



AUDIT COMMITTEE CHARTER

The committee members are:

Mr. Michael Hannell (Chairman);
Mr. Reg Nelson; and,
Mr. Damien Hannes.

The management consultants are:

Mr. Alexander Hunter III
Mr. Eric McCrady

1. Objectives

The main objective of the Audit Committee ("the Committee") is to assist the Board in:

- a. Ensuring the quality of financial controls is appropriate to the group;
- b. Making informed decisions regarding accounting, policies, practices and disclosures;
- c. Reviewing the adequacy of the accounting and reporting systems;
- d. Reviewing matters of significance affecting the financial welfare and risk exposure of the Group;
- e. Reviewing the scope and results of external and internal audits;
- f. Maintaining open lines of communication between the Board, management and external auditors, thus enabling information and points of view to be freely exchanged; and,
- g. Meeting its compliance obligations imposed by the energy regulators.

2. Composition

The Committee will consist of at least three non executive directors.

One of the independent directors shall be appointed Chairman of the Committee by the Board Management representatives (*or consultants?*) will be invited by the Committee Chairman to participate in the deliberations of the Committee, but will have no voting rights.

Membership of the Committee shall be confirmed annually by the Board.



3. Meetings

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

The Chairman will appoint a member to act as Secretary to the Committee who shall be responsible, in conjunction with the Chairman, for drawing up the agenda, supported by explanatory documentation, and circulating it to Committee members prior to each meeting.

The Secretary will also be responsible for keeping the minutes of meeting of the Committee and circulating them to Committee members and to the other members of the Board.

A quorum shall consist of two members.

4. Access

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 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 the Company.

5. Duties and Responsibilities

The Committee has the following duties and responsibilities:

- A. Recommend to the Board the appointment and removal of external 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:
 - a. The external auditor's annual plan; and,
 - b. The fees proposed by the external auditor.
- C. Supervise the preparation and implementation of a Business Risk Review and enquire of management and the external auditors about significant risks or exposures and assess the steps management has taken to minimize such risk to the company. The Business Risk Review shall be conducted at least bi-annually.



ACN 112 202 883

- D. The Committee shall oversee the execution (implementation) of the internal audit charter, including supervision of the internal auditing work program and quality control procedures.
- E. Consider and review with the external auditors and management:
 - a. The adequacy to the Company's internal controls including computerized information system controls and security; and,
 - b. Any significant findings and recommendations of the external auditors 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, or as appropriate, the completion of Regulatory Accounts:
 - a. The Company's annual and half-yearly financial statements.
 - b. The external auditor's audit of the financial statements and any reports thereon;
 - c. Any matters and issues encountered during the course of the audit by either the auditors or management; and,
 - d. Regulatory accounts that are lodged with any regulatory body.
- G. Review the appropriateness of the Company's accounting policies and principles, and more particularly, compliance with Australian equivalents to International Financial Reporting standards.
- H. Review legal and regulatory matters that may have a material impact on the financial statements.
- I. Review with management, energy regulatory compliance matters, including supporting documentation relating to annual compliance certificates, operational and technical audit reports supplied to regulators in accordance with licensing conditions and make recommendations regarding the approval of any representations or certificates required to be authorized by the Board, or any individual directors, for submission to regulators.
- J. Meet privately with the external auditors, and any member of management in separate session to discuss any matters that any such person believes should be discussed privately with the Committee.
- K. The Committee shall have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered by the Board on a case by case basis to retain independent counsel, accountants, or other experts to assist in the conduct of any investigation. Any costs incurred in conducting investigations will be borne by the company.
- L. Report Committee decisions to the Board with such recommendations as the Committee may deem appropriate.
- M. Review the Committee's Charter annually and recommend any revision of it to the Board. The Board must approve any amendment of the Charter.



Note: Management has prime responsibility for the quality and effectiveness of internal controls.

Signed:

M D Hannell,
Chairman, Audit Committee

Date: