

KINGSGATE CONSOLIDATED LIMITED – AUDIT COMMITTEE CHARTER

This charter sets out the specific role and responsibilities delegated by the Company's Board of Directors to the Audit Committee and details the manner in which the Audit Committee operates.

Objectives

The Audit Committee's role is to assist the Board to fulfil its responsibilities associated with the Company's risk management, its accounts, its external financial reporting, its internal control structure, risk management systems and audit function. The primary functions of the Audit Committee are to:

- Oversee the Company's risk management framework;
- ensure that the financial information provided by the Board to shareholders and other parties is true and fair and complies with relevant accounting standards;
- ensure that corporate risk management policies and internal controls are in place and are maintained in accordance with appropriate standards and statutory requirements;
- oversee and evaluate the quality of the audits conducted by the external auditors;
- provide for open communication between the external auditors and the Board for the exchange of views and information; and
- recommend to the Board the nomination and remuneration of the external auditors and ensure their independence and integrity.

In fulfilling its responsibilities, the Audit Committee has rights of access to management and to auditors (external and internal) without management present and may seek explanations and additional information.

Duties and Responsibilities

To achieve these objectives, the Audit Committee shall:

- review and make recommendations of the Board in relation to the adequacy of the Company's processes for managing risk, any incident involving fraud or other breakdown in the Company's internal controls and the Company's insurance programme;
- be responsible for identifying and managing any material exposure to economic environmental and social sustainability risks;
- be satisfied that the financial accounts and external reports are the result of processes that justify authorisation by the Directors of the necessary certificates of compliance with statutory requirements;
- review the performance and compensation of the external auditors and be responsible for the appointment, retention, compensation, evaluation, re-appointment or termination of the external auditors (and any other public accounting firm engaged for the purpose of preparing or issuing an audit report or to perform audit, review or attestation services) including sole authority to approve all audit engagement fees and terms;
- meet regularly with management and with the internal auditors and ensure that the Company's financial processes and related internal controls are adequate;
- meet annually with both the internal and external auditors and review their audit plans and approve all external audit services to be provided;

- establish procedures to pre-approve all audit and non-audit related work which can be undertaken by the external auditors;
- as requested by the Board review significant transactions;
- obtain from the independent auditors in connection with any audit a timely report relating to the Company's annual audited financial statements describing all critical accounting policies and practices used, all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors, and any material written communications between the independent auditors and management;
- instruct the independent auditors that the independent auditors are ultimately accountable to the Board and the Audit Committee, as representatives of the shareholders; and
- monitor and review related party transactions and assess their propriety for recommendation to the Board.

It is not considered necessary to maintain internal audit functions with respect to the Company's operations as the Board is satisfied with the quality of the systems and personnel from which the financial information is derived and considers that the oversight of the Audit Committee coupled with the audits and reviews conducted by the Company's external auditors ensure the integrity of the Company's accounting and financial reporting.

With respect to financial reporting principles and policies and internal audit controls and procedures:

- to advise management, the internal auditor and the independent auditors that they are expected to provide to the Audit Committee a timely analysis of significant financial reporting issues and practices;
- to consider any reports or communications (and management's and/or the internal audit department's responses) submitted to the Audit Committee by the independent auditors;
- to meet with management, the independent auditors and, if appropriate, the internal auditor:
 - (a) to discuss the scope of the annual audit;
 - (b) to discuss the annual audited financial statements and half yearly financial statements;
 - (c) to discuss any significant matters arising from any audit;
 - (d) to discuss any difficulties the independent auditors encountered in the course of the audit, including any restrictions on their activities or access to requested information and any significant disagreements with management;
 - (e) to discuss any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditors to the Company;
 - (f) to review the form of opinion the independent auditors propose to tender to the Board of Directors and shareholders; and
 - (g) to discuss any other major issues regarding accounting principles and financial statement presentations, internal controls, financial reporting issues, GAAP treatment, off-balance sheet exposures and other material accounting and financial reporting issues.

- to inquire of the Chief Executive Officer and Chief Financial Officer as to the existence of any significant deficiencies and material weaknesses in the design or operation of the internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarise and report financial information, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting;
- to discuss guidelines and policies governing the process by which senior management of the Company and the relevant departments of the Company assess and manage the Company's exposure to risk, and to discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures;
- to discuss with the Company's legal counsel any significant legal, compliance or regulatory matters that may have a material effect on the financial statements or compliance policies, including material notices to or inquiries received from governmental agencies;
- to discuss and review the type and presentation of information to be included in press releases;
- to establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.

The Audit Committee shall report to the Board regularly, including annually summarising the work of the Audit Committee during the preceding year, including a performance evaluation and review of its objectives and duties.

Auditor Independence and Engagement

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the Company's external auditors.

The external auditors are required to confirm that they have maintained their independence in accordance with the *Corporations Act 2001* (Cth) and the rules of professional accounting bodies. The Audit Committee must ensure that the external auditors provide an annual declaration of their independence, it being understood that the independent auditors are responsible for the accuracy and completeness of this declaration. The Audit Committee shall discuss with the independent auditors any relationships or services disclosed in this declaration that may impact the quality of audit services or the objectivity and independence of the Company's independent auditors.

The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested when deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

The Audit Committee shall review and evaluate the qualifications, performance and independence of the lead partner of the independent auditors. In addition, the Audit Committee shall discuss with management the timing and process for implementing the rotation of the lead audit partner, the concurring partner and any other active audit engagement team partner and consider whether there should be a regular rotation of the audit firm itself in accordance with the External Auditor Selection and Rotation Policy.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in the Directors' Report.

The external auditor is required to attend the Company's annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Audit Report.

Risk Management

The Board has conferred on the Audit Committee all powers necessary to enable it to perform its role in relation to risk management including the right to obtain information, interview management and internal and external auditors and to seek advice from external consultants or specialists.

Structure of the Audit Committee

The Audit Committee will be comprised of at least three members all of whom shall be Non-Executive Directors.

Members of the Audit Committee are disclosed in the Company's Annual Report.

The Audit Committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industry in which the Company operates.

The Board may appoint such additional non-executive directors to the Audit Committee or remove and replace members of the Audit Committee by resolution. Members may withdraw from membership by written notification to the Board.

No member of the Audit Committee may receive, directly or indirectly, any consulting, advisory or other compensatory fee from the Company other than: (i) Director's fees, which may be received in cash, share options or other in-kind consideration ordinarily available to Directors; (ii) a pension or other deferred compensation for prior service that is not contingent on future service; (iii) any other regular benefits that other Directors receive; and (iv) any other fees approved by the Board.

Chairman

The Board shall designate one member of the Audit Committee to act as its Chairman. In the event of a tied vote on any issue, the Chairman's vote shall decide the issue. Should the Chairman be absent from a meeting, the members of the Audit Committee shall choose one of their number to be Chairman for that particular meeting.

Meetings

The Chairman will call a meeting of the Audit Committee if so requested by any member of the Audit Committee or by the internal or external auditors.

In addition to any meeting requested in accordance with the above position, the Audit Committee shall (unless otherwise determined by the Chairman), meet at least twice per year.

A quorum at a meeting shall be two members.

Members of management may attend meetings of the Audit Committee at the invitation of the Audit Committee Chairman but must not be appointed as members of the Audit Committee.

Authority of the Audit Committee

The Audit Committee has the authority without seeking approval of the Board or management to:

- obtain independent professional or other advice (including, but not limited to, independent legal advice) in the fulfilment of its duties at the cost of the Company;
- obtain such resources and information from the Company in the fulfilment of its duties as it may reasonably require; and
- the Audit Committee has direct access to the internal and external auditors to discuss and review specific issues, and the right to co-ordinate their respective roles.

The auditors have direct access to either the Audit Committee or the Chairman of the Audit Committee.

Review of the Audit Committee

The Audit Committee will conduct, at least every two years, a comprehensive review of its performance as an Audit Committee. The method of conducting each review and the extent of that review is for the Audit Committee to determine from time to time.

Review of Audit Committee Charter

The Audit Committee will regularly review this charter to ensure it remains consistent with the Audit Committee's objectives and responsibilities and relevant standards of corporate governance.