



CORPORATE GOVERNANCE POLICIES

AUDIT COMMITTEE CHARTER

1.1 ***Purpose/Objectives***

The Board of Catalyst Metals Limited has assigned to the Audit Committee the responsibilities referred to in the Terms of Reference (refer 1.2 below).

The Audit Committee is to consist of all Non-Executive Directors, and access is totally unrestricted to the Executive Director and external auditors.

Access to independent consultants is permitted under the procedures dealing with Directors' rights to access external professional advice.

The Audit Committee's primary objective is to review the effectiveness of internal and operating controls, the quality and reliability of financial information, compliance with accounting policies determined by the Board and the adequacy, scope and quality of the annual audit and half-yearly review performed by the external auditor.

1.2 ***Terms of Reference***

The Audit Committee's responsibilities include:

- Reviewing the nomination and performance of the external auditors.
- Overseeing the independence of the external auditors.
- To review the audited annual and half yearly financial statements and any reports which accompany published financial statements before submission to the Board, recommending their approval, focusing particularly on:
 - any changes in accounting policies and practices;
 - major judgmental areas;
 - significant adjustments, accounting and financial reporting issues resulting from the internal and external audit;
 - compliance with accounting policies and standards; and

- compliance with legal requirements.
- Liaison with external auditors to ensure effectiveness of the annual and half-yearly audits ensuring emphasis is placed on areas where the committee, management or the auditors believe special attention is necessary.
- Ensuring that management responds to recommendations made by external auditors.
- Reviewing effectiveness of management information and other systems of internal control, recommending enhancements or change as required.
- Reviewing accounting policies adopted, or any changes made or contemplated.
- Evaluating financial statements with both management and the external auditors.
- Being satisfied that all regulatory compliance matters have been considered in the preparation of financial statements, and to ensure other regulatory compliance matters have been satisfied.
- Reporting to the board about the committees activities and make recommendations.
- To review and update the charter (approval from full board required) and to evaluate the committee's own performance.

1.3 ***Procedures and Administration***

- A quorum for any meeting will be at least two.
- The Chairman of the Committee will be nominated by the Board.
- The Committee must meet at least half-yearly prior to announcement of results.
- The Committee must establish with external auditors an audit plan for the half year and full year.
- It is expected that an agenda and full set of papers on matters to be discussed at the Audit Committee meeting will be provided to all committee members prior to the meeting. External auditors should be invited to make presentations to the Committee as appropriate.
- Minutes of all Audit Committee meetings are to be prepared in appropriate minute format and circulated to all members of the Committee for comment and change before being signed by the Chairman of the Audit Committee and circulated to the Board with the Board papers for the next Board meeting. The minutes are to be tabled at the Board meeting following the Audit Committee meeting along with any recommendations of the Committee.
- The Committee is expected to report to Directors at the full Board the matters discussed at the Audit Committee meeting. A copy of the Audit Committee minutes is to be tabled for the full Board.
- All accounting policies approved by the Board are required to be documented and maintained by the Audit Committee.

1.4 ***Audit Committee Members***

The Audit Committee will consist of not less than two members. Members will be appointed by the Board from amongst the non-executive Directors and Company Secretary, a majority of whom will also be independent.

The Company Secretary, or such other person as nominated by the Board, will be the secretary of the Audit Committee.

1.5 ***Roles***

The following roles are assigned by the Committee:

- Notices, agendas and meeting papers – Company Secretary.
- Minutes of meetings - Company Secretary.
- Records of attendance - Company Secretary.
- Audit planning – Company Secretary.
- Accounting Policies Record – Company Secretary