment checklist, the format of which is agreed annually, will be completed by each Committee member.

The Committee must report outcomes of this evaluation to the Board and recommend to the Board any suggested changes in the duties and responsibilities of the Committee.

#### 9. Review of Charter

The Committee shall annually review the continuing adequacy of the Committee Charter and report the findings and any recommended changes to the Board. The Committee shall also ensure the Charter is approved by the Board.

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