

XS Resources Limited

ACN 624 766 114

Audit and Risk Committee Charter

April 2018

1. Introduction

- 1.1 This Charter governs the operation of the Audit and Risk Committee of XS.
- 1.2 The purpose, composition, responsibilities, and authority of the Committee are set out in this Charter.
- 1.3 The Committee shall provide assistance to the Board of XS in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community, and others in relation to:
 - (a) the integrity of the Company's financial statements;
 - (b) the financial reporting process;
 - (c) the systems of internal accounting and financial controls;
 - (d) risk management;
 - (e) the performance of XS's internal audit function (if applicable) and external auditor;
 - (f) the external auditor's qualifications and independence; and
 - (g) XS's compliance with ethics policies and legal and regulatory requirements.
- 1.4 Committees should not lead to an abrogation of responsibilities or a failure to properly inform the full Board.

2. Explanation of Terms

- 2.1 In this charter:

ASX means Australian Securities Exchange;

Board means the board of directors of XS Commodities Limited;

CFO means Chief Financial Officer (or equivalent);

Chairperson means the chair of the Board;

Charter means this Audit and Risk Committee Charter;

Company Secretary means the company secretary of XS;

Director means a director of XS;

Group means XS and its controlled entities;

MD means the Managing Director or Chief Executive Officer (or equivalent);

Senior Executive means the employees of XS who manage XS pursuant to the directions and delegations of the Board; and

XS means XS Resources Limited.

3. Composition

- 3.1 The Committee will be appointed by the Board and will consist of not of less than three members, all of whom must be Directors of the Company. A majority of the appointees will be independent Directors where considered appropriate and possible.
- 3.2 The Chairperson of the Committee will be an independent non-executive Director and, where practicable, will not be the Chairperson of the Company.
- 3.3 All members of the Committee must be financially literate, and at least one member must have prior financial management / accounting experience at a senior level with a relevant industry sector.
- 3.4 If a member of the Committee retires, is removed or resigns from the Board, that member ceases to be a member of the Committee. The Board will appoint the successor.
- 3.5 Any Director may attend a meeting of the Committee for the purposes of discussion but is not entitled to vote.
- 3.6 The Committee may invite any executive team member or any other individual to attend a meeting of the Committee, as they consider appropriate. Any invitation to attend a meeting of the Committee is subject to the invitee not having a material personal interest in the matter being considered.
- 3.7 The Company Secretary or nominee will act as Secretary to the Committee.

4. Authority

- 4.1 The Committee is authorised to carry out its responsibilities as set out in this Charter, and to make recommendations to the Board arising therefrom.
- 4.2 In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with unfettered access to all books, records, facilities, and personnel of XS and the authority to engage, and to set and pay the compensation of, independent accountants, legal counsel and other advisers as it determines necessary to carry out its duties.
- 4.3 The Committee is to ensure appropriate policies and procedures allow employees of the Company to confidentially submit information about accounting, internal control, compliance, audit, and other matters of concern.
- 4.4 The Committee may also communicate directly with the auditors, legal and other advisors, management and employees of XS to carry out its responsibilities and duties set out in this Charter.

5. Primary Objective

- 5.1 The primary objective of the Committee is to enable the Board to fulfil its broader governance and oversight responsibilities in relation to the identification and management of risk, the reporting of financial information, the application of accounting policies, the appointment, independence and remuneration of the external auditor and to provide a link between the external auditor, the Board and management of the Company.

6. Responsibilities and Procedures

6.1 Audit Responsibilities

The Committee is established by the Board to:

- (a) oversee XS's relationship with the external auditor and the external audit function generally;
- (b) oversee the preparation of financial statements and reports;
- (c) oversee XS's financial controls and systems;
- (d) oversee the process of identification and management of risk; and
- (e) oversee the internal audit function (if appropriate).

6.2 Audit Procedures

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

- (a) review the reliability and integrity of accounting systems, financial reporting and disclosure practices;
- (b) review the appropriateness of the accounting policies adopted by management in the composition and presentation of financial reports;
- (c) review and approve any significant non-mandatory accounting policy change;
- (d) review the appropriateness of accounting judgements or choices exercised by management in preparing XS's financial reports;
- (e) review XS's financial reports for accuracy and adherence to accounting standards and other requirements relating to the preparation and presentation of financial reports and results to ensure that they reflect a true and fair view as a basis for recommendation;
- (f) report to the Board on the annual and half year financial reports, the financial section of quarterly reports and all other financial information published by the Company prior to release to members and other public forums;
- (g) co-ordinate the audit with the external auditor including reviews of internal control measures;
- (h) review the audit plan with the external auditor;

- (i) recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and the auditor's independence, and consider if appropriate, the rotation of audit partners;
- (j) review the level of non-audit services provided by the external auditor and ensure it does not adversely impact on auditor independence;
- (k) the oversight of statutory reporting requirements, as well as all other applicable reporting requirements and XS's compliance with such requirements;
- (l) the oversight and regular review of the internal and external audit programs to ensure that they cover all risks and financial reporting requirements of the Company;
- (m) the review of all audit report findings and recommendations to ensure that issues are being managed and rectified in an appropriate and timely manner by management; and
- (n) the confidential investigation and resolution of concerns and issues raised by employees regarding actual or potential compliance breaches.

6.3 Risk Responsibilities

The Committee's overall responsibility is to oversee the process of identification and management of risk. Specifically, the Committee must review and report to the Board that:

- (a) XS's risk program effectively identifies all significant areas of potential risk;
- (b) adequate mitigation activities are designed and implemented to manage identified risks; and
- (c) there are regular reviews on the progress of the implementation of the designed risk and mitigation activities.

6.4 Risk Procedures

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

- (a) evaluate the adequacy and effectiveness of the management reporting and control systems used to manage risk;
- (b) evaluate the adequacy and effectiveness of the Group's risk management and control systems including reviewing risk registers and reports from management and external auditors
- (c) evaluate the structure and adequacy of the Group's insurances;
- (d) review and make recommendations on the strategic direction, objectives and effectiveness of the Group's financial and operational risk management policies;

- (e) oversee the establishment and maintenance of processes to ensure that there is an adequate system of internal control, management of business risks and safeguard of assets;
- (f) oversee the establishment and maintenance of processes to ensure that there is a review of internal control systems and the operational effectiveness of policies and procedures related to risk and control;
- (g) evaluate the Group's exposure to fraud and overseeing investigations or allegations of fraud or malfeasance;
- (h) review the procedures XS has in place to ensure compliance with laws and regulations (particularly those which have a major potential impact on XS in areas such as trade practices, occupational health and safety and the environment); and
- (i) review the procedures in place to ensure compliance with insider trading laws, continuous disclosure requirements and other best practice corporate governance processes (including requirements under the ASX Listing Rules, Corporations Act and AASB requirements).

7. Meetings

- 7.1 The Committee will meet as frequently as required to fulfil its role. Any Committee member or the Company Secretary may call a Committee meeting.
- 7.2 A notice of each meeting confirming the date, time, venue and agenda must be forwarded to each member of the Committee allowing reasonable time for preparation.
- 7.3 A quorum is at least two Committee members present. In the absence of the Committee chair, the members will elect as one of their number a chair for that meeting.
- 7.4 The Secretary will keep minutes of proceedings and resolutions of Committee meetings.
- 7.5 The Committee chair will keep the Board informed on the deliberations of the Committee and any recommendations arising.

8. Role of the Chair

- 8.1 The Chair of the Committee's role is to provide leadership to the Committee to enhance the Committee's effectiveness and ensure adherence to this Charter.
- 8.2 The Chair of the Committee is responsible for managing the Committee, including:
- (a) chairing all meetings of the Committee in a manner that promotes meaningful discussion;
 - (b) preparing or providing direction to the Secretary to prepare an appropriate agenda for Committee meetings and ensuring pre-meeting material is distributed in a timely manner and is appropriate in terms of relevance, efficient format and detail;
 - (c) adopting procedures to ensure that the Committee can conduct its work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings; and
 - (d) ensuring meetings are appropriate in terms of frequency, length and content.

9. Self-Assessment

- 9.1 The Committee will undertake periodically a self-assessment of the effectiveness of the Committee with a view to ensuring that the performance of the Committee accords with best practice including:
- (a) comparing the Committee's practices with its Charter requirements;
 - (b) identifying any enhancements to the Charter; and
 - (c) implementing practices designed to enhance the Committee's effectiveness.

10. External Auditor Interaction

- 10.1 It is the responsibility of the Committee to maintain free and open communication between the Committee and the external auditors, the internal auditors (if applicable) and the management of the Company.
- 10.2 The Committee is to meet with the external auditor not less than twice a year and review any significant disagreement between the auditor and management, irrespective of whether the matters have been resolved.
- 10.3 The external auditor has a clear line of direct communication at any time to either the Chair of this Committee or the Chairperson of the Board.

11. Declarations by Management

- 11.1 Prior to giving their Directors' declaration in respect of the annual and half year statements, the board requires the MD and CFO to sign written declarations to the Board that:
- (a) the financial statements and associated notes are in accordance with relevant accounting standards;
 - (b) the financial statements and associated notes give a true and fair view of the financial positions of XS and performance of XS for the year then ended as required by the Corporations Act 2001;
 - (c) in their opinion there are reasonable grounds to believe that XS will be able to pay its debts as and when they become due and payable; and
 - (d) they have established and maintained an adequate risk management and internal compliance and control system to facilitate the preparation of a reliable financial report which in all material respects implement the policies adopted by the Board of Directors and the Statements made above are based on that system.

12. Reporting Obligation

- 12.1 Any member of the Committee is able, and obliged, to bring any matter to the immediate attention of the Board, if that Committee member believes the matter has not been dealt with adequately by the Committee, or is of significant importance that the Board should be informed directly.

13. Performance and Fees

- 13.1 The performance of the Committee will be reviewed by the Board periodically.
- 13.2 Committee members may be entitled to receive additional remuneration as determined from time to time by the Board. The level of remuneration would have regard to current appropriate benchmarks.

14. Review

- 14.1 The Committee will periodically review this Charter to ensure its relevance and effectiveness.