

AUDIT COMMITTEE CHARTER

1. ROLE

- 1.1 The role of the Capral Limited (**Capral**) Audit Committee is to assist the Capral Board in fulfilling its corporate governance responsibilities in regard to:
- i. the reliability and integrity of financial information for inclusion in the Capral financial statements;
 - ii. compliance with legal and regulatory obligations;
 - iii. audit, accounting and financial reporting obligations of Capral;
 - iv. safeguarding the independence of the external auditor; and
 - v. business risk management.
- 1.2 In particular, the Committee is to undertake the functions of the Audit Committee referred to in the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (**ASX Principles**).

2. MEMBERSHIP

- 2.1 The Committee will consist of:
- i. only Non-Executive Directors;
 - ii. at least 3 Members;
 - iii. a majority of independent Non-Executive Directors;
 - iv. Members who are all financially literate (ie are able to read and understand financial statements); and
 - v. at least one Member has financial expertise or significant experience of financial, accounting and commercial matters.
- 2.2 All Directors may attend Committee Meetings.
- 2.3 The Chairman of the Committee is to be an independent Non-Executive Director, who is not Chairman of the Board.
- 2.4 Committee Members and the Chairman of the Committee are appointed by the Capral Board. Committee Members may appoint Alternate Directors to act as an Alternate Member.

3. RESPONSIBILITIES

3.1 Understanding the Business

The Committee should ensure it understands the structure, controls and types of transactions of Capral.

3.2 Financial Reporting

In assisting the Board, the Committee will:

- i. review the financial information presented by management to the Board, the market, security holders and regulators;
- ii. oversee the effectiveness of administrative and accounting controls used by Capral;
- iii. oversee and appraise the quality of the audits conducted by the external auditors; and
- iv. maintain open lines of communication with the external auditors.

3.3 Review of Financial Information

The Committee will review:

- i. the draft half yearly and annual financial statements of Capral, prior to consideration by the Board, to ensure they represent a true and fair view of Capral's financial position and performance; and
- ii. the declaration signed by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act and the statements requirement by Recommendations 4.1 and 7.2 of the ASX Principles.

3.4 Internal Control

The Committee will:

- i. monitor internal controls and management of risk;
- ii. review and make recommendations concerning Capral's internal audit plan and reporting;
- iii. review the risk management process to ensure that all high risks are identified and that appropriate risk management processes are in place; and
- iv. review and assess the effectiveness of Capral's internal audit function.

3.5 Regulatory

The Committee will:

- i. monitor the processes in place to ensure compliance with all statutory and ASX requirements, including the continuous disclosure obligations;
- ii. review any relevant regulatory information (including tax and legal) submitted to the Committee; and
- iii. assess whether such matters have a material impact on Capral's financial statements.

3.6 Risk Management

The Committee will ensure Capral's management has established and operates a risk management system which is designed to identify, assess, monitor and manage risk including financial reporting risk and other risks such as operational, environmental and compliance.

3.7 External Auditor

In relation to the external auditor, the Committee should:

- i. observe the policies and procedures for the selection, appointment and re-appointment of the external auditor and the rotation of external audit engagement partners;
- ii. recommend to the Board:
 - a. appointment and removal of the external auditor;
 - b. terms of appointment or re-appointment of the external auditor; and
 - c. level of fees payable to the external auditors;
- iii. at least annually, assess the performance and independence of the external auditor and whether the independence of this function is maintained having regard to the provision of non-audit related services, and provide to the Board the written advice as required by section 300(11D)(a) of the Corporations Act;
- iv. on an annual basis, obtain and review a report from the external auditor describing:
 - a. the audit firm's internal quality control and conflict procedures;
 - b. any material issues raised by the most recent quality control, or peer review, of the audit firm, and any steps taken to address such issues; and
 - c. all relationships between the external auditor and Capral.

3.8 Other

Other responsibilities of the Committee include:

- i. ensuring that significant findings and recommendations by internal audit and/or the external auditors are actioned as appropriate;
- ii. reviewing other matters referred to the Committee by the Board, including policies and practices on sensitive issues; and
- iii. identifying and directing any special projects or investigations as deemed necessary.

4. MEETINGS

4.1 The Committee should meet at least 3 times per year (or as often as the Chairman of the Committee determines necessary). Committee Meetings may be requested by any Member or the external auditor.

4.2 A quorum for a Committee Meeting is at least 2 Members.

4.3 At each Meeting, the Committee may:

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Authorised: Board of Directors

Date: April 2007 (Modified for
Change of Name: April
2008)

- i. meet privately;
- ii. meet with executive management (without the external auditor) to ensure there are no issues relating to the external audit; and
- iii. meet with internal audit and/or the external auditors (without management) to allow any sensitive issues to be discussed and to seek assurance that no management restrictions are being placed upon internal audit or the external auditors (as the case may be).

4.4 The Company Secretary of Capral will be the secretary to the Committee and will be responsible for maintaining minutes of the Committee Meetings.

4.5 Relevant Capral employees (including the Chief Financial Officer, Group Financial Controller and the Internal Audit Manager) and representatives of the external auditor may be invited to attend Committee Meetings.

5. REPORTING

5.1 The Committee will report on its Meetings to the Board.

5.2 In conjunction with the approval of the Annual Financial Reports, the Committee will report to the Board on all matters relevant to the Committee's role and responsibilities, including:

- i. assessment of whether external reporting is consistent with Committee Members' information and knowledge and is adequate for security holders' needs;
- ii. assessment of the management processes supporting external reporting;
- iii. to the extent necessary (and having regard to paragraph 3.7):
 - a. procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
 - b. recommendations for the appointment or removal of an external auditor; and
- iv. assessment of the performance and 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.

6. ACCESS TO INFORMATION AND ADVICE

6.1 Committee Members have unlimited, direct access to the external auditors.

6.2 The Committee may seek any information it requires from any Capral employee and all employees must comply with such requests.

6.3 The Committee may take independent legal, accounting or other professional advice or assistance, at the reasonable expense of Capral, in carrying out its functions. Unless a conflict exists or to do so would be inconsistent with the Committee's duties, the Committee may request such information, advice or assistance via the Chairman.

7. COMMITTEE PERFORMANCE

To determine whether it is functioning effectively, the Committee will review this Charter annually and undertake an evaluation of its performance at intervals considered appropriate by the Chairman.