

## **American Rare Earths Limited**

### **Audit and Risk Committee Charter**

#### **Introduction**

This Charter has been developed and approved by the Board of Directors (the Board) of American Rare Earths Limited (the Company) to outline the processes used by the Audit and Risk Committee (the Committee) in discharging its responsibilities.

#### **Purpose**

The primary purpose of the Committee is to assist the Board in fulfilling its responsibilities in overseeing the Company's financial reporting, including reviewing the Company's budget and financial forecasts, and compliance with legal and regulatory requirements and overseeing the Company's systems of internal control and risk management.

#### **Composition**

The Board appoints the members and the Chair of the Committee. The Committee will consist of three non-executive Directors, a majority of whom must be independent non-executive Directors. One member shall be a member of the Technical Committee.

The Chair of the Committee is responsible for leading the Committee and overseeing the processes for the Committee's performance of its role in accordance with this Charter.

The Committee members are to be financially literate, and between them, are to have accounting and financial expertise to fulfil its responsibilities.

The Company Secretary will act as Committee Secretary.

#### **Role and Responsibilities**

The responsibilities of the Committee include, but are not limited to:

- Accounting and financial reporting:
  - Review the appropriateness of the Company's significant accounting policies and practices, including management's interpretation of accounting standards. The Committee will consider, and if thought fit, approve any material changes proposed to the Company's accounting interpretations;
  - Review half year and full year financial statements and other related information, with management and the Company's external auditor, to assess the integrity of the financial statements, including internal financial and reporting controls, and make the necessary recommendations to the Board;
  - Review budget proposals, variance reporting, and the position taken by management on significant transactions and accounting issues and/or any unusual or material matters; and
  - Review annually the Company's treasury policy.
  
- External audit
  - Manage the relationship between the Company and the external auditor, including the external auditor's remuneration, and oversee the external auditor's work. The

external auditor must report directly to the Committee and is accountable to the Committee. If the external auditor resigns, the Committee will investigate and consider whether any action is required in relation to the resignation;

- Monitor and evaluate the performance of the external auditor and the progress of the audit. The criteria for evaluation of performance will include the value delivered to shareholders and the Company, cost-effectiveness, findings or conclusions arising from a review of the external auditor by a regulator, and the maintenance of the highest levels of professional integrity, objectivity and independence, taking into consideration relevant professional and regulatory requirements;
  - Evaluate the independence of the external auditor and confirm that the provision of non-audit services by the external auditor does not adversely impact its independence;
  - Review and approve the external auditor's arrangements for the rotation and succession of audit and review partners or their equivalents, including their approach to managing the transition;
  - Evaluate the expertise and experience of potential external auditors and recommend to the Board the organisation proposed to be appointed, replaced or terminated by the Company; and
  - Consider and make recommendations to the Board as to when the external audit contract should be put out to tender, taking into account applicable laws and regulations;
- Internal Controls
- Oversee management's design and implementation of internal controls, and the system of safeguarding the integrity of the financial statements designed by management in a manner that preserves the independence of the Committee and of the Board; and
  - Review the processes that management have put in place to manage compliance with laws, regulations and Company's Code of Conduct and Business Integrity.
- Other key financial processes:
- Review other key financial processes such as the tax and treasury operations, to confirm that prudent management practices are in place.
- Risk management:
- Assist the Board in reviewing the principal risks facing the Company, including those that threaten the Company's business model, future performance, solvency or liquidity;
  - Oversee management's design and implementation of the Company's risk management framework and review that framework at least annually to satisfy itself that it continues to be sound;
  - Review and make recommendations to the Board in relation to any incident involving fraud or other breakdown of the Company's internal controls;
  - Review the Company's insurance strategy and determine the extent to which it aligns with the Company's risk tolerance; and
  - Review investigations of major incidents within the Company, as well as compliance standards and provide appropriate recommendations for change to the Board.

## **Meetings**

The Committee will meet at least twice per year and additionally as it considers necessary.

The presence of one half of the members of the Committee (rounded upwards if not a whole number) will constitute a quorum with the additional requirement that the majority of members attending be independent non-executive Directors.

All Directors will have access to Committee papers and may attend Committee meetings.

Management may attend Committee meetings at the invitation of the Committee Chair, but not necessarily for the full duration of the meeting.

The Committee will meet at least annually with the external auditor without management present.

## **Reporting**

Minutes of Committee meetings will be made available to Board members. The Committee Chair will report on the business of the Committee meetings to the Board and convey Committee recommendations.

## **Review of Audit and Risk Committee Charter**

The Committee will evaluate its performance and the fulfilment of its responsibilities under this Charter annually.

The Committee will review the adequacy of this Charter annually and recommend amendments to the Board for approval.

## **Approval date**

Charter approved [insert date]

Next review [insert date]