AUDIT AND RISK COMMITTEE CHARTER

The Board has resolved that it will undertake the responsibilities of the Audit and Risk Committee.

Purpose of the Audit and Risk Committee
The Committee's purpose is to provide assistance to the Board in fulfilling its corporate governance and monitoring responsibility in relation to risk facing the Company and ensuring appropriate controls are in place to mitigate the risks.

Duties and Responsibilities

General

The Committee is a practical way for the directors to examine in greater detail the Company's exposure to risk, and the appropriate implementation of controls and mitigation strategies than is possible for the whole Board.

The Committee is specifically charged with the following duties and responsibilities:

Policies and Procedures

- Formally define business risks affecting the Company's operations
- Determine acceptable levels of financial risk
- Establish procedures to define and control the operations of each business area
- Assess the adequacy and effectiveness of these Company policies and procedures

Risk Identification and Controls

- Conduct a comprehensive review procedure to identify all current and potential risks
- Rate the risks
- Establish controls to mitigate risks
- Ensure significant transactions are subject to independent assessment and review

Risk Management

- Ensure Board delegations are appropriately documented and circulated
- Ensure management and reporting structures are clearly defined
- Ensure staff are appropriately experienced and adequately trained for the complexity of the duties they carry out
- Communicating the importance of risk management to employees
- Reviewing the maintenance of the risk management system, enquiring as to the adequacy of controls and improving systems
- Reviewing the Company's risk manuals
- Appointment of experts to assist in the Risk Management process

Financial Reporting

- Understand the Company's structure, types of transactions and internal control systems
- Assess, monitor and identify risks to the integrity of the financial reporting process. This assessment will include reviews of the adequacy and effectiveness of:
    - Accounting and financial internal controls
    - Management information systems
    - Accounting policies or methods
- Oversee the Company's financial reporting process. Specifically, this includes:
    - Reviewing half-year and annual financial statements, reviewing significant financial reporting judgments and any associated information
    - Reviewing reports from the external auditor or any internal review and ensure that major deficiencies or breakdowns in controls or procedures have been identified, and that appropriate and prompt action is taken by Management
    - Reviewing the external auditor's reports, management letters and debriefing memorandum to ensure action is taken by Management in respect of those reports so that there will be no significant issues raised in the external auditor's opinion
- Ensure prior to directors' approval of the annual financial statements declarations are provided by the Managing director and CFO to the Board each reporting period as required by Section 295 A of the Corporations Act.
- Ensuring compliance with legislative and regulatory requirements
- Monitor and review the effectiveness of the Company's internal audit function (if any);
- Perform such other functions as assigned by law, the Company's constitution, or the Board.

External Auditor

- Monitor and review the external audit function including matters concerning appointment, reappointment or replacement of the external auditor, remuneration, independence and non-audit services;
- Monitoring the effectiveness of the external audit process.
- Liaising between the external auditor and Management.
- Ensuring that the external auditor is requested to attend the AGM of the Company and is available to answer questions from shareholders.

The Committee and the Board will select and appoint an external auditor in accordance with ***Annexure 1***.

Other

- The Committee may conduct any special projects or investigations in consultation with, or at the request of the Board as deemed necessary.

Reporting

The Committee shall keep the Board informed of its activities through the minutes of all of its meetings and formally advise the Board of any matters or recommendations requiring attention by the Board.

Membership

Membership of the Committee is all Directors of the Company.

The Company Secretary is Secretary to the Committee.

A representative of the external auditor may be present by invitation but will not be a Committee Member.

As far as practicable, at least one member of the Committee is to have significant, recent and relevant financial experience.

Authority and Access

The Committee has the authority of the Board to review any aspect or activity of Gascoyne Resources Ltd and any of its controlled entities and associated companies and other investments.

The Committee will have direct access to both the external auditor and to Senior Management.

The Committee is empowered to retain persons having particular skills and expertise to assist the Committee in fulfilling its responsibilities.

Meetings

The Committee shall meet as often as is required to reasonably discharge its responsibilities and, preferably, to coincide with the completion of the annual and half-year financial statements.

In regard to the annual financial statements, there shall be at least two (2) meetings each year:

Planning stage: prior to the audit process commencing to discuss the audit approach, changes in accounting standards, risk areas identification, reporting timetables, fees etc. This is expected to occur in June each year.

Completion stage: to discuss any issues detected by the external auditor and agree on appropriate action, the management letter and proposed audit opinion. This is expected to occur in September each year.

For each meeting an agenda will be prepared and circulated to Committee Members prior to the meeting.

Any Committee Member may request any item to be included on the agenda.

Any Member of the Committee, or the external auditor, may request the Chairman to convene a meeting.

The meetings and proceedings of the Committee shall be governed by the provisions of the Constitution regulating meetings and proceedings of Directors, so far as these provisions are applicable.

Self Assessment

The Committee shall assess its effectiveness periodically, with a view to ensuring that its performance accords with best practice. The Committee's Charter shall be reviewed annually and updated as required.