

# **EMPIRE RESOURCES LTD**

## **Audit and Risk Committee Charter**

### **1. Introduction**

This Charter sets out the role, structure and responsibilities of the Audit and Risk Committee when established by the Board of Empire Resources Limited (“Empire”). Currently the Board considers that the Company is not currently of a size, or its affairs of such complexity, that the formation of separate or special Audit and Risk Committee is justified at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and ensure that it adheres to appropriate standards.

### **2. Role of the Audit and Risk Committee**

The role of the Committee is to assist the Board to fulfil its oversight responsibilities in relation to:

- the external and internal audit functions;
- financial management and reporting;
- taxation matters;
- risk management; and
- internal controls.

The ultimate responsibility for, and power to make, company decisions remains with the full Board.

Empire will provide the Committee with resources and information, including access to management, to enable the Committee to undertake its duties. The Committee is authorised to consult with external and internal auditors (without management being present), and, on approval from the Chairman of the Board, to obtain independent advice and institute investigations, at Empire’s cost, as it considers necessary or appropriate to fulfil its duties.

### **3. Membership and meetings**

The Committee will aim to comprise at least 3 members, all of whom are non-executive directors and a majority of whom will be independent directors. All Committee members will be financially literate and at least 1 member will have accounting or related financial experience.

The Board will appoint the chairman of the Committee. The aim is that the chairman of the Committee is independent and must not be the chairman of the Board.

The Committee may form sub-committees to be responsible for and make recommendations to the Committee or to the Board.

The Committee will meet at least twice a year. Additional meetings may be held as the Committee or its Chairman determines. Any Committee member may call a meeting of the Committee.

The Committee may invite any director, senior manager or other staff member, or external or internal auditor, to attend all or a part of a meeting of the Committee.

A quorum for a meeting of the Committee will be a majority of members of the Committee. All matters will be decided by a majority of votes of members present.

The Company Secretary will be responsible for taking and keeping minutes of Committee meetings and circulating minutes to all Committee members. Minutes will be included in the papers for the next meeting of the Board following the Committee meeting.

The Committee will report to the Board on all actions and recommendations of the Committee and such other matters as required by the ASX Corporate Governance Principles and Recommendations (from time to time).

#### **4. Responsibilities**

The Committee is responsible for matters referred to it by the Board. The principal ongoing responsibilities of the Committee are to:

##### **External audit function**

- Annually, review and make recommendations to the Board as to the appointment of the external auditor including having regard to the independence of the auditor.
- Prior to each audit, review the terms of engagement and fees of the auditor.
- Review the scope and outcome of external audits including the effectiveness and performance of the auditor.
- Provide for Committee members who wish to do so to meet with the external auditor without management being present.
- Ensure the auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

##### **Financial management and reporting**

- Review half-yearly and yearly financial reports with management and the external auditor and recommend to the Board whether the reports should be signed based on the Committee's assessment of them.
- Monitor and review the propriety of related party transactions.
- Review the quality and integrity of financial reporting to shareholders and regulatory bodies.
- Consider the appropriateness of significant accounting policies and principles and any changes to them.
- Monitor compliance with legal requirements for financial reporting.
- Assess significant estimates and judgements in the financial reports.
- Review the reporting of corporate governance practices (that are required by the ASX Listing Rules).
- Review written assurances provided by management to the Board in connection with financial reporting, including the assurances provided by the Managing Director and Chief Financial Officer in accordance with s295A of the Corporations Act.

- Ensure that management's written assurances are provided to the Board prior to the approval by the Board of the financial statements for the period.

#### **Taxation matters**

- Overview of taxation matters and implications in financial reporting.
- Overview of taxation planning.
- Consideration of taxation implications of major transactions.

#### **Risk management system**

- Oversee and make recommendations to the Board regarding the risk management system.
- Assist the Board to review the adequacy and effectiveness of the risk management system.
- Monitor compliance with risk management policies, processes and procedures and review instances of non-compliance.
- Consider compliance, including systems for monitoring and managing compliance, with laws, regulations and other key obligations.

#### **Internal audit**

- Monitor and review the effectiveness and objectivity of the internal audit function.
- Review any internal audit plans, strategies, reports and outcomes directed to it and monitor internal audit performance and results.
- Provide for Committee members who wish to do so to meet with internal auditors without management being present.
- Review management's response to reviews and recommendations arising from the internal audit function.
- Assess the adequacy of resources and governance arrangements in respect of the internal audit function.

#### **Insurance review**

- Review the adequacy of insurance coverage.

### **5. Review**

The Committee will annually review its role and responsibilities and evaluate the effectiveness of its performance. Any recommendations arising from a review will be put to the Board for consideration.

The Committee will review this Charter annually to ensure it is consistent with the Committee's authority, role and responsibilities. Any proposed amendments to this Charter arising from a review will be put to the Board for consideration.