

MASTERMYNE GROUP LIMITED (Company)

AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

Purpose of Charter

1. The Audit and Risk Committee Charter (**Charter**) governs the operations of the Audit and Risk Committee. It sets out the Audit and Risk Committee's role and responsibilities, composition, structure and membership requirements. The Audit and Risk Committee has been established to assist the Board of the Company (**Board**) in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reports and financial reporting process, internal control structure, risk management systems (financial and non-financial) and the internal and external audit process.
2. The Audit and Risk Committee shall review and reassess the Charter at least annually and, on each occasion, shall obtain the approval of the Board to the form of the Charter.

Membership

3. The members of the Audit and Risk Committee shall be members of, and appointed by, the Board. It shall be of sufficient size, independence and technical expertise to discharge its mandate effectively. The Audit And Risk Committee shall consist of:
 - at least three members;
 - only non-executive Directors;
 - a majority of independent¹ Directors; and
 - an independent¹ chairman, who shall be nominated by the Board from time to time but who shall not be the chairman of the Board (**Chairman**).
4. Current members are: Ian Hall (chairman), Peter Slaughter and Darren Hamblin.
5. All Audit and Risk Committee members shall be financially literate (ie are able to read and understand financial statements). At least one member shall have accounting and/or related financial management expertise (ie is a qualified accountant or other financial professional with experience of financial and accounting matters) and some members shall have an understanding of the industries in which the Company operates.
6. Members will be appointed for a period of no more than three years, with Audit and Risk Committee members generally being eligible for re-appointment for so long as they remain non-executive directors of the Board. The terms of appointment are:
 - Members may resign upon reasonable notice in writing to the Audit and Risk Committee chairman.
 - A member may from time to time be immediately removed by notice in writing under the hand of the Audit and Risk Committee chairman.

¹ Independent, as defined by the ASX Corporate Governance Council. See schedule to this Charter.

- Ceasing to be a non-executive director of the Board is the automatic termination of appointment as a member of the Audit and Risk Committee.

Secretary

7. The Company Secretary will act as the Secretary of the Audit and Risk Committee and will attend all Audit and Risk Committee meetings.
8. The Company Secretary, in conjunction with the chairman of the Audit and Risk Committee, must prepare an agenda to be circulated to each Audit and Risk Committee member at least two full working days prior to each meeting of the Audit and Risk Committee.
9. The Company Secretary will distribute a meeting timetable for each forthcoming calendar year.

Meetings

10. The Audit and Risk Committee shall meet often enough to undertake its role effectively, being at least four times each year.
11. The purpose of Audit and Risk Committee meetings shall be to:
 - review and approve internal audit and external audit plans;
 - update the internal and external audit plans;
 - review and approve financial reports; and
 - review the effectiveness of the compliance function in general.
12. The Audit and Risk Committee shall meet in private session at least annually to assess management's effectiveness.
13. A quorum for any meeting will be two members.
14. Special meetings may be convened as required. The Audit and Risk Committee chairman will call a meeting of the Audit and Risk Committee if requested to do so by any member of the Audit and Risk Committee, by the external auditors or by the chairman of the Board.
15. The Audit and Risk Committee may invite such other persons (eg. staff, CEO, CFO, external parties) to its meetings, as it deems necessary (whether on a permanent or ad hoc basis).
16. The proceedings of all meetings will be minuted and these will be included in the papers for the next Board meeting after each Audit and Risk Committee meeting.

Authority

17. The Board authorises the Audit and Risk Committee, within the scope of its responsibilities, to:
 - investigate any matter brought to its attention with full access to all books, records and facilities;
 - seek any information it requires from an employee (and all employees are directed to co-operate with any request made by the Audit and Risk Committee) or external parties;

- obtain outside accounting, legal, compliance, risk management or other professional advice as it determines necessary to carry out its duties; and
- ensure the attendance of Company officers at meetings as it thinks appropriate.

Duties and Responsibilities

18. Understanding the Company's business

- The Audit and Risk Committee shall ensure it understands the Company's structure, business and controls to ensure that it can adequately assess the significant risks faced by the Company.

19. Committee members are entitled to rely on Mastermyne Management on matters within their responsibility and on external professionals on matters within their area of expertise. Committee members may assume the accuracy of information provided by such persons, so long as the members are not aware of any reasonable grounds upon which such reliance or assumption may not be appropriate.

20. Management is responsible for:

- (a) the preparation, presentation and integrity of the Mastermyne financial statements
- (b) implementing, managing and maintaining appropriate enterprise-wide accounting, financial reporting and risk management systems, policies and procedures, reporting protocols and internal controls that are designed to ensure compliance with applicable accounting standards, laws and regulations; and
- (c) the preparation, presentation and integrity of the information provided to the committee.

21. The external auditor is responsible for planning and carrying out each audit and review in accordance with applicable auditing standards. The external auditor is accountable to shareholders through the committee.

22. Financial Reporting

- The Audit and Risk Committee's primary responsibility is to oversee the Company's financial reporting process on behalf of the Board and to report the results of its activities to the Board. The Audit and Risk Committee shall focus on:
 - compliance with accounting standards (including an assessment of the appropriateness of Management's selection of accounting policies and disclosures);
 - significant or unusual transactions and accounting estimates;
 - significant changes in accounting policies and practices;
 - major judgemental areas;
 - significant audit adjustments;
 - financial matters relevant to half-yearly reporting in a timely manner; and
 - reviewing other financial information distributed externally as required.

- The Committee will review the Declarations signed by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act and Recommendations 7.2 and 7.3 of the ASX Principles and make recommendations to the Board regarding their suitability.

23. Reporting to the Board

- The Audit and Risk Committee shall regularly report to the Board on all matters relevant to the Audit and Risk Committee's role and responsibilities.
- The Audit and Risk Committee chairman will report and as appropriate make recommendations to the Board after each meeting of the Audit and Risk Committee on matters dealt with by the Audit and Risk Committee.
- As and when appropriate, the Audit and Risk Committee will seek direction and guidance from the Board on audit, risk management and compliance matters.
- The Audit and Risk Committee shall ensure that the Board is made aware of audit, financial reporting, internal control, risk management and compliance matters which may significantly impact upon the Company in a timely manner.

24. Assessment of accounting, financial and internal controls

- Periodically, the Audit and Risk Committee shall meet separately with management, the internal auditors, and the external auditors to discuss:
 - the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs; and
 - issues and concerns warranting Audit and Risk Committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement.
- The Audit and Risk Committee shall provide sufficient opportunity for the internal auditors and the external auditors to meet privately with the members of the Audit and Risk Committee. The Audit and Risk Committee shall review with the external auditor any audit problems or difficulties and management's response.
- The Audit and Risk Committee shall receive regular reports from the external auditor on the critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

25. Appointment of external auditors and scope of external audit

- The Audit and Risk Committee shall make recommendations to the Board on the appointment, reappointment or replacement, remuneration, monitoring of the effectiveness and independence of the external auditors and resolution of disagreements between management and the auditor regarding financial reporting.
- The Audit and Risk Committee shall discuss with the external auditors the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures.

26. Pre-approval of audit and non-audit services provided by external auditors

- The Audit and Risk Committee shall pre-approve all audit and non-audit services provided by the external auditors and shall not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.
- The Audit and Risk Committee may delegate pre-approval authority to a member of the Audit and Risk Committee. The decisions of any Audit and Risk Committee member to whom pre-approval authority is delegated must be presented to the full Audit and Risk Committee at its next scheduled meeting.

27. Assessment of the external audit

- The Audit and Risk Committee, at least on annual basis, shall obtain and review a report by the external auditors describing (or meet, discuss and document the following with them):
 - The audit firm's internal quality control procedures.
 - Any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any enquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
 - All relationships between the external auditor and the Company (to assess the auditor's independence).
- The Audit and Risk Committee shall set clear hiring policies for employees or former employees of the external auditor in order to prevent the impairment or perceived impairment of the external auditor's judgement or independence in respect of the Company.
- The Audit and Risk Committee shall review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.
- The Audit and Risk Committee shall draft an annual statement for inclusion in the Company's annual report as to whether the Audit and Risk Committee is satisfied the provision of non-audit services is compatible with the external auditor's independence.

28. Assessment of the internal audit

- The Audit and Risk Committee shall review the internal auditor's charter and resources to ensure no unjustified restrictions or limitations are imposed upon internal audit staff and that resourcing is adequate.
- The Audit and Risk Committee shall discuss the scope of the internal audit with the internal auditor, including the internal audit plan, work program and quality control procedures.

29. Compliance with laws and regulations

- The Audit and Risk Committee shall review the risk management policies developed and implemented by management taking into account all legal obligations and the reasonable expectations of stakeholders.²
- The Audit and Risk Committee shall gain an understanding of the current areas of greatest compliance risk (financial and non-financial) and review these areas on a regular basis.
- The Audit and Risk Committee shall obtain regular updates from management, the Company's legal counsel and auditors and any external parties as it thinks fit regarding audit, risk management and compliance matters. It shall regularly review existing compliance systems and consider any deficiencies in compliance risk measures.
- The Audit and Risk Committee shall review any legal matters which could significantly impact the Company's compliance and risk management systems, and any significant compliance and reporting issues, including any recent internal regulatory compliance reviews and reports.
- The Audit and Risk Committee shall review the effectiveness of the compliance function at least annually, including the system for monitoring compliance with laws and regulations and the results of management's investigations and follow-ups (including disciplinary action) of any fraudulent acts or non-compliance.
- The Audit and Risk Committee shall be satisfied that all regulatory compliance matters have been considered in the preparation of the Company's official documents.
- The Audit and Risk Committee shall review the findings of any examinations by regulatory agencies and oversee all liaison activities with regulators.

30. Releases and complaints

- The Audit and Risk Committee shall review and discuss media releases, ASX announcements and any other information provided to analysts.
- The Audit and Risk Committee shall review all representation letters signed by management to ensure that the information provided is complete and appropriate and make recommendations to the Board regarding their suitability.
- The Audit and Risk Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- The Audit and Risk Committee shall review corporate legal reports of evidence of a material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duties.

² Stakeholders can include: shareholders, employees, customers, suppliers, creditors and the broader community in which the Company operates.

31. Audit and Risk Committee performance

- The Audit and Risk Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively by reference to current best practice.
- The Board will evaluate the performance of the Audit and Risk Committee as appropriate and is responsible for reviewing the Company's policies on risk oversight and management and shall satisfy itself that management has developed and implemented a sound system of risk management and internal control.

Adopted by the Board of Directors on the day of 2010.

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Peter Slaughter
Chairman of the Board of Directors

Schedule

Independence as defined by the ASX Corporate Governance Council in their Principles of Good Corporate Governance and Best Practice Recommendations

Independence in essence means independent of management and free of any business or other relationship that could, or could reasonably be perceived to, materially interfere with the exercise of unfettered and independent judgement.

The corporate governance guidelines provide certain criteria for assisting the independence of directors. They provide that an independent director is a non-executive director and:

1. is not a substantial shareholder of the company or an officer of, or otherwise associated directly with a substantial shareholder of the company;
2. within the last three years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment;
3. within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;
4. is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
5. has no material contractual relationship with the company or another group member other than as a director of the company;
6. has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the directors' ability to act in the best interest of the company;
7. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the company.