

TARUGA GOLD LIMITED
ACN 153 868 789

AUDIT AND RISK COMMITTEE CHARTER

1 PURPOSE AND AUTHORITY

1.1 Purpose

This is the Audit and Risk Committee Charter for Taruga Gold Limited (the “**Company**”). This charter governs the procedures of the Board in its capacity as the Audit and Risk Committee (“**Committee**”) and sets out the role, responsibilities and operation of the Committee.

There is no separate Audit and Risk Committee. The Audit and Risk Committee shall comprise the full Board which will, when considering financial matters and risks, function in accordance with this charter.

2 ROLE OF THE AUDIT AND RISK 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.

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 systems and risk management systems;
- (c) review the Company’s systems and procedures for compliance with applicable legal and regulatory requirements;
- (d) monitor and review the effectiveness of the Company’s internal audit function (if any);
- (e) monitor and review the external audit function including matters concerning appointment and remuneration, independence and non-audit services; and
- (f) perform such other functions as assigned by law, the Company’s constitution, or the Board.

The Committee will also review and consider all the Company’s publicly released material concerning financial information.

3 DUTIES AND RESPONSIBILITIES

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

3.1 Understanding the business

The Committee should understand the Company’s structure, controls and types of transactions in order to adequately assess the significant accounting, auditing and financial reporting issues faced by the Company.

3.2 Understanding compliance obligations

Each member of the Committee must ensure that they have an appropriate understanding of any relevant laws, regulations, the applicable rules of any exchange on which the securities of the Company are quoted, and codes of particular significance to the Company.

3.3 Financial reporting

The Committee should oversee the Company's financial reporting process, this includes:

- (a) reviewing and assessing the appropriateness of the Company's accounting policies and principles including any significant changes to the Company's policies and principles;
- (b) overseeing the preparation of financial reports and reviewing the results of external audits of these reports;
- (c) reviewing and assessing any significant estimates and judgments in financial reports by examining the processes used to derive material estimates and judgments and seeking verification of those estimates from internal (if any) and external auditors;
- (d) reviewing and assessing the processes used by management to monitor and ensure compliance with laws, regulations and other requirements relating to external reporting by the Company of financial and non-financial information. These include, but are not limited to:
 - (i) Australian Accounting Standards;
 - (ii) *Corporations Act 2001* (Cth); and
 - (iii) ASX Listing Rules, including but not limited to:
 - (A) the existence of an appropriate procedure for meeting the Company's continuous disclosure obligations; and
 - (B) reviewing for completeness and accuracy the disclosure of the Company's main corporate governance practices;
- (e) assessing (before publication) whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
- (f) reviewing material documents and reports prepared for lodgment with regulators, assessing their impact on the Company and making decisions on their approval or amendment;
- (g) ensuring that a comprehensive process is established to capture issues for the purpose of reporting to any exchange on which the securities of the Company are quoted;
- (h) reviewing the completeness and accuracy of the Company's main corporate governance practices as required by the rules of the exchange on which the securities of the Company are quoted;
- (i) assessing information from internal (if any) and external auditors that affects the quality of financial reports;
- (j) asking the external auditor for an independent judgment about the appropriateness of the accounting principles used and the clarity of financial disclosure practices used by the Company;

- (k) assessing solvency and the going concern assumption;
- (l) assessing the management of non-financial information in documents to ensure that conflicts with financial statements and other documents do not occur; and
- (m) reviewing and assessing documents and reports to regulators and making recommendations to the Board on their approval or amendment.

3.4 External audit

The Committee should review and assess key areas relating to the external audit of the Company. In particular, the Committee is responsible for:

- (a) making decisions on the appointment and remuneration of the external auditor and, if appropriate, calling tenders to assist in deciding which external auditor should be appointed;
- (b) reviewing and agreeing the terms of engagement of the external auditor before the start of each audit;
- (c) reviewing the external auditor's audit fee, and being satisfied that an effective, comprehensive and complete audit can be conducted for that set fee;
- (d) monitoring the activities and performance of the external auditor by:
 - (i) liaising with the auditor to ensure that each audit is conducted effectively;
 - (ii) appraising the quality of audit work; and
 - (iii) ensuring that no management restrictions or limitations are placed on the auditor;
- (e) reviewing and assessing the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgment or independence in respect of the Company;
- (f) assessing whether the external auditor's provision of non-audit services impairs or appears to impair their judgment or independence and, if required, developing policies for Board approval to ensure this does not occur;
- (g) disclosing in the annual report whether or not the Committee believes the level of non-audit service provision by the external auditor is compatible with maintaining auditor independence, including reasons where appropriate;
- (h) in addition to reviewing the audit fee, the Committee should review and assess total fees paid to the external auditor, considering in particular fees paid for non-audit service provision, and these fees as a proportion of total fees;
- (i) considering whether taken as a whole, the various relationships between the Company and the external auditor impairs or appears to impair the auditor's judgment or independence in respect of the Company;
- (j) considering whether the compensation of the individuals employed by the external auditor who are performing the audit of the Company is tied to the provision of non-audit services and, if so, consider whether this impairs or appears to impair the external auditor's judgment or independence in respect of the Company;

- (k) reviewing the economic importance of the Company (in terms of fees paid to the external auditor for the audit as well as fees paid to the external auditor for the provision of non-audit services) to the external auditor and assess whether the economic importance of the Company to the external auditor impairs or appears to impair the external auditor's judgment or independence in respect of the Company;
- (l) making recommendations to the Board on the removal of the external auditor;
- (m) ensuring that any recommendation to replace the external auditor is carefully evaluated before the Board makes a final decision;
- (n) inviting the external auditor to attend Committee meetings to review the audit plan, discuss audit results and consider the implications of external audit findings;
- (o) ensuring that the external auditor is requested to attend the annual general meeting of the Company and is available to answer questions from shareholders;
- (p) reviewing the scope of the external audit, including identified risk areas and any additional agreed-upon procedures, with the external auditor on a periodic basis;
- (q) raising and reviewing with the external auditor any significant disagreements between the external auditor and management, irrespective of whether they have been resolved;
- (r) reviewing the external audit findings in respect of any significant deficiencies or weaknesses in controls, and ensuring that management agrees to and implements appropriate and timely corrective action;
- (s) reviewing and monitoring management's responsiveness to the external auditor's findings and recommendations;
- (t) reviewing all representation letters signed by management and ensuring that the information provided is complete and appropriate;
- (u) at least annually, meeting with the external auditor without the presence of management; and
- (v) establishing and making publicly available in the corporate governance section of the Company's website information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners.

3.5 Internal control and risk management

The Committee should review and assess internal processes for determining, monitoring and assessing key risk areas. In particular, the Committee is responsible for:

- (a) preparing a risk profile which describes the material risks facing the Company including financial and non-financial matters;
- (b) regularly reviewing and updating the risk profile;
- (c) ensuring that the Company has an effective risk management system in place;
- (d) assessing and ensuring that there are internal processes for determining and managing key risk areas, such as:
 - (i) non-compliance with laws, regulations, standards and best practice guidelines including industrial relations, occupational health and safety, environmental and trade practices laws;

- (ii) important judgments and accounting estimates;
 - (iii) business licence requirements;
 - (iv) litigation and claims;
 - (v) fraud and theft; and
 - (vi) relevant business risks that are not dealt with by another Board committee;
- (e) receiving reports concerning material and actual incidents within the risk areas above and ensuring that macro risks are discussed by the Board at least annually;
 - (f) conducting investigations of breaches or potential breaches of internal controls, and incidents within the risk areas above, particularly in relation to accounts and financial reporting;
 - (g) examining and evaluating the effectiveness of the internal control system with management and internal and external auditors and making improvements;
 - (h) making publicly available a description of the Company's risk management policy and internal compliance and control system in the corporate governance section of the Company's website;
 - (i) encouraging voluntary reporting by employees to the internal auditor or the Committee of breaches of internal controls and Company policies, and incidents within the risk areas above;
 - (j) assessing existing controls that management has in place for unusual transactions or transactions with more than an accepted level of risk; and
 - (k) meeting periodically with key management, internal and external auditors and compliance staff to understand the Company's control environment, including the processes for improvement in place.

3.6 Related party transactions

The Committee is responsible for reviewing and monitoring the propriety of related party transactions.

3.7 Other

The Committee may conduct any special projects or investigations that it deems necessary.

4 MEMBERSHIP

4.1 Composition and size

The Committee will comprise the full Board. However, if the Company is included in the S&P/ASX 300 Index at the beginning of its financial year in any year, the Committee will consist of:

- (a) only non-executive directors;
- (b) a majority of independent directors;¹ and

¹ The Committee considers that independent directors are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

(c) at least three members,
for the duration of the financial year.²

Membership is reviewed periodically and re-appointment to the Committee is not automatic. Appointments and resignations are decided by the Board.

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

4.2 Chairperson

The chairperson of the Committee is appointed by the Board. If, for a particular Committee meeting, the Committee chairperson is not present within 10 minutes of the nominated starting time of the meeting, the Committee may elect a chairperson for the meeting.

If the Company is included in the S&P/ASX 300 Index at the beginning of its financial year in any year, the chairperson of the Committee must be an independent non-executive director who is not the Chairman of the Board.

4.3 Skills development

If the chairperson of the Committee approves, a Committee member may attend seminars or training related to the functions and responsibilities of the Committee at the Company's expense.

4.4 Commitment of Committee members

Committee members must devote the necessary time and attention for the Committee to carry out its responsibilities.

At the first Committee meeting after their appointment and when the Board reviews Committee membership, each Committee member must confirm that they are able to devote sufficient time and attention to the Committee for the coming year.

4.5 Secretary

The company secretary is the secretary of the Committee.

5 MEETINGS AND PROCESSES

5.1 Meetings

The meetings and proceedings of the Committee are governed by the provisions of the Company's constitution regulating meetings and proceedings of the Board, in so far as these provisions are applicable and not inconsistent with this Charter.

5.2 Frequency of meetings

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

There must be at least 2 meetings each year:

² If the Company is included in the S&P/ASX 300 Index for the first time less than 3 months before the first day of its financial year, but the Company is unable to comply with the aforementioned requirements at that date, it must ensure compliance within 3 months of the first day of the financial year.

- (a) **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; and
- (b) **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 September each year.

5.3 Calling of meetings

Meetings shall be convened by the chairperson of the Committee.

Any member of the Committee, or the external auditor, may request the chairperson to convene a meeting.

5.4 Quorum

Two directors constitute a quorum for meetings of the Committee.

5.5 Agenda and documents

The chairperson of the Committee determines the meeting agenda after appropriate consultation. Any Committee member may request any item to be included on the agenda.

The secretary distributes the agenda and any related documents to all Committee members and other attendees before each proposed meeting.

5.6 Attendance by management and advisors

The Managing Director and Chief Financial Officer are expected to attend each scheduled meeting of the Committee and a standing invitation will be issued to the external auditor.

The Committee chairperson may also invite directors who are not members of the Committee, other senior managers and external advisers to attend meetings of the Committee.

5.7 Access to information and advisers

The chairperson of the Committee receives all reports between the external auditor and management.

The Committee has the authority to:

- (a) require management or others to attend meetings and to provide any information or advice that the Committee requires;
- (b) access the Company's documents and records;
- (c) obtain the advice of special or independent counsel, accountants or other experts, without seeking approval of the Board or management; and
- (d) access management and external auditors.

5.8 Reporting

The secretary will keep minute books to record the proceedings and resolutions of Committee meetings.

The chairperson of the Committee, or delegate, will report to the Board after each Committee meeting. Minutes of Committee meetings will be included in the papers for the next Board meeting after each Committee meeting.

5.9 Annual Report

The Company shall disclose in the corporate governance section of each annual report the frequency of Committee meetings, the names of members of the Committee and their attendance at meetings of the Committee.

6 COMPLIANCE WITH DISCLOSURE OBLIGATIONS

The Committee will review all reporting by the Company of its audit and risk policies and practices to ensure that the Company meets its disclosure obligations as required under the applicable rules of any exchange on which the securities of the Company are quoted and the *Corporations Act 2001* (Cth).

7 COMMITTEE'S PERFORMANCE EVALUATION

The Committee will review its performance from time to time and whenever there are major changes to the management structure of the Company.

The performance evaluation will have regard to the extent to which the Company has met its responsibilities in terms of this Charter.

8 REVIEW AND PUBLICATION OF CHARTER

The Committee will review this Charter to determine its appropriateness to the needs of the Company from time to time, and report to the Board any changes it considers should be made. The Charter may be amended by resolution of the Board.

The Charter is to be made available on the Company's website and the key features published in the annual report.

Approved by the Board on 9 December 2011.