

Audit Committee Charter



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1. PURPOSE OF CHARTER

- 1.1 The Audit Committee Charter sets out the role, composition, authority, responsibilities and operation of the Audit Committee of the Board of Advanced Braking Technology Limited (“ABT”) within the governance structure of ABT and all controlled entities (“the ABT Group”)
- 1.2 Key features of the charter are outlined in the Annual Report. The charter is available to shareholders of the company upon request.

2 DEFINITION AND OBJECTIVE OF THE ABT AUDIT COMMITTEE

- 2.1 The Audit Committee (“the Committee”) is a Committee of the ABT Board (“the Board”).
- 2.2 The Committee’s primary objective is to assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to the ABT Group in the areas of:
 - Application of accounting policy and reporting of financial information to shareholders, regulators and the general public;
 - business and financial risk management and internal control over financial reporting systems, including business policies and practices;
 - monitoring compliance with Australian and international tax requirements, laws

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and stock exchange listing rules;

- corporate conduct and business ethics, including Auditor Independence and ongoing compliance with laws and regulations; and
- reviewing confidential submissions by employees and third parties of concerns regarding questionable accounting, internal controls or auditing matters.

2.3 Membership of the Audit Committee must be disclosed in the Annual Report.

3 MEMBERSHIP AND TERM

3.1 The Committee consists of a minimum of two Directors of the Board. At least one member must be an independent Director and both must be non-executive Directors. The term 'independent' for this purpose means that a member may not have any relationship with ABT management or the corporate entity that, in the opinion of the Board, would interfere with the exercise of his or her independent judgement as a member of the Committee. Additionally, in the opinion of the Board, the Director should be free from any interest and any business or other relationship, which could materially interfere with the Director's ability to act in the best interests of the company. The composition of the Committee will be reviewed should the number of Directors exceed four.

3.2 Committee members will have a working familiarity with basic finance and accounting practices and have the ability to read and

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understand financial statements. It is appropriate that members of the Committee have a range of different backgrounds, skills and experiences, having due regard to the operational, financial and strategic risk profile of the ABT Group. All members of the committee should be, in the judgement of the Board, financially literate (that is, be able to read and understand financial statements) and at least one member should have relevant qualifications and experience (that is, should be a qualified accountant or other finance professional with experience of financial and accounting matters).

- 3.3 Committee members are appointed by the Board. The Board may remove any member from the Committee at any time with or without cause.
- 3.4 The term of appointment as a member is for a period of no more than three years, with Committee members generally being eligible for re-appointment for so long as they remain Directors of the Board. The effect of ceasing to be a Director of the Board is the automatic termination of appointment as a member of the Committee.

4 CHAIRMAN

- 4.1 The Chairman of the Committee shall be a non-executive Director, other than the Chairman of the Board, selected by the Board.
- 4.2 Should the Chairman be absent from a meeting and no Acting Chairman has been appointed, the members of the Committee present at the meeting have authority to choose one of their number to be Chairman for that particular meeting.

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5 MEETINGS

Meetings Other than in Person

- 5.1 The Committee may conduct meetings without all Committee members involved in the meeting being in the physical presence of one another provided that all Committee members involved in the meeting are able to participate in discussion.

Frequency of Meetings

- 5.2 As a minimum, the Committee must meet at least twice per year, excluding meetings by circular resolution (see 5.4 below).
- 5.3 In addition, the Chairman will call a meeting of the Committee if so requested by any member of the Committee, by the external Auditors or by the Chairman of the Board.
- 5.4 Resolutions may be passed by circular resolution, signed by all members of the Committee, and will be deemed to be meetings.

6 ATTENDANCE AT MEETINGS AND QUORUM

- 6.1 Other Board Directors (executive and non-executive) have a right of attendance at meetings. However, no Board Director is entitled to attend that part of a meeting at which an act or omission of that Director or a contract, arrangement or undertaking involving or potentially involving that Director or a related party of that Director is being investigated or discussed.

Notwithstanding the above, if in the opinion of the Committee, hearing from

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the interested Board Director will assist their investigation or discussion, the Committee may invite that Board Director to address the Committee. The Committee shall give fair consideration to that address. The Board Director will not, however, be invited to take part in the deliberations following that address.

- 6.2 ABT executives, including the Managing Director and the Chief Financial Officer, and/or parties external to ABT may be invited to attend any meeting of the Committee.
- 6.3 The external Audit engagement partner should attend any meeting of the Audit Committee, or that part of any meeting, where Statutory Financial reporting and the performance and results of the audit are discussed. They need not attend for the whole of the meeting.
- 6.4 The quorum for a meeting is two members or any greater number determined by the Committee from time to time.

7 **SECRETARY**

- 7.1 The ABT Company Secretary acts as Secretary of the Committee.

8 **SCOPE, ACCESS & AUTHORITY**

- 8.1 The activities of the Committee are in relation to the ABT Group.
- 8.2 The Committee has direct access to the ABT Group's external Auditors and has the authority to seek any information it requires to carry out its duties from any officer or employee of any entity of ABT and such officers or employees shall be instructed by the Board of the entity employing them to cooperate fully in the

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provision of such information.

- 8.3 The Committee also has the authority to consult any independent professional adviser it considers appropriate to assist it in meeting its responsibilities.

9. REPORTING

9.1 Proceedings of all meetings are minuted and signed by the Chairman.

9.2 The Committee, through its Chairman, reports to the Board at the earliest possible Board Meeting after each Committee meeting. Minutes of all Committee meetings are circulated to Board Directors. The report should include but not be limited to:

- the minutes of the Committee and any formal resolutions;
- information about the audit process including the results of internal and external audits;
- any determination by the Audit Committee relating to the independence of the external Auditor; and
- any other matters that in the opinion of the Audit Committee should be brought to the attention of the Board, and any recommendations requiring Board approval and/or action

10. DUTIES

10.1 The duties and responsibilities of a member of the Committee are in addition to those duties set out for a Director of the Board.

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10.2 The duties the Committee is expected to undertake in meeting its principal purpose include:

Financial & External Reporting

To review the appropriateness of the company's accounting policies and principles and the processes used by management that monitor and ensure compliance with laws, regulations and other requirements relating to external reporting by the company of financial and non-financial information. To review, and discuss with the external Auditors and management, all ABT Group financial statements intended for publication prior to their submission to the Board.

Risk Management & Internal Control Over Financial Reporting Structure

To review the risk management and internal control over financial reporting structure implemented by management so as to obtain reasonable assurance that the ABT Group's assets are safeguarded and that reliable financial records are maintained.

Audit Activities, Audit Coverage & Auditor Independence

To ensure that the audit approach covers all financial statement areas where there is a risk of material misstatement and that audit activities are carried out throughout the ABT Group in the most effective, efficient and comprehensive manner.

The Committee has the responsibility for the appointment, compensation and oversight of the external Auditor and to ensure that the external Auditor meets the required standards for Auditor Independence. In monitoring Auditor Independence the Committee will have regard to any

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legislative or regulatory requirements, and the following principles:

- It is mandatory that the Audit Partner responsible for the Audit be rotated at least every five years. At least two years must expire before the Audit Partner can again be involved in the Audit of the Group.
- The Committee must monitor the number of former employees of the external Auditor who were involved in auditing the company, currently employed in senior financial positions in the company, and assess whether this impairs or appears to impair the Auditor's judgment or independence in respect of the company. An individual auditor who was engaged by the external Auditor and participated in the company's audit shall be precluded from employment as CEO or CFO of the company for a period of twelve months from the time of the audit.
- Consider whether taken as a whole, the various relationships between the company and the external Auditor and the economic importance of the company (in terms of fees paid to the external Auditor for the Audit as well as fees paid to the external Auditor for the provision of non-Audit services) to the external Audit impair or appear to impair the Auditor's judgment or independence in respect of the company.
- The company shall not engage its external Auditor for certain non-audit services (including book-keeping, financial information systems design, valuations, actuarial services, internal audit outsourcing, human resources and unrelated legal/expert services). Any proposal to grant the external Auditor non-prohibited non-audit services will be referred to the Chairman of the Audit Committee by management prior to granting the work.

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Corporate Conduct and Integrity

To obtain assurance that the ABT Group adequately complies with applicable laws and regulations, is conducting its affairs ethically and is maintaining appropriate controls against employee conflict of interest and fraud.

11. FEES

- 11.1 Committee members are entitled to receive remuneration as determined from time to time by the ABT Remuneration Committee, or by the Board performing the function of a remuneration committee.

12 REVIEW OF CHARTER

- 12.1 The Audit Committee Charter is reviewed every 3 years by the Committee to ensure it remains consistent with the Committee's authority, objectives and responsibilities.
- 12.2 Significant changes to the Charter are recommended by the Committee and approved by the Board.