



DRUMMOND
DRUMMOND GOLD LIMITED

ACN 124 562 849

Audit Committee Charter

Introduction

The Board of Drummond Gold Limited ("the company") has established an Audit Committee. The following Audit Committee Charter provides guidance to the operations of the Audit Committee.

Authority

The Audit Committee has authority to investigate any activity of the Company and its subsidiary. 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 and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

This charter sets out the specific responsibilities and roles delegated by the Board to the Audit Committee and provides support for the manner in which the Audit Committee Operates.

Role

The role of the Audit Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the following:

- a) ensuring that the published financial reports present a true and fair view of the company's financial position;
- b) ensuring that the Company maintains an effective system of internal controls and instigates risk management systems;
- c) directing the administration staff to implement any necessary internal controls required improve company procedures and policies;
- d) ensuring the company adopts and maintains appropriate accounting, polices and procedures;
- e) address any issues arising from the external audit process and
- f) maintaining a forum for free and open communication between the committee, external auditors and the management of the Company.

Audit Committee Composition

The composition of the Audit Committee consists of at least two non-executive Directors with a majority of its members being non-executive directors. The Audit Committee may invite members of the management team, and the external auditor to attend the meetings.

The Board will determine each director's independence having regard to any past and present relationships with the Group, which, in the opinion of the Boards, could influence the director's judgment. All members of the Audit Committee shall have working knowledge of basic finance and accounting practices. At least one member of the Audit Committee or invited participant shall hold financial qualifications and be able to demonstrate relevant basic financial experience in financial management. The Chief Financial Officer may be called upon to provide financial expertise.

The Chairman of the Audit Committee shall be a non-executive director and shall be appointed by the Chairman of the Board.

Secretary

The Company Secretary to the Board shall be the Secretary to the Audit Committee.

Managing Directors

The Managing Director shall be available as required during the meetings of the Audit Committee to update the committee on the Company's activities, provide all relevant information and answer all queries to the satisfaction of the committee.

Meetings

The Audit Committee shall meet not less than two times a year or more frequently as circumstances require. Audit Committee minutes will be confirmed at the following Audit Committee meeting and the Committee shall report to the board following each meeting.

The purpose of the meetings shall be to:

- a) review and approve internal and external audit plans;
- b) review and approve the half-year financial report; and
- c) review and approve the annual financial report.

Any Committee member, the external auditors or the Company Secretary may request a member to call a meeting. A notice of each meeting confirming the date, time, venue and agenda shall be forwarded to each member of the Committee.

Minutes of proceedings and resolutions of Committee meetings shall be kept by the Company Secretary. The Chairman shall report to the board on the outcome of the Audit Committee meetings, results of the external audit process and any other activities and major issues.

As part of its responsibility to foster open communication, the Audit Committee should meet with management, the external auditors at least annually, to discuss any matters that are best dealt with privately.

Quorum

A quorum will comprise of any two Committee members. In absence of the Committee Chairman or appointed delegate, the members shall elect one of their number as Chairman for the meeting.

Duties and Responsibilities

The specific responsibilities of the Audit Committee include but are not limited to the following:

- a) Charter
 - (a) regularly review the charter and make any appropriate changes.

- b) Internal controls and Risk management
 - (a) ensure each individual member understands the company's structure, controls and types of transactions in order to assess the risks that might face the company;
 - (b) communicate to the executive management the Audit Committee's expectation of internal controls;
 - (c) review and assess the adequacy of the company's systems of internal controls and ethical standards for the management of the company;
 - (d) assess the adequacy of the company's policies and procedures to monitor and ensure compliance with laws and regulations;
 - (e) review and assess the adequacy of the company's risk management systems in respect to the identification and management of risks;
 - (f) consider matters addressed in external auditors' management letter;
 - (a) review the company's budget and forecasts;
 - (b) review any related party transactions;
 - (c) ensure that the company reports to the board any large, unusual, and high risk transactions including authority to act and
 - (d) consider the findings of any investigation into control weakness, fraud or misconduct and review the company's response to these findings.

- c) In relation to the external audit
 - (a) recommend to the board the appointment, evaluation and termination of the external auditors;
 - (b) ensure adherence to the ASX guidelines regarding the selection, appointment of the external auditor and the rotation of external audit engagement partners;
 - (c) review and discuss with the external auditors all significant relationships they have with the company to ensure their independence;
 - (d) ensure that the auditors communicate to the Audit Committee in a timely fashion and at least annually;
 - (e) periodically consult with the external auditors out of the presence of management about the quality of the Group's accounting principles, material judgments and any other matters that the Committee deems appropriate and
 - (f) review with the external auditors the planned scope of their audit their subsequently audit findings including any internal control recommendations;
 - (g) review the external auditor's management letter and management response and
 - (h) discuss and resolve any problems and reservations arising from the interim and final audits and any matters the auditors may wish to discuss in absence of management.

- d) In relation to the half-year and annual financial statements and reports:
 - (a) review the Pro-forma Half-Year and Pro-forma Preliminary Final Statements prior to lodgment of those documents with the Australian Securities Exchange ("ASX"), if listed on the ASX, and any significant adjustments required as a result of the audit, and to make any necessary recommendation to the Board for the approval of these documents;

- (b) review the draft financial statements and the audit report and making necessary recommendations to the Board for the approval of the financial statements;
- (c) review the quality and timeliness of the information reported;
- (d) query any large or unusual transactions and
- (e) review with management and the external auditors the accounting policies and practices adopted by the company and their compliance with accounting standards, stock exchange listing rules and relevant legislation

Identifying and Managing Material Business Risks

The Company had adopted a risk management framework and policy for the management and oversight of material risks and internal control.

Outlined below are the accountabilities and responsibilities of the Audit Committee for managing risk in the Company:

- oversee the Risk Management Framework;
- ensure that the Risk Management Framework is implemented and adopted;
- review and approve the Company's list of material business risks and risk treatment strategies;
- monitor the implementation and the continued update of the risk management framework;
- confirm that the Risk Management Framework and Risk Register is continually updated to reflect the changing environment and will allow the company to identify and respond to emerging issues and risks; and
- Receive reports from management on material business risks and the effect of these material risks on the business.

The role and the responsibilities of the Audit Committee in the context of Risk Management will be reviewed periodically to assess effectiveness and performance.

Self - Assessment

The Audit Committee shall periodically assess its effectiveness to ensure that its performance accords with best practice.