

Audit & Risk Committee Charter

As approved by the Board of Directors on 24 August 2006

Organisation

This charter governs the operations of the audit and risk committee. The committee will review and reassess the charter at least annually and obtain the approval of the board of directors.

Membership

The committee will comprise of:

- only non-executive directors
- a majority of independent directors
- an independent Chairman, who is not Chairman of the board
- at least 3 members.

All members of the committee must be financially literate i.e. able to read and understand financial statements. At least one member must have financial expertise as a qualified accountant or other financial professional with experience of financial and accounting matters. Some members of the committee must have an understanding of the industry in which the entity operates.

Independence, in the context of directors, is defined in the company's Board of Directors Charter.

Meetings

The committee will meet at least 4 times each year.

The quorum for committee meetings is 2 members.

Purpose

The audit and risk committee will provide assistance to the board of directors in fulfilling its corporate governance and oversight responsibilities in relation to the company's financial reporting, internal control structure, risk management systems and the external audit function. In doing so, it is the responsibility of the committee to maintain free and open communication between the committee, external auditors and management of the company.

In discharging its oversight role, 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 the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

Duties and Responsibilities

Understanding the business

The committee will ensure it understands the company's structure, controls and types of transactions in order to adequately assess the significant risks faced by the company in the current environment.

Financial reporting

The primary responsibility of the audit and risk committee is to oversee the company's financial reporting process on behalf of the board and report the results of its activities to the board.

Whilst the committee has the responsibilities and powers set forth in this Charter, it is not the committee's duty to plan or conduct audits.

The board of directors is responsible for the company's financial reports including the appropriateness of the accounting policies and principles that are used by the company. The external auditors are responsible for auditing the company's financial reports and for reviewing the company's unaudited interim financial reports.

The committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to anticipate and respond to changing conditions and circumstances. The committee will take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behaviour. The following are the principal duties and responsibilities of the committee. These are set forth as a guide with the understanding that the committee may supplement them as appropriate.

Assessment of accounting, financial and internal controls

The committee will discuss with management and the external auditors the adequacy and effectiveness of the accounting and financial controls, including the company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs (including the company's Corporate Business Standards). Any opinion obtained from the external auditors on the company's choice of accounting policies or methods should include an opinion on the appropriateness and not just the acceptability of that choice of method. The committee will meet separately and periodically with management and the external auditors to discuss the issues and concerns warranting committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement. The committee will provide sufficient opportunity for the external auditors to meet privately with the members of the committee. The committee will review with the external auditors any audit problems or difficulties and management's response.

The committee will receive regular reports from the external auditors on the critical policies and practices of the company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

Appointment of external auditors

The committee will be responsible for making recommendations to the board of directors on the appointment, reappointment or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of the effectiveness and independence of the external auditors, including resolution of disagreements between management and the auditor regarding financial reporting.

Assessment of the external audit

The committee, at least on an annual basis, will obtain and review a report by the external auditors describing (or meet, discuss and document the following with them):

- the audit firm's internal quality control procedures
- any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm and any steps taken to deal with any such issues
- all relationships between the external auditor and the company (to assess the auditor's independence).

Independence of the external auditors

The committee will review and assess the independence of the external auditor, including but not limited to any relationships with the company or any other entity that may impair or appear to impair the external auditor's judgment or independence in respect of the company.

Some of the guiding principles governing the company's relationship with its external auditor include:

- the committee will be responsible for monitoring the appropriateness of non-audit services being performed by the auditor and the independence of the auditor
- the approval of the Chairman of the board, the Chairman of the committee or the company's Chief Financial Officer is required before the auditor is engaged to perform any non-audit services
- the auditor may provide tax advice in addition to audit services
- the following work cannot be done by the auditor:
 - internal audit services
 - determining accounting policy
 - services relating to setting up and/or maintenance of significant accounting records
 - services relating to preparation of accounts and records on financial statements
 - services relating to fundamental aspects of the company's business and/or strategic planning
 - valuation of assets for carrying value purposes
- if the auditor's fees for services other than audit services and tax advice exceeds, or on completion of the relevant services will exceed, an amount equal to 50% of the audit fee, the auditor cannot be engaged to provide those services unless the committee has approved the engagement
- the Chief Financial Officer is to provide to the committee in February and August an interim and annual report on the non-audit services being performed by the auditor, the auditor's fees for such services and performance against the 50% cap referred to above
- if a person has played a significant role in the audit for 5 successive years, he or she cannot play such a role in the audit for at least 2 successive years
- a person cannot play a significant role in the audit for a year if, were the person to do so, he or she would play such a role for 5 out of 7 successive years
- any person who, within the last 2 years, has been either:
 - a partner of the external auditor's firm, or
 - an employee of the external auditor and directly involved in the company's audit, is not to be appointed as a director of the company and any proposed appointment of such a person to the company's management is subject to the board's consent.

The committee will draft an annual statement for inclusion in the company's annual report of whether the committee is satisfied the provision of non-audit services is compatible with external auditor independence.

Scope of the external audit

The committee will discuss with the external auditors the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures. In addition, the committee will also review and approve the external auditor's compensation to ensure that an effective, comprehensive and complete audit can be conducted for the agreed compensation level.

Reporting obligations

The committee will report to the board. The report should contain all matters relevant to the performance of the committee's role and responsibilities, including:

- assessment of whether external reporting is consistent with committee members' information and knowledge and is adequate for shareholder needs
- assessment of the management processes supporting external reporting
- procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners
- recommendations for the appointment or removal of an auditor
- assessment of the performance and independence of the external auditors and whether the committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services
- the results of its review of risk management and internal compliance and control systems.

Communications with stakeholders

The committee will ensure the company has an appropriate policy in regard to its continuous disclosure obligations and will monitor the company's compliance with that policy.

The committee will review the half-year financial report and the annual financial report and Appendices D and E (which replace Appendix B for periods after 30 June 2003) prior to the filing of these with the ASX. Also, the committee will discuss the results of the half-year and annual review and any other matters required to be communicated to the committee by the external auditors under generally accepted auditing standards.

To ensure that the information provided is complete and appropriate, the committee will ensure that management signs appropriate representation letters and will review such letters. Also, the committee will discuss the results of the annual audit and any other matters required to be communicated to the committee by the external auditors under generally accepted auditing standards.

The committee will establish procedures for the receipt, retention, and treatment of complaints received by the company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters.

The committee will receive corporate legal reports of evidence of a material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duty.

Committee performance

The board will perform an evaluation of the committee's performance at least annually to determine whether the committee is functioning effectively.

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