

# Breakaway Resources Limited

## Audit Committee Charter



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# Audit Committee Charter

## General

The Board of Directors at a meeting held 21 September 2007 has approved the following terms of reference for the Committee. The Committee has the authority to review, on behalf of the parent entity Board, matters arising in all economic entities.

## Objectives

The objectives of the Audit Committee will be:

- To assist the Board of Directors of each company in the Breakaway Group to discharge their responsibility for externally reporting financial information, ensuring financial integrity and credibility of that reporting.
- To seek to improve the quality of financial reporting, control systems and corporate governance of the Group.
- To oversee internal and external audit functions.
- To monitor and ensure the Breakaway Group conforms with requirements of the Corporations Act and Australian Securities & Investments Commission ("ASIC").

## Composition

### Eligibility and Appointment

The Audit Committee will consist of not less than two members. Committee members will be members of the Board of Directors of any corporate entity within the Breakaway Group.

The Committee will consist of a majority of non-executive directors and where possible members should be independent of management and the Company. The Chairman of the Committee shall be a non-executive director of the company. The Company Secretary will be the Secretary of the Audit Committee.

The Managing Director and Chief Financial Officer CFO as well as other members of senior management and the Board may be invited to be present for all or part of the meetings of the Audit Committee, but will not be members of the committee.

### **Tenure**

Committee members shall be appointed by the Breakaway Group Board for an initial two-year term of office after which their appointment may be subject to annual rotation determined by the Board.

### **Role of the Committee Chairman**

The Chairman will be responsible for:

- Planning and conducting meetings;
- Overseeing reporting to the Board; and
- Advising the Board in the selection of Committee members.

### **Committee Secretary**

The Secretary shall be responsible for:

- Minutes of Committee meetings taken and distributed;
- Facilitating appropriate communications between the Committee and Board, including ensuring that the Board receive reports which keep them adequately informed of the Committee's activities; and
- Providing supporting documentation to the Board for Committee recommendations.

### **Meetings**

A quorum of two (2) Committee members, including at least one (1) independent (non-executive) director is required.

Meetings are to be held not less than two times each year (i.e. before completion of the half yearly and annual accounts). The Secretary will be required to give reasonable notice of a meeting. Other officers of the Group or external persons may be invited to attend Committee meetings. The Chairman will call a meeting of the Audit committee if so requested by any Committee member, and Director or the Auditors.

The Chairman of the Committee shall report the findings and recommendations of the Committee to the appropriate Board after each Committee meeting.

## **Function and Responsibility**

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

In particular, the Audit Committee has the following duties:

### **Financial Reporting**

The Committee shall examine and consider and matters relating to the financial affairs of the Group and its external audit that it considers necessary, including:

- Reviewing financial statements and other financial information before submission to the board.
- Monitoring the procedures in place to ensure compliance with accounting standards, Corporations Act and ASIC requirements, and any other statutory requirements applicable.

### **Compliance**

In relation to its compliance functions, the Committee shall consider any matters relating to the ongoing compliance of Group activities, particularly in respect of the various applicable laws and legislation and the regulators responsible for them.

### **Audit Functions**

The Committee shall be responsible for:

- Reviewing the nomination, performance and remuneration of the external auditors.
- Liaising with the external auditors and ensuring that the annual audits and half-year statutory reviews are conducted in an effective manner.
- Evaluating the need for an internal audit function.

### **Other Matters**

The Committee shall:

- Examine any other matters referred to it by any Board of the entities within the Group.
- Act honestly and exercise the degree of care and diligence expected of a reasonable person.

## **Powers of the Committee**

### **Access to Information**

The Committee has the authority to seek any information it requires from any officer or employee of the Breakaway Group and such officers or employees shall be instructed by the Board to respond to such enquiries.

### **Independent Advice**

The Committee is authorised to take such independent professional advice as it considers necessary.

### **Communications with Auditor**

The Chairman has the authority of the Breakaway Board to deal directly with the appointed auditor.

### **Decision Making**

Where any Committee member (or ex-officio management representative) has a contrary view to a Committee decision, that view is to be reported to the relevant Board.

### **Review of Terms of Reference**

These terms of reference will be formally reviewed by the Committee in April of each year. The Committee may make suggestions to the Board for changes to these terms. Only the Board has the power to change the terms of reference.

## **Selection of External Auditor**

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Should there be a vacancy for the position of external auditor, Breakaway, through the Audit Committee, conducts a formal tendering process, either a general or selective tender.

Tenders are evaluated in accordance with the criteria, as appropriate from time to time, provided to tenderers. Tenders are not assessed solely on the basis of price, but on a number of issues such as:

- Skills and knowledge of the team proposed to do the work;
- Quality of work;
- Independence of the audit firm;

- Lead signing partner and independent review partner rotation and succession planning;
- Value for money;
- Ethical behaviour and fair dealing; and
- Independence from Breakaway.

#### **Appointment of External Auditor**

Through the tendering process, the Audit Committee identifies and recommends an appropriate external auditor for appointment by the Board in conjunction with senior management and/or Breakaway in general meeting. The appointment is made in writing.

#### **Rotation of External Audit Partners**

The external auditor is required to rotate its audit partners so that no partner of the external auditor is in a position of responsibility in relation to Breakaway's accounts for a period of more than five consecutive years. Further, once rotated off Breakaway's accounts no partner of the external auditor may assume any responsibility in relation to Breakaway's accounts for a period of five consecutive years. This requires succession planning on the part of the external auditor, a process in which Breakaway is involved.