

FAT PROPHETS AUSTRALIA FUND LIMITED

ABN 111 772 359

COMMITTEE CHARTER

Audit Committee Submission to Fat Prophets Australia Fund Limited Board

From: Audit Committee
To: Fat Prophets Australia Fund Limited (FPAFL) Board
Date: 24 January 2006 (amended 27 August 2008)

The Audit committee of the FPAFL Board must be properly constituted by the FPAFL Board. As an aid to the Board, we provide the following items that may help the Board with this task. Items shown *italicised* are our suggestions.

Charter

Role *Assist the FPAFL board to fulfil its legal and professional corporate governance and compliance responsibilities with regard to FPAFL's financial reporting, regulatory compliance, risk identification and management, internal control systems and both the internal and external audit functions.*

Responsibility *Report regularly to the Board, providing advice and recommendations on matters relevant to its charter to help the Board facilitate decision-making.*

Scope *Extends across the interrelated roles of Audit and Risk Management.*

Delegated Authority

Right to obtain information from any employee and any relevant external party and to investigate any matter it sees fit.

Committee Membership

Must be members drawn from and appointed by, the FPAFL Board
Mr Robert Bolton
Mr John Reynolds

Chairperson

Chair to be appointed by the FPAFL Board
Mr John Reynolds

Numbers

Minimum of 2 members

Quorum

Minimum of 2

Attendance Criteria

Attendance by phone is permitted

Exclusion of Chair of FPAFL Board as Chair of Audit Committee

The current Chair of FPAFL is not permitted to be Chair on the Audit Committee.

Domination by independent directors

Audit committee must be dominated by independent directors.

Independence is defined as being non-executive directors of FPAFL who do not have a material commercial relationship with FPAFL.

Process of appointment

The FPAFL board must appoint committee members in writing by board resolution.

Rotation of Audit committee members

The present small size of the FPAFL Board makes rotation unworkable. This can be revisited when the Board grows in number.

Majority financially literate

Financially literate relates to an ability to read and understand financial statements.

At least one member must have financial expertise (i.e. is a qualified accountant or other financial professional with experience of financial and accounting matters).

Both members have financial experience.

Meeting Frequency

Regular frequency, including a meeting timed to review the annual accounts prior to the FPAFL Board being requested to sign off on these accounts.

Whenever else as determined by the Audit committee.

Two pa

Meeting and Board Reporting

Agenda and supporting papers to be provided in advance.

Meetings to be minuted and signed by the Chair.

Meetings scheduled to help the Board fulfil its role.

Documentation should be provided from a variety of sources including senior management, accounts, internal and external audit, but also any area the Audit committee deems necessary.

Audit committee report to the Board should be prepared by the Chair and include; minutes, members present, formal resolutions, summary of assurance work undertaken and underway including a view on the independence of internal and external auditing functions.

Recommendations requiring board action or approval.

Annual Audit committee review to the Board

An annual Audit committee review will include items such as how the Audit committee is being optimised, meeting attendance, details of adverse findings by the Audit committee and remedial action taken, details of related party transactions and conflict of interests, and the qualification and experience of Audit committee members. Some of this material may be supplied to external parties as part of FPAFL corporate governance undertakings, e.g. within the annual report.