

## 1. Role of the Committee

- 1.1 The role of the Audit and Risk Management Committee (**Committee**) is to assist the Board of Directors (**Board**) to meet its oversight responsibilities in relation to the Company's financial reporting, internal control structures, risk management and internal and external audit functions.
- 1.2 Provide a formal forum for communication between the Board and senior financial management.
- 1.3 Improve the effectiveness of the internal and external audit functions and be a forum for improving communications between the board and the internal and external auditors.

## 2. Duties

The Committee will monitor, investigate and make recommendations to the Board with respect to:

### 2.1 Financial Statements:

- (a) Consider the appropriateness of the Company's accounting policies and principles and any changes, as well as the methods of applying them, ensuring that they are in accordance with the stated financial reporting framework.
- (b) Assess information from the external auditor that affects the quality of financial reports.
- (c) Recommend to the board whether the financial and non-financial statements should be signed based on the committee's assessment of them.
- (d) Call for the Chief Executive Officer (**CEO**) and General Manager Finance to state in writing to the Board that the integrity of the company's financial statements and notes thereto are founded on a sound system of risk management and internal compliance and control which implements the policies approved by the Board, and that Perilya's risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.

### 2.2 Risk Management and Internal Controls

- (a) **(Risk Profile)** Monitor and assess the key financial, business and operational risk exposures of the Company and the consequences of major risk events.
- (b) **(Risk Management Systems)** Ensure that management has appropriate processes for identifying, assessing, monitoring and managing risks having regard to the Company's strategy and risk profile<sup>1</sup>;
- (c) **(Internal Controls)** Understanding the internal control systems implemented by management for the approval of transactions and the recording and processing of financial data;

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<sup>1</sup> ASX Principles, Recommendation 7.1, Commentary and Guidance

- (d) **(Financial Management and Tax)** Assess the internal controls, policies and procedures for managing and reporting on key financial risk areas (i.e. metal prices; foreign exchange, interest rates, tax expenses and significant costs).
- (e) **(Hedging)** Reviewing Perilya's Hedging Policy (as set out in the Company's Financial Risk Management Policy), market-to-market positions, the effectiveness of hedging policies, procedures and practices and the level of hedging verses available resource reserves.
- (f) **(Insurance)** Reviewing annually the insurance programs in place and considering the level of self insurance.

## 2.3 External Audit

- (a) Make recommendations to the Board on the appointment, reappointment or termination and remuneration of the external auditors.
- (b) Monitor the effectiveness and independence of the external auditor.
- (c) Invite the external auditor to attend relevant committee meetings to, review the audit plan, discuss audit results and consider the implications of the external audit findings.
- (d) Together with the external auditor, review the scope of the external audit (particularly the identified risk areas) and any additional agreed-upon procedures on a regular and timely basis.
- (e) Provide the opportunity for the committee members to meet with the external auditors without management personnel being present at least twice a year.

## 2.4 Other Matters Review

- (a) **(ASX – Continuous Disclosure)** Ensure that a process is established by the Company's management to capture issues for the purpose of continuous disclosure to the Australian Stock Exchange.

## 3. Access

- 3.1 The Committee shall have the authority to seek any information it requires from any officer or employee of the Company or its controlled entities and such officers or employees shall be instructed by the Board of the Company employing them to respond to such enquiries.
- 3.2 The Committee may invite any executive director, executive, other staff member or external or internal auditor to attend all or part of a meeting of the Committee.
- 3.3 The Committee may consult independent experts and institute special investigations if it considers it necessary in order to fulfil its responsibilities.

## 4. Membership

- 4.1 The Audit and Risk Management Committee is a committee of the Board established in accordance with the Company's constitution.

- 4.2 Members of the Committee shall comprise of three (3) non-executive directors of the Company, with a majority of members to be independent non-executive directors.
- 4.3 The chairman and members of the Committee are appointed by the Board and may be appointed for specified terms. Membership of the Committee will be reviewed annually by the Board.
- 4.4 The Chairman of the Board may not be the Chairman of the Committee.
- 4.5 The Company Secretary is secretary to the Committee.

## 5. Meetings

### 5.1 Meeting Frequency

The Committee will meet as frequently as required but not less than four times each year. Any member of the Committee or the Secretary to the Committee may call a meeting of the Committee.

### 5.2 Quorum

A quorum is two members.

### 5.3 Committee Agenda and Papers

Committee agendas should be settled by the Chairman in conjunction with the Company Secretary, and Committee papers should be provided to Committee members sufficiently far in advance of scheduled meetings to permit adequate preparation.

### 5.4 Professional Advice

The Committee may have access where necessary to professional advice from external advisers, and may meet with external advisers without management being present.

## 6. Reporting

### 6.1 The Committee Chairman will:

- (a) report to the Board on the proceedings of each Committee meeting (to the next Board meeting); and
- (b) attend the Annual General Meeting and be available to respond to any shareholder questions on the Committee's activities and areas of responsibility.

## 7. Assessment

- 7.1 At least once each year the Committee and the Board will review the performance of the Committee, including the performance of individual Committee members.

# Audit and Risk Management Committee Charter

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7.2 At least once each year the Committee will review this Charter and make recommendations to the Board in relation to any proposed change to this Charter.

Approved 25 August 2006

Updated 26 June 2009