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AUDIT COMMITTEE - CHARTER POLICY

GENERAL

This Charter sets out the specific responsibilities delegated by the Board of Directors to the Audit Committee and the details of the manner in which the Audit Committee will operate.

The Board of Directors, as part of its program to achieve and maintain high standards of corporate governance, has constituted an Audit Committee to ensure the maintenance of an effective and efficient audit program and to ensure the effectiveness and reliability of:

- the company's internal control and financial risk management system to ensure the Group's accounts represent a true and fair view and capture fraud.
- the independent audit process, including recommending the appointment and assessing the performance of the external auditor of the Highlands Pacific Limited Group in order to carry out its business effectively and efficiently and in compliance with applicable laws and regulations and its code of conduct.

In performing its duties, the committee will maintain effective working relationships with the board of directors, management and external and internal auditors. To perform his or her role effectively, each committee member must develop and maintain his or her skills and knowledge, including an understanding of the committee's responsibilities and of the company's business, operations and risks.

RESPONSIBILITIES OF THE AUDIT COMMITTEE

In order to meet its objectives as described in clause 2 above, the Audit Committee must:

- Ensure that effective measures are in place to describe, communicate and implement the standards of integrity required by the Highlands Pacific Limited Group of its Directors, Managers and employees in relation to financial control and financial reporting;
 - Satisfy itself that effective systems of accounting and internal control are established and maintained to manage financial risk;
 - Satisfy itself as regards the integrity and prudence of management internal and financial control systems, including the review of policies and procedures;
 - Ensure that the Board of Directors is aware of any matters that might have a material impact on the financial condition or affairs of the Highlands Pacific Limited Group;
 - Review and assess the adequacy of management reporting to the Board of Directors in terms of the quantity, quality and timing of information necessary to understand and report internally and externally on the Highlands Pacific Limited Group's operations and financial condition;
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- Review the quarterly, half-yearly and annual financial statements and other information to be released to the public by the Highlands Pacific Limited Group before they are copied to the Board of Directors and released to the public;
- Recommend to the Board of Directors the appointment of the internal and external auditors. The appointment of external auditors is to be reviewed every five years and the lead audit partner must be rotated every five years. Any major non-audit work to be undertaken by the current auditors must be approved by the Committee;
- Review the efficiency and effectiveness of the internal and the external auditors in relation to their respective accountabilities;
- Ensure that there have been no unjustified restrictions or limitations imposed on the auditors from within the Highlands Pacific Limited Group;
- Ensure that the scope of the audits (internal and external) is adequate, ensuring that emphasis is placed on areas where the Audit Committee, Management of the auditors believe special attention is warranted;
- Review and assess the findings of the internal and external auditors and the action taken and timetable proposed by Management in response to its findings;
- Report any matter identified during the course of carrying out its duties that the Audit Committee considers should be brought to the attention of the Board of Directors; and
- Perform or undertake on behalf of the Board of Directors such other tasks or actions as the Board of Directors may from time to time instruct.

ORGANISATION

Membership

- The board of directors will nominate the audit committee members and the chairman of the audit committee (who is an independent director and not the Chairman of the Board).
- The audit committee will comprise at least 3 members and the majority of members will be independent non-executive directors of the company.
- A quorum of any meeting will be 2 members.
- Each member should have skills and experience appropriate to the company's business.
- Each member must be financially literate; at least one member must have accounting or related financial expertise.
- The secretary of the audit committee will be the company secretary, or such other person as nominated by the board.

Meetings

- Only board members are entitled to attend meetings. The audit committee may invite other people to its meetings as it considers necessary.
- External auditors should be invited to make presentations to the audit committee as appropriate.
- Meetings will be held not less than 4 times a year and should correspond with the company's financial reporting cycle.
- Special meetings may be convened as required. The secretary will convene a meeting on receipt of a request by the external auditors.
- The secretary will circulate the agenda and supporting documentation to the audit committee members within a reasonable time before each meeting.



- The secretary will circulate the minutes of meetings to members of the board, members of the committee and the external auditor where appropriate.
- As a minimum, the chairman of the committee (or other committee member) will attend the board meeting at which the financial statements are approved.
- Members of the audit committee should attend every meeting of the committee, except with the approval of the Chairman of the Audit Committee.
- The committee should meet regularly with legal counsel and other external advisors necessary to fulfil its charter and requirements of the board of directors as and when it is considered necessary.
- The audit committee will meet with the external auditor regularly without management present.

AUTHORITY OF THE AUDIT COMMITTEE

The Board of Directors authorises the Audit Committee within the scope of its responsibilities to:

- Seek any information it requires from Management or from any third party;
- Obtain outside legal or other independent professional advice, subject to the approval of the Chairman of the Audit Committee;
- Procure the attendance at its meetings of external parties with relevant experience and expertise.
- Have unrestricted access to members of management, employees and relevant information
- Establish procedures for dealing with concerns of employees regarding accounting, internal control or auditing matters
- Establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls or auditing matters
- Be directly responsible for the appointment, compensation, retention and oversight of the work of the external auditor
- Approve all audit engagement fees and terms as well as reviewing policies for the provision of non-audit services by the external auditor (and, when required, the framework for pre-approval of such services).

REPORTING TO THE BOARD OF DIRECTORS

The Audit Committee should report to the Board of Directors as necessary, but as a minimum once per quarter, summarising the activities of the Audit Committee during the previous quarter.

Evaluation performance

- Evaluate the committee's own performance, of individual members and collectively, on a regular basis.
- Assess the achievement of the duties specified in the charter and report the findings to the board.

Review of the committee charter

- Review the audit committee charter annually and discuss required changes with the board.
- Ensure that the charter is approved or re-approved by the board.

