



**METALS X LIMITED**  
**(ACN 110 150 055)**

**AUDIT AND RISK COMMITTEE CHARTER**

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## **1.0 ORGANISATION**

This charter governs the operations of the audit and risk committee. The committee shall review and reassess the charter at least annually and obtain the approval of the board of directors.

## **2.0 MEMBERSHIP**

Unless otherwise approved by the Board, the committee shall be members of, and appointed by, the board of directors and shall comprise at least three directors who have diverse, complementary backgrounds, and are independent of management and the company. However, the committee chair shall have leadership experience and a strong finance, accounting and/or business background.

All committee members shall be financially literate, or become financially literate within a reasonable time after appointment. Furthermore, at least one member shall have accounting and/or related financial management expertise as determined by the board of directors.

Members of the committee shall be considered independent so long as they do not have any relationship with the company that may interfere with the exercise of independent judgment. This means they shall not accept any consulting, advisory, or other compensatory fee from the company and are not an affiliated person of the company or its related entities. The only compensation shall be directors' fees for services provided to the audit and risk committee.

## **3.0 MEETINGS**

The committee shall meet at least two times each year.

The purpose of these meetings shall be to review and monitor the Company's:

- ◆ Financial reporting;
- ◆ Internal control framework;
- ◆ External audit;
- ◆ Risk management;
- ◆ Internal audit;
- ◆ Taxation activities;
- ◆ Compliance with the Corporations Act, ASX Listing Rules and Corporate Governance Principles; and
- ◆ Any other matters referred to it by the Board.

## **4.0 PURPOSE**

The audit and risk committee shall provide assistance to the board of directors in fulfilling its corporate governance and oversight responsibilities in relation to the company's financial reporting, internal control structure, risk management systems, taxation activities and internal and external audit functions. In so doing, it is the responsibility of the committee to maintain free and open communication between the committee, external auditors, internal auditors, external taxation consultants and management of the company.

In discharging its oversight role, the committee is empowered to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the company, and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

## **5.0 DUTIES AND RESPONSIBILITIES**

The audit and risk committee is specifically charged with the following:

### **5.1 *Understanding in the business***

The committee shall ensure it understands the company's structure, control, and types of transactions in order to adequately assess the significant risks faced by the company in the current environment.

### **5.2 *Financial reporting***

The primary responsibility of the audit and risk committee is to oversee the company's financial reporting process on behalf of the board and report the results of its activities to the board.

While the audit and risk committee has the responsibilities and powers set forth in this charter, it is not the duty of the audit and risk committee to plan or conduct audits.

The board of directors is responsible for the company's financial reports including the appropriateness of the accounting policies and principles that are used by the company. The external auditors are responsible for auditing the company's financial reports and for reviewing the company's unaudited interim financial reports.

The committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The committee should take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behaviour. The following shall be the principal duties and responsibilities of the audit and risk committee. These are set forth as a guide with the understanding that the committee may supplement them as appropriate.

### **5.3 Assessment of accounting, financial and internal controls**

The committee shall discuss with management, the internal auditors, and the external auditors the adequacy and effectiveness of the accounting and financial controls, including the company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs (eg the company's Code of Conduct).

Any opinion obtained from the internal or external auditors on the company's choice of accounting policies or methods should include an opinion on the appropriateness and not just the acceptability of that choice or method.

The committee shall periodically meet separately with management, the internal auditors, and the external auditors to discuss issues and concerns warranting committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement. The committee shall provide sufficient opportunity for the internal auditors and the external auditors to meet privately with the members of the committee. The committee shall review with the external auditors any audit problems or difficulties and management's response.

The committee shall receive regular reports from the external auditor on the critical policies and practices of the company, and all alternative treatments of financial information, within generally accepted accounting principles, that have been discussed with management.

### **5.4 Appointment of external auditors**

The committee shall be directly responsible for making recommendations to the board of directors on the appointment, re-appointment or replacement (subject, if applicable, to shareholder ratification), remuneration, and monitoring of the effectiveness and independence of the external auditor, including resolution of disagreements between management and the auditor regarding financial reporting. The committee shall pre-approve all audit and non-audit services provided by the external auditors and shall not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgment or independence in respect of the company. The committee may delegate pre-approval authority to a member of the audit and risk committee. The decisions of any audit and risk committee member to whom pre-approval authority is delegated must be presented to the full audit and risk committee at its next scheduled meeting.

### **5.5 Assessment of the external audit**

At least annually, the committee shall obtain and review a report by the external auditors describing the following (or meet, discuss and document with them):

- ◆ the audit firm's internal quality control procedures;
- ◆ any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues, and

- ◆ all relationships between the external auditor and the company (to assess the auditor's independence).

In addition, the committee shall set clear hiring policies for employees or former employees of the external auditor in order to prevent the impairment or perceived impairment of the external auditor's judgment or independence in respect of the company.

### **5.6 Independence of the external auditor**

The committee shall review and assess the independence of the external auditor, including but not limited to any relationships with the company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the company. Furthermore, the committee shall draft an annual statement for inclusion in the company's annual report of whether the committee is satisfied that the provision of non-audit services is compatible with external auditor independence.

### **5.7 Scope of the external audit**

The committee shall discuss with the external auditors the overall scope of the external audit, including identified risk area and any additional agreed-upon procedures.

In addition, the committee shall review the external auditor's compensation to ensure that an effective, comprehensive and complete audit can be conducted for the agreed compensation level.

### **5.8 Assessment of the internal audit**

The committee shall review the internal auditor's mission, charter and resources and discuss the scope of the internal audit with the internal auditor, including the internal audit plan, work program and quality control procedures.

### **5.9 Taxation activities**

The committee shall review, oversee and approve the tax strategy and tax governance framework and consider and action tax risk management issues that are brought to the attention of the Committee.

The committee shall review the tax treatment of new major acquisitions and major transactions to ascertain their effects upon the accounts of the Company, and seek external advice on the tax treatment of these items where appropriate.

### **5.10 Communications with stakeholders**

The committee shall review and discuss ASX press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

The committee shall review the half year financial report and Appendix 4D prior to the filing of these with the ASX. Also, the committee shall discuss the results of the half year review and any other matters required to be communicated to the committee by the external auditors under generally accepted auditing standards. The chair of the committee may represent the entire committee for the purposes of this review.

The committee shall review all representation letters signed by management to ensure that the information provided is complete and appropriate. Also, the committee shall discuss the results of the annual audit and any other matters required to be communicated to the committee by the external auditors under generally accepted auditing standards.

The committee shall establish procedures for the receipt, retention, and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters.

The committee shall receive corporate legal reports of evidence of a material violation of the Corporations Act 2001, the ASX Listing Rules of breaches of fiduciary duty.

#### **5.11 *Review and Monitor Compliance***

Review and monitor the effectiveness of the Company's compliance policies to give assurance that continuous disclosure requirements are met and compliance with the Corporations Act, ASX Listing Rules, Corporate Governance Principles, any other laws and regulations that impact the Company.

Review and monitor compliance with and investigate allegations of any breach of appropriate internal control and reporting standards, mechanisms and procedures to ensure that the Board is informed at all times of all material corporate governance matters affecting the Company.

#### **5.12 *Risk Management***

Review, monitor and report to the Board on the effectiveness of the Company's risk management systems including processes adopted by management to implement the Risk Management Policy approved by the Board.

Assess and monitor financial control, external financial reporting, business conduct, litigation and regulatory risks (excluding those which are included as responsibilities in the Charters of other Board Committees) and assessing the effectiveness of related processes and controls.

### **6.0 EVALUATION OF PERFORMANCE**

The committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively by reference to current best practice.