



EUROPEAN GOLDFIELDS LIMITED

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. PURPOSE

The Audit Committee (the “Committee”) is a committee of the board of directors (the “Board of Directors”) of European Goldfields Ltd. (the “Company”). Its primary function is to assist the Board of Directors in fulfilling its oversight responsibilities including:

- Maintaining the integrity of financial statements;
- Complying with legal and regulatory requirements relating to financial reporting;
- Appointing an external auditor, subject to shareholder approval, and approving the external auditor’s compensation, reviewing its independence and qualifications, and overseeing all audit and allowable non-audit work; and
- Carrying out any other duties as the Board of Directors may assign from time to time.

II. COMPOSITION AND MEETINGS

The Committee shall be comprised of three or more directors as determined by the Board of Directors, all of whom shall be independent directors in accordance with National Instrument 52-110. A Committee member is independent if he or she has no direct or indirect material relationship with the Company.

All members of the Committee will, either at the time of their appointment to the Committee or within a reasonable period of time after their appointment be financially literate to the extent that they have the ability to read and understand a set of financial statements that present the breadth and level of complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board of Directors, Chief Executive Officer, Chief Financial Officer, other directors, the heads of risk, compliance and internal audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate. The external auditors will be invited to attend meetings of the Committee on a regular basis.

The Board of Directors shall appoint the Committee Chairman, who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The members of the Committee shall also appoint the Secretary of the Committee.

The Committee shall meet at least four times a year, at appropriate times in the reporting and audit cycle and otherwise as required.

The Secretary shall record the proceedings and resolutions of all meetings of the Committee, including the names of those present and in attendance. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and note them accordingly. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board of Directors.

The Committee Chairman shall attend the annual general meeting of shareholders of the Company (the "AGM") and be prepared to respond to any shareholder questions on the Committee's activities.

III. RESPONSIBILITIES AND DUTIES

The responsibilities, duties and powers of the Committee shall include:

A. Financial Reporting

1. Monitoring the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain before any such information is disclosed to the public. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
2. Periodically reviewing and satisfying itself as to the adequacy of the procedures in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, including reviewing and challenging where necessary:
 - (i) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company;
 - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;

- (iii) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - (iv) the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
 - (v) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).
3. Reviewing the annual financial statements of the pension funds (if applicable) where not reviewed by the Board of Directors as a whole.
 4. Following review of financial statements, recommending (or not, as the case may be) approval of such financial statements by the Board of Directors as a whole.

B. Internal Controls and Risk Management Systems

1. Keeping under review the effectiveness of the Company's internal controls and risk management systems.
2. Reviewing and approving the statements (if any) to be included in the Company's annual information form or annual report concerning internal controls and risk management.

C. Whistleblowing

1. Reviewing the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. Such arrangements will provide for confidential, anonymous submission by employees regarding questionable accounting or auditing matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
2. Establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters.

D. Internal Audit

1. Monitoring and reviewing the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system.
2. Approving the appointment and removal of the head of the internal audit function.

3. Considering and approving the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions.
4. Reviewing and assessing the annual internal audit plan.
5. Reviewing promptly all reports on the Company from the internal auditors.
6. Reviewing and monitoring management's responsiveness to the findings and recommendations of the internal auditor.
7. Meeting the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the Board of Directors and to the Committee.

E. External Audit

1. Considering and making recommendations to the Board of Directors, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required.
2. Overseeing the relationship with and work of the external auditor including (but not limited to):
 - (i) considering and making recommendations to the Board of Directors respecting approval of their remuneration; whether fees for audit or non-audit services and determining that the level of fees is appropriate to enable an adequate audit to be conducted;
 - (ii) approving their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) assessing annually their independence and objectivity taking into account relevant UK and Canadian professional and regulatory requirements and the relationship with the auditor as a whole including the provision of any non-audit services;
 - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other

than relationships permitted by Canadian regulatory requirements governing the composition and conduct of the Committee);

- (v) reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer, and monitoring the implementation of such policies;
 - (vi) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
 - (vii) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures.
3. Meeting regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.
 4. Reviewing and approving the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
 5. Reviewing the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - (i) a discussion of any major issues which arose during the audit;
 - (ii) any accounting and audit judgements; and
 - (iii) levels of errors identified during the audit.

The Committee shall also review the effectiveness of the audit.

6. Reviewing any representation letter(s) requested by the external auditor before they are signed by management.
7. Reviewing the management letter and management's response to the auditor's findings and recommendations.
8. Developing and implementing a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter, and

be required to give its pre-approval to all non-audit services to be provided to the Company or its subsidiaries by the external auditor.

9. Taking direct responsibility for the resolution of disagreements between management and the external auditor regarding financial reporting.

F. Reporting Responsibilities

1. Reporting formally by the Committee Chairman to the Board of Directors on its proceedings after each meeting on all matters within its duties and responsibilities.
2. Making whatever recommendations to the Board of Directors it deems appropriate on any area within its remit where action or improvement is needed.
3. Compiling a report on its activities, which may be included in the Company's annual information form or annual report.

IV. OTHER MATTERS

The Committee shall:

1. Have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required.
2. Be provided with the opportunity to attend appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
3. Give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing Rules as appropriate.
4. Give due consideration to laws and regulations as required by the Toronto Stock Exchange.
5. Be responsible for co-ordination of the internal and external auditors.
6. Oversee any investigation of activities which are within its mandate and act as a court of the last resort.
7. At least once a year, review its own performance, charter and mandate to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board of Directors for approval.

G. AUTHORIZATION

The Committee is authorized to:

1. Seek any information it requires from any employee of the Company in order to perform its duties.
2. Obtain, at the Company's expense, outside independent legal or other professional advice on any matter within its mandate.
3. Call any employee to be questioned at a meeting of the Committee as and when required.
4. Set and pay the compensation for any advisors engaged by the Committee.
5. Communicate directly with the internal and external auditors of the Company.

Approved: 9 November 2010