



FERRUM CRESCENT LIMITED ("THE COMPANY")

1. Composition of the Audit Committee ("Committee" or "Audit Committee")

- 1.1 The Committee was constituted at a full meeting of the board of directors held on 3 September 2010 in accordance with the constitution of the Company.
- 1.2 The Committee is at all times to comprise at least two members of the Board.
- 1.3 At least one member is to have relevant qualifications and experience. The Audit Committee's current members are Grant Button, Klaus Borowski and Ted Droste. Grant Button is chairman of the Committee.
- 1.4 From time to time, non Committee members may be invited by the Committee to attend meetings of the Committee, if it is considered appropriate. At least one company secretary is to attend meetings of the Committee unless the Committee determines otherwise.

2. Role of the Audit Committee

- 2.1 The primary role of the Audit Committee is to monitor the integrity of the financial statements of the Company, including its annual and half yearly reports, interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments that they contain. The Audit Committee must also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
- 2.2 Specifically, the Audit Committee must:
 - (a) monitor and review the integrity of the financial reporting of the Company, reviewing significant financial reporting judgments;
 - (b) review the Company's internal financial control system and, unless expressly addressed by a separate risk committee or by the Board itself, risk management systems;

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- (c) monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
 - (d) monitor and review compliance with the Company's *Code of Conduct* and *Whistleblower Policy*;
 - (e) monitor, review and oversee the external audit function including matters concerning appointment and remuneration, independence and non-audit services;
 - (f) approve the appointment and removal of the head of the internal audit function;
 - (g) consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards, ensuring that the function has adequate standing and is free from management or other restrictions;
 - (h) review promptly all reports on the Company from its auditors;
 - (i) review and monitor management's responsiveness to the findings and recommendations of the Company's auditors; and
 - (j) perform such other functions as assigned by law, the Company's Constitution, or the Board.
- 2.3 Annual responsibilities of the Audit Committee are as set out in the Audit Committee Charter – Annual Action Points (attached).
- 3. Operations**
- 3.1 The Audit Committee must meet at least once every half-year, with further meetings on an as required basis.
- 3.2 If practicable, the Chairman of the Audit Committee is to be an independent, non-executive director. The Chairman is not to be the Chairman of the Board or the Managing Director. Minutes of all meetings of the Audit Committee are to be kept. Audit Committee meetings will be governed by the same rules as apply to the meetings of the Board.
- 3.3 The Committee must:
- (a) have access to sufficient resources in order to carry out its duties, including access to a company secretary for assistance as required;
 - (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

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- (c) give due consideration to applicable laws and regulations, the provisions of the Company's corporate governance policies, the ASX Recommendations on Good Corporate Governance and the requirements of the ASX and any other stock exchange on which the Company's securities are quoted;
- (d) be responsible for co-ordination of internal and external auditors;
- (e) oversee any investigation of activities that are within its terms of reference and act as a court of the last resort; and
- (f) at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

4. Authority and Resources

- 4.1 The Company is to provide the Audit Committee with sufficient resources to undertake its duties, including provision of educational information on accounting policies and other financial topics relevant to the Company, and such other relevant materials requested by the Committee.
- 4.2 The Audit Committee has rights of access to management and the non-executive members of the Committee have the authority to seek explanations and additional information from the Company's external auditors, without management present, when required.
- 4.3 The Committee has the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee has the authority, as it deems necessary or appropriate, to retain independent legal, accounting or other advisers.

5. Reporting to the Board

- 5.1 To assist the Board to carry out its audit function, the Board should compile a report, at least annually, on the following matters:
 - (a) assessment of whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
 - (b) assessment of the management processes supporting external reporting;
 - (c) recommendations for amending the Company's *Procedures for the Selection and Appointment of the External Auditor* and procedures for the rotation of external audit engagement partners;
 - (d) recommendations for the appointment or, if necessary, the removal of the external auditor;
 - (e) assessment of the performance and independence of the external auditors. Where the external auditor provides non-audit services, the report should state whether the Audit Committee is satisfied that provision of those services has not compromised the auditor's independence; and

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- (f) the results of the Committee's review of risk management and internal control systems.
- 5.2 The Chairman of the Audit Committee is wherever practicable to be present at the annual general meeting to answer questions, through the Chairman of the Board.

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AUDIT COMMITTEE CHARTER – ANNUAL ACTION POINTS

Financial Reporting and Internal Controls

- Review half-year, annual and, if applicable, quarterly financial statements
- Assess management's selection of accounting policies and principles
- Consider the external audit of the financial statements and the external auditor's report thereon including an assessment of whether external reporting is consistent with Committee members' information and knowledge
- Consider internal controls including the Company's policies and procedures to assess, monitor and manage financial risks (and other business risks if authorized)
- Assess if the external auditor's report is adequate for shareholder needs

Annual meeting with External Auditor

- Discuss the Company's choice of accounting policies and methods, and any recommended changes
- Discuss the adequacy and effectiveness of the Company's internal controls
- Discuss any significant findings and recommendations of the external auditor and management's response thereto
- Discuss any difficulties or disputes with management encountered during the course of the audit including any restrictions or access to required information

External Auditor

- Review the Company's *Procedure for the Selection, Appointment and Rotation of External Auditor*
- Recommend to the Board to appoint and, if necessary, remove the external auditor and approve the terms on which the external auditor is engaged

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- Establish/review permissible services that the external auditor may perform for the Company and pre-approve all audit/non-audit services
- Confirm the independence of the external auditor, including reviewing the external auditor's non-audit services and related fees
- Assess the overall performance of the external auditor

Internal Communications and Reporting

- Provide the report described in clause 5 of this Audit Committee Charter
- Regularly update the Board about Committee activities and make appropriate recommendations
- Ensure the Board is fully aware of matters which may significantly impact the financial conditions or affairs of the business

Other

- Verify the membership of the Committee is in accordance with the Audit Committee Charter
- Review the independence of each Committee member based on the Company's *Policy on Assessing the Independence of Directors*
- Review and update the Audit Committee Charter and Action Points
- Develop and oversee procedures for treating complaints or employee concerns received by the Company regarding accounting, internal accounting controls, auditing matters and breaches of the Company's Code of Conduct