



Sipa Resources Limited

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## Audit & Risk Committee Charter

<b>Rev.</b>	<b>Issued</b>	<b>Description</b>	<b>Prepared</b>	<b>Approved by Board</b>
1.1	23/7/18	Annual Review	Robson	23/7/18
1.0	23/7/15	Review	Robson	23/7/15
0		Policy created	Robson	

## 1 Purpose

The Board has the responsibility to ensure that an effective internal control framework exists within the governance structure of Sipa and its wholly owned entities (“the Sipa Group”). The Board has the responsibility of establishment and maintenance of a framework of internal control and ethical standards for the management of the Sipa group. This Charter outlines the Board’s primary responsibilities.

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## 2 Composition and Term

The Board has determined that the role of the Audit & Risk Committee will be undertaken by the Board as a whole, as the size of the Board is not sufficient to warrant the existence of a separate Audit & Risk Committee. The Board will continue to conduct its audit and risk activities pursuant to this Charter, however this Clause 2 is not applicable unless a separate committee is formed. All references to Committee throughout this Charter shall be deemed to be to the Board.

- (a) The Committee shall consist of a minimum of two non-executive independent directors.
  - (b) The Chairman of the Board, and any executive director are not eligible to be a member of the Committee.
  - (c) All members of the Committee should be financially literate and at least one member of the Committee should have financial expertise<sup>1</sup>.
  - (d) The term of appointment as a member is for two years, with Committee members generally being eligible for re-appointment subject to the composition requirements for the Committee.
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## 3 Meetings

- (a) As a minimum, the Committee meets twice per year to address Audit & Risk matters. These meeting times are scheduled to coincide with the board sign off of the Company’s year end accounts and half year financial report.
  - (b) In addition, the Chairman will call a meeting of the Committee if so requested by any member of the Committee, by the external auditor or by the Chairman of the Board.
  - (c) In addition to the Committee members, the external audit engagement partner (or their representative), the Company Secretary and other invitees may attend each meeting. Invitees may take part in the business of the meeting but have no voting rights. A portion of each meeting will be held with the external audit engagement partner without the presence of management.
  - (d) The quorum for a meeting is the greater of 50% of the members or two members.
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## 4 Scope, Access and Authority

- (a) The Committee has direct access to the Sipa Group’s external auditor. It has the authority to seek any information it requires to carry out its duties from any officer or employee of the Sipa Group.
- (b) The Committee has the authority to consult any independent professional adviser it considers appropriate to assist it in meeting its responsibilities.

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<sup>1</sup> A qualified accountant or other financial professional with experience of financial and accounting matters

## 5 Reporting

- (a) Proceedings of all meetings are minuted and signed by the Chairman of the Committee meeting. Minutes of all Committee meetings are circulated to the Board.
  - (b) The Committee, through its Chairman, reports to the Board at the earliest possible Board meeting after each Committee meeting.
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## 6 Responsibilities

The Committee assists the Board in discharging its responsibility to exercise due care, diligence and skill in relation to the Sipa Group in the following areas.

### 6.1 Financial Reporting

The Committee is expected to review all audited Sipa Group financial statements intended for publication prior to recommending their approval to the Board.

Specifically the Committee is responsible for:

- (a) Reviewing and approving all year end and interim financial statements for the Sipa Group, including the review of any management representations made in support of the financial statements, and discussion of the key issues inherent in preparing the financial statements. The review process includes determining that management and the external auditor are satisfied with the contents of the financial statements and the adequacy of disclosure therein and that the reports are consistent with committee members' information and knowledge.
- (b) Review the appropriateness of the Sipa Group's accounting policies and principles, including any significant changes in accounting policies or principles or any changes in the application of those policies or principles compared with prior years,
- (c) Review the processes used by management to monitor and ensure compliance with laws, regulations and other requirements relating to external reporting by the Sipa Group of financial information. These include, but are not limited to:
  - Australian Accounting Standards;
  - Corporations Act; and
  - ASX listing rules.
- (d) Enquiring into any significant difference of opinion between management and the external auditor concerning disclosures in the financial statements and how the matter was resolved, considering any material adjustments arising from the external audit and whether the accounts were adjusted or not.
- (e) Examining significant accounting accruals, provisions and estimates that may have a material impact or effect on the financial statements.
- (f) Determining that disclosures in the financial statements are appropriate and comply with all relevant legislation and accounting pronouncements by obtaining such representations from management as it considers necessary to obtain assurance regarding the major aspects of such disclosure and comparing disclosures made in the draft financial statements with those representations for reasonableness and accuracy.
- (g) Enquiring into current developments likely to affect the financial statements or financial reporting by reviewing industry developments, new or pending accounting and legislative pronouncements, disclosure requirements and taxation matters and proposed changes to the formats of financial statements, as they affect both current and future years.

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- (h) Obtaining from the Managing Director and the Chief Financial Officer, at least annually, written representations:
- that the Sipa Group's financial records have been properly maintained in accordance with the Corporations Act;
  - that the Sipa Group's financial statements present a true and fair view, in all material respects, of the company's financial condition, operational results and are in accordance with relevant accounting standards; and
  - as to the effective and efficient operation of the Sipa Group's risk management and internal compliance and control system.

### **6.2 External Audit**

The key responsibility of the Committee in relation to the external audit is to ensure that the audit approach covers all financial statement areas where there is a risk of material misstatement and that audit activities are carried out throughout the Sipa Group in the most effective, efficient and comprehensive manner.

Specifically the Committee is responsible for:

- (a) Selection and Recommendation to Board for Appointment of External Auditor
- (b) Ensuring that the external auditor meets the required standards for auditor independence.
- (c) Reviewing and approving the terms of the audit engagement.
- (d) Reviewing all fees paid to the external auditor whether for audit services or for the provision of non-audit services.
- (e) Ensuring that the external auditor or a representative of the auditor attend the annual general meeting at which the auditor's report is tabled and is available to answer questions.
- (f) Assessing the performance of the external auditor by discussion with management, together with the Committee's own perceptions from its interaction with the auditor.

### **6.3 General Risk Oversight and Monitoring**

- (a) Determining the company's risk appetite and risk tolerance with respect to relevant categories of operational risk.
- (b) Reviewing the principal strategic, operational, legal and financial risks to which the Sipa Group is exposed.
- (c) Review the risk treatment and mitigation policies and procedures developed by management including procedures for period and critical reporting of matters to the Board.

### **6.4 Internal Control and Risk Management**

The Committee is responsible for overseeing management's application of the ASX Corporate Governance Council Guidelines in respect of financial reporting and risk oversight. The Committee provides assurance that the Sipa Group is adequately managing risk relating to corporate governance and market integrity and is maintaining appropriate controls against conflicts of interest and fraud.

Specifically the Committee is responsible for:

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- (a) Approving the Sipa Group's risk management policies and overseeing the risk management system.
- (b) Ensuring that the Company has an effective risk management system and that significant or material risks are reported to the Board.
- (c) Reviewing and monitoring the effectiveness of the internal control, and risk management systems with management and the external auditors.
- (d) Seeking confirmation that any internal control issues identified by management or the auditor have been addressed by management on a timely basis.
- (e) Considering any other business risks as directed by the Board or that are not dealt with by a specific committee of the Board.

### **6.5 Corporate Governance and Integrity**

The Committee is responsible for management's application of the ASX Corporate Governance Principles in respect of financial reporting and risk oversight. They provide assurance that the Sipa Group is adequately managing risk relating to corporate governance and is maintaining appropriate controls against conflicts of interest and fraud.