

Audit and Risk Committee charter

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Committee Charter

1 Membership of the Committee

The Committee must consist of:

- only non-executive directors;
- a majority of independent directors;
- an independent Chair, who is not Chair of the Board; and
- a minimum of 3 members of the Board.

The Board may appoint additional non-executive directors to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.

Members of management and the external auditor may attend meetings of the Committee at the invitation of the Committee Chair.

It is intended that all members of the Committee should be financially literate and have familiarity with financial management and at least one member should have expertise in financial accounting and reporting (ie be a qualified accountant or other financial professional with experience of financial and accounting matters).

The Company Secretary must attend all Committee meetings as minute secretary.

2 Administrative matters

2.1 Meetings

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 normally meet prior to each of the Company's annual and half-yearly profit announcements and prior to the signing of the Company's annual financial statements.

2.2 Quorum

The quorum is at least 2 members.

2.3 Convening and notice of meeting

Any member may, and the Company Secretary must upon request from any member, convene a meeting of the Committee. Notice, including an agenda drawn up by the Company Secretary and the Chair, will be given to every member of the Committee and the external auditors, at least one week prior to each meeting of the Committee, at that person's advised address for service of notice (or such other pre-notified interim address where relevant). Acknowledgement of receipt of notice by all members is not required before the meeting may be validly held.

2.4 Rights of access and authority

The Committee has rights of access to management and to auditors (external and internal) without management present, and rights to seek explanations and additional information from both management and auditors. Such management and internal auditors

shall be instructed by the Board to respond to such enquiries. Whilst the internal audit function reports to senior management, it is acknowledged that the internal auditors also report directly to the Committee.

The Committee may seek the advice of the Company's auditors, solicitors or such other independent advisers, or institute special investigations, as to any matter pertaining to the powers or duties of the Committee or the responsibilities of the Committee, as the Committee may require.

2.5 Minutes

Minutes of meetings of the Committee must be kept by the Company Secretary and, after approval by the Committee Chair, be presented and circulated at the next Board meeting. All minutes of the Committee must be entered into a minute book maintained for that purpose and be open at all times for inspection by any director.

2.6 Reporting

The Committee Chair will report the findings and recommendations of the Committee at the Board meeting next following a meeting of the Committee.

The Committee shall have no executive powers with regard to its findings and recommendations.

3 Role & Responsibilities

3.1 Overview

The Committee's key responsibilities and functions are to:

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

3.2 Audit

The Committee's primary roles are:

- to assist the Board in relation to the reporting of financial information;
- the appropriate application and amendment of accounting policies;
- to make recommendations to the Board on the appointment, independence and remuneration of the external auditor; and
- to provide a link between the external auditors, the Board and management of the Company.

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

- (a) Engage in the pro-active oversight of the Company's financial reporting and disclosure processes and overseeing and reviewing the outputs of that process (including review of

the Company's financial statements for accuracy and to ensure they reflect a true and fair view, as a basis for recommendation to and adoption by the Board).

- (b) Assist the Board in determining the reliability and integrity of accounting policies and financial reporting and disclosure practices.
- (c) Review financial statements for adherence to accounting standards and policies and other requirements relating to the preparation and presentation of financial results and oversee the financial reports and the results of external audit of those reports (including assessing significant estimates and judgments and assessing whether external reporting is consistent with the Committee members' information and knowledge, and is adequate for shareholder needs).
- (d) Review the appropriateness of the accounting policies adopted by management in the composition and presentation of financial reports (or any changes made or contemplated in relation to the Company's accounting policies) and assess the management processes supporting external reporting.
- (e) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters, and procedures for the confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.
- (f) Review management processes supporting external reporting, and any complaints or concerns raised internally regarding financial or accounting processes and practices.
- (g) Ensure that procedures are in place designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management.
- (h) Approve the scope of the audit for Board approval.
- (i) Invite the external auditor to attend Committee meetings to, at least, review the audit plan, discuss audit results and consider the implications of the external audit findings for the Company.
- (j) Provide the opportunity for Committee members to meet with the external auditors without members of senior management being present at least twice a year.
- (k) Review the effectiveness of the annual audit, placing emphasis on areas where the Committee or the external auditors believe special attention is necessary.
- (l) Review the results and effectiveness of the internal audit programs and the performance and objectivity of the internal audit function, including whether the internal auditors are adequately resourced and co-ordinated with the external auditor. Monitor the independence of the internal audit programs from the external auditors and management. Review the outcomes and approve the internal audit program.
- (m) Review and recommend to the Board the appointment and dismissal of the senior internal audit executive.
- (n) Review the performance, independence and objectivity of the external auditors.
- (o) Review the procedures for selection and appointment of the external auditors and for the rotation of external audit engagement partners.
- (p) Make recommendations to the Board in respect of the appointment (including the termination of an engagement), compensation, terms of engagement and other contractual terms of the external auditors.
- (q) Develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and ensure compliance with that policy.
- (r) Provide advice to the Board as to whether the Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence, and an explanation of why those non-audit services do not compromise audit independence, in

order for the Board to be in a position to make the statements required by the *Corporations Act 2001* (Cth) to be included in the Company's annual report.

- (s) Recommend to the Board whether the financial and non-financial statements should be signed by the Board based on the Committee's assessment of them.

3.3 Risk

The Committee's specific function with respect to risk management is to review and report to the Board that:

- (a) the Company's ongoing risk management program effectively identifies all areas of potential risk;
- (b) adequate policies and procedures have been designed and implemented to manage identified risks;
- (c) a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- (d) proper remedial action is undertaken to redress areas of weakness.

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

- 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.
- Evaluating the adequacy and effectiveness of the Group's financial and operational risk management control systems by reviewing risk registers and reports from management and external auditors.
- Ensuring that significant risks to the Group are reported to the Board at least annually.
- Evaluating the structure and adequacy of the Group's Business Continuity Plans.
- Evaluating the structure and adequacy of the Group's own insurances on an annual basis.
- Reviewing and making recommendations on the strategic direction, objectives and effectiveness of the Group's financial and operational risk management policies.
- Overseeing 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; and
 - a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control.
- Evaluating the Group's exposure to fraud and overseeing investigations of allegations of fraud or malfeasance.
- Reviewing the Group's main corporate governance practices for completeness and accuracy.
- Reviewing the procedures in place for management of unusual types of transactions and potential transactions that may carry more than an acceptable degree of risk, in particular related-party transactions.
- Reviewing the procedures the Company has in place to ensure compliance with laws and regulations (particularly those which have a major potential impact on

the Company in areas such as trade practices, occupational health and safety, and the environment).

- Reviewing 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).
- Advising the Board on the appropriateness of significant policies and procedures relating to financial processes and disclosures and reviewing the effectiveness of the Company's internal control framework.
- Reviewing the Company's policies and culture with respect to the establishment and observance of appropriate ethical standards.
- Reviewing and discussing with management and the internal and external auditors the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs.

4 Relationship with the external auditor

The Committee provides a link between the external auditor and the Board and has the responsibility for the review of, and recommendation to the Board in respect of, the appointment and removal of the external auditor. The Committee has the responsibility and authority to review the terms of the external auditor's engagement.

The Committee is responsible for overseeing the Company's external audit policy, a copy of which is attached as Attachment 1.

5 Relationship with the internal auditor

The Committee has the responsibility of:

- (a) reviewing the internal auditor's objectives, competence and resourcing (including determining whether the internal audit function is to be provided by an internal or external party provider);
- (b) ensuring an appropriate program of internal audit activity is conducted each financial year;
- (c) reviewing and monitoring the progress of an internal audit and work program (without the presence of management);
- (d) overseeing the coordination of the internal and external audit; and
- (e) evaluating and critiquing management's responsiveness to internal auditor's finding and recommendations.

6 Review

The Board will, at least once in each year, review the membership and Charter of the Committee to determine its adequacy for current circumstances and the Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.

External Audit Policy

Appointment

The Audit and Risk Committee (**Committee**) may make recommendations to the Board for the appointment, reappointment or replacement and remuneration of the external auditor and has responsibility for evaluating the external auditor's effectiveness and independence. The Committee will review the appointment of the external auditor annually based on its assessment of the auditor's performance.

Assessment of External Auditor

The Committee will review the performance of the external auditor on an annual basis after completion of the year-end audit. In evaluating the effectiveness of external audit, the Committee will assess the effectiveness of the external auditor based on a number of criteria including but not restricted to:

- the overall comprehensiveness of the external audit plan;
- the timeliness and quality of communications promised under the plan and delivered during the audit;
- the competency and industry knowledge of external audit staff; and
- the adequacy of resources to achieve the scope as outlined in the plan.

The Committee will seek feedback from management during the assessment process.

Independence

The Committee will review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company. The review and assessment will be carried out annually at the time the external auditor presents its annual audit plan.

Prior to this review, the Committee will request a report from the external auditor which sets out all relationships that may affect its independence, including the provision of non-audit services, financial relationships, employment and other relationships and any other matters that may reasonably be thought to have bearing on the external auditor's independence. The report should outline any safeguards that the external auditor has in place to reduce any threat to independence to an acceptable level.

Before the directors approve the half-year and full year accounts, the external auditor will be asked to provide a declaration testifying to its independence in respect of the financial period in question. The external auditor will have a continuing obligation to notify the Committee, via the Company Secretary, of any new information it believes may be material to reviewing its independence.

The Committee has responsibility to develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and to ensure compliance with that policy.

Rotation of External Audit Engagement Partner

The external audit engagement partner is required to rotate at least once every 5 years.