

AUDIT AND RISK COMMITTEE CHARTER

Revised and approved by the Board 17 May 2019



SANDFIRE
RESOURCES NL

The Sandfire Audit and Risk Committee (the Committee) is established by the Board under the Constitution of Sandfire Resources NL (the Company).

1. Purpose

- 1.1 The purpose of the Committee is to assist the Board in the effective discharge of its responsibilities as they relate to audit and risk. Specifically these include but are not limited to overseeing the following matters:
- the Company's relationship with the external auditor and the external audit function;
 - the preparation of financial statements and reports, including disclosure processes;
 - the Company's internal financial controls and systems;
 - the process of identification and management of risk, including taxation risk management and compliance; and
 - the Company's internal audit function.

2. Composition

- 2.1 The Committee must consist of:
- only non-executive Directors;
 - a majority of independent Directors; and
 - a minimum of 3 members.
- 2.2 The Committee Chair will:
- be an independent non-executive Director, who is not Chair of the Board;
 - be knowledgeable of the Company's business, finance and auditing processes; and
 - oversee the planning and conduct of Committee meetings including approval of the agenda and minutes.
- 2.3 It is intended that all members of the Committee should be financially literate and have familiarity with financial management, at least one member should have relevant qualifications and experience (i.e. be a qualified accountant or other finance professional with experience of financial and accounting matters) and members should have an understanding of the industry in which the entity operates.
- 2.4 The Company Secretary will be the secretary of the Committee.
- 2.5 The Board may appoint such additional non-executive Directors to the Committee or remove and replace members of the Committee by resolution.
- 2.6 Members may withdraw from membership by written notification to the Board.
- 2.7 Non-committee members, including members of management and the external auditor, may attend meetings of the Committee at the invitation of the Committee Chair.

3. Meetings

- 3.1 The Committee will meet as frequently as required in order to fulfil its role but not less than four times a year.
- 3.2 Any member may, and the Company Secretary must, upon request from any member, convene a meeting of the Committee.

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- 3.3 At least three days' notice of each meeting confirming date, time, venue and agenda (including any supporting papers) will be given to every member of the Committee at the member's advised address for service of notice (or such other pre-notified interim address where relevant) but acknowledgement of receipt of notice by all members is not required before the meeting may be validly held.
- 3.4 A quorum of the Committee will be at least two members. In the absence of the Committee Chair, Committee members must elect one of their members to act as Chair for that meeting.
- 3.5 Each member of the Committee will have one vote and questions will be decided by a majority of votes. The Chair does not have a casting vote.
- 3.6 The Company Secretary will keep minutes of proceedings and resolutions of the Committee together with copies of supporting papers. These records will be available to any Board member upon request.
- 3.7 The Committee will develop an Annual Program to meet its responsibilities.
- 3.8 The Committee Chair will provide a brief oral report at the next Board meeting as to any material matters arising out of the Committee meeting. All Directors will be permitted, within the Board meeting, to request information of the Committee Chair or members of the Committee. The Committee Chair will advise the Board that management has reported to it as to the effectiveness of the Company's management of its material business risks at least annually.

4. Committee responsibilities

In addition to any other matters that may be delegated to the Committee by the Board, the Committee has the following responsibilities.

4.1 External audit and external reporting

- a. Oversee and ensure compliance with Sandfire's external audit policy (Attachment 1).
- b. Review the performance, independence and objectivity of the external auditor.
- c. Review the procedures for selection and appointment of the external auditor and for the rotation of the external audit engagement partner.
- d. Assume responsibility for the appointment (including the termination of any engagement), compensation, the terms of engagement and other contractual terms of the external auditor.
- e. Approve the scope of the external audit.
- f. Review the effectiveness of the external audit and evaluate the performance of the external auditor. Where necessary, make appropriate recommendations to the Board on the appointment or discharge of the external auditor.
- g. Oversee and ensure compliance with Sandfire's policy on non-audit services provided by the external auditor (Attachment 2).
- h. Review and monitor the Company's policies relating to financial reporting and controls, including compliance with laws, accounting standards, regulations and ethical guidelines.
- i. Review, assess and understand any significant accounting and reporting issues, including complex or unusual transactions, estimates and judgements, and recent professional and regulatory pronouncements, examining management's methods, judgments and processing in respect of same, and reasoning for the use of those methods and processes. Discuss those issues with both the external auditor as to acceptability and appropriateness, as relevant.
- j. Review with management, and the external auditor on completion of the audit or review, the draft annual and half-year financial statements for:
 - i. accuracy and to ensure that they reflect a true and fair view, as a basis for recommendation to and adoption by the Board;
 - ii. adherence to accounting standards and policies and other requirements relating to the preparation and presentation of financial reports and the results of external audit of those reports (including assessing whether external reporting is consistent with the Committee members' information and knowledge, and is adequate for shareholder needs);

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- iii. 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; and
- iv. appropriateness of the accounting judgements or choices exercised by management in preparing the Company's financial statements.
- k. Review the declaration required to be made by the Chief Executive Officer and Chief Financial Officer to the Board (prior to its approval of all financial statements) in accordance with section 295A of the Corporations Act 2001.
- l. Ensure that procedures are in place designed to verify the existence and effectiveness of accounting and financial systems and other systems or internal controls which relate to financial risk management.
- m. Review procedures for the receipt 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 personnel regarding accounting and auditing matters.

4.2 Internal audit

- a. Where the internal audit function is carried out by management, approve the resources engaged in the internal audit function. Where the internal audit function is outsourced, review and approve the appointment of the internal auditor, and the internal auditor's fee.
- b. Review and approve the annual audit plans and work program of the internal audit function.
- c. Monitor and assess the performance and effectiveness of the internal audit function.
- d. Review and monitor management's responsiveness to the internal audit findings and recommendations.
- e. Ensure that the head of the internal audit function reports to the Committee, and, where necessary has direct access to the Committee Chair.
- f. Report to the Board on issues arising from internal audit and on major issues arising from the internal audit program.

4.3 Risk management

- a. Ensure that the Company's ongoing risk management program effectively identifies all areas of potential risk and that mitigation activities are designed and implemented to manage identified risks.
- b. Evaluate the adequacy and effectiveness of the management reporting and control systems used to manage risk.
- c. Evaluate the adequacy and effectiveness of the Group's risk management and control systems including reviewing risk registers and reports from management and the external auditor (if applicable).
- d. Evaluate the structure and adequacy of the Group's own insurances.
- e. Review and make recommendations on the strategic direction, objectives and effectiveness of the Group's financial and operational risk management policies.
- f. 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.
- g. Evaluate the Group's exposure to fraud and overseeing investigations or allegations of fraud.
- h. Review the Group's main corporate governance practices (including policies and procedures) that relate to the responsibilities of the Committee for completeness and accuracy.
- i. Review the procedures the Company has in place to ensure compliance with laws and regulations.
- j. Review the procedures in place to ensure compliance with insider trading laws, continuous disclosure requirements, taxation laws and other best practice corporate governance processes (including requirements under the ASX Listing Rules, Corporations Act and AASB requirements).

4.4 Related-party transactions

- a. Review and monitor related-party transactions and assess their propriety.

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5. Access

- 5.1 The Committee is granted unrestricted access to employees (including all levels of management), company records, the head of the internal audit function and external auditors.
- 5.2 The Committee or any individual member of the Committee may seek the advice of the Company's auditors, solicitors or other independent advisers (including external consultants and specialists) as to any matter pertaining to the powers or duties of the Committee, as the Committee may require.

6. Review

- 6.1 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.

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Attachment 1 – External audit policy

1.1 Role of the Committee

The Committee has the responsibility and authority (subject to the Corporations Act 2001 (Cth) requirements) for the appointment, reappointment or replacement and remuneration of the external auditor as well as evaluating the effectiveness and independence of the external auditor.

1.2 Assessment of external auditor

The Committee will review the performance of the external auditor on an annual basis after completion of the annual audit giving regard to a number of criteria, including but not restricted to:

- a. the comprehensiveness of the external audit plan;
- b. the quality of communication promised under the external audit plan and delivered during the audit;
- c. the competency and industry knowledge of the external audit staff; and
- d. the adequacy of resources to achieve the scope as outlined in the external audit plan.

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

1.3 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 financial reports, 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.

1.4 Rotation of external audit engagement partner

The external audit engagement partner is required to rotate at least once every 5 years, unless otherwise approved by the Committee and the Board of Sandfire Resources NL.

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Attachment 2 – Non-audit services policy

1.1 Role of the Committee

The Committee is responsible for the development and oversight of the Company's policy on the engagement of the external auditor to supply non-audit services and ensure compliance with the policy.

1.2 Non-audit services

Non-audit services means any services provided by the external auditor which are not included in, or are not necessarily incidental to, the terms of the audit engagement.

1.3 Prohibited non-audit services

Prohibited non-audit services are services that, if provided by the external auditor to the Company, would create a real or perceived threat to the independence of the external auditor.

1.4 External auditor may not provide prohibited non-audit services

The external auditor may not provide any prohibited non-audit services to the Company except for research and development (R&D) tax concession services.

Unless the Committee decides otherwise, the external auditor is prohibited from:

- a. performing internal audit services;
- b. providing advice on deal structuring and related documentation;
- c. providing information technology systems services;
- d. performing executive recruitment or extensive human resources functions;
- e. acting as a broker-dealer, promoter or underwriter; or
- f. providing legal services.

1.5 The Committee must approve all non-audit services

To ensure auditor independence is maintained, the Committee must approve all engagements of the external auditor to provide non-audit services.

1.6 Factors to be considered by the Committee when granting approval

In assessing a request for non-audit services, the Committee is required to give consideration to:

- a. the nature of the service provided;
- b. the dollar value and period of engagement;
- c. the availability of alternative service providers and the reasoning for recommending the external auditor;
- d. the audit firm's self-assessment of its independence risk, including safeguards to mitigate perceived risks;
- e. whether the provision of the non-audit services creates a threat to the independence of the external auditor; and
- f. any other circumstances relevant to the engagement.

1.7 Monitoring and reporting

The Committee must provide an annual report to the Board with respect to the non-audit services provided by the external auditor during the year. The report must include:

- a. the amounts paid or payable to the external auditor for non-audit services provided during the year;
- b. a statement whether the Committee is satisfied that the provision of those services during the year is compatible with the general standard of independence for auditors; and
- c. the reasons for the Committee's opinion.