



Audit and Risk Committee Terms of Reference

Approved by the MZI Resources Ltd Board on 28 July 2017

1. Purpose

The purpose of the Audit and Risk Committee (“the Committee”) is to assist the Board of MZI Resources (“the Company”) in fulfilling its responsibility to ensure that there is effective monitoring and oversight of published financial information and that there are sound systems of internal control and effective management of risk.

The Committee shall be responsible to the Board for monitoring and oversight in relation to the following:

- Reporting of financial information to users of financial reports;
- Development and maintenance of effective internal control structures and systems;
- Establishment and maintenance of risk management policies, systems and procedures;
- Conduct of external audit and review processes and the integrity of the external audit function; and
- Adequacy of the reporting and accounting controls of the Company.

The scope described above is intended to be flexible so that the Committee is able to respond to changing business circumstances and external regulatory developments.

The Committee is not required to personally conduct accounting reviews or audits and is entitled to rely on the employees of the Company or professional advisors where appropriate.

2. Duties and Responsibilities

Financial Reporting

In reviewing and monitoring the Company’s financial reports, the Committee shall consider the following:

- Appropriateness of critical accounting policies and practices applied in the preparation of the financial reports;
- Significant financial reporting estimates and judgments used in preparing the financial reports;
- The extent to which the financial statements are affected by any unusual transactions;
- The clarity of disclosures;
- Significant adjustments resulting from the audit;
- Going concern assumptions;
- Compliance with accounting standards;
- Compliance with securities exchange and other legal requirements.

The Committee will recommend to the Board for approval the draft annual and interim financial statements and associated information for release to the market.

External Audit

Committee oversight of the external audit function will include:

- Recommendations to the Board concerning the appointment, reappointment and removal of the external auditor as well as the rotation of the audit engagement partner;
- Satisfying itself as to the independence of the external auditor and considering the impact of the provision of any non-audit services by the auditor;
- Monitoring the performance of the external auditor including the assessment of the quality and rigor of the audit, the service provided, and the audit firm’s internal quality control procedures;

- Reviewing with the external auditors the scope of their audit and subsequently their audit findings, including any recommendations for improvements in internal controls;
- Meeting with the external auditor at least twice each year and, if considered necessary, meet without the presence of management;
- Agreeing the terms of engagement and approving the fees and other remuneration paid to the external auditors for audit services;
- Approving the management representation letter and the necessary declarations made in relation to the preparation of the financial statements. This includes statements that the Company's annual financial report present a true and fair view, in all material respects, of the financial condition of the Company and its operational performance and are in accordance with relevant accounting standards.

Risk Management and Internal Control

The Committee will monitor the effectiveness of the Group's systems of risk management and internal control. They will also seek to gain assurance that risks that are material to the achievement of the Company's corporate objectives, strategy and plans have been, and will continue to be, identified and managed.

- The Committee will:
 - Review the extent to which management has established an effective system of risk management and internal control and seek to gain assurance that a system exists to ensure material risks are reported to the Board;
 - Review the extent of the Company's risk register for adequacy;
 - Review the extent to which management has undertaken periodic reviews of the Company's most significant risks and whether risk mitigation strategies are appropriate;
 - Review the status of mitigation plans and risk treatment actions for extreme and high risks;
 - Assess the impact of any adverse external audit findings on internal control systems;
 - Review the adequacy of controls by reviewing the external auditor's written reports and by monitoring management's responses and actions to correct any deficiencies;
 - Ensure that an appropriate risk-aware culture has been embedded throughout the Company and that consideration of risk is an operating practice;
 - Review the Company's risk appetite and risk tolerance and make recommendations to the Board with respect to relevant categories of operational risk;
 - Review the utility effectiveness and efficiency of the Company's risk management function in the context of the company's size, complexity and scope of operations;
 - Consider how the Company's risk management policy and strategy is communicated throughout the Company;
 - Regularly review the Company's risk management policy and recommend its approval to the Board; and
 - Review and report to the Board whether the insurance maintained by the Company is adequate, having regard to the Company's business and the insurable risks associated with that business.

Administration

2.1 Membership and Attendance

The Committee shall be members of, and shall be appointed by, the board of directors and shall comprise at least three non-executive directors the majority of whom shall where possible be independent. Unless otherwise determined by the Board, the Chair of the Committee shall be an independent director, who is not the Chair of the Board. All persons appointed to the Committee should be financially literate (able to read and understand financial statements) and have sufficient financial knowledge and understanding to allow them to discharge their duties.

A quorum of the Committee shall be at least two members. Any director who is not a Committee member may attend meetings at their discretion but only as an observer. Attendance by other persons is by invitation only.

The Company Secretary of the Company shall be the Secretary of the Committee.

The Committee shall meet as frequently as is required but at least two times per annum (before completion of the half yearly and annual financial statements) and at other times as the Chair, a member, or the Secretary of the Committee, requires.

Reporting

The Committee Chairman, or a delegate, will report to the Board following each meeting of the Committee. The report to the Board will:

- Provide the Board as a whole with insight into the key issues discussed by, and the decisions of, the Committee;
- Facilitate Board awareness and assist in the periodic review of the Committee's performance.

The report to the Board will include recommendations on any specific decisions or actions the Board should consider, including changes to these terms of reference.

The Committee Chair will attend the annual general meeting of the Company to ensure that any shareholder questions on the Committee's activities can be addressed.

Resources and Authority

The Committee shall have full authority and resources to investigate all matters falling within its Terms of Reference. In performing its duties in accordance with any applicable law, the Committee has unrestricted access to the external auditor, senior management and employees of the Company, as well as information and reports relevant to fulfilling its responsibilities.

- The Committee may furthermore, and at the Company's expense, seek independent external advice on matters brought before the Committee or in relation to the function and responsibilities of the Committee. The Committee shall have the power to contract or authorise investigations into any matters within the Committee's scope or responsibilities or when requested by the Board.

Each Committee member may, with the consent of the Chair, seek independent advice at the expense of the Company on any matter connected with the discharge of their responsibilities. In such instance, external advice received by any member will be available to all Committee members.

Evaluation and Review

The Committee will evaluate its performance on an annual basis having regard to the principles and requirements of its Terms of Reference and the overall objective of the

Committee's work. The Committee will implement appropriate actions in order to address desired improvements.

The Committee will provide the Board with the results of evaluations of its effectiveness. The Committee shall review the Terms of Reference annually and shall report the review outcome to the Board.

This Terms of Reference was approved by the Board on 2 July 2017.

