

**NELSON RESOURCES LIMITED**  
**127 620 482**  
**("COMPANY")**

**AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER**

**1. Membership**

- 1.1. The Audit and Risk Management Committee will consist of at least two members. Members will be appointed by the Board 'where possible' from amongst the Non-Executive, Directors, a majority of who, 'where possible', will also be independent. In addition, the Audit and Risk Management Committee will comprise:
- (a) members who can all read and understand financial statements and are otherwise financially literate;
  - (b) at least one member with financial expertise either as a qualified accountant or other financial professional with experience in financial and accounting matters if possible; and
  - (c) at least one member who has an understanding of the industry in which the Company operates.

**2. Chairman**

- 2.1. The Audit and Risk Management Committee will appoint an independent Director, other than the Chairman of the Board, to be the Chairman of the Audit and Risk Management Committee ("**Chairman**").

**3. Secretary**

- 3.1. The Company Secretary will be the Secretary of the Audit and Risk Management Committee ("**Secretary**").

**4. Other Attendees**

- 4.1. The Executive Director as well as other members of senior management may be invited to be present for all or part of the meetings of the Audit and Risk Management Committee, but will not be members of the Audit and Risk Management Committee.
- 4.2. Representatives of the external auditor may attend meetings of the Audit and Risk Management Committee. Further at least once a year the Audit and Risk Management Committee will consider if it shall meet with the external auditors without any management staff or executives present.

**5. Quorum**

- 5.1. A quorum will be two members.

**6. Meetings**

- 6.1. Audit and Risk Management Committee meetings will be held not less than two times a year so as to enable the Audit and Risk Management Committee to undertake its role effectively. In addition, the Chairman will be required to call a meeting of the Audit and Risk Management Committee if requested to do so by any member of the Audit and Risk Management Committee, the Executive Director, or the external auditor.

**7. Authority**

- 7.1. The Audit and Risk Management Committee is authorised by the Board to investigate any activity within its charter. The Audit and Risk Management Committee will have access to management and auditors with or without management present and has rights to seek explanations and additional information. It is authorised to seek any

information it requires from any employees and all employees are directed to cooperate with any request made by the Audit and Risk Management Committee.

7.2. The Audit and Risk Management Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

7.3. The Audit and Risk Management Committee is required to make recommendations to the Board on all matters within the Audit and Risk Management Committee's charter.

## **8. Reporting Procedures**

8.1. The Audit and Risk Management Committee will keep minutes of its meetings. The Secretary shall circulate the minutes of the meetings of the Audit and Risk Management Committee to all members of the Audit and Risk Management Committee for comment and change before being signed by the Chairman of the Audit and Risk Management Committee and circulated to the Board with the Board papers for the next Board meeting. The minutes are to be tabled at the Board meeting following the Audit and Risk Management Committee meeting along with any recommendations of the Audit and Risk Management Committee.

## **9. Responsibilities of the Audit and Risk Management Committee**

The Audit and Risk Management Committee is responsible for reviewing the integrity of the Company's financial reporting, overseeing the independence of the external auditors (**Audit Limb**) and oversight of the Company's risk management and control framework (**Risk Limb**). An explanation of the roles and duties of each limb are set out below.

## **10. Audit Limb**

### **10.1. Financial Statements**

The Audit and Risk Management Committee shall:

- (a) before it approves the entity's financial statements for a financial period, receive from its CEO and CFO (or equivalent) a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively;
- (b) review the audited annual and half yearly financial statements and any reports which accompany published financial statements before submission to the Board, recommending their approval, focusing particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments, accounting and financial reporting issues resulting from the internal and external audit;
  - (iv) compliance with accounting policies and standards; and
  - (v) compliance with legal requirements;
- (c) review the evaluation by management of factors related to the independence of the Company's public accountant and to assist them in the preservation of such independence; and
- (d) oversee the appointment of the Company's public accountant by the Board.

### **10.2. Related Party Transactions**

The Audit and Risk Management Committee shall monitor and review the propriety of any related party transactions.

#### 10.3. External Audit Function

The Audit and Risk Management Committee shall:

- (a) recommend to the Board the appointment of the external auditor;
- (b) annually review the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal;
- (c) discuss with the external auditor before the audit commences the nature and scope of the audit;
- (d) meet privately with the external auditor on at least an annual basis;
- (e) determine that no management restrictions are being placed upon external auditor;
- (f) discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
- (g) review the external auditor's management letter and management's response; and
- (h) review any regulatory reports on the Company's operations and management's response.

#### 10.4. Reliance on Professional or Expert Advice and Information

Each member of the Audit and Risk Management Committee will be entitled to rely on information, or professional or expert advice, to the extent permitted by law, given or prepared by:

- (a) an employee of the Company whom the member believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
- (b) a professional advisor or expert in relation to matters that the member believes on reasonable grounds to be within the advisor's or expert's professional or expert competence; or
- (c) another Director or officer of the Company in relation to matters within the Director's or officer's authority.

#### 10.5. Communication

The Audit and Risk Management Committee shall:

- (a) provide, through regular meetings, a forum for communication between the Board, senior financial management, staff involved in internal control procedures and the external auditors;
- (b) enhance the credibility and objectivity of financial reports with other interested parties, including creditors, key stakeholders and the general public; and
- (c) establish procedures for complaints and reports regarding accounting, internal accounting controls and auditing matters and ensuring a mechanism for the confidential treatment of such complaints and reports (including the ability to submit complaints and reports anonymously).

#### 10.6. Assessment of Effectiveness

The Audit and Risk Management Committee shall:

- (a) evaluate the adequacy and effectiveness of the Company's administrative, operating and accounting policies through active communication with the Board and the external auditors; and
- (b) arrange for the annual review of this Charter by the Board.

#### 10.7. Oversight of the Risk Management System

The Audit and Risk Management Committee shall:

- (a) oversee the establishment and implementation by the Board of a system for identifying, assessing, monitoring and managing material risk throughout the Company. This system will include the Company's internal compliance and control systems;
- (b) annually review the Company's risk management systems to ensure the exposure to the various categories of risk are minimised prior to endorsement by the Board;
- (c) evaluate the Company's exposure to fraud;
- (d) take an active interest in ethical considerations regarding the Company's policies and practices;
- (e) monitor the standard of corporate conduct in areas such as arms-length dealings and likely conflicts of interest;
- (f) identify and direct any special projects or investigations deemed necessary;
- (g) ensure the appropriate engagement, employment and deployment of all employees under statutory obligations;
- (h) ensure a safe working culture is sustained in the workforce;
- (i) determine the Company's risk profile describing the material risks, including both financial and non-financial matters, facing the company; and
- (j) regularly review and update the risk profile.

### 11. Risk Limb

#### 11.1 Responsibility and Oversight

- (a) The Audit and Risk Management Committee is responsible for the oversight of the Company's risk management and control framework.
- (b) Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Executive Director having ultimate responsibility to the Board for the risk management and control framework.

#### 11.2. Primary Objectives

The primary objectives of the risk management system at the Company are to ensure:

- (a) all major sources of potential opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
- (b) business decisions throughout the Company appropriately balance the risk and reward trade off;
- (c) regulatory compliance and integrity in reporting is achieved; and
- (d) senior management, the Board and investors understand the risk profile of the Company.

#### 11.3. Risk Management System

In line with these objectives the risk management system covers:

- (a) operational risk;
- (b) financial reporting;
- (c) compliance and regulations; and
- (d) system and information technology process risk.

#### 11.4. Monitoring Risk

Arrangements put in place by the Audit and Risk Management Committee to monitor risk management include:

- (a) monthly reporting to the Board in respect of operations and the financial position of the Company;
- (b) quarterly rolling forecasts prepared;
- (c) circulation of minutes of relevant committees to the Board and the Chairman of each respective committee; and
- (d) a report to the Board by each committee to be provided on an annual basis.

#### 11.5. Risk Management Framework

A risk management review process is also being developed and will provide a framework for systematically understanding and identifying the types of business risks threatening the Company as a whole, or specific business activities within the Company.

#### 11.6. Material Business Risks & Reporting

- (a) Given the speculative nature of the Company's business it is subject to general risks and certain specific risks. Some of these risks include but are not limited to the following:
  - (i) liquidity risk;
  - (ii) operating risks;
  - (iii) loss of key personnel;
  - (iv) reliance on strategic partners; and
  - (v) capital requirements.
- (b) The analysis and evaluation criteria are used to continually assess the impact of risks upon the Company's business objectives. The Audit and Risk Management Committee is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. The annual business planning process includes careful consideration of internal and external risk profile of the Company.
- (c) The Executive Director and Chief Financial Officer (or equivalent) will report monthly to the Board on the areas they are responsible for, including material business risks and provide an annual written report to the Board summarising the effectiveness of the Company's management of material business risks.
- (d) The Company's business risk management process provides a comprehensive, integrated approach for carrying out risk management activities. This process will allow the Audit and Risk Management Committee to minimise the potential impact of business risks in achieving objectives to create and protect shareholder value.

#### 11.7. Integrity of Financial Reporting

The Company's Chief Executive Officer and Chief Financial Officer (or equivalent) are required to report in writing to the Board (as required by section 295A of the *Corporations Act 2001* (Cth) ("**Corporations Act**")) that:

- (a) the financial statements of the Company and its controlled entities (where appropriate) for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- (b) the statement in paragraph 4.1(a) above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- (c) the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Note: Under the provisions of the *Corporations Act* a person performs a *chief executive function* in relation to the Company if that person is the person who is primarily and directly responsible to the Directors for the general and overall management of the Company.

In addition, in the event that there is not a Chief Financial Officer in place, the *Corporations Act* provides that a person performs a *chief financial officer function* in relation to the Company if that person is the person who is primarily responsible for financial matters in relation to the Company and directly responsible for those matters to either the Directors or the person who performs the chief executive function in relation to the Company.

The persons fulfilling these respective roles will be identified by the Board with the appropriate declarations made as required.

#### 11.8. Review of Risk Management Policy

This policy will be reviewed annually by the Audit and Risk Management Committee with any proposed changes to be approved by the Board.