



ABN 63 009 193 980

BLACKTHORN RESOURCES LIMITED

AUDIT AND RISK COMMITTEE CHARTER

November 2011

BLACKTHORN RESOURCES LIMITED
AUDIT AND RISK COMMITTEE CHARTER

1. Purpose

- 1.1 This Audit and Risk Committee Charter sets out the role, composition and responsibilities of the Audit and Risk Committee that has been established by the Board of Blackthorn Resources Limited and its controlled entities (collectively 'Blackthorn Resources').
- 1.2 The function of the Audit and Risk Committee is to assist the Board in:
- (a) fulfilling its responsibilities in relation to the audit of Blackthorn Resources and to verify and safeguard the integrity of Blackthorn Resources' financial reporting; and
 - (b) reviewing and assessing the adequacy of Blackthorn Resources' risk management systems, to ensure there is a sound framework of risk oversight, risk management and internal control in place and operating across Blackthorn Resources in accordance with the intent of Principle 7: Recognise and Manage Risk of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (ASX Corporate Governance Principles and Recommendations) regarding the recognition and management of risk by listed entities.
- 1.3 In undertaking its duties, the Audit and Risk Committee has reasonable access to the resources of Blackthorn Resources and will seek to maintain an effective working relationship with the CEO, the CEO's direct reports, other senior management and the Company's auditor.

2. Scope and Authority

- 2.1 The Audit and Risk Committee is a standing committee appointed and accountable to the Board of Blackthorn Resources.
- 2.2 The Audit and Risk Committee has full authority to investigate all matters that fall within the terms of reference of this Charter, and to obtain independent professional advice, including from the external auditor, in satisfaction of its duties at Blackthorn Resources' cost.

3. Role

- 3.1 The Audit and Risk Committee is responsible for:

- (a) reviewing the quality and integrity of Blackthorn Resources' financial reporting to shareholders, the ASX, the Australian Securities and Investment Commission and any other applicable regulatory body;
- (b) reviewing the accounting policies, internal controls, internal reporting practices and disclosures to assist the Board in making informed decisions and to ensure that Blackthorn Resources complies with all relevant statutory and regulatory requirements;
- (c) reviewing with management and the external auditor, management's choice of accounting principles and material judgements, including assessing whether such choices are aggressive or conservative and whether they are normal or minority practices;
- (d) reviewing the scope and outcome of external audits;
- (e) nominating external auditors and reviewing the annual fees and other compensation to be paid, together with the adequacy and performance of existing external audit arrangements;
- (f) ensuring the independence of external auditors, including approving the nature and scope of any other services provided by them;
- (g) reviewing and assessing the adequacy of Blackthorn Resources' risk management systems, including without limitation an annual review of Blackthorn Resources' Risk Management Policy;
- (h) approving and reviewing Blackthorn Resources' Delegation of Authority policy and compliance with same;
- (i) reviewing Blackthorn Resources' insurance coverage if deemed necessary or desirable;
- (j) reporting to the Board on its meetings and the results of any of its assessments, reviews and recommendations;
- (k) ensuring that the Corporate Governance Statement in Blackthorn Resources' annual report is in accordance with the requirements of the ASX Corporate Governance Principles and Recommendations; and
- (l) reviewing this Charter annually to ensure that it remains relevant and is consistent with the Committee's objectives and responsibilities.

4. Composition

- 4.1 The size and composition of the Audit and Risk Committee is determined by the Board. In considering appropriate members for the Audit and Risk Committee, the Board will look for a mix of skills and experience, in particular in the areas of financial and management reporting and risk management.
- 4.2 In considering the membership of the Audit and Risk Committee the Board will, as far is practical, aspire to the ASX Corporate Governance Principles and Recommendations in relation to the composition of audit committees.
- 4.3 The Chairman of the Audit and Risk Committee must be an independent non-executive director.

- 4.4. The quorum for a meeting of the Audit and Risk Committee will be two directors, at least one of whom must be a non-executive director.

5. Meetings

- 5.1 The Audit and Risk Committee will meet formally not less than four times each year, and as a minimum will address the following items:

- (i) February/March
 - review the annual audit plan and engagement of the auditor; and
 - review the half-year financial report;
- (ii) June
 - review the plan, timetable and process for year-end accounts and statutory reporting; and
 - review accounting policies; and
- (iii) August/September
 - review the annual report
 - consider external auditor's fees and effectiveness
- (iv) November
 - undertake a review of this Charter
 - undertake a review of the Risk Management Policy
 - formal review of risk management systems and delegation of authority.

- 5.2 The Audit and Risk Committee will also meet whenever necessary to deal with urgent matters that may arise between scheduled meetings.

- 5.3 All directors who are not members of the Audit and Risk Committee may attend meetings of the Audit and Risk Committee should they wish to do so.

- 5.4 The Audit and Risk Committee may invite other attendees to attend the meetings as required to assist the Audit and Risk Committee with its deliberations. The Chairman of the Audit and Risk Committee will provide the opportunity for the external auditor to meet with the Audit and Risk Committee without executive directors or other management representatives present. A standing invitation exists for the CEO and CFO to attend Audit and Risk Committee meetings.

- 5.5 The Audit and Risk Committee will maintain minutes of all its meetings, which will be provided to the Board, together with any recommendations to management or the Board.

6. Performance

6.1 The Board will from time-to-time evaluate the performance of the Audit and Risk Committee to determine whether or not it is functioning effectively by reference to this Charter and current best practice.

7. Publication of Charter

7.1 The key features of this Charter will be outlined in Blackthorn Resources' annual report.

7.2 This Charter will be made available to Blackthorn Resources' shareholders on request.

7.3 A copy of this Charter will be made available on Blackthorn Resources' website www.blackthornresources.com.au

**Approved and adopted by the Board of Blackthorn Resources Limited on
24 November 2011**