



# **OZ MINERALS LIMITED**

## **Audit Committee Charter**

Revised and approved by the Board 9 February 2016

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## 1. INTRODUCTION

- 1.1 The Audit Committee, established by the Board, is to be guided by the following Audit Committee Charter in conjunction with the Constitution of the Company.

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## 2. PURPOSE

- 2.1 The purpose of the Audit Committee is to assist the Board in the effective discharge of its responsibilities in relation to financial reporting and disclosure processes, internal financial controls, funding, financial risk management including hedging and the internal and external audit functions, and oversight of the effectiveness of the systems of internal control and risk management.

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## 3. AUDIT COMMITTEE COMPOSITION

- 3.1 The Audit Committee shall consist of not less than three members, all of whom are non-executive Directors and the majority of whom are independent Directors. The Board shall determine the total number of members of the Audit Committee.
- 3.2 Between them, the members of the Committee shall have the accounting and financial expertise and a sufficient understanding of the mining industry to discharge the Committee's responsibilities under this Charter.
- 3.3 Members shall be proposed by the Chairman of the Board and approved by the Board.

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## 4. CHAIRMAN

- 4.1 The Chairman of the Audit Committee shall be an independent Director and shall be appointed by the Chairman of the Board. The Chairman of the Board shall not be Chairman of the Audit Committee. The Audit Committee Chairman shall:
- be knowledgeable of OZ Minerals' business, finance and auditing processes;
  - oversee the planning and conduct of Audit Committee meetings including approval of the agenda and minutes;
  - oversee reporting and verbal presentations to the Board from the Audit Committee; and
  - be involved in the selection of Audit Committee members as appropriate.

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## 5. SECRETARY

- 5.1 The Secretary to the Board shall be the Secretary to the Audit Committee.

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## 6. RESPONSIBILITIES

In meeting its purpose set out above, the Audit Committee has the following responsibilities:

### 6.1 External Audit

- 6.1.1 Review the appointment and selection of the external auditor and the rotation of the external audit engagement partners at least every five years and make recommendations to the Board in relation to any proposed change of external auditor or audit engagement partners.
- 6.1.2 Review and agree the terms of engagement for the external auditor at the commencement of each audit. Review the scope and approach of the external audit with the auditor and Management, including identified areas of risk, additional procedures if required and co-ordination of external audit effort with internal audit.

- 6.1.3 Review and agree the external auditor's fee, ensuring that a comprehensive and complete audit can be conducted for the agreed fee.
- 6.1.4 Evaluate and report to the Board on the performance of the external auditor. Where necessary, make appropriate recommendations to the Board on the appointment or discharge of auditors.
- 6.1.5 Evaluate and report to the Board on the auditor's independence taking into account factors which may impair the auditor's judgement in audit matters related to the Company, including but not limited to:
- the provision of non-audit services by the auditor;
  - the number of former employees of the auditor in senior positions in the Company;
  - the overall economic importance of the Company to the auditor; and
  - any other relationships with the Company or any other party.
- 6.1.6 Review the auditor's findings and Management's responsiveness thereto and discuss with the auditor any matters involving disagreement, whether resolved or otherwise. Resolve any matters which are not agreed between the auditor and Management.
- 6.1.7 Providing advice to the Board as to whether the Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence, and an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the statements required by the Corporations Act to be included in the Company's Annual Report.

## 6.2 **Internal Audit**

- 6.2.1 Where the internal audit function is carried out by Management, approve the resources engaged in the internal audit function. Where the internal audit function is outsourced, review and recommend to the Board the appointment of the internal auditor's, and the internal auditor's fees.
- 6.2.2 Review and approve the annual audit plans and work programme of the internal auditor.
- 6.2.3 Monitor and assess the performance and effectiveness of the internal auditor through internal audit reports, from the Audit Committee's observations and from Management feedback.
- 6.2.4 Review and assess any prospect of replacement or dismissal of the chief audit executive and the internal audit services provider and make appropriate recommendations to the Board.
- 6.2.5 Where the internal audit function is outsourced, oversee all tenders for internal auditor services and make appropriate recommendations to the Board.
- 6.2.6 Review and monitor Management's responsiveness to the internal auditor's findings and recommendations. Oversee the coordination of the internal and external auditors.
- 6.2.7 Ensure that the internal auditor reports to the Audit Committee, and, where necessary, has direct access to the Audit Committee Chairman.
- 6.2.8 Report to the Board on issues arising from the internal auditor's reports and on major issues arising from the internal audit program.

## 6.3 **Internal Control Systems for Financial Reporting and Risk Management**

- 6.3.1 Review, evaluate and monitor the adequacy and effectiveness of the Company's internal control systems and processes for financial reporting and for the management of the Company's risk management framework involving the identification, management, monitoring and reporting of the Company's risks.

- 6.3.2 The Audit Committee will regularly report the results of its evaluation of the systems to the Board and will recommend to the Board any corrective action resulting from its evaluation. The Audit Committee will not be responsible for reviewing, or making recommendations to the Board in relation to the Company's risk appetite and risk strategy other than in respect of matters that are within the scope of its Charter.
- 6.3.3 Review and monitor the effectiveness of the Company's economic and financial risk management systems in respect of both the identification and management of risks and its disclosure of any material exposures to those risks by reviewing reports of Management, the external audit and internal audit.
- 6.3.4 Review and monitor the adequacy of the Company's systems to monitor and ensure compliance with laws, regulations and accounting standards that may impact its financial statements.
- 6.3.5 Review and monitor the Company's systems for the reporting of all actual and suspected breaches of laws, including fraud and theft or any other material break down of the Company's internal control.
- 6.3.6 Review and monitor the Company's systems for the control and reporting of unusual and/or high risk transactions, including levels of authority.
- 6.3.7 Understand the scope of the internal and external auditor's review of internal controls, and obtain reports on significant findings and recommendations, together with Management's responses.
- 6.3.8 Monitor the ability of the Company to fund its activities, having regard to current funding arrangements and the Company's outlook as to solvency.
- 6.3.9 Monitor the prudence of gearing levels, interest cover and compliance with banking covenants.
- 6.3.10 Review all funding strategies of the Company.
- 6.3.11 Review policies relating to financial risk management, including hedging of interest rate risk, foreign currency exchange risk and metal price risk. Monitor compliance with such policies and report to the Board on any relevant issues.
- 6.3.12 Review and monitor the management of tax issues and strategies.
- 6.3.13 Consider post audit reviews of major capital expenditures and acquisitions.
- 6.3.14 Assess significant financial business risks arising out of or in connection with major customer and supplier contracts.
- 6.4 **External reporting**
- 6.4.1 Review and monitor the adequacy of the Company's policies relating to financial reporting and controls, including compliance with laws, accounting standards, regulations and ethical guidelines.
- 6.4.2 Review, assess and understand any significant accounting and reporting issues, including complex or unusual transactions, estimates and judgements, and recent professional and regulatory pronouncements, examining Management's methods, judgments and processing in respect of same, and reasoning for the use of those methods and processes. Discuss those issues with both the internal and external auditors as to acceptability and appropriateness, as relevant.
- 6.4.3 Ensure that all necessary compliance reports, statements and representations in relation to points 6.4.1 and 6.4.2 above are provided by Management in accordance with the internal control and other reporting procedures, procure other special purpose reports as required and review all such reports.
- 6.4.4 Reviewing the declarations that the CEO and CFO will give to the Board (prior to its approval of all financial statements) that, in the opinion of the CEO and CFO, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and

that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

- 6.4.5 Review with Management, and the external auditor on completion of the audit, the draft half-year and annual financial statements, having regard to internal and external auditor reports, and the laws, regulations and other requirements relating to external reporting by the Company. Ensure that required amendments are effected as necessary, and recommend to the Board whether the financial and other statements should be signed.
- 6.4.6 Review with Management and the external auditor the results of the audit, including any difficulties encountered.
- 6.4.7 Review with Management and the external auditor all matters reported to the Audit Committee under generally accepted auditing standards.
- 6.4.8 Reviewing any financial or economic risk disclosures in the operating and financial review in the annual Directors' Report.
- 6.5 **Related party transactions**
- 6.5.1 Review and monitor related party transactions and assess their propriety.

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## 7. MEETINGS

- 7.1 The number of meetings is to be determined by the Audit Committee Chairman so as to allow the Audit Committee to fulfil its obligations, but shall not be less than four each year.
- 7.2 The quorum for a meeting shall be a minimum of two Directors. All meetings shall be conducted subject to an agenda to which Audit Committee members, internal audit and external audit have the opportunity to contribute.
- 7.3 The Chairman is required to call a meeting of the Audit Committee if requested to do so by the Board, any Audit Committee member, Director, the internal auditor or the external auditor.
- 7.4 The Secretary shall maintain minutes of all meetings of the Audit Committee. The minutes shall be signed by the Chairman.

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## 8. ATTENDANCE

- 8.1 Members of the Board may attend meetings of the Audit Committee. The CFO of the Company and the engagement or audit partner of the external auditor shall attend meetings ex officio. The CEO may attend meetings ex officio. Representatives of the internal auditor may also attend the meeting.
- 8.2 The Audit Committee shall meet with the internal auditor and the external auditor without the presence of Management of the Company, at least on an annual basis. Meeting agendas will be prepared and provided in advance to members along with appropriate briefing materials.

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## 9. NON-CONSENSUS

- 9.1 Where the Audit Committee is unable to reach consensus on a matter, the Chairman of the Audit Committee shall report this to the Board. The Chairman of the Board shall determine whether the matter can be resolved by the Board or by independent advice.

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## 10. ACCESS

- 10.1 The Audit Committee is granted unrestricted access to all information of the Company and its subsidiaries and shall have right of access to:
- all levels of Management; and

- the internal and external auditors, if required, independent of Management.

10.2 The Audit Committee, or any individual Audit Committee member, is entitled to obtain independent professional or other advice at the expense of the Company where they consider it necessary to carry out their duties.

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## **11. REPORTING AND APPRAISAL**

11.1 The Chairman of the Audit Committee shall report to the Board subsequent to each Audit Committee meeting on:

- results of the internal and external audit processes;
- minutes and formal resolutions; and
- other key activities and major issues of which the Board should be informed.

11.2 The Audit Committee shall provide an open avenue of communication between internal audit, the external auditor, and the Board of Directors.

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## **12. PERFORMANCE**

12.1 The Audit Committee and the Board will review the Audit Committee's performance on an annual basis. The performance of the Audit Committee shall be measured against this Charter and other relevant criteria as approved by the Board.

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## **13. CHARTER REVIEW**

13.1 The Audit Committee Charter shall be reviewed annually and revised as required. Any changes to the Charter will require approval of the Board and the Board will review the effectiveness of the Audit Committee Charter as appropriate. The Audit Committee shall review and monitor appropriate disclosure as may be required by law and regulation.

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## **14. LIMITATIONS**

14.1 The Audit Committee has authority from the Board to review and investigate any matter within the scope of its Charter and make recommendations to the Board in relation to the outcomes. The Audit Committee has no delegated authority from the Board to determine the outcomes of its reviews and investigations and the Board retains its authority over such matters.

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## **15. OTHER RESPONSIBILITIES**

15.1 The Audit Committee shall perform other activities related to this Charter as requested by the Board of Directors.

15.2 The Audit Committee shall institute and oversee special investigations as requested by the Board of Directors;

15.3 The Audit Committee shall confirm annually that all responsibilities outlined in this Charter have been carried out; and

15.4 The Audit Committee shall evaluate its performance on a regular basis including a review of individual Audit Committee members.