

# **Anchor Resources Limited**

## **Audit Committee Charter**

### **1. Purpose and Powers**

- 1.1 The Board of Directors have established a Committee of the Board to review the scope and effectiveness of the external audit function. This Committee is known as the Audit Committee.
- 1.2 The function of the Committee is to review and investigate any reports or findings arising from any audit function.
- 1.3 the Committee has no powers unless delegated specifically on specific issues by the Board from time to time.

### **2 Membership**

- 2.1 The membership of the Committee is to comprise at least two members. Other Directors may be called upon as required.
- 2.2 Two Directors who are members of the Committee are required to form a quorum. Committee meetings are held as required to evaluate the financial information submitted to it and to review any procedures and policies which would affect the accuracy of that information.
- 2.3 Committee meetings are regularly attended by the Chief Executive and other senior management and the external auditors, by invitation.

### **3. Reviewing Financial Statements**

This function is to take place before the Board of Directors meet to approve the financial statements.

The objectives of such a review are:

- 3.1 to ensure full compliance with accounting standards, Corporations Act and Regulations and other mandatory professional reporting requirements and best practice;
- 3.2 to ensure that there are adequate disclosures and that the financial statements are consistent with previous statements and disclosures;

- 3.3 to assess the consistency of disclosures in the financial statements with other disclosures made by the Company to the financial markets and other public bodies; and
- 3.4 to review the interim and annual financial statements.

## **4 Engagement of the External Auditors**

The Committee should assess the following:

- 4.1 the independence of the auditors;
- 4.2 the ability of the auditors to provide additional services which may be occasionally required;
- 4.3 the competency and reputation of the auditors;
- 4.4 the projected audit fees; and
- 4.5 review the appointment, performance and remuneration of external auditors.

## **5 Communication with Auditors**

The Committee should consult with auditors in relation to the following:

- 5.1 The Audit Programs
  - (a) nature and scope of the audit;
  - (b) to highlight areas of risk, potential problems or issues; and
  - (c) to ensure that all areas of concern to the Committee and the auditors are addressed.
- 5.2 The Post Audit Review
  - (a) to discuss and review in detail any Board report prepared by the auditors;
  - (b) to understand and consider the action taken in relation to the issues identified in 5.1 above;
  - (c) to focus on areas which might be the subject of differences between management and the auditors;

- (d) to review and assess the adequacy of compliance with all regulatory requirements and generally accepted accounting principles;
- (e) to review the auditor's report and discuss it in detail with the auditor; and
- (f) to have particular regard to issues the resolution of which require significant levels of judgment.

### 5.3 Management Controls

- (a) to review and monitor internal financial controls to ensure they are adequate and effective to minimise financial and other major operating risks;
- (b) to review the integrity and prudence of procedures for management control;
- (c) to consider the adequacy of internal controls by reviewing management letters and the response of management;
- (d) to assess the extent of any corrective action being taken by management; and
- (e) to determine whether the auditor is satisfied that the response to previous letters has been adequate.

### 5.4 Other

The Committee should encourage the auditor to discuss frankly any issues that require review and should afford the auditor the opportunity to do so, through arranging the absence of management, if necessary.

## 6 Legal and Other Regulatory Obligations

In enhancing its understanding of the Company and its business, the Company may request management to furnish it with reports on topics such as:

- 6.1 budgets and budgetary scenarios;
- 6.2 the legal environment facing the Company including any potential actions arising;
- 6.3 the insurance coverage of Company employees and Directors;
- 6.4 current issues affecting industry;
- 6.5 the effect of change in taxation or company legislation;

- 6.6 to monitor the management of identified risks, highlight new risks and determine the actions to be taken for their control;
- 6.7 to oversee the process governing related party transactions; and
- 6.8 to provide the Board with reports on risk management review.