



# **BLACKGOLD INTERNATIONAL HOLDINGS LIMITED**

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## **AUDIT COMMITTEE CHARTER**

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Adopted by the Board of Directors pursuant to  
a Resolution dated

**18 March 2011**

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## **1. Introduction**

In this Charter, unless otherwise defined:

- 1.1. Group means Blackgold International Holdings Limited and its related bodies corporate;
- 1.2. BIHL means Blackgold International Holdings Limited;
- 1.3. Committee means the audit and committee of the Board;
- 1.4. ASX means Australian Stock Exchange Limited;
- 1.5. ASX CGC means the ASX Corporate Governance Council;
- 1.6. Board means the Board of directors of BIHL;
- 1.7. Chair means the chairman of the Committee; and
- 1.8. Company Secretary means the company secretary of BIHL.

## **2. Establishment of the Committee**

- 2.1. This Charter sets out the basis on which the Board has established the Committee and governs the operations of the Committee. This charter should be read in conjunction with the Board charter.
- 2.2. The Committee will review and reassess the charter at least annually and will recommend to the Board on any changes and obtain approval of the Board for any changes.

## **3. Purpose**

- 3.1. The Committee shall provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Group's financial reporting, internal control structure, risk management processes and the external audit functions. In doing so, it will endeavour to maintain free and open communication between the Committee, external auditors, the Board, and management of the Group.
- 3.2. 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 Group and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

#### **4. Membership**

- 4.1. The members of the Committee shall be members of, and appointed by, the Board and shall comprise at least three directors that have complementary backgrounds.
- 4.2. The majority of members should be independent non- executive directors. Although certain members of the Committee may not be considered independent under the ASX CGC' Principles and Recommendations (2<sup>nd</sup> Edition), for the purposes of the Committee and in the opinion of the Board they would be considered independent so long as they do not have any relationship with the Group that may interfere with the exercise of independent judgement.
- 4.3. The Chair shall have leadership experience and a strong finance, accounting and/or business background. All Committee members shall be financially literate.
- 4.4. At least two members shall have accounting and related financial management expertise as determined by the Board.
- 4.5. Compensation for services provided to the Committee shall be included in normal directors' fees.

#### **5. Meetings**

- 5.1. The Committee shall meet at least twice times each year or more as circumstances may require. The executive directors, chief financial officer and external audit partner may be required to attend Committee meetings, as shall any other personnel, by invitation.
- 5.2. Minutes of meetings shall be kept by the Company secretary. The dates, time, and venue of each meeting shall be advised by the secretary to all attendees a reasonable time in advance of the meeting.
- 5.3. A quorum shall be two members.
- 5.4. The Chair shall have a casting vote. In the absence of the Chair, the remaining members will elect one of their number to chair the meeting.

#### **6. Duties & responsibilities**

Financial reporting / dividend proposals

- 6.1. The Board is responsible for BIHL's external financial reports and with the assistance of the Committee the appropriateness of the accounting policies and principles that are used by the Group.

- 6.2. The Committee shall review and recommend to the Board the adoption of the half-year and year-end financial reports and inform the Board of any significant findings and recommendations of both the Committee and the external auditors. The Committee shall also review dividend proposals and make an appropriate recommendation to the Board.

#### Risk management oversight

- 6.3. The Board is responsible for approving and reviewing risk management strategy and policy. To assist the Board in discharging its responsibility in relation to risk management, the Board has delegated certain activities to the Committee.
- 6.4. The Committee shall review and evaluate the effectiveness of, or weaknesses in, the Group's processes for determining risks and assessing their impact.
- 6.5. The Committee shall also review BIHL's compliance with ASX CGC's guidelines, continuous disclosure provisions and other regulatory requirements.

#### Assessment of accounting, financial and internal controls

- 6.6. The Committee shall review with management and the external auditors, the adequacy and effectiveness of the accounting and financial controls, including the Group's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs, including the Group's code of conduct.
- 6.7. The Committee may meet separately periodically with management and the external auditors to discuss issues and concerns warranting Committee attention, including, but not limited to, adherence to corporate governance requirements, changes in Accounting Standards, their assessments of the effectiveness of internal controls, and the process for improvement. The Committee shall provide sufficient opportunity for the external auditors to meet privately with the members of the Committee.
- 6.8. The Committee shall receive at a minimum reports from the external auditors at the half-year and at the year-end on the critical accounting policies and practices of the Group, and alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

## **7. External auditors**

- 7.1. The Committee's responsibilities include:

- (a) overseeing the process for the appointment, re-appointment, and removal of the external auditors;
- (b) assessing the performance and independence of the external auditors;
- (c) requiring, reviewing and monitoring compliance with the audit plan of the external auditors;
- (d) reviewing reports from the external auditors; and
- (e) receiving, reviewing, developing, and implementing policy on the engagement of the external auditors to supply non-audit services.

7.2. In regarding to point (e) above, the following guidelines will be applicable:

- (a) The external auditors shall not provide services which are considered to be in conflict with the role of the statutory auditor. These services include investigations and consulting advice, or sub-contracting of activities normally undertaken by management, where the auditor may ultimately be required to express an opinion on its own work. Examples of services that should not be provided by the external auditors include:
  - (i) preparation of accounting records and financial statements;
  - (ii) design and implementation of new information technology systems and financial controls;
  - (iii) valuation services in relation to amounts which are included in the company's accounts;
  - (iv) actuarial services;
  - (v) internal audit services;
  - (vi) management functions, including senior management secondments;
  - (vii) recruitment and human resource services; and
  - (viii) broker, dealer or investment advisor services.
- (b) The external auditors will be permitted to provide non-audit services that are not perceived to be in conflict with the role of

the auditor. Examples of services that may be provided without Committee approval includes:

- (i) tax compliance services;
- (ii) advice on application of appropriate accounting standards; and
- (iii) audits or verification of regulatory returns.

7.3. The external auditors may be permitted to provide non-audit services where their detailed knowledge of the Group's activities could permit cost and output efficiencies, provided stringent independence requirements are satisfied. These services, based on recommendations from management must be approved by the Chair, who will consult with the other members of the Committee, the external auditors and management, as appropriate. Examples of such services include:

- (a) strategic tax advice;
- (b) due diligence on potential acquisitions / investments;
- (c) investigating accounting assignments; and
- (d) corporate finance advice (deal structuring and execution) including Independent Accountant's Statements.

7.4. The Committee will recommend to the Board the appropriate disclosure in the annual accounts of the full details of fees paid to the external auditors.

## **8. Internal compliance**

8.1. The Committee's responsibilities include:

- (a) monitoring and assessing the systems for internal compliance and control; and
- (b) assessing the appropriateness of accounting policies and the adequacy of financial reporting.

## **9. Finance**

9.1. The Committee shall also assist the Board in respect of the following financial matters:

- (a) management authorities / approvals

- (b) funding / treasury management / bank covenants
- (c) budgets / forecasts
- (d) reporting formats
- (e) cost control
- (f) taxation

## 10. **Communications**

- 10.1. The Committee receive internal representation reports and letters from management that warrant that the information provided to it regarding risk management, truth and fairness of accounts and compliance with all regulation and ASX and other corporate governance requirements is complete and appropriate.
- 10.2. On behalf of the Committee management shall establish procedures for the receipt, retention, and treatment of concerns received by the Group regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Group of concerns regarding questionable accounting or auditing matters. The Committee shall receive any legal reports of evidence of a material violation of the Corporations Act, ASX Listing Rules or breaches of fiduciary duty, and shall take such action as it deems necessary.