

## **SOUTHERN GOLD LIMITED**

### **CHARTER OF AUDIT COMMITTEE**

#### **1. *Establishment of the Audit Committee***

The Audit Committee has no executive power nor can executive responsibility be delegated to the Committee.

This Charter governs the operation of the Audit Committee. The Committee shall review and reassess this Charter at least annually and obtain the approval of the Board of Directors.

The Committee needs to understand the Company's structure, controls and types of transactions in order to adequately assess risks faced by the Company.

#### **2. *Membership***

Committee members appointed by the Board shall be independent of Management and should have strong finance, accounting and or business backgrounds and expertise.

#### **3. *Meeting Procedures and Involvement of Third Parties***

The Audit Committee shall meet as required and shall submit a record of its proceedings to the Board of Directors as soon as is practicable following each meeting. It is envisaged that the Committee meet at least two times each year.

Any member of the Committee may require a meeting of the Committee to be convened.

The quorum necessary for the transaction of the business of the Committee is two of the members of the Committee.

Any of the Managing Director, Company Secretary and the Chief Financial Officer shall be available for each meeting and report on matters which are relevant to, or affect, the duties and responsibilities of the Committee.

The Audit Committee shall have unrestricted access to the External Auditor, the Managing Director, the Company Secretary and the Chief Financial Officer and shall be entitled to consult independent experts when necessary for the effective discharge of its duties and responsibilities.

The Secretary to the Board of Directors or the Chief Financial Officer shall be the Secretary to the Audit Committee.

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#### 4. *Duties and Responsibilities of the Committee Members*

The Audit Committee's primary functions are:

##### 4.1 Audit

4.1.1 To oversee the financial reporting process and audit of the organisation on behalf of the Board, including:

4.1.1.1 Overseeing the Audit plans, developments in control, accountability and audit.

4.1.1.2 Reviewing the opinions provided by Managers on control and the action plans on improvements to any risk exposures for all areas of management and operations.

4.1.1.3 Recommending to the Board the appointment and dismissal of the external auditors and setting of the appropriate fees; and

4.1.1.4 Liaising with external auditors on all matters concerning the conduct and outcome of the annual audit.

4.1.1.5 Review and approve the half-year financial report.

4.1.1.6 Review and approve the annual financial reports.

4.1.1.7 Review of representation letters signed by management to ensure that the information is complete and appropriate.

4.1.2 To provide a link between the auditors and the Board of Directors and to ensure the auditors are responsible to the Committee and the Board as representatives of the shareholders.

4.1.3 To review the findings of external audit.

4.1.4 To oversee compliance with statutory requirements and financial disclosure.

4.1.5 To review the accounting policies adopted and any amendments thereof which are made or contemplated.

4.1.6 To evaluate the performance of the external auditors, including their independence and objectivity.

4.1.7 To review and approve prior to appointment any non-audit services provided by the external auditors.

4.1.8 To assess financial effectiveness of Management.

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4.2 Finance

- 4.2.1 Review financial delegations and the exercise of those delegations, including breaches.
- 4.2.2 Review the framework for financing and investment decisions (ie taxation, funding approach).
- 4.2.3 Review the half year, prior to the filing of this with the Australian Stock Exchange.
- 4.2.4 Review the full year, prior to the filing of this with the Australian Stock Exchange.

5. ***Powers***

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company.

6. ***Committee Performance***

The Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively by reference to the current Audit Committee Charter.

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