

Australian Bauxite Limited

Audit and Risk Committee Charter

1. Membership

This charter governs the operations of the audit and risk committee. The committee shall review and reassess the charter at least annually and obtain the approval of the board of directors.

Members of the Committee are a mix of executive and non-executive directors of the Company appointed by the Board and shall comprise at least three directors that have diverse, complementary backgrounds and all committee members shall be financially literate. Furthermore, at least one member shall have a reasonable level of accounting and/or related financial management expertise as determined by the board of directors.

The Chairman of the Board must not be the chairman of the Committee.

A quorum for meetings of the Committee is two members.

2. Objectives

The Committee's objectives are to:

- 2.1 Assist the Board to discharge its responsibilities to exercise due care, diligence and skill in relation to the Company's:
 - reporting of financial information;
 - application of accounting policies;
 - financial management;
 - internal control systems;
 - risk management systems;
 - business policies and practices;
 - protection of the Company's assets; and
 - compliance with applicable laws, regulations, standards and best practice guidelines.
- 2.2 Improve the credibility and objectivity of the accountability process, including financial reporting.
- 2.3 Provide a formal forum for communication between the Board and senior financial management.
- 2.4 Improve the effectiveness of the internal and external audit functions.
- 2.5 Facilitate the maintenance of the independence of the external auditor.
- 2.6 Foster an ethical culture throughout the Company.

3. Responsibilities

The Committee's role is to monitor, investigate and make recommendations to the Board with respect to the following:

3.1 External Reporting

- Consider the appropriateness of the Company's accounting policies and principles and any changes, as well as the methods of applying them, ensuring that they are in accordance with the stated financial reporting framework.
- Assess significant estimates and judgments in financial reports.
- Review for completeness and accuracy the reporting of the Company's main corporate governance practices as required under ASX listing rules.
- Ensure that a process is established by the Company's management to capture issues for the purpose of continuous disclosure to ASX.
- Assess information from internal and external auditors that affects the quality of financial reports.

- Recommend to the Board whether the financial and non-financial statements should be signed based on the Committee's assessment of them.

3.2 Internal Control and Risk Management

- Assess internal processes for determining, managing and reporting on key risk areas.
- Ensure that the Company has an effective risk management system and that macro risks to the Company are reported at least annually to the Board.
- Address the effectiveness of the Company's internal control and risk management systems with management and internal and external auditors.
- Assess whether management has controls in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk.
- Meet periodically with key management, internal and external auditors and compliance staff to understand and discuss the Company's control environment.

3.3 External Audit

- Make recommendations to the Board on the appointment, remuneration and monitoring of the effectiveness and independence of the external auditor.
- Invite the external auditor to attend Committee meetings to, at least, review the audit plan, discuss audit results and consider the implications of the external audit findings for the control environment.
- Together with the external auditors, review the scope of the external audit (particularly the identified risk areas) and any additional agreed-upon procedures on a regular and timely basis.
- Provide the opportunity for the Committee members to meet with the external auditors without management personnel being present.
- Review the external auditor's independence based on the external auditor's relationships and services with the Company and other organisations that may impair or appear to impair the external auditor's independence.

4. Access

- 4.1 The Committee may invite any Executive Director, Officer, other staff member or external or internal auditor to attend all or part of a meeting of the Committee.
- 4.2 The Committee may consult independent experts and institute special investigations, if it considers it necessary in order to fulfill its responsibilities.

5. Meetings

- 5.1 The Committee meets no less than twice each year (prior to finalising the Company's half year and annual financial statements) and more frequently as required.
- 5.2 Any Committee member may call a meeting of the Committee.