

KGL RESOURCES LIMITED

AUDIT & COMPLIANCE COMMITTEE CHARTER

1. Composition of the Audit & Compliance Committee

- The Audit & Compliance Committee will consist of at least two non-executive directors and be chaired by a director other than the Chairman of the Board.
- At least one member to have significant, recent and relevant financial experience.

2. Role of the Committee

- To monitor the integrity of the financial statements of the Company, reviewing significant financial reporting judgments;
- To review the Company's internal financial control system and, unless expressly addressed by a separate risk committee or by the Board itself, risk management systems;
- To consider the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- To monitor and review the external auditor's independence, objectivity and effectiveness, taking into consideration relevant professional and regulatory requirements; and
- To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.

3. Operations

- The Committee meets at least half yearly, with further meetings on an as required basis.
- Minutes of all meetings of the Committee are to be kept.
- Committee meetings will be governed by the same rules, as set out in the Company constitution as they apply to the meetings of the Board.

4. Resources

- The Company to provide the Committee with sufficient resources to undertake its duties, including provision of educational information on accounting policies and other financial topics relevant to the Company and such other relevant materials requested by the Committee.

5. Reporting to the Shareholders

- The Directors' Report to contain a separate section that describes the role of the Committee and what action it has taken.
- The Chairman of the Audit & Compliance Committee to be present at the AGM to answer questions, through the Chairman of the Board.

6. Responsibilities

- Responsibilities of the Committee are as set out in the Audit & Compliance Committee Responsibilities Calendar attached as Appendix A.

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Appendix A

Audit Committee Responsibilities Calendar

Responsibility	When Performed Audit Committee Meetings		
	First Half	Second Half	As needed
1. The committee will perform all functions as assigned by law, the Company's constitution, or the Board of directors.			X
2. The committee will have the power to conduct or authorize investigations into any matters within the committee's scope of responsibilities. The committee will have the authority, as it deems necessary or appropriate, to retain independent legal, accounting or other advisors.			X
3. The committee will meet half yearly or more frequently as circumstances require. The committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.			X
4. The agenda for committee meetings will be prepared in consultation between the committee chair (with input from the committee members), finance management and the independent auditor.	X	X	X
5. Provide an open avenue of communication between the independent auditor, finance management and the Board of directors. Report Committee actions to the Board of directors with such recommendations as the committee may deem appropriate.			X
6. Review and update the Audit Committee Charter and Responsibilities Calendar annually.			X

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Responsibility	When Performed Audit Committee Meetings		
	First Half	Second Half	As needed
7. Provide an annual report that includes the committee's review and discussion of matters with management and the independent auditor.			X
8. Appoint and replace the independent auditor and approve the terms on which the independent auditor is engaged.			X
9. Provide oversight of the independent auditor and resolve any disagreements between management and the independent auditor about financial reporting.	X	X	
10. Establish and oversee a policy designating permissible services that the independent auditor may perform for the Company and providing for pre-approval of those services by the committee.			X
11. Confirm annually the independence of the independent auditor, and bi-annual review the firm's non-audit services and related fees.	X	X	X
12. Verify the committee consists of a minimum of two members who are financially literate, including at least one member who has financial sophistication.			X
13. Review the independence of each committee member based on ASX Corporate Governance Guidelines.			X
14. Inquire of finance management, and the independent auditor about significant risks or exposures and assess the steps management has taken to minimize such risk to the Company.	X	X	X

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Responsibility	When Performed Audit Committee Meetings		
	First Half	Second Half	As needed
15. Review with the independent auditor and finance management, the audit scope and plan, and coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, the effective use of audit resources, and the use of independent accountants other than the appointed auditors of the Company.	X	X	
16. Consider and review with finance management and the independent auditor: (a) The Company's annual assessment of the effectiveness of its internal controls and the independent auditor's attestation and report about the Company's assessment. (Effective from 1 July 2004).		X	
(b) The adequacy of the Company's internal controls including computerized information system controls and security.			X
(c) Any related significant findings and recommendations of the independent auditors with management's responses thereto.			X
17. Review with finance management any significant changes to financial policies or standards.			X
18. Review with finance management and the independent auditor at the completion of the half yearly review and annual audit: (a) The Company's financial statements and related footnotes.	X	X	
(b) The independent auditor's review/audit of the financial statements and its report thereon.	X	X	

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	First Half	Second Half	As needed
(c) Any significant changes required in the independent auditor's audit plan.	X	X	
(d) Any serious difficulties or disputes with management encountered during the course of the audit.	X	X	
(e) Other matters related to the conduct of the audit which are to be communicated to the committee under generally accepted auditing standards.	X	X	
19. Review with finance management and the independent auditor at least annually the Company's critical accounting policies.	X	X	
20. Review policies and procedures with respect to transactions between the Company and officers and directors, or affiliates of officers or directors, or transactions that are not a normal part of the Company's business.			X
21. Consider and review with finance management and the independent auditor:			
(a) Significant findings during the year and management's responses thereto.			X
(b) Any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.			X
(c) Any changes required in planned scope of their audit plan.			X

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Responsibility	When Performed Audit Committee Meetings		
	First Half	Second Half	As needed
22. The Chairperson of the Audit Committee will participate in a meeting with finance management and the independent auditor prior to its earnings release.	X	X	
23. Review the periodic reports of the Company with finance management, and the independent auditor prior to filing of the reports ASX.	X	X	
24. In connection with each periodic report of the Company, review			
(a) Management's disclosure to the committee and the independent Principle 4 recommendation 1.1 of ASX Corporate Governance Guidelines.	X	X	
(b) The contents of the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) certificates to be filed under the ASX Corporate Governance Guidelines	X	X	
25. Review with the compliance officer legal and regulatory matters that may have a material impact on the financial statements, related Company compliance policies, and programs and reports received from regulators.	X	X	
26. Develop and oversee procedures for (i) receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters, and (ii) the confidential, anonymous submission of employee concerns regarding accounting or auditing matters.	X	X	

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Responsibility	When Performed Audit Committee Meetings		
	First Half	Second Half	As needed
27. Meet with the independent auditor to discuss any matters that the committee or the independent auditor believes should be discussed privately with the Audit Committee.	X	X	
28. Meet with finance management to discuss any matters that the committee or finance management believes should be discussed privately with the Audit Committee.			X
29. Each year request auditor to attend each Annual General Meeting of the Company and be available to answer questions from shareholders regarding audit issues relating to items in the accounts.			X

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POLICY AND PROCEDURE FOR SELECTION OF EXTERNAL AUDITOR AND ROTATION OF AUDIT ENGAGEMENT PARTNERS

1. Responsibility

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company.

2. Selection Criteria

Mandatory criteria

Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. Further the successful candidate must have arrangement in place for the rotation of the audit engagement partner on a regular basis.

Other criteria

Other than the mandatory criteria mentioned above, the Board may select an external auditor based on criteria relevant to the business of the Company such as experience in the industry in which the Company operates, references, cost and any other matters deemed relevant by the Board.

3. Review

The Board will review the performance of the external auditor on an annual basis.