

QF 5002.02: ENDEAVOUR FOUNDATION AUDIT COMMITTEE CHARTER

1.0 PURPOSE

The Audit Committee shall provide assistance to the Board of Directors in fulfilling its corporate governance and oversight responsibilities in relation to the organisations financial reporting, internal control structures, risk management systems, the internal and external audit functions, the process for monitoring compliance with laws and regulations and the code of conduct and related policies. (Refer **5.7 Policy Oversight**).

In doing so, it is the responsibility of the audit committee to maintain free and open communication between the audit committee, external auditors, the internal auditor, and management of the organisation.

2.0 AUTHORITY

In discharging its oversight role, the audit committee is empowered to investigate any matter within its scope of responsibility. The audit committee is empowered to:

- Retain outside counsel, accountants or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees (all of whom are directed to co-operate with the committee's requests), with full access to all books, records facilities and personnel, or external parties.
- Meet with company officers, external auditors or outside counsel, as necessary.

3.0 COMPOSITION

The audit committee shall consist of a minimum of two and a maximum of three members of the board of directors. The board or its nominating committee shall appoint audit committee members and the audit committee chair.

The audit committee chair shall have leadership experience and a strong finance, accounting and or business background.

Each audit committee member shall be independent, as defined by the board of directors. Members of the audit committee shall be considered independent so long as they do not have any relationship with the organisation that may interfere with the exercise of independent judgement.

At least one member shall have expertise in financial reporting.

4.0 MEETINGS

The number of meetings of the audit committee shall be determined annually by the board meeting agenda, with authority to convene additional meetings, as circumstances require. All audit committee members are expected to attend each meeting, in person or via tele- or video-conference.

The audit committee shall invite members of management, auditors or others to attend meetings (as determined by the audit committee chair) to provide pertinent information, as necessary. The Chief Executive Officer, the Chief Financial Officer and the Internal Auditor are considered permanent invited guests to the audit committee.

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The audit committee shall hold separate private meetings with the internal auditor and external auditors.

Meeting agendas shall be prepared and provided in advance to audit committee members, along with appropriate briefing materials. Minutes shall be prepared.

5.0 DUTIES AND RESPONSIBILITIES

The audit committee shall carry out the following responsibilities:

5.1 Understanding the business

The audit committee shall ensure it understands the organisations structure, controls and types of transactions in order to adequately assess the significant risks faced by the organisation.

5.2 Financial Reporting

- Ensuring that the financial statements are understandable, transparent and reliable.
- Review significant accounting and reporting issues, and understand their impact on the financial statements, including (a) complex or unusual transactions and highly judgemental areas, (b) major issues regarding accounting principles and financial statement presentations, including any significant changes in the organisations selection or application of accounting principles, (c) the effect of regulatory and accounting initiatives on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered. Resolve any disagreements between management and the external auditor regarding financial reporting.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Receive regular reports from the external auditor on the critical policies and practices of the organisation, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.

5.3 Internal Control

- Helping achieve an organizational wide commitment to strong and effective internal controls, emanating from tone at the top (i.e.) the Board, audit committee and senior management.
- Consider the effectiveness of the company's internal control over annual financial reporting, including information technology security and control.

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- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

5.4 Internal Audit

- Provide a "solid – line" reporting relationship from the Internal Auditor to the audit committee to ensure the independence of the internal audit function. A dotted line reporting relationship to the Chief Executive Officer shall exist for administrative purposes.
- Ensure there are no unjustified restrictions or limitations placed upon the internal audit function, and review and concur with the Chief Executive Officer, in the appointment, monitoring of performance, replacement or dismissal of the Internal Auditor
- Shall review the internal auditor's charter and resources and discuss the scope of the internal audit with the internal auditor, including the internal audit plan, work program and quality control procedures.
- Ensure that management is involved in reviewing the effectiveness of the internal audit function and is provided with a reasonable time and opportunity to respond to matters raised by the internal auditor prior to them going before the audit committee.
- On a regular basis, meet separately with the internal auditor to discuss any matters that the committee or internal audit believes should be discussed privately.
- Provide a letter of authority to the Internal Auditor from the audit committee signed jointly by the Board Chairman and the Audit Committee Chair.

5.5 External Audit

- Review the external audit scope and approach and related fees, ensuring members understand and are comfortable with the extent of audit work anticipated, including co-ordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

5.6 Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.

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- Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and company legal counsel regarding compliance matters.

5.7 Policy Oversight

The Audit Committee shall assume carriage for oversight of the following policies.

- ***Code of Conduct (QD 5001).***
- ***Fraud and Corruption Prevention Policy (QD 5007).***
- ***Conflict of Interest (QD 5005).***
- ***Schedule of Financial Delegations and Authorities (QD 6001).***

The appropriate Audit Committee meeting for review of these documents may be the first meeting after the Annual General Meeting.

5.8 Reporting Responsibilities

- Regularly report to the board of directors about committee activities, issues and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors and the board of directors.
- Report annually to the Members of the Endeavour Foundation via the Annual Report describing the audit committee's composition, responsibilities and how they were discharged, and any other information required by rule.
- Review any other reports the organisation issues that relate to Audit Committee responsibilities.

5.9 Other Responsibilities

- Perform other activities related to this charter as requested by the board of directors.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the audit committee charter annually, requesting board approval for proposed changes.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the audit committee's and individual members' performance on a regular basis.