



## CORPORATE GOVERNANCE & AUDIT COMMITTEE CHARTER

### 1. INTRODUCTION

The Board of Territory Resources Limited (“**Territory**” or the “**Company**”) has established a Corporate Governance & Audit Committee (“**Committee**”) to assist the Board in fulfilling its responsibilities in relation to corporate governance, risk management, internal controls, audit and financial reporting.

The Board supports the Corporate Governance Principles and Recommendations 2<sup>nd</sup> Edition developed by the ASX Corporate Governance Council (the “**Principles**”)

The Committee has no decision making responsibility, but makes recommendations to the Board of Directors.

### 2. SCOPE

The primary functions of the Committee are to ensure that the Company demonstrates its commitment to high standards of corporate governance practice, to ensure that adequate risk management systems and internal controls are designed and implemented to effectively manage the Company’s material risks, to review the integrity of the Company’s financial reporting and to oversee the relationship with and independence of the external auditors.

The key responsibilities of the Committee include:

#### **Corporate Governance**

- To review and oversee the corporate governance framework of rules, relationships, systems and processes within and by which authority is exercised and controlled.
- To review and monitor corporate governance requirements and standards that may be relevant to the Company, including requirements of the Australian Securities and Investments Commission, the Australian Securities Exchange and other applicable regulators.
- To review annually the Group’s compliance with its corporate governance policies and procedures, and report to the Board on the results of the review together with any recommendations of the Committee.
- To review the corporate governance disclosure statements in the Company’s Annual Report.
- To review the independent status of the Company’s directors on an annual basis or as required.
- To monitor and review any related party transactions.

#### **Financial Reporting**

- To review and recommend to the Board the audited annual and half-yearly financial statements and any reports which accompany published financial statements, focusing particularly on:
  - Any changes in accounting policies and practices;
  - Major judgmental areas;





- Significant adjustments, accounting and financial reporting issues resulting from the external audit;
- Compliance with accounting policies and standards; and
- Compliance with legal requirements

## ***External Audit***

- To make recommendations to the Board regarding the appointment, re-appointment or replacement of the external auditor.
- To review and agree the terms of engagement of the external auditor.
- To review the nature and scope of the audit, and to ensure coordination between any internal auditor and the external audit.
- To monitor the independence of the external auditor, including review and assessment of any non-audit services provided.
- To meet privately with the external auditor on at least an annual basis so as to determine that no management restrictions are being placed upon the external auditor and to discuss problems and reservations arising from audits, and any other matters the auditors may wish to discuss.
- To review the external auditor's management letter and management's response.
- To assess the performance of the external auditor on an annual basis.

## ***Internal Audit***

- To monitor the need for an internal audit function having regard to the size, geographic location and complexity of the Company's operations.

## ***Internal Controls & Risk Management***

- To ensure that the Company has established a policy for the oversight and management of material business risks.
- To oversee the establishment and implementation by management of a system for identifying, assessing, monitoring and managing material risk throughout the Company. This system will include the Company's internal compliance and control systems.
- To review management's reports in relation to risk management and their assessment as to whether material business risks are being managed effectively.
- To monitor the action being taken by management in addressing unacceptable levels of risk or identified weaknesses in internal controls.

## ***Compliance***

- To establish procedures for complaints and reports regarding accounting, internal accounting controls and auditing matters and ensuring a mechanism for the confidential treatment of such complaints and reports.
- To review any regulatory reports on the Company's operations and management's response.





### 3. MEMBERSHIP

The Committee will consist of not less than three members. Members will be appointed by the Board from amongst the Non-Executive Directors, and a majority of the Committee will be independent.

In addition, the Audit Committee will comprise:

- Members who can all read and understand financial statements and are otherwise financially literate;
- At least one member with financial expertise either as a qualified accountant or other financial professional with experience in financial and accounting matters; and
- at least one member who has an understanding of the industry in which the Company operates.

The Committee will appoint a Director, other than the Chairman of the Board, to be the Chairman of the Committee.

The Company Secretary will act as the Committee Secretary.

The effect of ceasing to be a Director of the Board or employee of the Company is automatic termination of appointment as a member of the Committee.

### 4. MEETINGS

The Committee will meet at least twice a year and more frequently as required.

The Chairman of the Committee may call a meeting of the Committee at any time, or if so requested by any member of the Committee, and director or the auditor.

A quorum will consist of two Committee members.

The Committee Secretary, in conjunction with the Chairman, shall draw up an agenda for meetings, which shall be circulated to each member of the Committee and attendees, at least two working days prior to each meeting.

The Committee Secretary will prepare the Minutes of the Committee meetings, which shall be presented to the next Board meeting.

The Managing Director, General Manager – Finance and Administration and CFO as well as other members of senior management may be invited to be present for all or part of the meetings.

Representatives of the external auditor will usually be invited to attend each meeting of the Committee.

### 5. REPORTING & PERFORMANCE

The Committee shall review its performance on an annual basis and shall report to the Board as to the exercise of the responsibilities set out in this Charter.





## 6. AUTHORITY

In carrying out its responsibilities, the Committee has full authority to investigate all matters that fall within the terms of reference of this Charter. Accordingly, the Committee may:

- Obtain independent professional advice in the satisfaction of its duties at the reasonable cost of the Company; and
- Have such direct access to the resources of the Company, as it may reasonably require, including Senior Executives and Management and external auditors.

The Committee may, if it deems appropriate, hold private meetings with advisers and Senior Executives and Management Personnel.

## 7. CHARTER REVIEW

The Committee shall review this Charter within six months of its adoption and thereafter annually.

Approved: September 2008

Reviewed: 23 October 2009

