



CEC GROUP LIMITED
ABN 84 010 025 831

AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

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AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

1. CONSTITUTION

The Board of the CEC Group Limited has resolved to establish and maintain a Committee of the Board, to be known as the CEC Group Audit and Risk Management Committee (the “Committee”).

2. MEMBERSHIP

The Committee will be comprised of three or more members, as determined by the Board. The Board shall also appoint one of the Committee members to act as Chairman. For the purpose of transacting business, a quorum of the Committee shall be not less than two members of the Committee. Only non executives may be members and a majority of members must be independent, not all members.

The members of the Committee shall meet the independence and experience requirements of the applicable Australian regulatory bodies. At least one member must be a financial expert, defined for the purposes of this Charter as being professional qualified, as either a Chartered Accountant (CA) or Certified Practising Accountant (CPA) or member of a similarly recognised professional accounting body.

The Chief Executive Officer shall not be a member of the Committee.

The Company Secretary will act as secretary to the Committee.

The most senior member of the finance department may attend meetings of the Committee.

3. OBJECTIVES

The Committee is an independent body with a primary responsibility to advise the Board on fulfilling its corporate governance and oversight responsibilities with respect to:

- ⊕ Application of accounting policies and reporting of financial information
- ⊕ Business policies and practices
- ⊕ Compliance with applicable laws and regulations
- ⊕ Financial management
- ⊕ Internal and external audit practices and to ensure that effective relationships exist.
- ⊕ The Company’s capital expenditure procedures, including an effective program of post expenditure audit review.
- ⊕ The system of risk management and internal controls that management has established, including safety, health, environment and quality practices

In addition, the Committee provides an avenue for communication between internal audit, the external auditors, financial management and the Board.

4. AUTHORITY

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The Committee is authorised by the Board to investigate any activity within its Charter. It is authorised to seek any information it requires from any employee and all employees will be directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain, at the expense of the company, outside legal or other independent professional advice and to arrange for attendance at meetings of outside parties with relevant experience and expertise if it considers necessary.

5. MEETINGS

The Committee shall meet not less than three times a year coinciding, where appropriate, with key dates in the Company's financial calendar and at other times as the Chairman of the Committee shall require.

Where considered appropriate by the Chairman, the Committee will hold a separate private session with the external auditors, without management representation.

Where considered appropriate by the Chairman, the Committee will hold a separate private session with the Group Internal Auditor and/ or the Senior Chief Financial Officer.

The external auditors and/ or the Group Internal Auditor may also request a separate private meeting with the Committee, if they consider that one is necessary.

Unless decided otherwise by the Chairman of the Committee, the Chief Executive Officer, Chief Financial Officer, General Manager SHEQ, Group Internal Auditor, and partner in charge of the external audit will be routinely invited to attend meetings of the Committee. Other senior managers may be asked to attend on specific agenda items.

Reasonable notice of meetings and the business to be conducted shall be given to the members of the Committee, all other members of the Board, the Chief Executive Officer, the Chief Financial Officer, the General Manager SHEQ, Group Internal Auditor and the external auditors.

6. MINUTES

Minutes of the Committee signed by its Chairman shall be sufficient evidence that the matters referred to therein had been fully discussed and agreed. Minutes of Committee meetings shall be circulated to all members of the Committee in draft form and, once approved, to all members of the Board.

7. SPECIFIC RESPONSIBILITIES

The Committee's main responsibilities are as follows:

7.1 External Financial Reporting

Ensure that management has taken appropriate measures to:

- ⊕ consider the appropriateness of the company's accounting policies and principles and any changes to them;

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- ⊕ assess significant estimates and judgements in the financial reports and enquire of the external auditor regarding the reasonableness of those estimates;
- ⊕ review compliance with accounting standards and other legal requirements;
- ⊕ review the clarity of disclosures;
- ⊕ review financial reports and recommend to the Board on their approval or amendment;
- ⊕ where applicable, review the Company's statement on internal control systems prior to endorsement by the Board and review the policies and processes for identifying and assessing business risks and the management of these risks by the Company;

7.2 Related-party Transactions

- ⊕ receive reports from the Company of all related party transactions;

7.3 External Audit

- ⊕ to, if deemed necessary, make recommendations to the Board on the appointment and remuneration of the external auditor;
- ⊕ be satisfied that an effective, comprehensive and complete external audit can be conducted for the set fee;
- ⊕ monitor the effectiveness and independence of the auditor, ensuring that the external auditor's rotation practices, provision of non audit services and relationships with the Company do not impair that independence;
- ⊕ at least annually, obtain a formal written statement of all relationships between the external auditors and the Company;
- ⊕ review management discussions with the external auditor, before the audit commences, the nature and scope of the audit and review the auditors' quality control procedures and steps taken by the auditors to respond to changes in regulatory and other requirements;
- ⊕ review the external auditors' management letter and management's response and ensure that information provided is complete and appropriate;
- ⊕ give consideration to any other matter communicated by the external auditors, in particular serious difficulties or disputes with management encountered during the course of audits;
- ⊕ invite the external auditor to attend audit committee meetings from time to time to review the audit plan, discuss audit results and consider the implications of the external audit findings for the risk management and control environment;
- ⊕ receive advice of the provision of non-audit services to the Company, where such services are to be provided by the external auditors of

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the Company itself, or by the external auditors of any of the respective shareholders;

- ⊕ help ensure management request the external auditor to attend the AGM and be available to answer shareholders' questions.

7.4 Internal Audit

- ⊕ assess the adequacy of the Internal Audit Charter;
- ⊕ ensure that the internal audit function is adequately resourced and has appropriate standing within the company;
- ⊕ provide recommendations as to the appointment or dismissal of the Group Internal Auditor;
- ⊕ review and approve the scope of the internal audit plan and work program;
- ⊕ note the progress of the internal audit work program and consider the implications of the findings for the control environment;
- ⊕ monitor and critique management's response to internal audit findings and recommendations;
- ⊕ assist management to ensure the company has in place a process for monitoring and assessing the effectiveness of the internal audit function;

7.5 Operational Risk Management

The Committee can play a key role in establishing an appropriate culture in the company's overall operating environment, through reviewing both key financial and also key operational risk areas.

The Committee must ensure that the Company has in place systems to:

- ⊕ determine and manage litigation and claims, related to both quality and non-quality issues;
- ⊕ assess the adequacy of the Health, Safety, Environment and Quality (HSEQ) management system and HSEQ performance;
- ⊕ assess the potential for liability arising from HSEQ issues;
- ⊕ review the impact of changes in HSE legislation, community expectations, research findings and technology;
- ⊕ review and monitor the HSEQ audit plan and auditing processes;
- ⊕ receive and consider the results of HSEQ external and internal audits;
- ⊕ ensure appropriate insurance coverage in accordance with the company's risk management policy;
- ⊕ review of actions taken by management to reduce risk exposure in the key areas of Trade Practices Act compliance, Information Technology and Human Resources.

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7.6 General

- ⊕ approve minutes of the previous Committee Meeting;
- ⊕ encourage the External Auditors and Internal Auditors to meet regularly and maintain a good working relationship;
- ⊕ Receive regular reports from the Company in relation to:
 - ◇ the adequacy of the Company's capital expenditure procedures analysis;
 - ◇ the Company's Code of Ethics and recommend any proposed changes to the Board for approval;
 - ◇ the company's Fraud Policy, including the adequacy of procedures related to the handling of allegations on accounting, internal accounting controls and auditing matters from whistleblowers;
 - ◇ Committee related rules, audit standards and other accounting, legal and regulatory provisions.
 - ◇ management's processes for ensuring the monitoring of compliance with laws, regulations and other requirements relating to the external reporting by the Company of financial and non-financial information.

in addition, the Committee shall examine any other matters referred to it by the Board;

8. REVIEW OF AUDIT AND RISK MANAGEMENT COMMITTEE

The Committee shall undertake an annual self-review of its work, including an assessment of the adequacy of this Charter, and thereafter recommend any proposed changes to the Board for approval.

Approved by the CEC Group Limited Board on 24 February 2009.

This Charter has been formally accepted and approved:

Chairman: CEC Group Limited Board of Directors

Date:

Chairman: CEC Group Limited - Audit and Risk Management Committee

Date: