

Risk and Audit Committee Charter

BRAZILIAN RARE EARTHS LIMITED
ACN 649 154 870
(Company)

1 Objectives

- (a) The Risk and Audit Committee (**Committee**) has been established by the board of directors (**Board**) of the Company pursuant to the Company's Constitution.
- (b) The purpose of the Committee is to:
 - (i) oversee, review and supervise the Company's risk management framework and promote a risk management culture, including considering the appropriateness of implementing an internal audit function;
 - (ii) assist the Board in discharging its responsibilities relative to the financial reporting process, the system of internal control relating to all matters affecting the Company's financial performance and the audit process;
 - (iii) review and assess the appointment, qualifications, independence, performance and remuneration of, and relationship with, the Group's external auditors and the integrity of the audit process as a whole;
 - (iv) assist the Board in monitoring compliance with laws and regulations and the Company's Code of Conduct;
 - (v) assist the Board to adopt and apply appropriate ethical standards in relation to the management of the Company and the conduct of its business; and
 - (vi) review the adequacy of the Company's insurance policies.

2 Authority

- (a) The Committee has authority to:
 - (i) conduct or authorise investigations into any matters within its purpose;
 - (ii) seek external advice or assistance, at the expense of the Company, including the appointment of consultants and independent external advice; and
 - (iii) seek information and communicate directly with the Company's senior management, advisers, internal auditor (if appointed) and external auditor at any time.
- (b) The Committee will make recommendations to the Board on all matters requiring a decision from the Board. The Committee does not have the power or authority to make a decision in the Board's name or on its behalf.

3 Membership

- (a) Members of the Committee shall comprise members of the Board appointed by the Board.
- (b) The number of members of the Committee shall be a minimum of three directors, all of whom shall, where practicable, be non-executive directors and, a majority of whom should, where practicable, be independent directors.

- (c) All members of the Committee shall be financially literate and the members of the Committee, between them, should have the accounting and financial expertise and a sufficient understanding of the industry in which the Company operates to be able to discharge the Committee's mandate effectively.
- (d) The Board will nominate the Chair of the Committee from time to time. The Committee Chair will be, where practicable, an independent non-executive director who is not the Chair of the Board.
- (e) The Board shall review the membership and performance of the Committee annually.

4 Committee Meetings

- (a) The Committee will meet as often as the Committee members deem necessary to discharge its role effectively, but not less than two times annually having regard to the Company's reporting and financial audit cycle.
- (b) The Committee Chair shall convene a meeting of the Committee if required to do so by any Committee member, the Board, the Chief Financial Officer or the external auditors.
- (c) The Committee Chair will convene a meeting for a date no later than 21 days after receipt of that request.
- (d) A quorum of the Committee will comprise two members.
- (e) The Secretary of the Committee is the Company Secretary.
- (f) The Managing Director and Chief Financial Officer shall be invited by the Committee Chair to attend part or all of any meeting of the Committee. Representatives of the external auditor also have a standing invitation to attend Committee meetings. Selected other executives, managers and external advisors may attend meetings of the Committee by invitation.
- (g) All members of the Board have a standing invitation to attend meetings of the Committee.
- (h) If the Committee Chair is absent from a meeting and no acting chair has been appointed, the Committee members present may choose one of them to act as chair for that meeting.
- (i) Reasonable notice of meetings and the business to be conducted shall be given to the members of the Committee and any other person invited by the Committee to attend.
- (j) Meetings of the Committee may be held or participated in by conference call or similar means, and decisions may be made by circular or written resolution.
- (k) The Committee Chair is responsible for the conduct of all Committee meetings. Matters arising for determination at a Committee meeting must be decided by a majority of votes cast by the members present and entitled to vote on the matter.
- (l) Each member of the Committee will have one vote. The Committee Chair has a casting vote, subject to the terms of the Constitution.
- (m) The Committee will be responsible for developing an annual agenda, to ensure that the Committee reviews, assesses or reports (as applicable) on each of the areas for which it is responsible under this Charter.
- (n) Following each meeting, the Committee Chair will report to the Board, at the next Board meeting, on any matter that should be brought to the Board's attention and on

any recommendation of the Committee that requires Board approval or action, and provide the Board with sufficient information upon which to make a decision in that regard.

- (o) The Company Secretary shall co-ordinate the timely completion and dispatch of the Committee agenda, minutes and materials for each meeting. The minutes of each Committee meeting will, following preliminary approval by the Committee Chair, be circulated to the Board.

5 Responsibilities

The responsibilities of the Committee are as follows:

(a) **Risk management**

- (i) consider the overall risk management framework and risk profile and annually review its effectiveness in meeting sound corporate governance principles and keep the Board informed of all significant business risks;
- (ii) review with management the adequacy of the Company's systems for identifying, managing, and monitoring the key risks to the Company in accordance with the Company's Risk Management Policy;
- (iii) obtain reports from management on the status of any key risk exposures or incidents and the management of material business risks;
- (iv) review the adequacy of the Company's process for managing risk and provide a recommendation to the Board regarding the same in accordance with the Company's Risk Management Policy;
- (v) review any incident involving fraud or other break down of the Company's internal controls in accordance with the Company's Risk Management Policy;
- (vi) review any incident involving any break down of the Company's risk management framework in accordance with the Company's Risk Management Policy;
- (vii) review the Company's insurance program having regard to the Company's business and the insurable risks associated with its business and inform the Board regarding the same;
- (viii) review whether the Company has any material exposure to any economic, environmental and social sustainability risks and if so, develop strategies to manage such risks to present to the Board;

(b) **Financial statements**

- (i) review the half-yearly and yearly financial statements and consider whether they are complete, consistent with information known to the Committee, reflect appropriate accounting policies and principles and otherwise provide a true and fair view of the financial position and performance of the Company;
- (ii) receive and consider in connection with the Company's half-yearly and yearly financial statements letters of representation to the Board in respect of financial reporting and the adequacy and effectiveness of the Company's risk management, internal compliance and control systems and the process and evidence adopted to satisfy those conclusions;
- (iii) review the financial sections of the Company's Annual Report and related regulatory filings before release and consider the accuracy and completeness of the information;

- (iv) review any judgements made by management including, but not limited to, in respect of accruals, provisions, estimates, or the application of accounting policies, which materially affect the financial statements, as well as other sensitive matters, such as disclosure of unusual, complex or related party transactions;
- (v) review any material changes in accounting or reporting requirements, and assessing the potential effects on the Company's financial statements, policies and practices;
- (vi) review with management and the external auditors the results of the audit prior to the submission of the Committee's recommendation to the Board in relation to the financial statements;
- (vii) receive from the Company's Chief Executive Officer and Chief Financial Officer (and from any other persons who perform such functions) a declaration that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively before the Board approves the half-yearly and yearly financial statements;
- (viii) review and discuss with senior management and external auditors the process and the disclosures made in respect of the certifications given by the Company's Chief Executive Officer and Chief Financial Officer (and any other persons who perform such functions) with respect to the financial statements of the Company pursuant to the Corporations Act;

(c) **Internal control**

- (i) monitoring of corporate risk assessment and the internal controls instituted in accordance with the Company's Risk Management Policy;
- (ii) review the effectiveness of the Company's internal controls regarding all matters affecting the Company's financial performance and financial reporting, including information technology security and control;
- (iii) review the scope of internal (if one is appointed) and external auditors' review of internal control, review reports on significant findings and recommendations, together with management's responses, and recommend changes from time to time as appropriate;

(d) **Internal audit**

- (i) review at least annually the appropriateness of the Company establishing an internal audit function taking into consideration the Committee's assessment of the nature, size and complexity of the Company's operations (given that, at the time of approving this Charter, the Board of the Company considered that the nature, size and complexity of the Company's operations did not justify the establishment of an internal audit function);
- (ii) review with management and the internal auditor (if one is appointed) the plans and activities of the internal auditor;
- (iii) meet with the internal auditor (if one is appointed) to review reports and monitor management response;
- (iv) review the scope and adequacy of the internal audit work plan (if any);

- (v) meet separately, at least once a year, to discuss any matters that the Committee or internal auditor (if one is appointed) believes should be discussed privately;
- (vi) review the objectivity and performance of the internal audit activity (if any);
- (vii) review the independence of the internal auditors (if any) and their auditing practices;
- (viii) ensure there are no unjustified restrictions or limitations placed on the internal audit function, and review and concur in the appointment, replacement or dismissal of the internal auditor (if one is appointed);

(e) **External audit**

- (i) establish procedures for the selection, appointment and removal of the external auditor and for the rotation of external audit engagement partners;
- (ii) review and assess the planned external audit scope and approach to ascertain the extent to which it can be relied upon to ensure that the financial report is free from material misstatement whether due to fraud or error. The review will include an evaluation of how the external auditor will consider controls relevant to the preparation and fair presentation of the financial report;
- (iii) review the summary management report prepared by the external auditor, including the significant findings and responses of management and assess any significant recommendations of the external auditors to strengthen the internal controls and reporting systems of the Company;
- (iv) meet with the external auditor to review reports, and meet separately from management, at least once a year, to discuss in that regard any matters that the Committee or auditors believe should be discussed privately;
- (v) review, assess and monitor management's responsiveness to external audit findings;
- (vi) establish policies as appropriate in regards to the independence, integrity and performance of the external auditor, including obtaining an independence declaration from each external auditor, as required;
- (vii) review of the independence of the external auditors and the appropriateness of any services provided by them to the Company (if any), outside their statutory role;
- (viii) for the purpose of removing or appointing external auditors review their performance, including their proposed fees, and if appropriate conduct a tender of the audit. Any subsequent recommendation following the tender for the appointment of an external auditor will be put to the Board and then if a change is approved it will be put forward to shareholders for their approval;
- (ix) review any proposal for the external auditor to provide non-audit services and consider whether it might compromise the judgement or independence of the external auditor with respect to the Company;

(f) **Compliance**

- (i) review and assess effectiveness of the Company's Compliance Program in ensuring compliance with relevant regulatory and legal requirements;

- (ii) obtain and review regular updates from management in relation to the Company's compliance with statutory, legal and other regulatory requirements;
- (iii) identify and consider any matters that may have a material impact on the Company's activities, and report on those matters to the Board;
- (iv) review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- (v) review and assess the management process supporting external reporting;
- (vi) review the findings of any examinations by regulatory agencies and authorities;
- (vii) review the process for communicating the Code of Conduct to Company personnel, and for monitoring compliance with that Code;
- (viii) obtain regular updates from the Managing Director and other management, as appropriate, regarding any material litigation and the Company's compliance with significant statutory requirements;
- (ix) review, assess and monitor the effectiveness of the Company's policies and procedures regarding continuous disclosure and report on these to the Board;

(g) Reporting responsibilities

- (i) keep the Board informed of the Committee's activities through the provision of the minutes and papers of each Committee meeting. Additionally, the Committee Chair will formally advise the Chairperson of any matters or recommendations requiring the attention of the Board, and will ensure that the Board is made immediately aware of any matters brought to the attention of the Committee Chair, that may significantly impact the financial condition or reputation of the Company;
- (ii) otherwise regularly report to the Board about Committee activities, issues, and related recommendations. Such reports should include the results of the Committee's:
 - (A) assessment of whether external reporting is consistent with Committee members' information and knowledge and is adequate for the needs of the Company's shareholders;
 - (B) assessment of the management processes which supports external reporting;
 - (C) assessment of the Company's corporate reporting processes;
 - (D) assessment of the appropriateness of the accounting choices made by management in preparing the Company's financial statements;
 - (E) procedures for the selection and appointment of the Company's external auditor and for the rotation of external audit engagement partners;
 - (F) recommendations for the appointment or, if necessary, the removal of the external auditor;
 - (G) assessment of the performance and independence of the Company's external auditor. Where the external auditor provides non-audit services, the report should also state whether the Committee is

satisfied that provision of those services has not compromised the auditor's independence;

- (H) assessment of the performance and objectivity of the Company's internal audit function (if any);
 - (I) review of the Company's risk management and internal control systems; and
 - (J) recommendations for the appointment, or if necessary, the dismissal of the head of internal audit;
- (iii) provide an open avenue of communication between internal audit, the external auditors and the Board. For the purpose of supporting the independence of their function, the external auditor and the internal auditor (if one is appointed) will have a direct line of reporting access to the Committee;
- (iv) review any other reports the Company issues that relate to Committee responsibilities;
- (h) **Related party transactions**
- (i) review and monitor related party transactions and investments involving the Company and its directors, including a formal review of the register of related party contracts maintained and provided by management on at least an annual basis;
 - (ii) review and approve all transactions in which the Company is a participant and in which any parties related to the Company (including its executive officers, Directors, beneficial owners of more than 5% (substantial holding) of the Company's shares, immediate family members of the foregoing persons and any other persons whom the Board determines may be considered related parties of the Company) has or will have a direct or indirect material interest;
 - (iii) the Committee should only approve those related party transactions that are determined to be in, or are not inconsistent with, the best interests of the Company and its shareholders, after taking into account all available facts and circumstances as the Committee or the Chair of the Company determines in good faith to be necessary. Transactions with related parties or shareholders who have voting power in at least 10% of the Company may also be subject to shareholder approval to the extent required by the ASX Listing Rules;
- (i) **Other responsibilities**
- (i) review the adequacy of external reporting by the Company to meet the needs of shareholders;
 - (ii) review the adequacy of the Company's and its subsidiaries' insurance policies on an annual basis;
 - (iii) perform other activities related to this Charter as requested by the Board including where requested by the Board, evaluate, approve and monitor major capital expenditure, capital management and all major acquisitions, divestitures and other corporate transactions, including the issue of securities of the Company;
 - (iv) institute and oversee special investigations as needed;
 - (v) confirm annually that all responsibilities outlined in this Charter have been carried out; and

- (i) evaluate the Committee's and individual members' performance on a regular basis.

6 Review of Committee and Committee Charter

- (a) The Committee will periodically review its effectiveness and the manner in which it has carried out its responsibilities, and report to the Board on the outcome of the review.
- (b) The Committee will also participate in a formal review every year, as part of the Board and Committee review process.
- (c) The Committee will regularly review the terms of the Charter against the *ASX Corporate Governance Principles and Recommendations*, and its appropriateness for the nature, size and complexity of the Company's operations. The Committee may recommend to the Board any changes to this Charter. Any amendments to this Charter must be approved by the Board.