



# **Audit & Risk Committee Charter**

**Atlas Iron Limited**

## 1. INTRODUCTION

The board of directors (**Board**) of Atlas Iron Limited (**Atlas**) has resolved to establish an Audit and Risk Committee of the Board (**Committee**).

The Board has approved this Charter which prescribes the role and responsibilities, composition, structure and membership requirements for the Committee.

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## 2. ROLE

The primary role of the Committee is to monitor and review, on behalf of the Board, the effectiveness of the control environment of Atlas and its related bodies corporate (as defined in the Corporations Act) (the **Group**) in the areas of operational and balance sheet risk, legal/regulatory compliance and financial reporting.

The overriding objective of the Committee is to provide an independent and objective review of financial and other information prepared by management, in particular that to be provided to members and/or filed with regulators.

The Committee meets and receives regular reports from its external auditors concerning matters that arise in connection with their audit. The Committee is also responsible for review of performance, independence and nomination of the external auditors.

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## 3. AUTHORITY

Within the scope of its responsibilities, the Committee is generally authorised to:

- (a) consult with and seek any information from any director or employee of Atlas or any external party;
  - (b) obtain (at Atlas' expense) financial, legal or other professional advice from external consultants or specialists as it considers necessary to assist the Committee in meeting its responsibilities; and
  - (c) require the attendance of any Atlas employee at Committee meetings.
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## 4. MEMBERSHIP

Committee members are appointed by the Board for a term considered appropriate by the Board. The Board may appoint additional independent non-executive Directors to the Committee and may remove or replace members of the Committee by ordinary resolution. The Committee should be

of sufficient size, independence and technical expertise to discharge its mandate effectively.

The Committee must contain:

- (a) only non-executive directors;
- (b) a majority of independent directors; and
- (c) at least three members.

Members of the Committee may withdraw from the Committee by notifying the Board in writing.

The Chairman of the Committee (**Committee Chair**) must be an independent director and must not be the Chairman of the Board. If the Committee Chair is unable to attend a Committee meeting, the Committee members present at that meeting must appoint a Committee member to chair the meeting.

Other non-executive directors who are not Committee members may attend meetings of the Committee should they wish. Selected members of management may attend meetings of the Committee by invitation.

The members of the Committee, between them, must have the accounting and financial expertise, and a sufficient understanding of the industry in which Atlas operates, to enable them to discharge their responsibilities under this charter.

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## 5. DUTIES AND RESPONSIBILITIES

The Committee will be responsible for:

- (a) overseeing the Group's relationship with the external auditor and the external audit function generally;
- (b) overseeing the adequacy of the control processes in place in relation to the preparation of financial statements and reports; and
- (c) overseeing the adequacy of the Group's financial controls and risk management systems.

The Committee's specific function on audit is to review and report to the Board that:

- (a) a regular program of audit is undertaken to test the adequacy of compliance with prescribed policies;
- (b) the system of control, which management has established, effectively safeguards the assets of the Group;
- (c) processes are in place such that accounting records are properly maintained in accordance with statutory requirements;

- (d) processes exist to reasonably guarantee that financial information provided to investors and the Board is accurate and reliable, and the financial statements to be provided to investors reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the financial position and performance of Atlas; and
- (e) Atlas' Chief Executive Officer and Chief Financial Officer have provided a declaration to the Board that, in their opinion:
  - (i) the financial records of Atlas have been properly maintained in accordance with the *Corporations Act 2001* (Cth);
  - (ii) the financial statements comply with the appropriate accounting standards; and
  - (iii) the financial statements give a true and fair view of the financial position and performance of Atlas,

and that these opinions have been formed on the basis of a sound system of risk management and internal control, which is operating effectively.

The following are intended to form part of the normal procedures for the Committee's audit responsibility:

- (a) recommending to the Board the appointment and removal of the external auditors and reviewing the terms of engagement;
- (b) approving the audit plan of the external auditors;
- (c) monitoring the effectiveness and independence of the external auditor, including reviewing the appropriateness of any proposal for the external auditor to provide non-audit services to Atlas and considering whether the provision of such services might compromise the independence of the external auditor;
- (d) obtaining assurances that the audit is conducted in accordance with the Auditing Standards and all other relevant accounting policies and standards;
- (e) providing recommendations to the Board as to the role and resourcing of the internal auditor/internal audit function and providing recommendations to the Board on the alternative processes to be employed for evaluating and continually improving the effectiveness of Atlas' risk management and internal control processes;
- (f) reviewing and appraising the quality of audits conducted by the Group's external auditors and confirming their respective authority and responsibilities;

- (g) monitoring the relationship between management and the external auditors;
- (h) evaluating the adequacy, effectiveness and appropriateness of the Group's administrative, operating and accounting control systems and policies;
- (i) reviewing and evaluating controls and processes in place to ensure compliance with approved policies, controls, and with applicable accounting standards and other requirements relating to the preparation and presentation of financial results;
- (j) overseeing the Group's financial reporting and disclosure processes and the outputs of those processes;
- (k) determining the reliability, integrity and effectiveness of accounting policies and financial reporting and disclosure practices;
- (l) reviewing (in consultation with management and external auditors) the appropriateness of the accounting principles adopted by management in the composition and presentation of financial reports and approving all significant accounting policy changes;
- (m) reviewing and making recommendations on the strategic direction, objectives and effectiveness of the Group's financial risk management policies;
- (n) evaluating the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of balance sheet risks; and
- (o) evaluating the Group's exposure to fraud and overseeing investigations of allegations of fraud or malfeasance.

The Committee's specific function on risk is to review and report to the Board on whether:

- (a) internal processes for determining, managing and reporting key risk areas, including any material exposure Atlas has to economic, environmental and social sustainability risks, are appropriate;
- (b) Atlas has an effective risk management system, that macro risks are reported to the Board at least annually, and the Group is operating within the risk appetite set by the Board;
- (c) an adequate risk register is maintained which identifies the risks to the Group and its operations, including any material exposure Atlas has to economic, environmental and social sustainability risks, and assesses the likelihood of their occurrence;

- (d) the insurance maintained by the Group is adequate, having regard to the Group's business and the insurable risks associated with that business;
- (e) the procedures for whistleblower protection maintained by the Group are adequate;
- (f) the effectiveness of Atlas' internal controls and risk management systems have been addressed with the auditors;
- (g) management has controls in place for unusual types of transactions and / or any potential transactions that may carry more than an acceptable degree of risk; and
- (h) any incident has been identified involving fraud or other breakdown of Atlas' internal controls.

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## **6. ADMINISTRATIVE MATTERS**

The Committee will meet as often as the Committee members deem necessary in order to fulfil their role. However, it is intended that the Committee will meet at least twice each year. A quorum consists of the lesser of two members or a majority of members of the Committee.

The Committee will be given the necessary power and resources to meet the requirements of this charter, including:

- (a) access to financial, legal or other independent advisers, in accordance with the Board's general policy;
- (b) access to such members of management as the Committee deems appropriate;
- (c) access to internal and external auditors (as applicable) without management present; and
- (d) the right to seek explanations and additional information from management and internal and external auditors.

The Company Secretary will attend all Committee meetings and ensure that the business of the Committee meetings is accurately captured in minutes of those meetings. All minutes of the Committee will be entered into a minute book maintained for that purpose and will be open at all times for inspection by any director.

The minutes of a Committee meeting will be included in the papers for the next full Board meeting after each Committee meeting.

## **7. REPORTING**

The Committee will report to the Board on all matters relevant to the Committee's roles and responsibilities, including:

- (a) assessment of whether external reporting is consistent with committee members' information and knowledge and whether it is adequate for shareholder needs;
- (b) assessment of the management processes supporting external reporting;
- (c) procedures for the selection and appointment of the external auditor and for the rotation of external auditor engagement partners;
- (d) recommendations for the appointment or, if necessary, the removal of the external auditor;
- (e) assessment of the performance and independence of external auditors. Where the external auditor provides non-audit services, the report should state whether the audit committee is satisfied that the provision of those services has not compromised the auditor's independence;
- (f) assessment of the performance and objectivity of the internal audit function;
- (g) the results of the committee's review of risk management and internal control systems; and
- (h) if applicable, recommendations for the appointment, or if necessary, the dismissal of the head of internal audit.

The Committee must also regularly update the Board about its activities and ensure that the Board is aware of any matter relating to the Committee which may significantly impact the financial condition or other affairs of Atlas.

The Committee's reports will include details of meeting agendas, papers and minutes of the Committee.

The Committee Chair will also, if requested, provide a brief oral report as to any material matters arising out of the Committee meeting. All directors will be permitted, within the Board meeting, to request information of the Committee Chair or members of the Committee.

**8. REVIEW**

The Audit and Risk Committee will, at least once in each year review the membership and charter of this Committee to ensure it remains consistent with the Board's objective and responsibilities.

The Audit and Risk Committee must obtain approval from the Board for any recommended changes to the Committee and/or this Charter.

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