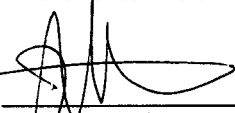


E&A Limited
ACN 088 588 425
("Company")

Audit and Risk Management Committee **Charter**

This charter has been ratified by the Board of Directors of E&A Limited on 24 October 2007.



Company Secretary

Next due for review October 2008.

Revision History

Version No

1

Date Approved by the Board

24 October 2007

1. GENERAL PURPOSE

1.1 Objective

The Audit and Risk Management Committee ("**Committee**") is a committee established by the board of directors of the Company ("**Board**") to assist the Board in discharging its corporate governance duties in relation to:

- 1.1.1 implementing and maintaining appropriate policies and procedures in relation to risk management and auditing;
- 1.1.2 financial reporting, internal control structure and internal and external audit functions; and
- 1.1.3 establishing a sound system of risk oversight and management and internal controls.

1.2 Function

The Committee will:

- 1.2.1 identify issues relevant to the integrity of the Company's financial reporting and the risk profile; and
- 1.2.2 establish and implement policies and procedures for risk management and auditing in compliance with the ASX Corporate Governance Principles and Recommendations.

2. STRUCTURE

2.1 Members

The Committee must consist of at least two independent directors who fulfil the criteria set out in item 2.6 ("**Committee Members**").

2.2 **Appointment and Removal**

The Committee Members shall be appointed and removed by ordinary resolution of the Board.

2.3 **Duration of Appointment**

Each Committee Member will be appointed for an initial term of three years ("**Term**"). To ensure adequate rotation of the Committee Members, no Committee Member may be appointed for more than three (3) consecutive terms. For the avoidance of doubt a Committee Member may be removed by the Board during their Term.

2.4 **Chairman**

The chairman of the Committee must be a Committee Member who is an independent director, not the chairman of the Board, and who has been appointed by ordinary resolution of the Committee to hold the position of chairman ("**Chairman**").

2.5 **Secretary**

The Company Secretary will be the secretary of the Committee.

2.6 **Expertise**

2.6.1 Each Committee Member must have an understanding of financial statements and general accounting principles, so as to enable the Committee to effectively discharge its duties.

2.6.2 The Committee must at all times consist of:

- (a) at least one Committee Member with accounting or financial management experience; and
- (b) at least one Committee Member with experience in the industry within which the Company operates,

and such Committee Members may not be the same person.

3. **POWERS**

3.1 **Powers**

3.1.1 In fulfilling its duties, any Committee Member may:

- (a) access any document, report, material or information in the possession of an employee or external adviser of the Company, including without limitation the External Auditor and any members of the Board;
- (b) at the direction of the Committee or the Board, conduct an investigation or formal review of an aspect of the Company's financial or business operations;
- (c) at the cost of the Company and in accordance with clause 9 of the Board Charter, obtain independent professional advice to assist in the proper exercise of its powers;

- (d) request the assistance of any employee, Board member or external adviser of the Company; and
- (e) any other thing or action reasonably necessary to enable the Committee to fulfil its duties.

3.1.2 For the avoidance of doubt, the Committee does not have the power to enter into transactions on behalf of the Company, or bind the Company in any other way or form.

3.2 Exercise

The Committee must exercise the powers delegated to it in accordance with this Charter, the Constitution of the Company and the directions of the Board and to the extent of any inconsistency the Charter shall apply.

3.3 Review

The powers of the Committee shall be reviewed regularly to ensure its powers and activities meet the needs of the Board, comply with corporate governance requirements and reflect changes in the Company.

4. MEETINGS

4.1 Convening of Meetings

The Committee shall meet as frequently as is required to fulfil its duties set out in item 5, but must convene a minimum of two meetings in each financial year.

4.2 Agenda

The Secretary shall in consultation with the Chairman, Committee Members, Board and management, prepare and distribute a notice and agenda for each meeting to all Committee Members, members of the Board, the Chief Executive Officer, the Chief Financial Officer, the Internal Auditor and the External Auditor.

4.3 Minutes

The Chairman must provide minutes of each Committee meeting to the Board for inclusion in the papers of the next Board meeting following the Committee meeting.

4.4 Quorum

A quorum will comprise of two (2) Committee Members. In the absence of the Chairman, the Committee Members may elect a Committee Member present at the meeting to take the chair.

4.5 Voting

Each Committee Member shall have one vote and the Chairman shall not have a deciding vote.

4.6 Attendance

Any member of the Board, the Chief Executive Officer, Chief Financial Officer, External Auditor or Internal Auditor may only attend meetings of the Committee by invitation. Where such persons are invited to attend, the Committee must set aside

time during the meeting for discussion without any executives of the Company present, unless the business of the meeting does not require this to occur.

5. DUTIES

5.1 Auditing

5.1.1 Prior to the Board granting its approval, the Committee must review:

- (a) all published financial statements, including without limitation, half-yearly and year-end audited statements, statements in any official documents including, annual reports, prospectuses and explanatory memorandums and any other statements required by regulatory authorities;
- (b) any statement on the internal control systems of the Company;
- (c) any statement or report from the Board or management which is to accompany financial statements; and
- (d) changes to the Company's formal accounting policies.

5.1.2 In carrying out its duties, the Committee will not be required to personally conduct accounting reviews or audits.

5.2 Risk Management

5.2.1 The Committee must adopt a new risk management policy adopted by the Board.

5.2.2 The Committee shall oversee and monitor the implementation of processes and an annual risk management plan to identify, manage and report on the risks which may have an impact on the Company's financial position or its business and activities as a whole.

5.2.3 The Committee must review:

- (a) all risk management policies developed by the Company, and if necessary propose amendments;
- (b) the compliance with risk management policies by the Board, management and employees of the Company;
- (c) identified risks of the Company and consider whether the response to such risks is adequate; and
- (d) significant or related party transactions which are not within the ordinary course of business for the Company.

5.2.4 The Committee must follow up any weaknesses or risks identified in the Company's internal or external control and audit processes to ensure the required action has been taken.

5.3 Management

The Committee Members should regularly liaise with management to ensure management have a clear understanding of the functions of the Committee, Internal Auditor and External Auditor and the risk management and audit process generally.

5.4 Continuous Reporting and Assessment

- 5.4.1 The Committee will establish and implement processes to capture and identify any issues or weaknesses in the risk management, internal control mechanisms and financial reporting of the Company.
- 5.4.2 The Committee will as necessary review, assess and update:
- (a) the risk profile of the Company, including material financial and non-financial risks;
 - (b) the Company's protection of ownership in non-physical assets such as intellectual property;
 - (c) the adequacy and effectiveness of internal controls and programs used by management to monitor and ensure compliance with laws, regulations and other requirements relating to external reporting of financial information;
 - (d) compliance with internal and external monitoring systems;
 - (e) the adequacy of the Company's insurance program and its risk management strategies; and
 - (f) new or proposed professional or regulatory requirements which may impact on the Company's accounting policies or financial reporting obligations.
- 5.4.3 The Committee should seek the assistance of management, the Internal Auditor, the External Auditor and legal counsel to review any claims against the Company which may have a material effect on the Company's financial position, including without limitation, any litigation or taxation claims.

5.5 Internal Auditing

- 5.5.1 The Committee must consider the need for and if necessary recommend the implementation of an internal auditing process as a mechanism of the internal control systems of the Company.
- 5.5.2 Where an internal audit process is required, the Committee must:
- (a) approve the appointment of the Internal Auditor and their terms of engagement;
 - (b) review the results of any internal audits;
 - (c) review the internal audit plan with particular attention to the adequacy of the plan to address fraud and other weaknesses in internal controls;
 - (d) meet with the Internal Auditor (without management present) to obtain a report on findings and communicate such findings to management, including any requirement to implement changes; and
 - (e) review management's response to findings and the implantation of any changes.

- 5.5.3 The Committee must consider the findings of any internal audit report and identify how to address any specific risks or issues raised in the findings.

5.6 External Auditing

5.6.1 The Committee will over time develop, implement and maintain a policy setting out the principles for the appointment of External Auditors. The Appointment of External Auditor policy will provide an appropriate framework for the Committee to make a recommendation to the Board as to the appointment, removal and/or replacement of the External Auditor to the Company.

5.6.2 In relation to the external audit process the Committee must:

- (a) review the terms of engagement, remuneration and performance of the External Auditor;
- (b) review the results of all external audits;
- (c) monitor the independence and objectivity of the External Auditor, considering amongst other things, the level of any non-auditing services provided by the External Auditor, and changing legal or professional requirements relating to 'independence';
- (d) together with the External Auditor, regularly review the external audit plan including the scope to ensure that it adequately addresses changes in the Company and any identified weaknesses in internal controls;
- (e) ensure that the External Auditor makes regular disclosures to the Committee;
- (f) meet with the External Auditor (without management present) to obtain a report on findings and communicate such findings to management, including any requirement to implement changes; and
- (g) review management's response to findings and the implantation of any changes.

5.6.3 The Committee must consider the findings of any external audit report and identify how to address any specific risks or issues raised in the findings

5.7 Annual Report to Board

Within one month of the end of the Financial Year, the Committee shall provide to the Board a report for the previous financial year ("**Annual Report**"). The Annual Report shall contain the following:

- 5.7.1 names of all members of the Committee;
- 5.7.2 confirmation of the independence of each Committee Member;
- 5.7.3 the number of meetings held, including the attendees at each meeting;
- 5.7.4 a summary of the risk management processes and policies, identifying any areas for improvement;

- 5.7.5 details of the Internal Auditor and an assessment of the performance of the internal auditing program;
- 5.7.6 details of the External Auditor, including an assessment of their independence, and an assessment of the performance of the external auditing program;
- 5.7.7 a summary of the activities and performance of the Committee; and
- 5.7.8 any other information the Committee considers appropriate to bring to the attention of the Board in the performance of its functions.

5.8 Board Request

The Committee must examine and review any matters referred to it by the Board.

5.9 Self Assessment

At least two months prior to the end of each financial year, the Committee will review the performance of the Committee against the requirements set out in this Charter.