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## Audit Committee Charter

Australian Strategic Materials Ltd ACN 168 368 401 (Company)

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### 1 Composition

The Audit Committee shall be structured so that it has at least three members, all of whom are non-executive directors and a majority of whom are independent. The Chair of the Audit Committee must be independent and not also Chair of the Board.

The Audit Committee members must have sufficient accounting and financial expertise and a sufficient understanding of the industry in which the Company operates to discharge the Committee's mandate effectively.

From time to time, non-Audit Committee members may be invited to attend meetings of the Audit Committee, if it is considered appropriate.

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### 2 Role

The role of the Audit Committee is to review and make recommendations to the Board in relation to:

- (a) the adequacy of the Company's corporate reporting processes;
- (b) whether the Company's financial statements reflect the understanding of the Audit Committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Company;
- (c) the appropriateness of the accounting judgments or choices exercised by management in preparing the Company's financial statements;
- (d) the appointment or removal of the external auditor, the rotation of the audit engagement partner, the scope and adequacy of the external audit, the independence and performance of the external auditor and review all non-audit services at least annually to ensure that the external auditors independence is not compromised;
- (e) the Company's internal financial governance and control system including internal audit requirements;
- (f) compliance with the Company's *Code of Conduct*; and
- (g) perform such other functions as assigned by law, the Company's Constitution or the Board.

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

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### 3 Operations

The Audit Committee meets at least three times per year, with further meetings on an as required basis. Minutes of all meetings of the Audit Committee must be kept. A report of actions taken or



recommendations by the Audit Committee must be given by the Chair of the Audit Committee at each subsequent meeting of the full Board and the minutes of each Audit Committee circulated to the full Board. Audit Committee meetings will be governed by the same rules, as set out in the Company's Constitution as they apply to the meetings of the Board.

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## 4 Responsibilities

Annual responsibilities of the Audit Committee are as set out in the *Audit Committee Charter – annual action points included in Section 8 and Annual Activities Plan in Annexure A*.

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## 5 Authority and resources

The Company is to provide the Audit Committee with sufficient resources to undertake its duties, including provision of educational information on accounting policies and other financial topics relevant to the Company, and such other relevant materials requested by the Audit Committee.

The Audit Committee has rights of access to management and has the authority to seek explanations and additional information from the Company's external auditors, without management present, when required.

The Audit Committee has the power to conduct or authorise investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee has the authority, as it deems necessary or appropriate, to retain independent legal, accounting or other advisors.

The Audit Committee has delegated non-audit services approval authority to the Chair of the Audit Committee.

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## 6 Reporting to the Board

The Audit Committee is to report to the Board, at least three times per year, on the following matters:

- (a) assessment of whether external reporting is consistent with Audit Committee members' information and knowledge and is adequate for shareholder needs;
- (b) assessment of the management processes supporting external reporting;
- (c) recommendations for amending the Company's *Procedure for the Selection, Appointment and Rotation of the External Auditor*;
- (d) recommendations for the appointment or, if necessary, the removal of the external auditor;
- (e) assessment of the performance and independence of the external auditors. Where the external auditor provides non-audit services, the report should state whether the Audit Committee is satisfied that provision of those services has not compromised the auditor's independence;
- (f) assessment of financial governance and internal control systems including consideration of establishing an internal audit function;
- (g) the results of the Audit Committee's review of this Audit Committee Charter; and
- (h) comment on the Audit Committee's operation and composition.

The Chair of the Audit Committee, if appointed, is to be present at the annual general meeting to answer questions, through the Chair of the Board.



## 7 Review of Charter

The Audit Committee will review this Audit Committee Charter at least annually, and update it as required.

## 8 Audit Committee Charter – annual action points

### Financial reporting and internal controls

- a. Review half-year, and annual financial statements.
- b. Review compliance with relevant statutory and regulatory requirements in all jurisdictions in which the Company operates, including annual reporting entity requirements.
- c. Assess management's selection of accounting policies and principles.
- d. Consider the external audit of the financial statements and the external auditor's report including an assessment of whether external reporting is consistent with Audit Committee members' information and knowledge.
- e. Consider financial internal controls including the Company's policies and procedures to assess, monitor and manage financial risks including tax risk (and other business risks if authorised).
- f. Assess if the external auditors report is adequate for shareholder needs.
- g. Co-ordination of financial reporting risk management disclosures with the Risk Committee.
- h. Consider continuous disclosure requirements with regard to corporate reporting.

### Internal audit

- i. Consider the appropriateness of establishing an internal audit function and appointment or removal of the head of internal audit function.
- j. Determine the work plan and the associated scopes of work for the internal audit function to undertake including independence, objectivity, and performance.
- k. Discuss any significant findings and recommendations of the internal auditor and management's response to those findings and recommendations.
- l. Discuss any difficulties or disputes with management encountered during the course of the scopes of work performed including any restrictions on access to required information.

### Internal communications and reporting

- m. Provide the report described in clause 6 of the Audit Committee Charter.
- n. Regularly update the Board about Audit Committee activities and make appropriate recommendations.
- o. Ensure the Board is fully aware of matters which may significantly impact the financial conditions or affairs of the business.

### Annual meeting with external auditor

- p. Discuss the Company's choice of accounting policies and methods, and any recommended changes.
- q. Discuss the adequacy and effectiveness of the Company's financial governance and internal controls.
- r. Discuss any significant findings and recommendations of the external auditor and



management's response to those findings and recommendations.

- s. Discuss any difficulties or disputes with management encountered during the course of the audit including any restrictions on access to required information.

#### **External auditor**

- t. Review the Company's *Procedure for the Selection, Appointment and Rotation of External Auditor*.
- u. Recommend to the Board to appoint and, if necessary, remove the external auditor and approve the process and terms on which the external auditor is selected and engaged.
- v. Establish/review permissible services that the external auditor may perform for the Company and pre-approve all audit/non-audit services.
- w. Confirm the independence of the external auditor, including reviewing the external auditor's non-audit services and related fees.
- x. Assess the overall performance of the external auditor.
- y. Ensure the external auditor is given notice of all general meetings and is requested to attend AGM.

#### **Other**

- z. Verify the composition of the Audit Committee is in accordance with the Audit Committee Charter.
- aa. Review the independence of each Audit Committee member based on the Company's *Policy on Assessing the Independence of Directors*.
- bb. Review the Audit Committee Charter and Action Points at least annually, and update as required.
- cc. Develop and oversee procedures for treating complaints or employee concerns received by the Company regarding accounting, internal accounting controls, auditing matters and breaches of the Company's *Code of Conduct*.

