

## **1. PURPOSE**

The Board has responsibility for internal compliance and control. The Audit Committee has responsibility for ensuring that internal control systems are in place to monitor and manage risk.

The Company's internal compliance and control system is based on a financial reporting system that aims to ensure that financial reporting is both accurate and timely; and letters of assurance signed by the CEO and CFO prior to submitting to the Audit Committee.

The purpose of the Audit Committee is to provide assistance to the Board of Directors in fulfilling its responsibilities for financial reporting, internal control structures, internal and external audit functions and risk management systems. For the avoidance of doubt this includes risk management, corporate governance and environment matters.

## **2. POWERS**

In carrying out its duties the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and shall have the authority to discuss directly with management or the external auditors any issue and to request reports, explanations and information of any of the activities, procedures or accounts of the Company.

The Committee is authorised by the Board to obtain outside legal or other professional advice if it considers this necessary.

In addition the Committee will recommend to the Board the appointment of external auditors and the level of their fees.

## **3. COMPOSITION**

### *3.1 Membership*

The Committee will consist of at least two, and all of members shall be non-executive directors. The Committee members must be appropriately financially literate and at least one member must have accounting or associated financial management experience. The Chairman, members, and term of appointment of each member shall be determined by the Board. The Chairman of the Committee must not be the Chairman of the Board.

### *3.2 Secretary*

The Company Secretary shall be the Committee Secretary.

## **4. MEETINGS**

### *4.1 Frequency of Meetings*

The Committee shall meet at least twice a year. The purpose of these meetings shall be to review the following reports and recommend to the Board for approval:

- (a) half- year financial report;
- (b) annual financial report.

#### *4.2 Attendance at meetings*

The number of members whose presence at a meeting of the Committee is necessary to constitute a quorum is two. The external auditors shall be given notice of all meetings and shall have the right to attend and speak. The Committee will meet with the external auditors without members of management being present whenever it is deemed appropriate by the Chairman of the Committee.

The Managing Director and Chief Financial Officer may attend the meetings at the invitation of the Chairman.

### **5. COMMITTEE RESPONSIBILITIES**

#### *5.1 Accounting Policies*

The Committee shall:

- (a) review the appropriateness of the Company's accounting policies and principles; and,
- (b) review proposed professional and regulatory pronouncements regarding accounting policies and financial reporting and assess their impact on the Company.

#### *5.2 Financial Statements*

The Committee shall:

- (a) review all published financial statements which require approval by the Board of Directors prior to approval by the Board;
- (b) review any report of management which accompanies published financial statements (to the extent that such a report discusses the financial position or operating results) for consistency of disclosure with the financial statements before approval by the Board.

#### *5.3 Disclosures to ASX*

The Chairman of the Committee shall review and approve any disclosures of financial information to Australian Stock Exchange prior to their release to ASX.

#### *5.4 External Audits*

The Committee shall:

- (a) review and assess provision of non-audit services by the external auditor, with particular consideration to the potential to impair, or appear to impair, the external auditor's judgment or independence in respect of the Company;
- (b) meet with the external auditor without the presence of management;
- (c) review the audit plans of the external auditors and ascertain the extent to which the planned audit scope can be relied upon to detect weaknesses in internal control, fraud or other illegal acts;
- (d) review any significant recommendations by the auditors to strengthen internal controls; and,
- (e) review the results of the external audits.

#### *5.5 Appointment and rotation of external auditor*

The Board is responsible for appointing the external auditor, subject to confirmation by shareholders at the Company's Annual General Meeting.

The Audit Committee is responsible for implementing a selection process for appointment of the auditor and making a recommendation to the Board based on their assessment of the responses received from potential external auditors.

The assessment of responses from potential external auditors takes into account a number of key criteria, including audit approach and methodology, and cost.

Once the review process has taken place the Audit Committee provides the Board with information concerning the process adopted in undertaking the review, the recommended external auditor and the reasons for final recommendation.

The audit partner responsible for the audit shall be rotated at least every five years. The rotation of audit partners every five years shall apply with effect from the audits of financial statements for financial periods commencing 1 July 2004. At least two years must elapse before the audit partner can again be involved in the audit of the Company.

### *5.6 Internal control*

The Committee shall:

- (a) assess management's programmes and policies which deal with the adequacy and effectiveness of internal controls over the Company's accounting and financial reporting systems;
- (b) review the corporate code of conduct and seek assurance that all policies and practices comply. This exercise might include monitoring the standard of corporate conduct in transactions with related parties, develop and maintaining the Company's ethical standards including the Code of Ethics;
- (c) identify the range of actual or potential risk exposures which are material to the Company; and,
- (d) assess the effectiveness of the Company's risk management systems and strategies.

Committee members shall be aware of actual or potential conflicts of interest, including transactions which are not at arm's length.

## **6. REVIEW OF CHARTER**

The Audit Committee Charter is reviewed annually by the Committee to ensure it remains consistent with the Committee's authority, objectives and responsibilities.

## **7. REPORTING TO THE BOARD**

The Chairman of the Committee shall report the findings and recommendations of the Committee to the Board after each Committee meeting. The minutes of all Committee meetings shall be circulated to members of the Board.

## **8. APPOINTMENT OF COMMITTEE**

The Committee was appointed at a meeting of the Board of Directors held on 15<sup>th</sup> May, 2007. Members of the Committee are;

Peter Smith (Chairman)  
Roy Payne

By resolution of the Board, Darren Thamm (Company Secretary) will attend all meetings of the Committee.