



CORPORATE GOVERNANCE POLICY AND PROCEDURES MANUAL AUDIT COMMITTEE CHARTER

There is no separate Audit Committee.

Due to the small size and structure of the Board, a separate Audit Committee is not considered to add any efficiency to the process.

The Board considers that it is more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily fall to an Audit Committee.

When considering financial matters, the Board functions in accordance with this Audit Committee Charter.

Purpose of the Audit Committee

The Committee's purpose is to provide assistance to the Board in fulfilling its corporate governance and monitoring responsibility in relation to the Company's risks associated with the integrity of financial reporting, internal control systems and external audit functions. Broader risks as they impact on the Company will be not the responsibility of this Committee.

Accordingly, the Committee is to:

- (a) monitor the integrity of the financial statements of the Company, reviewing significant financial reporting judgments;
- (b) review the Company's internal financial control system and, unless expressly addressed by a separate risk committee or by the Board itself, risk management systems;
- (c) monitor and review the effectiveness of the Company's internal audit function (if any);
- (d) monitor and review the external audit function including matters concerning appointment and remuneration, independence and non-audit services; and
- (e) perform such other functions as assigned by law, the Company's constitution, or the Board.

Duties and Responsibilities

The Committee is specifically charged with the following duties and responsibilities:

Understanding the Business

Understanding the Company's structure, controls and types of transactions in order to adequately assess the significant financial reporting issues faced by the Company.

Financial Reporting

To oversee the Company's financial reporting process on behalf of the Board and report the results to the Board. Specifically, this includes:

- Liaising between the external auditor and Management.
- Reviewing half-year and annual financial statements and any associated information.
- Reviewing reports from the external auditor or any internal review and ensure that major deficiencies or breakdowns in controls or procedures have been identified, and that appropriate and prompt action is taken by Management.



- Reviewing the external auditor's reports, management letters and debriefing memorandum to ensure action is taken by Management in respect of those reports so that there will be no significant issues raised in the external auditor's opinion.
- Ensuring compliance with legislative and regulatory requirements.

Assessment of Accounting, Financial and Internal Controls

The Committee shall assess, monitor and identify risks to the integrity of the financial reporting process. This assessment will include reviews of the adequacy and effectiveness of:

- Accounting and financial internal controls.
- Management information systems.
- Company policies and procedures.
- Accounting policies or methods.

External Auditor

The Committee shall be directly responsible for:

- Recommendations with regard appointment, reappointment or replacement of the external auditor.
- Recommendations with regard external auditor remuneration.
- Monitoring the effectiveness of the external audit process.
- Monitoring the independence of the external auditor.
- Ensuring that the external auditor is requested to attend the AGM of the Company and is available to answer questions from shareholders.

The Committee and the Board will select and appoint an external auditor in accordance with *Annexure 1*.

Other

The Committee may conduct any special projects or investigations in consultation with, or at the request of the Board as deemed necessary.

Reporting

The Committee shall keep the Board informed of its activities through the minutes of all of its meetings and formally advise the Board of any matters or recommendations requiring attention by the Board.

Membership

The Board has decided that the Committee comprises the entire Board.

A representative of the external auditor may be present by invitation but will not be a Committee Member.

As far as practicable, at least one member of the Committee is to have significant, recent and relevant financial experience.

Authority and Access

The Committee has the authority of the Board to review any aspect or activity of Gascoyne Resources Ltd and any of its controlled entities and associated companies and other investments.



The Committee will have direct access to both the external auditor and to Senior Management.

The Committee is empowered to retain persons having particular skills and expertise to assist the Committee in fulfilling its responsibilities.

Meetings

The Committee shall meet as often as is required to reasonably discharge its responsibilities and, preferably, to coincide with the completion of the annual accounts.

There shall be at least two (2) meetings each year:

Planning stage: prior to the audit process commencing to discuss the audit approach, changes in accounting standards, risk areas identification, reporting timetables, fees etc. This is expected to occur in May each year.

Completion stage: to discuss any issues detected by the external auditor and agree on appropriate action, the management letter and proposed audit opinion. This is expected to occur in October each year.

Meetings shall be convened by the Chairman of the Committee. For each meeting an agenda will be prepared and circulated to Committee Members and other Directors prior to the meeting.

Any Committee Member may request any item to be included on the agenda.

Any Member of the Committee, or the external auditor, may request the Chairman to convene a meeting.

The meetings and proceedings of the Committee shall be governed by the provisions of the Articles regulating meetings and proceedings of Directors, so far as these provisions are applicable.

Decisions will be determined by a majority vote, but the Chairperson will immediately report the fact of any dissenting vote to the Board when reporting the decision to the Board.

The Chairperson will not have a casting vote.

Minutes of each meeting shall be prepared by a nominated attendee and circulated to each Committee Member and Director and the external auditor.

Self Assessment

The Committee shall assess its effectiveness periodically, with a view to ensuring that its performance accords with best practice. The Committee's Charter shall be reviewed annually and updated as required.

ANNEXURE 1

Procedure for the selection and appointment of an external auditor

Introduction

The Board is responsible for the initial appointment of the external auditor.

The members at the next annual general meeting must ratify the appointment of an external auditor.

When a vacancy occurs, the Audit Committee (“Committee”) will meet and determine whether a replacement auditor should be selected by way of a formal tender or some other method.

Selection criteria

The candidate selected by the Committee, as the preferred external auditor must satisfy the selection criteria whether or not it is selected by way of a formal tender.

The selection criterion includes;

- Candidates must provide a fixed fee quotation for its audit services. However price will not be the sole determining factor in the selection of a preferred external auditor.
- Candidates must satisfy the Committee that it is independent and outline the procedures it has in place to maintain its independence.
- Candidate must outline its proposed procedures to address any issue of material significance or matter of disagreement with Gascoyne management.
- A candidate must detail its approach to the provision of non-audit related services to the Company.

The selection criteria may include such other matters as the Committee thinks fit.

Policy on audit and non-audit services

To ensure audit independence, the auditor will not be engaged to perform any non-audit services.

Rotation of external audit engagement partner

The external auditor will ensure that it has in place arrangements for rotation of the audit engagement partner in accordance with relevant laws.

Review of audit arrangements

The Committee will review the external auditor’s performance annually. As part of this review the Committee will obtain feedback from the chief financial officer and other members of senior management regarding the quality of the audit service.