

WESTERN AREAS LTD



COR-GOV-CHA-1193
AUDIT AND RISK MANAGEMENT COMMITTEE
CHARTER



1 INTRODUCTION

This Charter sets out the specific responsibilities delegated by the Western Areas Ltd (“WSA”) Board to the Audit and Risk Committee and details the manner in which the Audit and Risk Committee will operate.

2 ROLE

The Audit and Risk Management Committee (the Committee) will assist the Board to meet its oversight responsibilities in relation to the Company’s financial reporting and external audit functions, internal control structure and risk management procedures. In doing so, it is the responsibility of the Committee to maintain free and open communication between the Committee, the external auditor, and the management of the Company.

3 DUTIES

The duties of the Committee include:

3.1 Internal Control and Risk Management

The Committee shall keep under review the effectiveness of the Company’s financial reporting and internal control policies and its procedures for the identification, assessment, reporting and management of risks.

Overseeing and appraising the quality of the risk management program including the following:

- Ensuring the overarching Company Risk Management Programme is fit for purpose and effective in managing material risks;
- Enhancing the environment for identifying, analysing, managing and monitoring the operating risks involved in the business activities of the company; and
- Ensure that executive management are extensively involved in, and vouch for, the adequacy and effectiveness of the risk management systems.

It is the responsibility of the CEO & CFO to ensure that the Company operates within a sound structure of internal controls and procedures and within an approved Risk Management framework as adopted by this Committee.

3.2 External Audit

- (a) The Committee shall consider and make recommendations to the Board as regards the appointment and re-appointment of the Company’s external auditors, and shall ensure that key partners within the appointed firm are rotated from time to time in accordance with Board policy and the corporation’s law.
- (b) The Committee shall meet with the external auditors at least twice each year, once at the audit planning stage, where the scope of the audit will be considered and the terms of the annual audit engagement approved, and once post audit at the reporting stage, and shall ensure that any auditor’s management letters and management’s responses are reviewed.
- (c) The Committee shall keep under review the Company’s relationship with the external auditors, including (but not limited to):
 - Their independence and objectivity
 - The audit fees
 - The nature and quantum of non-audit services provided by the external auditor, including the amount of fees paid for such services, and
- (d) Compliance with accounting standards and any proposals that the external auditors have made vis-à-vis the Company’s internal controls & procedures.

3.3 Internal Audit

WSA is not currently of a size that can support an Internal Audit function. It is the opinion of the Committee that the cost of establishing and maintaining such a function outweighs the potential benefits that may be obtained from one. The Committee will however, review the need for an Internal Audit function on a regular basis. Furthermore, the Risk Management Program contains Control Monitoring procedures to manage material risks.



3.4 Financial Statements

- (e) The Committee shall keep under review the consistency of accounting policies both on a year-to-year basis and across the Company/Group.
- (f) The Committee shall review and challenge where necessary the Company's financial statements taking into account:
 - Critical accounting policies and practices and any changes in them;
 - Decisions requiring a major element of judgment;
 - The extent to which the financial statements are affected by any unusual transactions;
 - The clarity of disclosures;
 - Significant adjustments resulting from the audit;
 - The going concern assumption;
 - Compliance with accounting standards;
 - Compliance with stock exchange and other legal requirements; and
 - The CEO/CFO statements to the Board firstly, as to the truth & fairness of the financial statements and their compliance with relevant accounting standards and secondly, as to whether the statements are founded on a reliable system of risk management and internal control.

3.5 Reporting Responsibilities

- (a) The Chairperson of the Committee shall report to the Board, at the next following Board meeting, on the proceedings of each meeting of the Committee, bringing forward all recommendations of the Committee that require Board endorsement or approval.
- (b) The Committee shall report to the Board annually, on all matters relevant to the performance of its role and the discharge of its duties during the period, having regard to ASX Corporate Governance Council principles and recommendations.

3.6 Climate & Environment

- (a) Identification, evaluation and management of the material risks related to climate change and environmental risks.

3.7 Treasury and Investment

- (a) Treasury and Investment Management Policy monitoring and approval; and
- (b) Delegation of authority to management to execute hedging transactions and treasury investments.

3.8 Other Matters

- (a) The Committee shall be responsible for the Coordination of the external auditors and for reviewing and approving the annual audit plan.
- (b) The Committee shall oversee any investigation of activities, which are within its terms of reference and act as a court of last resort.
- (c) The Committee shall, on a regular basis, review its own performance and Charter to ensure that it is operating effectively.

4 COMPOSITION

The Committee shall be appointed by the Board and shall be composed of:

- (a) At least three non-executive Directors, the majority of which are independent;
- (b) A Chairperson, also appointed by the Board, who is one of those independent non-executive Directors and who is not the Chairperson of the Board;



- (c) Directors who are financially literate, with at least one Director possessing accounting or related financial expertise and qualifications; and
- (d) At least one Director who has experience in and an understanding of the industry in which the business operates.

5 AUTHORITY OF COMMITTEE

The Committee has the right:

- (a) To seek any information, it requires from any employee of the Company and from the external auditor in order to perform its duties.
- (b) To obtain, at the Company's expense, outside legal or other professional advice on any matters within its Charter.
- (c) To call any member of staff to be questioned at a meeting of the Committee as and when required.
- (d) To approve accounting policies and procedures and auditing methodology. Issues of material importance however will be referred to the Board with the Committee's recommendation.

6 COMPOSITION

The Committee shall be appointed by the Board and shall be composed of:

- (a) At least three independent Non-Executive Directors of the Company.
- (b) The majority of the Committee shall be independent directors.
- (c) The Committee shall be chaired by an independent director.
- (d) The Chairperson of the Board shall appoint the Chairperson of the Committee who shall be a non-executive director other than the Chairperson of the Board. In the absence of the Committee Chairperson or appointed delegate, the members shall elect one of their number as Chairperson for that meeting.
- (e) Directors who are financially literate, with at least one Director possessing accounting or related financial expertise and qualifications; and
- (f) At least one Director who has experience in and an understanding of the industry in which the business operates.

7 MEETINGS

- (a) The Committee will hold two regular meetings a year to specifically review the half year and annual accounts, with additional meetings as the Chairperson of the Committee shall decide in order for the Committee to fulfil its duties.
- (b) Any Committee member or the Company Secretary may call a meeting of the Committee.
- (c) The Committee may invite any executive management team members or other individuals to attend meetings of the Committee, as they consider appropriate.
- (d) An agenda and any supporting documentation will be circulated to members of the Committee in advance of meetings.
- (e) The Chairperson of the Committee, or delegate, shall provide any recommendations or reports to the Board at the next meeting.
- (f) A quorum shall consist of a minimum of 2 or majority of Committee members.
- (g) The Company Secretary will be responsible for keeping minutes of the meeting of the Committee and circulating them to members.
- (h) Committee minutes and papers may be made available to any director following a request to the Committee Chairperson, providing no conflict of interest exists.