

Charter of the Audit Committee



1. General

- 1.1. This Charter sets out the specific responsibilities delegated by the Board of Directors to the Audit Committee and the details of the manner in which the Audit Committee will operate.
- 1.2. The Board of Directors, as part of its program to achieve and maintain excellent standards of corporate governance, has constituted an Audit Committee to ensure the maintenance of an effective and efficient audit program and to monitor the effectiveness and reliability of:
 - the Company's internal control and risk management system; and
 - the independent audit process, including recommending the appointment and assessing the performance of the external auditor of the PanAust Group in order to carry out its business effectively and efficiently and in compliance with applicable laws and regulations.
- 1.3. In performing its duties, the Audit Committee will maintain effective working relationships with the Board of Directors, management and external and internal auditors. To perform his or her role effectively, each committee member must develop and maintain his or her skills and knowledge, including an understanding of the Audit Committee's responsibilities and of the Company's business, operations and risks.

2. Responsibilities of the Audit Committee

In order to meet its objectives as described in clause 1.2, the Audit Committee must:

- 2.1 satisfy itself that effective measures, systems and controls are in place in relation to –
 - describing, communicating and implementing the standards of integrity required by the PanAust Group of its directors, managers and employees in relation to financial control and financial reporting;
 - management of material business risks, including operational, financial reporting, compliance, reputational and market related risks;
 - management's internal control and risk management systems, including the review of policies and procedures;
 - informing the Board of Directors of any matters that might have a material impact on the financial condition or affairs of the PanAust Group;

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- 2.2 review and assess the adequacy of management reporting to the Board of Directors in terms of the quantity, quality and timing of information necessary to understand and report internally and externally on the PanAust Group's operations and financial condition;
- 2.3 review the quarterly, half-yearly and annual financial statements and other information to be released to the public by the PanAust Group before they are copied to the Board of Directors and released to the public;
- 2.4 recommend to the Board of Directors the appointment of the internal and external auditors. The appointment of external auditors is to be reviewed every five years and the lead audit partner must be rotated every five years. Any major non-audit work to be undertaken by the current auditors must be approved by the Audit Committee;
- 2.5 review the efficiency and effectiveness of the internal and the external auditors in relation to their respective accountabilities;
- 2.6 ensure that there have been no unjustified restrictions or limitations imposed on the auditors from within the PanAust Group;
- 2.7 ensure that the scope of the audits (internal and external) is adequate, ensuring that emphasis is placed on areas where the Audit Committee believes special attention is warranted;
- 2.8 review and assess the findings of the internal and external auditors and the action taken and timetable proposed by Management in response to its findings;
- 2.9 report any matter identified during the course of carrying out its duties that the Audit Committee considers should be brought to the attention of the Board of Directors; and
- 2.10 perform or undertake on behalf of the Board of Directors such other tasks or actions as the Board of Directors may from time to time instruct.

3. Organisation

Membership

- 3.1 The Board of Directors will nominate the Audit Committee members and the chairman of the Audit Committee (who must be an independent non-executive director).
- 3.2 The Audit Committee will comprise at least 3 members who must be independent non-executive directors.

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- 3.3 A quorum of any meeting will be 2 members.
- 3.4 Each member should have skills and experience appropriate to the business of the PanAust Group.
- 3.5 Members will be appointed at the sole discretion of the Board of Directors and can be re-elected at the sole discretion of the Board of Directors.
- 3.6 The secretary of the Audit Committee will be the Company Secretary, or such other person as nominated by the Board of Directors.

Meetings

- 3.7 Only board members are entitled to attend meetings. The Audit Committee may invite other people to its meetings as it considers necessary. The CFO /Group Financial Controller and any other executives of the PanAust Group will attend meetings of the committee whenever required to do so by the chairman.
- 3.8 External auditors should be invited to make presentations to the Audit Committee as appropriate;
- 3.9 Meetings will be held not less than 4 times a year and should correspond with the company's financial reporting cycle;
- 3.10 Special meetings may be convened as required. The secretary will convene a meeting on receipt of a request by the external auditors.
- 3.11 The secretary will circulate the agenda and supporting documentation to the Audit Committee members within a reasonable time before each meeting.
- 3.12 The secretary will circulate the minutes of meetings to members of the board, members of the committee and the external auditor where appropriate.
- 3.13 As a minimum, the chairman of the committee (or other committee member) will attend the board meeting at which the financial statements are approved.
- 3.14 Members of the Audit Committee should attend every meeting of the committee.
- 3.15 The Audit Committee should meet regularly with legal counsel and other external advisors necessary to fulfil its charter and the requirements of the Board of Directors as and when it is considered necessary.

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- 3.16 The Audit Committee will at least annually meet with the external auditor without management present.

4. Authority of the Audit Committee

The Board of Directors authorises the Audit Committee within the scope of its responsibilities to:

- 4.1. seek any information it requires from Management or from any third party;
- 4.2. obtain outside legal or other independent professional advice;
- 4.3. procure the attendance at its meetings of external parties with relevant experience and expertise;
- 4.4. have unrestricted access to members of management, employees and relevant information;
- 4.5. establish procedures for dealing with concerns of employees regarding accounting, internal control or auditing matters;
- 4.6. establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
- 4.7. be directly responsible for the appointment, compensation, retention and oversight of the work of the external auditor; and
- 4.8. approve all audit engagement fees and terms as well as reviewing policies for the provision of non-audit services by the external auditor (and, when required, the framework for pre-approval of such services).

5. Reporting to the Board of Directors

The Audit Committee should report to the Board of Directors as necessary, but as a minimum once per quarter, summarising the activities of the Audit Committee during the previous quarter.

6. Evaluation of Performance

The committee will at least once each year:

- 6.1 evaluate the committee's own performance, of individual members and collectively; and
- 6.2 assess the achievement of the duties specified in the charter and report the findings to the Board of Directors.

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7. Review of the Committee Charter.

The Audit Committee will at least once each year:

- 7.1 review the Audit Committee charter and discuss required changes with the board; and
- 7.2 ensure that the charter is approved or re-approved by the Board.

This Audit Committee Charter was approved by the Board of Directors of PanAust Limited on 27 August 2008.