

## **1. ROLE AND AUTHORITY**

- 1.1 The Audit & Risk Committee (“the Committee”) assists the Board to meet its oversight responsibilities in relation to Grange’s financial reporting, legal and regulatory requirements, internal control and risk management systems and internal and external audit functions.
- 1.2 The Committee is authorised by the Board to:
- (a) resolve any disagreements between management and the External Auditor regarding the Grange’s financial reporting;
  - (b) seek any information it requires from any employee of the Group and the External Auditor in order to perform its duties;
  - (c) obtain, at the Company’s expense, outside legal or other professional advice on any matters within its Charter;
  - (d) call any member of staff to be questioned at a meeting of the Committee as and when required; and
  - (e) approve accounting principles and procedures and auditing methodology. Issues of material importance will be referred to the full Board with the Committee’s recommendation.

## **2. PURPOSE**

- 2.1 The Committee is established by the Board of directors to assist the Board of directors by reviewing:
- (a) Grange’s financial reporting principles and policies, controls and procedures;
  - (b) the effectiveness of Grange’s internal control systems; and
  - (c) the integrity of Grange’s financial statements and the independent audit thereof, Grange’s compliance with legal and regulatory requirements in relation thereto;- and
  - (d) overseeing risk.
- 2.2 The Committee is also responsible for considering and making recommendations to the Board on the following:
- (a) the appointment, annual evaluation and oversight of the external auditor;
  - (b) annual review of independence, fitness and propriety, and qualifications of the external auditor;
  - (c) compensation of the external auditor; and
  - (d) where deemed appropriate, replacement of the external auditor.

### **3. POWERS AND FUNCTIONS OF RESPECTIVE PARTIES**

- 3.1 The function of the Committee is oversight. The members of the Committee are not full time employees of the Company and generally do not represent themselves to be experts in the field of accounting or auditing, except in relation to the “financial expert” as described under the section headed “Composition” below. It is not the responsibility of the Committee personally to conduct accounting or auditing reviews or procedures.
- 3.2 Management is responsible for the preparation, presentation and integrity of the Company’s financial statements. Management is responsible for implementing and maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations.
- 3.3 The external auditors are responsible for planning and carrying out each audit and review, in accordance with applicable auditing standards. The external auditor is accountable to shareholders through the Committee.
- 3.4 The Committee has unrestricted access to internal functions and to the external auditors in order to fulfill its purpose and undertake its duties.

### **4. DUTIES OF THE AUDIT & RISK COMMITTEE**

- 4.1 The Audit & Risk Committee will provide oversight, review, and where appropriate, make recommendations to the Board on the following matters.
- 4.2 With respect to the *External Auditor*:
- (a) the selection, evaluation and replacement of the external auditor;
  - (b) the annual audit engagement letter;
  - (c) the annual audit plan (including where appropriate, fees charged for audit and review services);
  - (d) the determination of categories of non-audit services that may be provided by the external auditor;
  - (e) non-audit services that may be undertaken by the external auditor;
  - (f) disclosure to shareholders of non-audit services provided by the External Auditor;
  - (g) audit reports prepared and issued by the External Auditor on the Company’s financial statements and activities and monitor that issues are being managed and rectified in an appropriate and timely manner;
  - (h) reports prepared by the External Auditor on critical accounting policies, all alternative treatments of financial information permitted under Accounting Standards, and all other written communication between the External Auditor and management;

- (i) resolution of any disagreements between the External Auditor and management regarding Grange's financial reporting;
- (j) discussion with the External Auditor of any relationship that may impact their objectivity and independence;
- (k) ensure that the External Auditor prepares and delivers an annual and half yearly statement as to their independence which includes details of all relationships with Grange;
- (l) annually review the effectiveness of the External Auditor; and
- (m) annually review the independence, fitness and propriety, and qualifications of the External Auditor including rotation of lead audit partner, and hiring policies of employees and former employees of the External Auditor.
- (n) consideration and approval by the Committee Chairman of all individual services provided by the external auditor (as per the "Pre Approval of Audit and Non Audit Services by the External Auditor Policy").

4.3 With respect to ***financial reporting***:

- (a) receive from management and the External Auditor a timely analysis of significant financial reporting issues and practices and review such analyses;
- (b) discuss the audited (half year: reviewed) financial statements, and related regulatory filings, earnings press releases, other financial information being made public, any significant matters arising from the external audit, management judgements and accounting estimates, and significant changes to Grange's auditing and accounting principles, policies, controls, procedures and practices with management and the External Auditor, and recommend for approval any such matters as necessary;
- (c) discuss the critical accounting policies and any proposed changes to such policies with the External Auditor and management;
- (d) review the certifications provided by the Managing Director and Chief Financial Officer ("CFO") on annual and half yearly financial reports pursuant to the requirements of the Corporations Act, and review the processes that were used to reach the opinion provided in the certifications;
- (e) ensure the financial statements include disclosure covering corporate governance issues in accordance with the requirements of regulators;
- (f) review the form of opinion that the External Auditor proposes to render;
- (g) consider how matters are likely to be regarded by an ordinary investor;
- (h) review the effectiveness of management's processes for managing financial reporting fraud risk; and

(i) make enquiries about transactions and disclosable situations including the following:

- Going concern
- Impairment
- Provisions / accruals
- Litigation
- Contingencies
- Subsequent events
- Related party transactions
- Other key judgments or estimates

4.4 With respect to ***carbon pricing and emissions***

- (a) receive from management annual reports into carbon emissions as required by legislation; and
- (b) review and consider audit reports into the Group's carbon emissions.

4.5 With respect to ***compliance***:

- (a) ensure the Group meets all of its taxation compliance obligations;
- (b) ensure the Group meets its Corporations Act statutory compliance obligations so that the Group's corporate entities remain in good standing; and
- (c) oversee generally compliance with applicable corporate laws, regulations, standards and best practice.

4.6 With respect to handling conduct matters and accounting and other ***complaints***:

- (a) review the effectiveness of management's processes for informing employees of the existence of Grange's Code of Conduct;
- (b) ensure procedures for the receipt, retention and treatment of complaints regarding accounting, internal auditing controls or auditing matters are established and maintained;
- (c) ensure employees can make confidential, anonymous submissions regarding questionable accounting or auditing matters; and
- (d) ensure procedures are in place to prohibit Grange from firing, demoting or otherwise discriminating against any employee who lawfully provides information to a regulatory body or other nominated party regarding any information about Grange that the employee reasonably believes may be relevant to a securities fraud, investigation or proceeding.

4.7 With respect to **corporate governance**:

- (a) develop and promulgate rules on the employment by Grange of members of the external audit firm and other rules as necessary to maintain the independence of the audit function;
- (b) Review Corporate Governance Statements and ASX Appendix 4G and make recommendations to the Board accordingly;
- (c) evaluate the need for an internal audit function;
- (d) ensure that Grange has adopted a Code of Conduct that is applicable to the CFO and other senior financial officers; and
- (e) review any related party transactions (other than those involving major shareholders which are reviewed by the Committee of Independent Directors).

4.8 With respect to the Group's **risk management activities**:

- (a) assist the Board with its responsibilities for the oversight of risk;
- (b) undertake an annual review of the Group's risk management framework to assess its soundness;
- (c) review proposed disclosures and strategies for managing material economic, environmental and social sustainability risks;
- (d) discuss and review the Group's policies with respect to risk assessment and risk management to the extent necessary to fulfill the Committee's purpose and duties; and
- (e) consider the Group's insurance arrangements and renewals.

4.9 With respect to the Group's **policies and delegations**

- (a) consider any new Group policies which are material or required by legislation and to review any material changes to existing Group policies and delegations of authority.

4.10 With respect to **internal controls and systems**:

- (a) oversee the adequacy of management information systems
- (b) consider the effectiveness of the internal control system;
- (c) review material changes to systems delivering financial data; and
- (d) monitor the implementation of new financial reporting systems

4.11 With respect to **treasury activities**:

- (a) consider and endorse the Group's treasury policies; and
- (b) review the Treasury activities (including foreign exchange activities of the Group and ensure they are in accordance with policy)
- (c) consider the creation of new financing facilities or arrangements

4.12 With respect to JORC **related reporting**:

- (a) consider the adequacy of internal processes for competent person review and sign off.

4.13 With respect to **regulatory authorities**, such as APRA, ASX or ASIC:

- (a) be available to meet with representatives of the authorities on request and reviewing reports which are required to be lodged with regulators and approved by the Board; and
- (b) be informed of any major investigations undertaken by regulatory authorities by management on a timely basis.

4.14 With respect to **Board and Committee evaluations**:

- (a) participate in an annual review of the Committee's performance and effectiveness.

4.15 Undertaking **ad-hoc or special requests** as directed by the Board.

## 5. COMPOSITION

5.1 The Audit & Risk Committee will comprise at least three non-executive members of the Board of Directors a majority of whom will be independent non-executive directors.

5.2 All appointments and any rotations shall be determined by the Board as a whole in consultation with the Remuneration and Nominations Committee

5.3 The Board shall appoint one of the members of the Audit & Risk Committee as Chairman.

5.4 The Chairman of the Audit & Risk Committee will be an independent non-executive director, and shall not be a Chairman of any of the Group's companies.

5.5 Each member of the Audit & Risk Committee must be appropriately financially literate.

5.6 At least one member of the Audit & Risk Committee will be a "financial expert". A financial expert is a person who, as a result of education and experience as a public accountant or auditor or as the principal financial officer, controller or principal accounting officer of a company, has an understanding of financial statements of companies comparable to Grange, in

the application of Accounting Standards to accounting for estimates, accruals and reserves, in internal accounting controls and in the functioning of audit committees.

- 5.7 A Committee member ceases being a Committee member if they are no longer a Director of Grange Resources Limited.

## **6. MEETINGS**

- 6.1 The Committee will meet at least four times per year, and more frequently as it deems necessary.
- 6.2 Representatives of management and of the External Auditor will be invited to attend part or all of any meeting of the Committee. The Committee may request certain parties to withdraw from any part of the meeting, and may request any officer or employee of the Group or the External Auditor to attend a meeting.
- 6.3 Non Committee members of the Board may attend those meetings which review the financial accounts.
- 6.3 The Chief Financial Officer and the Managing Director are expected to attend each meeting.
- 6.4 Each member of the Committee is entitled to rely on the executives of the Company for matters that are their responsibility and on the advice of counsel and other experts, so long as they are not aware of any grounds where reliance would be inappropriate.
- 6.5 The Committee will meet regularly with the External Auditor, in the absence of management. The Committee Chairman will also meet privately with the External Auditor when necessary. Matters discussed will include the External Auditor's judgments about the quality of the accounting principles. The Committee will request the External Auditor to advise it whether any officer of Grange has taken any action to improperly influence, coerce, manipulate or mislead any member of the external audit team for the purpose of rendering the financial statements materially misleading.
- 6.6 Committee meetings may be held or participated in by conference call or similar means, and decisions may be made by circular or written resolution. A circular or written resolution signed by a majority of members will be effective as a resolution duly passed at a Committee meeting and may consist of several documents in like form, each signed by one or more Committee Members. The expression "written" includes fax or other electronic means.
- 6.7 The Chairman of the Committee will report to the next meeting of the Board on the proceedings of the Committee meeting, bringing forward all Committee recommendations requiring Board approval.
- 6.6 The Secretary will:
- (a) organise meeting dates for the full year in advance;
  - (b) in conjunction with the Chairman of the Committee and the CFO, settle agendas for and arrange meetings of the Committee so as to ensure timely coverage of all the Committee's business;

- (c) distribute agendas and supporting papers to members of the committee at least seven (7) days in advance of the relevant meeting;
- (d) keep and distribute minutes of each meeting to Committee members; and
- (e) include a copy of the minutes in the next set of Board papers and circulate approved copies of the minutes to the remaining Board members upon request.

6.7 The quorum for a meeting of the Committee will be a majority of the members and must include at least one independent non-executive director.

## **7. AMENDMENTS TO THIS CHARTER**

7.1. The Committee will review the Charter annually and may recommend to the Board any amendments to this Committee Charter.

***Approved by the Board of Grange Resources Limited 3 July 2014***