



malachite
resources

Audit Committee Charter

This Charter is a component of Malachite Resources Limited (“Malachite”) corporate governance framework within which the Board, assisted by its committees, directs the affairs of Malachite. Whilst this Charter should be interpreted in the context of applicable laws, regulations and listing requirements, it is not intended to create of itself any legally binding obligations.

1. Composition of the Audit Committee

The Audit Committee of Malachite shall comprise not less than two non-executive directors. Where there are more than two members a majority of members shall also be independent directors. The Chairman of the Audit Committee shall be someone other than the Chairman of the Company.

Each member should be capable of making a valuable contribution to the committee.

From time to time, non-Board members may be invited to attend Audit Committee meetings, if it is considered appropriate.

2. Purpose / Role of the Audit Committee

The audit committee will assist the board in fulfilling its oversight responsibilities. To perform his or her role effectively, each committee member will obtain an understanding of the detailed responsibilities of committee membership as well as the company's business, operations, and risks.

The role of the Audit Committee is to:

- (a) monitor and review the integrity of the half year and annual financial reporting of the Company;
- (b) assess managements selection of accounting policies and principles;
- (c) review the Company's internal financial control system and, unless expressly addressed by a separate risk committee, risk management systems;
- (d) monitor, review and oversee the external audit function including matters concerning appointment and remuneration, independence and non-audit services;
- (e) monitor and review compliance with the Company's Corporate Governance Statement; and
- (f) perform such other functions as assigned by law or the Company's Constitution.

3. Operations

The Audit Committee shall meet at least half yearly, with further meetings on an as required basis. Minutes of all such meetings are to be kept and the meetings are to be governed by the same rules as set out in the Company's Constitution, as they apply to meetings of the Board.

4. Authority and Resources

- (a) The Audit Committee may seek provision of educational information on accounting policies and other financial topics relevant to the Company to assist in fulfilling its duties. Further, the Audit Committee may seek explanations and

additional information from the Company's external auditors, without management present, when required.

- (b) When considered necessary or appropriate, the Audit Committee may conduct or authorise investigations and may retain independent legal, accounting or other advisors.

5. Reporting to the Board and Shareholders

The Chair of the Audit Committee, if appointed, is to be present at the annual general meeting to answer questions, through the Chair of the Board.

6. Responsibilities

Annual responsibilities of the Audit Committee include the following as outlined in sections 7 to 11 below.

7. Internal Control

- a) Evaluate whether management is setting the appropriate “control culture” by communicating the importance of internal control and the management of risk and ensuring that all employees have an understanding of their roles and responsibilities
- b) Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown
- c) Gain an understanding of whether internal recommendations made by internal and external auditors have been implemented by management

8. Financial Reporting

- a) Gain an understanding of the current areas of greatest financial risk and how management is managing these effectively
- b) Consider with the internal and external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues
- c) Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements
- d) Ask management and the internal and external auditors about significant risks and exposures and the plans to minimise such risks
- e) Review any legal matters which could significantly impact the financial statements
- f) Review the annual financial statements and determine whether they are complete and consistent with the information known to committee members

- g)** Assess whether the financial statements reflect appropriate accounting principles
- h)** Pay particular attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures
- i)** Focus on judgmental areas, for example those involving valuation of assets and liabilities; warranty, product or environmental liability, litigation reserves and other commitments and contingencies
- j)** Meet with the management and the external auditors to review the financial statements and the results of the audit
- k)** Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with members' knowledge about the company and its operations
- l)** Be briefed on how management develops preliminary announcements, interim financial information and analysts' briefings, the extent of internal audit involvement, and the extent to which the external auditors review such information
- m)** Assess the fairness of the preliminary and interim statements and disclosures, and obtain explanations from management and internal and external auditors on whether:
 - Actual financial results for the interim period varied significantly from budgeted or projected results
 - Changes in financial ratios and relationships in the interim financial statements are consistent with changes in the company's operations and financing practices
 - Generally accepted accounting principles have been consistently applied
 - There are any actual or proposed changes in accounting or financial reporting practices
 - There are any significant or unusual events or transactions
 - The company's financial and operating controls are functioning effectively
 - The preliminary announcements and interim financial statements contain adequate and appropriate disclosures

9. External Audit

- a)** Review the external auditors' proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope
- b)** Review the performance of the external auditors
- c)** Consider the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services bought by the company
- d)** Make recommendations to the board regarding the reappointment of the external auditors
- e)** Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately

- f) Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis
- g) Ensure that management responds to recommendations by the external auditors

10. Compliance with Laws and Regulations

- a) 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 fraudulent acts or non-compliance
- b) Obtain regular updates from management and company's legal counsel regarding compliance matters
- c) Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements
- d) Review the findings of any examinations by regulatory agencies
- e) Ensure that the Company's Code of Conduct is in writing and that arrangements are made for all employees to be aware of it
- f) Evaluate whether management is setting the appropriate "tone at the top" by communicating the importance of the code of conduct and the guidelines for acceptable behaviour
- g) Review the process for monitoring compliance with the code of conduct
- h) Obtain regular updates from management regarding compliance
- i) Regularly update the board about committee activities and make appropriate recommendations
- j) Ensure the board is aware of matters which may significantly impact the financial condition or affairs of the business

11. Other Responsibilities

- a) If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist
- b) Review and update the charter; receive approval of changes from the board
- c) Evaluate the committee's own performance on a regular basis