

RIVERSDALE RESOURCES LIMITED

(the "Company")

AUDIT AND RISK COMMITTEE CHARTER

ADOPTED ON 20 FEBRUARY 2013

1. GENERAL

The board of the Company (**Board**) has established the Audit and Risk Committee (**Committee**) to provide ongoing oversight in the areas of:

- financial administration and reporting;
- audit control and independence;
- risk management and internal controls; and
- legal and regulatory compliance.

The Committee is part of the Board and exercises its authority, and is accountable to the Board for its performance. This Committee and the functions it performs do not diminish the ultimate responsibility of the Board.

The Audit and Risk Committee Charter will be reviewed annually. Any proposed changes will be recommended to the Board for approval.

2. THE ROLE OF THE COMMITTEE

The role of the Committee includes assisting the Board with:

- enterprise-wide risk management;
- overseeing the adequacy of the controls established by senior management to identify and manage areas of potential risk and to safeguard the assets of the Company;
- assessing the reliability and integrity of information for inclusion in the Company financial statements;
- the appointment, reward, and performance of the external auditor and the integrity of the audit process as a whole; and
- ensuring compliance with legal and regulatory requirements and the Company's own codes of conduct.

Many of the principles and procedures recorded in this Charter are expressed in a flexible and non-exhaustive manner. The Board and Committee believe that it is appropriate and necessary to adopt such an approach in order to respond to changing business circumstances, the needs of shareholders and external regulatory developments.

The Committee may delegate all or a portion of its responsibilities to a subcommittee of the Committee.

3. **COMPOSITION OF THE COMMITTEE**

The Committee will consist of a minimum of three members of the Board.

The Committee will comprise all non-executive directors and shall ideally comprise a majority of independent directors.

The Board Charter states:

The Board considers an independent director to be a non-executive director who is not a member of management and who is 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 judgement.

The Chairman of the Committee will be an independent non-executive Director. The office of Chairman of the Committee will not be occupied by the Chairman of the Board.

The Committee will comprise of non-executive directors with the most appropriate skills considering the role of the Committee. All members of the Committee will be financially literate and be conversant in financial management, statutory reporting and corporate governance.

The Board may appoint additional non-executive directors to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.

The Board will review the membership of the Committee at least once in each year. The Committee may make recommendations to the Board in relation to the Committee's membership.

4. **MEETINGS OF THE COMMITTEE**

The Committee will meet at least two times annually, and more frequently if it is deemed necessary to fulfil its role.

The Committee may invite any person to attend all or part of a meeting of the Committee.

The quorum is two members of the Committee.

Any member may, and the Company Secretary will upon request from any member, convene a meeting of the Committee.

Notice will be given to every member of the Committee, of every meeting of the Committee, at the member's advised address for service of notice (or such other pre-notified interim address where relevant). However, there is no minimum notice period and acknowledgement of receipt of notice by all members is not required before the meeting may be validly held.

The Company Secretary will attend all Committee meetings to take minutes. After approval by the Chairman of the Committee, the minutes will be presented at the next Board meeting. All minutes of the Committee must be entered into a minute book maintained for that purpose and be open at all times for inspection by any director.

5. **REPORTING**

The Chairman of the Committee will prepare a written report of the actions of the Committee (**Report**). The Report will be included in the Board papers for the Board meeting next following a meeting of the Committee. The report will include Committee meeting agendas, papers and minutes.

The Chairman of the Committee will also, if requested, provide a brief oral report on any material matters arising out of a Committee meeting. All Directors will be permitted, during a Board meeting, to request information from the Chairman of the Committee or members of the Committee.

6. **AUTHORITY AND ACCESS**

In carrying out its responsibilities, the Committee will have access to management and to internal and external auditors (without management present), and rights to seek explanations and additional information from both management and auditors.

The Committee may seek the advice of independent advisers on any matter relating to the powers, duties or responsibilities of the Committee.

7. **RESPONSIBILITIES OF THE COMMITTEE**

7.1 **Risk management and compliance**

In the area of risk management and compliance, the key responsibilities of the Committee are to:

- evaluate the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of balance sheet risks;
- evaluate the adequacy and effectiveness of the Company's financial and operational risk management control systems by reviewing risk registers and reports from management and external auditors;
- evaluate the structure and adequacy of the Company's business plans;
- evaluate the structure and adequacy of the Company's own insurances on an annual basis;
- review and make recommendations on the strategic direction, objectives and effectiveness of the Company's financial and operational risk management policies;
- oversee the establishment and maintenance, by management, of processes to ensure that there is:
 - an adequate system of internal control, management of business risks and safeguard of assets; and
 - a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control;
- arrange for management to report to the Board on whether the Company's material business risks are being managed effectively;
- evaluate the Company's exposure to fraud and supervise investigations of allegations of fraud or malfeasance;
- review the Company's main corporate governance practices for completeness and accuracy;
- review and evaluate the procedures the Company has in place to ensure compliance with laws and regulations (particularly those which have a major potential impact on the Company in areas such as trade practices, occupational health and safety, and the environment) and the Company's own codes of conduct;

- review the procedures in place to ensure compliance with insider trading laws, continuous disclosure requirements and other best practice corporate governance processes (including requirements under the ASX Listing Rules, *Corporations Act 2001* (Cth) and AASB requirements);
- advise the Board on the appropriateness of significant policies and procedures relating to financial processes and disclosures and reviewing the effectiveness of the Company's internal control framework;
- review the Company's policies and culture with respect to the establishment and observance of appropriate ethical standards;
- assess the Managing Director's compliance with the limits on their authority; and
- review and discuss with management and the internal and external auditors the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs.

7.2 **Audit and finance**

In the area of audit and finance, the key responsibilities of the Committee are to:

- engage in the pro-active oversight of the Company's financial reporting and disclosure processes and to supervise and review the outputs of that process (including review of the Company's financial statements for accuracy and to ensure they reflect a true and fair view, as a basis for recommendation to, and adoption by, the Board);
- assist the Board in determining the reliability and integrity of accounting policies and financial reporting and disclosure practices;
- review financial statements to ensure they adhere to accounting standards and policies and other requirements relating to the preparation and presentation of financial results and to oversee the financial reports and the results of external audit of those reports (including assessing whether external reporting is consistent with the Committee members' information and knowledge, and is adequate for shareholder needs);
- review the appropriateness of the accounting policies adopted by management in the composition and presentation of financial reports (or any changes made or contemplated in relation to the Company's accounting policies) and to assess the management processes supporting external reporting;
- establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters, and procedures for the confidential, anonymous submission of concerns by employees regarding accounting and auditing matters;
- review management processes supporting external reporting, and any complaints or concerns raised internally regarding financial or accounting processes and practices;
- ensure that procedures are in place which are designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management;
- approve the scope of the audit for Board approval;
- review the effectiveness of the annual audit, placing emphasis on areas where the Committee or the external auditor believes special attention is necessary;

- consider the appropriateness of an internal audit function or whether the internal audit function is best undertaken by an external party;
- review the results and effectiveness of the internal audit programs and the performance and objectivity of any internal audit function, to monitor the independence of the internal audit programs from the external auditor and management and to review the outcomes and approve the internal audit program;
- review the performance, independence and objectivity of the external auditor;
- review the procedures for selection and appointment of the external auditors and for the rotation of external audit engagement partners;
- assume responsibility for the appointment (including the termination of an engagement), compensation, the terms of engagement and other contractual terms of the external auditor;
- develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and ensure compliance with that policy; and
- provide advice to the Board as to whether the Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence, and an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the statements required by the *Corporations Act 2001* (Cth) to be included in the Company's annual report.

7.3 Relationship with the external auditor

The Committee provides a link between the external auditor and the Board and has the responsibility and authority for the appointment and removal of the external auditor and to review the terms of its engagement.

The Committee is responsible for overseeing the Company's external audit policy (please see section 8).

7.4 Relationship with the internal auditor

Regardless of whether the Company has an internal audit function or outsources the internal audit to an external party, the Committee is responsible for:

- reviewing the internal audit objectives, competence and resourcing;
- ensuring an appropriate program of internal audit activity is conducted each financial year;
- reviewing and monitoring the progress of an internal audit and work program (without the presence of management);
- overseeing the coordination of the internal and external audit; and
- evaluating and critiquing management's responsiveness to internal auditor's finding and recommendations.

8. EXTERNAL AUDIT POLICY

8.1 The appointment of the external auditor

As noted in section 7.2, it is the responsibility of the Committee to make recommendations to the Board (subject to any applicable laws) on the appointment (and reappointment or replacement) and compensation of the external auditor. The Committee is also responsible for evaluating the effectiveness and independence of the external auditor.

The Committee will review the appointment of the external auditor annually based on its assessment of the auditor's performance.

8.2 Assessment of the external auditor

The Committee will review the performance of the external auditor after the completion of each end-of-year audit. In evaluating the effectiveness of the external audit, the Committee will assess the effectiveness of the external auditor based on criteria including (but not limited to):

- the comprehensiveness of the external audit plan;
- the timeliness and quality of communications promised under the plan and those delivered during the audit;
- the competency and industry knowledge of the external audit staff; and
- the adequacy and availability of resources to achieve the scope of work outlined in the external audit plan.

The Committee will seek feedback from the Company's management during the assessment process and will make a recommendation to the Board as to the external auditor's performance.

8.3 The independence of the external auditor

The Committee will review and assess the independence of the external auditor. This may include (but will not be limited to) any relationships the external auditor has with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company. This review and assessment will be carried out annually at the time of the external auditor presented its annual audit plan to the Company. Following its review and assessment, the Committee will make a recommendation to the Board.

Prior to the review and assessment outlined in this section 8.3, the Committee is to request a report from the external auditor which identifies all of the relationships that may affect the external auditor's independence. This report should also outline any measures that the external auditor has in place to reduce any impact on independence to an acceptable level.

Prior to the Board approving the half-year and full-year accounts, the external auditor will be asked to provide a declaration testifying to its independence in respect of the financial period in question. The external auditor will have a continuing obligation to notify the Committee of any new information that may be material to an assessment of its independence.

8.4 Rotation of the external audit engagement partner

The external audit engagement partner is required to rotate at least once every five years.