

## **CORPORATE GOVERNANCE POLICIES**

### **AUDIT COMMITTEE CHARTER**

#### *Scope*

The Audit Committee is a committee of the Board of the Company with the specific powers delegated under this charter. The charter sets out the audit committee's function, composition, mode of operation, authority and responsibilities.

#### *Function*

The primary function of the committee is to assist the Board in fulfilling its responsibilities relating to accounting and reporting practices of the Company. In addition, the Committee will:

- oversee, co-ordinate and appraise the quality of the audits conducted by the Company's external auditors;
- determine the independence and effectiveness of the external auditors;
- maintain open lines of communications among the Board and the external auditors to exchange views and information, as well as confirm their respective authority and responsibilities;
- serve as an independent and objective party to review the financial information submitted by management to the Board for issue to shareholders, regulatory authorities and the general public;
- review the adequacy of the reporting and accounting controls of the Company; and
- review risk management and related issues.

The committee is not required to personally conduct accounting reviews or audits and is entitled to rely on employees of the Company or professional advisers where appropriate.

#### *Membership and composition*

The Board shall appoint the members of the committee and review the composition of the committee at least annually. The committee should comprise:

- at least three members;
- only non-executive directors of the Board, a majority of whom are independent;
- an independent chairman appointed by the Board and who is not the Chairman of the Board;
- where possible, members with sufficient financial skills and experience relevant to the committee's functions

The composition of the audit committee complies with recommended ASX guidelines other than there is no clear majority of independent directors. This is due to the current size of the Board and the number of independent directors. In circumstances where the size of the Board is expanded and additional independent non-executive directors are appointed, as a result of the growth or complexity of the Company, the composition of the audit committee will be reconsidered.

### ***Meetings***

The committee shall:

- meet as frequently as required but at least two times per year; and
- the minimum quorum for a committee meeting is two members.

The secretary of the committee is the Company Secretary;

### ***Authority***

In performing its functions in accordance with any applicable law, the committee:

- has unrestricted access to the external auditors, senior management and employees of the Company.
- has unrestricted access to information and reports relevant to fulfilling its responsibilities.
- may seek independent external advice on matters brought before the committee or in relation to the functions and responsibilities of the committee.
- shall have the power to conduct or authorise investigations into any matters within the committee's scope of responsibilities or when requested by the Board.

### ***Responsibilities***

The committee must promote an environment within the Company which is consistent with best practice financial reporting. In particular, the committee must:

- Financial reporting - perform an independent review of financial information prepared by management for external reporting. This will include conducting reviews of the annual report, directors' report, annual financial statements, half yearly financial statements and monitoring the integrity and effectiveness of financial reporting processes.
- External audit - review and assess the external audit arrangements.
- Corporate governance – review the corporate governance policies and practices in relation to audit issues to ensure that these are consistent with best practice.
- Risk management – consider the risk management policies and practices as they relate to investment risk, operational and physical risks and other matters.
- Accounting principles and practices – review of accounting principles and practices and in particular any proposed changes to those principles and practices and to consider any special treatment of unusual transactions.
- Internal controls – review of internal controls relating to accounting activities, including the effectiveness and/or any weaknesses or breaches.
- Compliance – review policies and practices in meeting legal and regulatory compliance obligations, including continuous disclosure requirements to the Australian Securities Exchange, reporting to the Australian Securities Investment Commission and the Australian Tax Office.

### ***External audit arrangements***

The committee shall report to the Board on external audit arrangements, including:

- making recommendations to the Board on the appointment, re-appointment, replacement and remuneration of the external audit firm;
- review the terms of engagement for the external auditor;
- review the scope of the external audit with the external auditor including identified risk areas;

- monitor the performance of the external audit including assessment of the quality and rigour of the audit, quality of the service provided;
- review and assess non-audit services to be provided by the external auditor, with particular consideration to the potential to impair or appear to impair the external auditors' independence;
- review and monitor management's responsiveness to the external audit findings; and
- on a periodic basis, meet with the external auditor without the presence of management.

#### *Appointment of external auditor*

Should a change in auditor be considered necessary, a formal tendering process will be undertaken. The committee will identify the attributes required of an auditor and will ensure the selection process is sufficiently robust so as to ensure selection of an appropriate auditor.

The committee will ensure that prospective auditors have been provided with a sufficiently detailed understanding of the Company, its operations, its key personnel and any other information, including group structures and financial statements, that will have a direct bearing on each firm's ability to develop an appropriate proposal and fee estimate.

In selecting an external auditor, particular consideration will be given to determining whether the fee quoted is sufficient for the work required, that the work is to be undertaken by people with an appropriate level of seniority, skill and knowledge and whether the work proposed is sufficient to meet the Company's needs and expectations.

The appointment of a new external audit firm will be placed before shareholders for ratification at the next annual general meeting after the appointment is made.

#### *Rotation and succession planning*

The committee will discuss with the auditor the provisions the audit firm has in place for rotation of the lead engagement partner and the independent review partner.

#### *Management sign-off procedure*

The audit committee will ensure that the Managing Director and Chief Financial Officer prepare a written statement to the Board certifying that the Company's annual financial report and half yearly financial report present a true and fair view, in all material respects, of the financial condition of the Company and its operational performance and are in accordance with relevant accounting standards.

The Managing Director and Chief Financial Officer shall also confirm that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The statement is to be presented to the Board prior to the approval and sign-off of the respective annual and half yearly financial reports.