



Audit and Risk Committee Charter Policy

Authorised by:

Bisalloy Steel Group Board

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1. Membership of the Committee

The Committee will be comprised of at least three persons, none of whom should be executives of the Company.

The Chairman of the Committee must be an independent director as determined by the Board and not the Chairman of the Board.

In addition, a majority of the members of the Committee must be independent and must not, other than in their capacity as members of the Board, the Committee or any other Board committee, accept directly or indirectly any consulting, advisory or other compensatory fees from the Company or any of its subsidiaries or be an affiliated person of the Company or any of its subsidiaries.

The Board may by resolution appoint such additional non-executive directors to the Committee or remove and replace members of the Committee.

Members of management may attend meetings of the Committee at the invitation of the Committee Chairman but must not be appointed members of the Committee.

Each member must be financially literate (ie able to read and understand financial statements) and have sufficient financial knowledge to allow them to discharge their duties and actively challenge information presented by management, internal and external auditors.

2. Administrative matters

The Committee must meet at least three times per year or more frequently as determined by the Chairman of the Committee. Two members, present in person or by using any technology, will constitute a quorum.

The Committee may, upon notifying the Board or the Chairman, seek the advice of the Company's auditors or solicitors as to any matter pertaining to the powers or duties of the Committee.

The Committee may, with the prior approval of the Board, instruct the Managing Director to engage such other independent advisers in relation to any matter pertaining to the responsibilities of the Committee, as the Committee may require.

The Committee may appoint a secretary, normally the Company Secretary, who will attend all Committee meetings as minute secretary but may be asked to leave at any time to allow the consideration of particular items. All minutes of the Committee will be entered into a minute book maintained for that purpose and will be open at all times for inspection by any director.

3. Reporting

The Committee will as appropriate and on a timely basis:

- a. ensure the Board is updated about the Committee's activities and make recommendations to the Board for its approval; and
- b. ensure the Board is aware of matters that may significantly impact the financial condition or affairs of the business.

All directors are entitled to request information from the Committee including the provision of meeting agendas, papers and minutes of the Committee.

4. Responsibilities and functions

The Committee's role is primarily to assist the Board in relation to the reporting of financial information, the appropriate application and amendment of accounting policies and establishing policies on risk oversight, management and internal control systems.

The Committee will be responsible for:

Audit:

- a. engaging in the pro-active oversight of the Group's financial reporting and disclosure processes and overseeing and reviewing the outputs of that process;
- b. assisting the Board in determining the reliability and integrity of accounting policies and financial reporting and disclosure practices;
- c. monitoring compliance with applicable accounting standards and other requirements relating to the preparation and presentation of financial results;
- d. reviewing the appropriateness of the accounting principles adopted by management in the composition and presentation of financial reports;
- e. overseeing and agreeing the process for certification of the financial statements by the Company's management as required by the *Corporations Act 2001* (Cth) and applicable guidelines;
- f. reviewing, agreeing and approving the annual audit plan (including a review of the Group's risk management and internal compliance and control systems); and

- g. developing policies for approval by the Board in respect of the provision of non-audit services by the external auditor (and in particular ensuring that the provision of non-audit services does not impair, or have the appearance of impairing, the external auditor's judgement or independence).

Risk:

- a. monitoring financial and operational risks relevant to the Group's business activities and the management of those risks;
- b. reviewing and making recommendations on the strategic direction, objectives and effectiveness of the Group's financial and operational risk management policies;
- c. overseeing the establishment and maintenance of processes to ensure that there is:
 - compliance with all applicable laws, regulations and Company policy;
 - a procedure for identifying risks relevant to the Group's business and controlling their financial or other impact on the Group;
 - an adequate system of internal control, management of business risks and safeguard of assets;
 - a system for reporting and investigating breaches of the Group's compliance and risk management procedures and policies; and
 - review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control;
 - the investigation of allegations of conflicts of interest, fraud or malfeasance;
- d. ensuring that there are policies on risk management and oversight which are appropriately documented and up to date for the roles of the Board, the Committee and management.

5. Implementation of responsibilities and functions

The methods by which the responsibilities and functions of the Committee will be implemented include:

- a. evaluating the independence of both the non-executive directors and the external auditors;
- b. reviewing the appropriateness of the accounting principles adopted by management in the composition and presentation of financial reports and assessing the management processes supporting external reporting;
- c. overseeing the financial reports and the results of external audit of these reports (including assessing whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs);

- d. reviewing the external and internal audit and risk management programme and monitoring those results;
- e. reviewing existing policies, such as the continuous disclosure policy, the policy for dealing in securities, the Code of Business Conduct, to ensure their adequacy;
- f. determining whether new policies and training should be implemented to safeguard against possible risks or non-compliance with applicable laws, regulations or Company policies;
- g. monitoring compliance with relevant Bisalloy policies that recognise the Company's business, environmental and statutory responsibilities and overseeing incident investigations; and
- h. reporting to the Board the results of the Committee's review of risk management and internal compliance and control systems.

6. Relationship with the external auditor

The Committee shall review and assess key areas relating to the external audit of the Company. In particular the Committee should:

- a. make recommendations to the Board on the appointment, reappointment or replacement and remuneration of the external auditor;
- b. review and agree with the external auditor the terms of engagement for the external auditor;
- c. review the scope of the external audit with the external auditor, including identified risk areas and approve external audit plans;
- d. evaluate the performance of the external auditors, including their independence and objectivity;
- e. adopt a Charter on Auditor Independence and review and assess the provision of non-audit services by the external auditor against this charter, with particular consideration to the potential to impair, or appear to impair, the external auditor's judgment or independence in respect of the Company;
- f. review and monitor management's responsiveness to the external audit findings; and
- g. on a regular basis meet with the external auditor without the presence of management.

The Committee requires that the partner managing the audit for the external auditor be changed within a period of five years and for the external auditor to submit on a periodic basis to the Committee, a formal written statement delineating all responsibilities and work completed by the auditor.

7. Relationship with Management

Where the Audit Committee disagrees with management in relation to a particular issue, the parties must work together to resolve and reconcile that issue as soon as possible. Where a matter cannot be resolved, it should be referred to the full Board for discussion and determination.

8. Review

The Committee will at least once in each year:

- a. set the core agenda for the Committee taking into account the Company's objectives, strategies and reporting obligations
- b. review the performance of the Committee and its members.
- c. review the membership and charter of the Committee to determine its adequacy for current circumstances and where necessary make recommendations to the Board to alter the responsibilities, functions or membership of the Committee or adopt a revised charter;
- d. prepare and consider any report or other disclosures to be included in the Company's annual report or other communications to shareholders on the relationships between the external auditors and the Company; and
- e. review with management and the external auditor, the financial report to be included in the annual report including:
 - the external auditor's responsibilities under generally accepted accounting standards;
 - significant accounting policies;
 - management judgements and accounting estimates;
 - adjustments arising from the audit; and
 - the external auditors' judgements about the quality, not just the acceptability, of accounting principles as applied in the financial report.

Appendix 1

Audit and Risk Committee Charter on Auditor Independence

The purpose of this Charter is to ensure that the Board of Bisalloy Group Holdings Limited and the Audit and Risk Committee (“ARC”) are satisfied that Bisalloy’ auditor is at all times independent as well as being seen to be independent.

1. Prohibited Services

The external auditors must not provide services which are considered to be in conflict with the role of statutory auditor. These services include investigations and consulting advice, or sub contracting of activities normally undertaken by management, where the auditor may ultimately be required to express an opinion on its own work. Examples of services that should not be provided by the external auditors include:-

- Preparation of accounting records and financial statements;
- Design and implementation of new IT systems and financial controls;
- Valuation services in relation to amounts which are included in the Company’s financial reports;
- Actuarial Services;
- Internal Audit services;
- Management functions including senior management secondments;
- Recruitment and Human Resource services;
- Broker, Dealer or Investment Advisor Services; and
- Legal Services.

2. Permitted non-audit services without ARC approval

The external auditors will be permitted to provide the following specified non-audit services that are not perceived to be in conflict with the role of auditor without pre-approval. However, the cost of such services in any year should not exceed the lower of \$100,000 or 25% of the total audit fees paid by the Company to the external auditor during that year.

Services that may be provided without ARC approval are:-

- Tax compliance services;
- Advice on application of appropriate accounting standards;
- Audits or verification of regulatory returns; and
- Other services of an assurance nature.

3. Permitted non-audit services requiring ARC approval

The external auditors may be permitted to provide other non-audit services in addition to section 2 above, where their detailed knowledge of the Company's activities could permit cost and output efficiencies, providing stringent independence requirements are satisfied. These services, based on recommendations from management, must be pre-approved by the Chairman of ARC, who may consult with the other members of ARC, the external auditors and management as appropriate.

Examples of services that may be provided with the pre-approval of the Chairman of ARC include:

- Strategic tax advice;
- Due diligence on potential acquisitions/investments;
- A compliance review of IT systems against best practice and stated objectives;
- Investigating accounting assignments; and
- Corporate finance advice (deal structuring and execution) including Independent Accountant's Statements.
- Due diligence for rights issues, bond issues or other capital raisings

4. Reporting of Non-Audit Services

The ARC must also:

- Require Management to report on a half-yearly basis to the ARC, details of non-audit services provided by the external audit firm, including fees paid.
- Recommend to the Board, on a transparent basis, the appropriate disclosure in the Annual Financial Report and Directors' Report of the full details of fees paid to the external auditors, including each category of non-audit services performed.
- Advise the Board in writing that the ARC is satisfied that the provision of non-audit services does not compromise independence.