

1. Introduction

The Board has established an Audit and Risk Committee to assist the Board in its oversight of:

- (a) the integrity of the Company's accounting and financial reporting practices;
- (b) the company's risk profile and risk policies;
- (c) the effectiveness of the Company's system of internal control and framework for risk management: and the Company's compliance with applicable legal and regulatory obligations

2. Purpose

This Audit and Risk Charter (Charter) sets out the responsibilities and functions, and composition, structure, and membership requirements of the Audit and Risk Committee.

The Charter is available to shareholders of the Company via the Company website (www.kglresources.com.au).

3. Responsibilities and Functions

3.1. Responsibilities and functions generally

The Audit and Risk Committee is responsible for:

- (a) assessing whether the Company's external reporting is consistent with the information and knowledge of members of the Audit and Risk Committee and whether it is adequate for the needs of the Company's shareholders;
- (b) assessing the management processes supporting external reporting;
- (c) overseeing the development, implementation and review of the procedures for selection and appointment of the Company's external auditor and for the rotation of external audit engagement partners;
- (d) making recommendations to the Board about the appointment and removal of the Company's external auditor;
- (e) assessing the performance and independence of the Company's external auditors, including confirming that provision of non-audit services by the Company's external auditors has not compromised the auditor's independence (if the Company's external auditor provides non-audit services);
- (f) reporting to the Board the results of the Audit and Risk Committee's review of the Company's risk management, internal controls and compliance systems and processes;
- (g) monitoring, reviewing and assessing the property of related party transactions;
- (h) ensuring that Management has implemented a structured and comprehensive risk management system across the Company;
- (i) reviewing, and approving for recommendation to the Board, guidelines and policies governing the oversight and management of the Company's material business risks including the processes by which Management assess, manage and control the Company's exposure to risk; and
- (j) monitoring material changes to the Company's risk profile.

3.2. External reporting

The Audit and Risk Committee is responsible for:

- (k) overseeing the development and implementation of a structure of review and authorisation to ensure the integrity of the Company's financial reporting;
- (l) reviewing and assessing the Company's accounting policies and principles, including any proposed significant amendments;
- (m) reviewing and assessing any significant estimates and judgments in the Company's financial reports, and considering whether the policy or method used is appropriate;
- (n) reviewing recent regulatory and professional pronouncements and understand their impact on the Company's obligations relation to external reporting;
- (o) reviewing the quarterly activity and cashflow report, half year financial report and the annual financial report and remuneration report to be included in the Company's annual report with relevant Management and the Company's external auditor;
- (p) reviewing and assessing information provided by the Company's external auditors that may affect the quality of the Company's financial reports;
- (q) recommending to the Board whether the financial and non-financial statements should be approved by the Board.

3.3. External audit

The Audit and Risk Committee is responsible for:

- (a) reviewing the performance of the Company's external auditors annually and making recommendations to the Board about the appointment or reappointment, compensation, retention, termination and oversight of the Company's external auditor and rotation of the engagement partner;
- (b) regularly reviewing and assessing the independence of the Company's external auditor and, at the start of each audit, the terms of their engagement;
- (c) reviewing and approving the scope of the annual audit plan and audit services to be provided;
- (d) monitoring the activities of the Company's external auditor's assessment of financial statement materiality;
- (e) ensuring that there are no internal restrictions or limitations on the Company's external auditor and monitoring the responsiveness by Management to the external auditor's findings and recommendations; and
- (f) assessing whether the non-audit services provided to the Company by its external auditor or any other relationship between the Company and its external auditor impacts on the independence and objectivity of the external auditor of the quality of the audit services provided to the Company by the external auditor.

3.4. Internal audit

The Board is of the opinion that the Company is currently not of a size nor are its affairs of such complexity as to justify the formation of an internal audit function, but may be in the future. The Audit and Risk Committee is to review the need for an internal audit function annually.

The Audit and Risk Committee also is responsible for reviewing the Company's systems of internal compliance and control, risk management and legal compliance, to ensure the integrity and effectiveness of those systems.

3.5. Risk management, evaluation and monitoring processes

The Audit and Risk Committee is responsible for:

- (a) considering the impact of the Company's culture on risk management and internal controls;
- (b) ensuring that Management has implemented a structured and comprehensive risk management system across the Company which is capable of:
 - (i) identifying, assessing, monitoring and managing risks that could have a material impact on the Company's business (including operational, environmental, sustainability, compliance, strategic, ethical conduct, reputation or brand, technological, product quality, human capital, financial reporting and market-related risks);
 - (ii) providing appropriate assurances to Management and the Board.
- (c) reviewing, and approving for recommendation to the Board, guidelines and policies governing the oversight and management of the Company's material business risks, including the process by which Management assess, manage and control the Company's exposure to risk;
- (d) monitoring material changes in the economic and business environment of the Company including consideration of emerging trends and other factors related to the Company's risk profile;
- (e) reviewing disclosures in the annual corporate governance statement in relation to the recognition and management of business risks;
- (f) monitoring the processes Management has implemented for managing insurable risks including assessing the adequacy of insurance cover;
- (g) reviewing the business continuity planning process and being satisfied that material risks are identified and appropriate business continuity plans are in place;
- (h) reviewing the risk management and policies of the Company generally and undertaking such other tasks as the Board may request from time to time.

3.6. Compliance and ethics

The Audit and Risk Committee is responsible for:

- (a) considering the impact of the Company's culture on compliance processes;
- (b) monitoring the impact of changes in key laws, regulations, internal policies and Accounting Standards affecting the Company's operations;
- (c) reviewing the effectiveness of the entity's systems, policies and practices that relate to compliance with laws, regulations, internal policies and Accounting Standards, and the results of Management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- (d) reviewing regular updates from Management about compliance and ethical matters that may have a material impact on the entity's financial statements, strategy, operations or reputation, including material breaches of laws, regulations, standards and Company policies;
- (e) monitoring and reviewing related party transactions;
- (f) reviewing processes and procedures designed to ensure compliance with the ASX Listing Rules on continuous disclosure;
- (g) reviewing and, where applicable approve the policies, processes and framework for identifying, analysing and addressing complaints (including whistleblowing) and review material complaints and their resolution;

- (h) reviewing the Company's process for communicating the Code of Conduct to staff and assess the effectiveness of, and compliance with the Code of Conduct;
- (i) reviewing with Management whether all regulatory compliance matters of the entity have been considered in the preparation of the financial statements.

4. Membership

4.1 Composition

The Audit and Risk Committee is to consist of the following:

- (a) only non-executive Directors;
- (b) a majority of Independent Directors;
- (c) an independent Chairman who is not the Chairman of the Board; and
- (d) at least three members, where there are not three or more non-executive Directors of the Company, the Board may appoint executive Directors to the Committee.

Each member of the Audit and Risk Committee must be financially literate and at least one member of the Committee is to have relevant qualifications and/or experience in accounting or related financial management matters, and more than one member must have an understanding of the industry in which the Company operates, such that the Committee as a whole is able to discharge its mandate effectively.

The Chief Financial Officer will be the Secretary of the Audit and Risk Committee.

5. Administration

5.1. Meetings

The Audit and Risk Committee will meet at least four times a year or more frequently as required.

A quorum for a Committee meeting will be a majority of Committee members.

The Audit and Risk Committee may, at the discretion of its Chairman, meet with:

- (a) Management (without the external auditors being present) to discuss any issues within its responsibilities; and
- (b) the Company's external auditors (without Management being present) to discuss any issues, including any restrictions that may be affecting the work of the Company's external auditors.

5.2. Attendees

Other Directors (executive and non-executive) have a right of attendance at meetings, subject to exclusion as deemed appropriate by the Chairman of the Audit and Risk Committee.

Audit and Risk Committee may invite any person to attend any meeting or part of any meeting of the Audit and Risk Committee.

6. Reporting

Minutes of the proceedings of all Audit and Risk Committee are to be prepared and signed by the Chairman of the Audit and Risk Committee.

The Audit and Risk Committee through its Chairman, is to report to the Board at the earliest possible Board meeting after each Audit and Risk Committee meeting. Minutes of all Audit and Risk Committee meetings are to be circulated to the Board. The Audit and Risk Committee is to report to the Board all matters relevant to the Committee's role and responsibilities, including an annual report on the performance and effectiveness of the Committee.

7. Access

The Audit and Risk Committee shall have unlimited access to the external auditors, and to Management for the purpose of obtaining information to discharge its functions. The Audit and Risk Committee shall also have the ability and authority to seek any information it requires to carry out its discharge its duties from any Director, member of Management or Employee and such persons shall be instructed by the Board to co-operate fully in the provision of such information.

The Audit and Risk Committee also has the authority to seek advice from external experts where it considers it necessary or appropriate to carry out its duties. Any costs incurred as a result of the Committee consulting an external expert will be borne by the Company.

8. Annual General Meeting

The Chairman of the Audit and Risk Committee is to be present at the Annual General Meeting to answer questions, through the Chairman of the Board.

The Audit and Risk Committee must ensure that the external auditor attends the Annual General Meeting and is available to answer questions of shareholders relevant to the audit.

9. Review

The Audit and Risk Committee will conduct an annual review of its performance and effectiveness. This review process will include a review of the terms of this Charter.



Simon Finnis
Managing Director

12 October 2021



INTEGRITY

We do what we say



ACCOUNTABLE

We own our actions



RESPECTFUL

We act with dignity



SUSTAINABLE

We achieve robust outcomes

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