

AUDIT COMMITTEE CHARTER OF EASTERN CORPORATION LIMITED

1. COMMITTEE MEMBERS

The initial members of the Audit Committee are:

- Richard May (Chairman);
- John McIntyre; and
- Sam Aarons

The company secretary and representatives of the auditors may be invited to form part of the Audit Committee from time to time.

2. PURPOSE

- 2.1 The Audit Committee Charter (“the Charter”) sets out the role, responsibilities, composition, authority and membership requirements of the Audit Committee of Eastern Corporation Limited (“ECU”).
- 2.2 Key features of the Charter will be outlined in the Annual Report. The Charter is available to shareholders of ECU upon request.

3. DEFINITION AND OBJECTIVES OF THE COMMITTEE

- 3.1 The Audit Committee (“the Committee”) is a Committee of the ECU Board (“the Board”).
- 3.2 The Committee’s primary function is to assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to ECU by:
- (a) ensuring that the quality of financial controls is appropriate for the business of ECU;
 - (b) making informed decisions regarding business risk management, internal control systems, business policies and practices, and disclosures;
 - (c) reviewing the scope and results of external and internal audits;
 - (d) monitoring corporate conduct and business ethics, including Auditor Independence and ongoing compliance with laws and regulations;
 - (e) maintaining open lines of communication between the Board, management and the external auditors, thus enabling information and points of view to be freely exchanged;
 - (f) reviewing matters of significance affecting the financial welfare of ECU; and
 - (g) ensuring that systems of accounting and reporting of financial information to shareholders, regulators and the general public are adequate.

- 3.3 Membership of the Committee (as outlined at clause 1) will be disclosed in the Annual Report.

4. **COMPOSITION**

- 4.1 The Committee will consist of at least three (3) members. Because of the current size of the Board and the activities being conducted by ECU, there is no requirement that the Committee only consist of non-executive directors and/or a majority of independent directors.

[Note: The term 'independent' for this purpose means that a member may not have any relationship with ECU management or the corporate entity that, in the opinion of the Board, would interfere with the exercise of his/her independent judgment as a member of the Committee. Additionally, in the opinion of the Board, the Director should be free from any interest and any business or other relationship, which could, materially interfere with the Director's ability to act in the best interests of ECU.]

- 4.2 Committee members will have a working familiarity with basic finance and accounting practices. It is appropriate that members of the Committee have range of different backgrounds, skills and experiences, having due regard to the operational, financial and strategic risk profile of ECU. At least one member of the Committee should have accounting or related management expertise.
- 4.3 Committee members are appointed by the Board.
- 4.4 The term of appointment as a member is for a period of no more than one year, with Committee members generally being eligible for re-appointments for so long as they remain independent Directors of the Board. The effect of ceasing to be a Director of the Board is the automatic termination of appointment as a member of the Committee.
- 4.5 Membership of the Committee should be confirmed annually by the Board.
- 4.6 Each Director may attend meetings but will have no voting rights unless he/she is a member of the Committee.

5. **CHAIRMAN**

- 5.1 The Chairman of the Committee is selected by the Board. Again, because of the current size of the Board and its current activities, there is no requirement that a director other than the Chairman of the Board, Chair this Committee.
- 5.2 Should the Chairman be absent from a meeting and no Acting Chairman been appointed, the members of the Committee present at the meeting have authority to choose one of their number to be Chairman for that particular meeting.

6. **MEETINGS**

- 6.1 The Committee will meet at such intervals as its business requires and will hold at least three (3) meetings per year, with such additional meetings as the Chairman deems appropriate in order to fulfil its responsibilities.
- 6.2 In addition, the Chairman is required to call a meeting of the Committee if requested to do so by any Committee member, the Chairman of the Board, the external auditors, internal auditors or other Board member.

- 6.3 The Chairman will ensure the ECU Company Secretary to act as Secretary to the Committee and who shall be responsible:
- (a) in conjunction with the Chairman, for drawing up the agenda, supported by explanatory documentation, and circulating it to Committee members prior to each meeting; and
 - (b) for keeping the minutes of meeting of the Committee and circulating them to Committee members and to the other members of the Board.
- 6.4 A quorum shall consist of two members.

7. ATTENDANCE AT MEETINGS

- 7.1 Other Board Directors (executive and non-executive) have a right of attendance at meetings. However, no Board Director is entitled to attend that part of a meeting at which an act or omission of that Director or a contract, arrangement or undertaking involving or potentially involving that Director or a related party of that Director is being investigated or discussed.
- 7.2 Notwithstanding clause 7.1, if in the opinion of the Committee, their investigation or discussion will be assisted by hearing from the interested Board Director, the Committee may invite that Board Director to address the Committee. The Committee will give fair consideration to that address. The Board Director will not, however, be invited to take part in the deliberations following that address.

8. ACCESS

- 8.1 The Committee shall have unlimited access to the external and internal auditors, and to senior management of the Company and any subsidiary. The Committee shall also have the ability and authority to seek any information it requires to carry out its duties from any officer or employee of ECU and such officers or employees shall be instructed by the Board of ECU to cooperate fully in provision of such information.
- 8.2 The Committee also has the authority to consult independent experts where they consider it necessary to carry out their duties. Any costs incurred as a result of the Committee consulting an independent expert will be borne by ECU.

9. REPORTING

- 9.1 Proceedings of all meetings are minuted and signed by the Chairman.
- 9.2 The Committee, through its Chairman, reports to the Board at the earliest possible Board Meeting after each Committee Meeting. Minutes of all Committee meetings are circulated to Board Directors. The report should include but is not limited to:
- the minutes of the Committee and any formal resolutions;
 - information about the Audit process including the results of internal and external audits;
 - an assessment of:
 - (a) whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs; and
 - (b) the management processes supporting external reporting;
 - procedures for the selection and appointment of the external auditor and for the rotation of external audit partners;

- recommendation for the appointment or removal of an auditor;
- any determination by the Committee relating to the independence of the external auditor and whether the Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
- assessment of the performance and objectivity of the internal audit function;
- results of its review of risk management and internal compliance and control systems;
- any matters that in the opinion of the Committee should be brought to the attention of the Board and any recommendations requiring Board approval and/or action; and
- at least annually, a review of the formal written Charter and its continuing adequacy, and an evaluation of the extent to which the Committee has met the requirements of the Charter.

9.3 In addition, the Chairman of the Committee must submit an annual report to the Board (at the Board meeting at which the year end financial statements are approved) summarising the Committee's activities during the year. The report (and where appropriate, any interim report) must include:

- (a) a summary of the Committee's main authority, responsibilities and duties;
- (b) biographical details of the Committee's members, including expertise, appointment, dates and terms of appointment;
- (c) member and related party dealings with ECU;
- (d) details of meetings, including the number of meetings held during the relevant period and the number of meetings attended by each member;
- (e) explanation of any departures from best practice recommendations 4.1, 4.2, 4.3, 4.4 or 4.5 of *ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations*;
- (f) details of any change to the independent status of each member during the relevant period, if applicable; and
- (g) details of any determination by the Audit Committee regarding the external auditor's independence.

10. DUTIES AND RESPONSIBILITIES

10.1 The duties and responsibilities of a member of the Committee are in addition to those duties set out for a Director of the Board.

10.2 The Committee has the following specific duties and responsibilities:

- (a) recommend to the Board of Directors the appointment and removal of external and internal auditors. The Committee may make periodic reviews of the external and internal auditor's performance and tenders may be called to assist in deciding which external auditor should be recommended. The Committee will review and assess the independence of the external auditors;
- (b) review, consider and advise the Board on:
 - the external auditor's annual plan;

- the internal auditor's annual plan (if any); and
 - the fees proposed by the external and internal auditor;
- (c) review periodically the process and outcomes of the continuing business risk program, and enquire of management, and the external auditor about significant risks or exposures and assess the steps management has taken to minimise such risk to the company;
- (d) review the internal auditors mission, plan and resources, including oversight of the internal auditing work program and quality control procedures;
- (e) consider and review with the external and internal auditor and management:
- the adequacy of ECU's internal controls including computerised information system controls and security; and
 - any related significant findings and recommendations of the external and internal auditor on the matter of internal controls together with management's responses thereto;
- (f) review with management and the external auditor at the completion of the annual audit:
- ECU's annual and half yearly financial statements;
 - the external auditor's audit of the financial statements and any reports thereon; and
 - any matters and issues encountered during the course of the audit by either the auditors or management;
- (g) review the appropriateness of ECU's accounting policies and principles, and more particularly, compliance with Australian and International Accounting standards;
- (h) review legal and regulatory matters that may have a material impact on the financial statements;
- (i) meet privately with the external and internal auditor, and any member of management in separate session to discuss any matters that any such person believes should be discussed privately with the Committee at least annually;
- (j) provide assurance that ECU adequately complies with applicable laws and regulations, is conducting its affairs ethically and is maintaining appropriate controls against employee conflict of interest and fraud; and
- (k) power to conduct or authorise investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation, subject to prior consultation with the Chairman of the Board. Any costs incurred in conducting investigations will be borne by ECU.

11. FEES

Committee members are entitled to receive remuneration as determined from time to time by the ECU Remuneration Committee.

12. **REVIEW OF CHARTER**

- 12.1 The Charter is reviewed annually by the Committee to ensure it remains consistent with the Committee's authority, objectives and responsibilities.
- 12.2 Significant changes to the Charter are recommended by the Committee and approved by the Board.