



**MARENGO**  
MINING LIMITED

## **Audit Committee Charter**

**Adopted: 12 September 2008**

### **1. ROLE**

The audit committee (the “**Committee**”) will assist the Board of Directors (the “**Board**”) of Marengo Mining Limited (the “**Company**”) fulfil its corporate governance and oversight responsibilities. In doing so, it is the responsibility of the Committee to maintain free and open communication between the Committee, the external auditors, and the management of the Company.

### **2. ADMINISTRATION OF COMMITTEE**

#### **2.1. Membership**

2.1.1. The members of the Committee shall be appointed by the Board for one-year terms and may serve consecutive terms.

2.1.2. The Committee shall be composed of not less than three (3) members. If a member of the Committee retires, is removed or resigns from the Board, that member shall cease to be a member of the Committee.

2.1.3. Each member of the Committee shall:

- (a) be a member of the Board;
- (b) unless otherwise determined by the Board, in accordance with Canadian Multilateral Instrument 52-110 – Audit Committees (“**MI 52-110**”), be independent within the meaning of MI 52-110; and
- (c) unless otherwise determined by the Board in accordance with MI 52-110, have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the accounting issues that can reasonably be expected to be raised by the Company's financial statements.

#### **2.2. Chairman**

2.2.1. The members of the Committee shall appoint a person from among its members to act as the chairman of the Committee (the “**Chairman**”). The Chairman shall be approved for a one-year term;

2.2.2. The Chairman is responsible for:

- (a) ensuring the Committee adequately addresses each of its functions and responsibilities, on an on-going basis;



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- (b) ensuring the Board and, if appropriate, the Managing Director/CEO and the Finance Director are aware of concerns of the Committee;
- (c) liaising with the chairperson of the Board to coordinate the raising of Committee matters with the Board;
- (d) communicating with the Board to keep it apprised of all major developments involving audit and financial reporting matters;
- (e) chairing and managing meetings of the Committee;
- (f) setting and assessing periodically the frequency of Committee meetings; and
- (g) on an on-going basis, evaluating the Committee's objectives, duties and the effectiveness of its performance.

### 2.3. Meetings

- 2.3.1. The Committee shall meet as frequently as required, but not less than four times per year.
- 2.3.2. The Chairman, in consultation with management, shall appoint a secretary to the Committee (the "**Secretary**");
- 2.3.3. The Secretary must call a meeting of the Committee if requested to do so by any member of the Committee;
- 2.3.4. The agenda for Committee meetings will be determined by the Chairman in consultation with management and members of the Committee;
- 2.3.5. The Secretary shall forward a notice of each meeting of the Committee to each Committee member as many days as possible and not less than 3 days prior to the date of the meeting;
- 2.3.6. Minutes and resolutions of meetings of the Committee shall be maintained by the Secretary and distributed to all Committee members and the Chairman following the approval of such minutes and resolutions by the Chairman; and
- 2.3.7. Committee minutes may be made available to any member of the Board following a request to the Chairman, providing no conflict of interest exists.

### 2.4. Attendance at Meetings

- 2.4.1. A quorum will comprise any two (2) Committee members.
- 2.4.2. Each member shall have one vote and the Chairman shall not have a second or casting vote.
- 2.4.3. The Managing Director/CEO, Finance Director, the Company secretary, representative(s) of the external auditors, members of management or other parties



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deemed necessary by the Committee to provide information may attend meetings by invitation.

### 3. **RESPONSIBILITIES**

3.1. The Committee shall:

#### **Financial Reporting**

- 3.1.1. periodically assess and review the effectiveness of the Company's financial reporting and internal control policies;
- 3.1.2. ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements;
- 3.1.3. periodically assess the procedures referred to in subsection 3.1.2 above;
- 3.1.4. monitor and review the Company's compliance with legal and regulatory requirements;
- 3.1.5. review, prior to public disclosure, the Company's annual and interim financial statements, MD&A and earnings press releases, taking into account:
  - (a) critical accounting policies and practices and any changes therein;
  - (b) decisions requiring a major element of judgment;
  - (c) the extent to which the financial statements are affected by any unusual transactions;
  - (d) the clarity of disclosures;
  - (e) significant adjustments resulting from the audit;
  - (f) the going concern assumption;
  - (g) compliance with accounting standards; and
  - (h) compliance with stock exchange and other legal requirements;
- 3.1.6. review and approve any financial reporting required to be made to any lenders or strategic investors;
- 3.1.7. review the consistency of the Company's accounting policies both on a year-to-year basis and across the Company and its subsidiaries and the impact of changes in the accounting standards and legislation on the Company's accounting policies, and where the Committee deems it necessary, adopt changes to the Company's accounting policies in response thereto;



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- 3.1.8. obtain reasonable assurance, from discussions with and reports from management and external auditors, that the Company's accounting systems are reliable and that the prescribed internal controls are operating effectively and that the Committee is fully apprised of all unrecorded audit adjustments and the rationale for any judgement calls made in relation to the Company's financial statements;
- 3.1.9. ensure the Company's external reporting complies with the Company's accounting policies, the *Corporations Act 2001 (Cth)*, International Financial Reporting Standards and all other applicable policies and rules and securities laws;
- 3.1.10. discuss any significant matters arising from the audit, management judgments and accounting estimates with management and internal auditors (if any), and external auditors;
- 3.1.11. review with management and the external auditor and, as considered appropriate by the Committee, with outside legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Company, and the manner in which any such litigation, claim or contingency has been disclosed in the Company's financial statements and disclosure documents;
- 3.1.12. obtain reasonable assurance from management about the process for ensuring the reliability of public disclosure documents that contain audited and unaudited financial information.
- 3.1.13. review the contents of any prospectus or similar document, including the financial statements contained therein, and after such review and where deemed appropriate, shall recommend to the Board the approval of any financial statements contained therein that have not previously been approved;
- 3.1.14. monitor the policies of the Company in respect of compliance with corporate, environmental, mineral and resource, trade practices and other relevant laws and regulations;
- 3.1.15. provide the Board with advice and recommendations regarding the appropriate material and disclosures to be included in the corporate governance section of the Company's annual report which relates to the Company's audit policies and practices;
- 3.1.16. review and recommend to the Board the appointments of the Finance Director and any other key financial members of management;
- 3.1.17. recommend to the Board the policies and practices for the payment, monitoring and review of the expenses of the Board and officers of the Company who report directly to the Board;
- 3.1.18. ensure that the Company complies with all legal requirements relating to the declaration and payment of dividends;



## External Auditor

- 3.1.19. recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;
- 3.1.20. recommend to the Board the compensation of the external auditor;
- 3.1.21. oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- 3.1.22. ensure that the external auditor is independent and objective and that the Committee receives from the external auditor a formal written statement describing any and all relationships between the external auditor and the Company;
- 3.1.23. engage in a dialogue with the external auditor with respect to any disclosed relationships or services that could impact the objectivity and independence of the external auditor and may take, or recommend that the Board take, appropriate action to ensure the independence of the external auditor;
- 3.1.24. ensure that the external auditor is satisfied that the accounting estimates and judgments made by management, and management's selection of accounting principles, reflect an appropriate application of International Financial Reporting Standards;
- 3.1.25. develop a relationship with the external auditor that allows for full, frank and timely discussion of all material issues;
- 3.1.26. meet on a regular basis with the external auditor, without management present;
- 3.1.27. confirm with the external auditor the external auditor's judgment of the acceptability and quality of the Company's accounting principles as applied in the Company's financial reporting, including without limitation, disclosure, degree of aggressiveness or conservatism in the accounting principles and underlying estimates, and other significant decisions made by management in preparing the Company's financial reporting and disclosure materials;
- 3.1.28. either (i) pre-approve all services to be provided to the Company or its subsidiaries by the external auditor (however the Committee may delegate authority to pre-approve non-audit services to one or more members of the Committee however, pre-approval of any non-audit services must be presented by any member to whom authority has been delegated to the full Committee at its first scheduled meeting after such approval); or (ii) adopt specific policies and procedures for the engagement of non-audit services provided that: (1) the policies and procedures are detailed as to the particular service; (2) the Committee is informed of each non-audit service; and (3) the procedures do not include delegation of the Committee's responsibilities to management;



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- 3.1.29. review the planning and results of the external audit, including:
- (a) the external auditor's engagement letter;
  - (b) the scope of the audit, including materiality, locations to be visited, audit reports required, areas of audit risk, timetable, deadlines;
  - (c) the post-audit management letter;
  - (d) the form and content of the audit report; and
  - (e) any other related audit engagements;
- 3.1.30. ensure that the external auditor has direct access to the Committee and unrestricted access to the Company's information;
- 3.1.31. assess management's response to, and action on, the external auditor's post-audit reporting letter;
- 3.1.32. assess the external auditor's performance;
- 3.1.33. direct the external auditors' examinations to additional particular areas, where appropriate;
- 3.1.34. where appropriate, request that the external auditors to undertake special examinations;
- 3.1.35. review control weaknesses identified by the external auditors, together with management's response;
- 3.1.36. review and approve the Company's hiring policies regarding current and former partners and employees of the present and former external auditor;

### **Reporting**

- 3.1.37. report to the Board, at the first Board meeting subsequent to each Committee meeting, regarding the proceedings of each Committee meeting, the outcomes of the Committee's reviews and recommendations and any other relevant issues.
- 3.1.38. on an annual basis, report to the Board and shareholders of the Company on all matters relevant to the performance of its role and the discharge of its duties during the period, having regard to corporate governance guidelines and best practice recommendations established by the Australian Securities Exchange, the Port Moresby Stock Exchange and the Toronto Stock Exchange addressing all matters relevant to the committee's role and responsibilities, including:
- (a) whether external reporting is consistent with the Committee members' information and knowledge and is adequate for shareholder needs;
  - (b) the management processes supporting external reporting;



- (c) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- (d) recommendations for the appointment or removal of an auditor;
- (e) the performance and independence of the external auditors and whether the audit committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
- (f) the performance and objectivity of the internal audit function; and
- (g) the results of its review of risk management and internal compliance and control systems.

### **Whistle Blowing**

- 3.1.39. establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
- 3.1.40. establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

### **Risk Management**

- 3.1.41. provide the Board with advice and recommendations regarding the establishment and implementation of:
  - (a) a risk management system; and
  - (b) a risk profile for the Company that describes the material risks (including financial and non-financial risks) which the Company faces;
- 3.1.42. provide the Board with advice and recommendations regarding the roles and respective accountabilities of the Board, the Committee, management and the internal audit function (if any) in respect of the Company's risk management system;
- 3.1.43. periodically assess and review the effectiveness of the Company's procedures for the identification, assessment, reporting and management of risks including the areas of crisis management, capital expenditure, taxation strategy, funding, commodity and foreign exchange and interest rate exposure, insurance coverage, fraud and information systems technology
- 3.1.44. ensure that adequate procedures are in place to achieve the Company's objectives as to the effectiveness and efficiency of operations and to safeguard the Company's assets; and
- 3.1.45. regularly review and update the Company's risk profile;

### **Internal Audit**

- 3.1.46. periodically assess, review the need for an internal audit function on a regular basis;



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3.1.47. if the Committee determines that it is appropriate to do so, it shall establish an internal audit function whose purpose is to analyse the effectiveness of:

- (a) the Company's risk management and internal compliance and control system; and
- (b) the implementation of the Company's risk management and internal compliance and control system;

3.1.48. if the Company has an internal audit function, the Committee shall:

- (a) review the results and effectiveness of the internal audit programs;
- (b) recommend the scope of the internal audit for Board approval;
- (c) review and approve the appointment and dismissal of senior internal audit executives;
- (d) ensure the internal audit function is independent of the external auditor;
- (e) ensure that the internal audit function has all necessary access to management and the right to seek information and explanations;
- (f) receive summaries of significant reports to management prepared by internal audit, the management response and the recommendations of internal audit;
- (g) ensure no management or other restrictions are placed on the internal auditors;
- (h) ensure that appropriate resources are made available to the internal auditors;

#### **General**

3.1.49. comply with and carry out all other duties of an audit committee as prescribed the *Australian Corporations Act 2001 (Cth)*, Australian and Canadian accounting standards and other applicable legislative and regulatory provisions.

#### **4. REVIEW OF COMMITTEE PERFORMANCE**

4.1. The Board shall review the effectiveness of the Committee annually.

4.2. The Board will review this Charter annually and revise it as appropriate.

#### **5. AUTHORITY OF THE COMMITTEE**

5.1. The Committee has the authority to:

5.1.1. engage at the Company's expense, independent counsel and other advisors, such as external legal counsel, as it determines necessary to carry out its duties;

5.1.2. set and pay the compensation for any advisors employed by the audit committee;



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- 5.1.3. conduct any investigations it considers necessary and seek explanations and additional information from any employee of the Company and/or from the external auditor;
- 5.1.4. approve accounting policies and procedures and auditing methodology (issues of material importance, however, will be referred to the Board with the Committee's recommendation); and
- 5.1.5. communicate directly with the external auditor and any internal auditor and have unrestricted access to management, internal auditor (if any) and external auditors and all company records for the purpose of carrying out its duties and responsibilities under this Charter.

## 6. CONFLICT

In the event of any conflict between this charter and any other relevant legal requirements, including those of the ASX, POMSx or the TSX (as applicable), the *Corporations Act 2001 (Cth)*, and applicable securities laws, the Committee shall immediately bring the conflict to the attention of the Board which shall resolve such conflict upon consultation with the Company's legal advisors.



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