

ASC
AUDIT COMMITTEE
CHARTER



ASC

ESTABLISHMENT

The boards of ASC Pty Ltd, ASC Shipbuilding Pty Ltd, ASC AWD Shipbuilder Pty Ltd and ASC Engineering Pty Ltd have established the Audit Committee under their respective constitutions.

This charter sets out the scope of the Audit Committee's responsibilities in relation to the Group, and therefore has application at both a consolidated and subsidiary level (unless the contrary intention appears in this charter).

OBJECTIVES

The objectives of the Audit Committee are to:

- a) Help the Board achieve its objectives in relation to reviewing the appropriateness of the:
 - i. financial reporting
 - ii. performance reporting
 - iii. systems of risk oversight and management
 - iv. annual budgeting and forward forecasts
 - v. the application of accounting policies and
 - vi. systems of internal control for the relevant ASC Group entity.
- b) Maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis).
- c) Establish and oversee effective internal and external audit functions and communication between the Board and the external and internal auditors.
- d) Verify financial compliance strategies and financial compliance functions are effective.
- e) Maintain an effective external and internal audit function, in compliance with all applicable laws.

EXTERNAL FINANCIAL REPORTING

The Audit Committee is responsible for:

- a) Assessing the appropriateness and application of the ASC Group's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework.
- b) Obtaining an independent judgment from the external auditor about:
 - i. the acceptability and appropriateness of accounting policies and principles put forward by management (including the Group Internal Auditor) and
 - ii. the clarity of current or proposed financial disclosure practices as put forward by management (including the Group Internal Auditor).



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- c) Assessing information from internal and external auditors that may affect the quality of financial reports (eg actual and potential material audit adjustments, financial report disclosures, non-compliance with laws and regulations, and internal control issues).
- d) Following up on any matter raised by the Board (or the board of any of ASC's subsidiaries, as the case may be) regarding financial reports, audit opinions and management letters.
- e) Recommending to the Board acceptance of ASC's (and, as the case may be, any of ASC's subsidiaries'):
 - i. annual budget
 - ii. forward forecasts
 - iii. accountsand approving the form of management sign-offs in relation to those accounts.

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FINANCIAL RISK MANAGEMENT

The Audit Committee is responsible for:

- a) Assessing and prioritising the areas of greatest potential financial risk, including:
 - i. safeguarding assets
 - ii. litigation and claims
 - iii. non-compliance with applicable laws, regulations, standards and best practice guidelines that may result in significant financial loss
 - iv. important judgments and accounting estimates
 - v. maintenance of proper accounting records.
- b) Determining areas of greatest potential financial risk, and assessing and monitoring the management of those areas.
- c) Reporting to the Board and, where appropriate, to the boards of ASC's subsidiaries, on the adequacy of the financial risk management.
- d) Reviewing the adequacy of responses to reports of internal and, as far as practicable, external audits.
- e) Reviewing management's processes for ensuring and monitoring compliance with applicable laws, regulations and other requirements relating to the external reporting of financial information.

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EXTERNAL AUDIT

The Audit Committee is responsible for:

- a) Approving and recommending to the Board for acceptance, the terms of engagement with the external auditor at the beginning of each year (or financial year, as the case may be).
- b) Regularly reviewing with the external auditor the scope of the external audit, identified risk areas, and any other agreed procedures.
- c) Meeting periodically with the external auditors and inviting them to attend at least two Audit Committee meetings each year to:
 - i. review their plans for carrying out internal control reviews
 - ii. consider any comments made in the external auditor's management letter, particularly, any comments about material weaknesses in internal controls and management's response to those matters
 - iii. make recommendations to the Board.
- d) Asking the external auditor if there have been any significant disagreements with management, whether or not they have been resolved.
- e) Regularly reviewing the effectiveness and independence of the external auditor taking into account:
 - i. the length of appointment
 - ii. the last dates lead engagement partners were rotated
 - iii. any relationships with the Group or any other body or organisation that may impair or appear to impair the external auditor's independence.
- f) Monitoring and reporting to the Board, and where appropriate to the boards of ASC's subsidiaries, on management's response to the external auditor's findings and recommendations.
- g) Receiving and reviewing the reports of the external auditor.

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INTERNAL AUDIT

The Audit Committee is responsible for:

- a) Verifying any CFO is independent of the external auditor.
- b) Taking reasonable steps to ensure the external auditor does not provide internal audit services.
- c) Overseeing the scope of the internal audit, including reviewing the internal audit team's mission, charter, qualifications and resources.
- d) Reviewing and approving the scope of the internal audit plan and work program.
- e) Overseeing the liaison between the internal audit team and the external auditor.
- f) Confirming the internal audit team reports directly to the Audit Committee.



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SIGN-OFFS

The CEO and CFO will, from time to time, (with advice from the Audit Committee) be required to provide the following statements in writing to the Board, namely that:

- a) ASC's financial reports present a true and fair view, in all material respects, of ASC's financial condition and operational results and are in accordance with relevant accounting standards.
- b) The statement given in paragraph 6(a) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and which systems are operating effectively.

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GROUP AUDIT COMMITTEES

The Audit Committee is also responsible for:

- a) Reviewing and approving the charter of any committee dealing with audits within the Group.
- b) Receiving and reviewing reports from any such committee.

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AUDIT COMMITTEE COMPOSITION

The Audit Committee must comprise three non-executive directors (who must not include the Chairman of the Board), and must include at least one non-executive director from each of the boards of ASC Shipbuilding Pty Ltd, ASC AWD Shipbuilder Pty Ltd and ASC Engineering Pty Ltd. The Audit Committee may not include the CEO or the CFO.

The Audit Committee will appoint its chairman, who may not be an executive director.

The Company Secretary is secretary (but not a member) of the Audit Committee.

The Audit Committee must be of sufficient size, independence and technical expertise to discharge effectively its mandate.

Each member of the Audit Committee must be able to read and understand financial statements and at least one member must be a qualified accountant or other financial professional with experience of financial and accounting matters.

Each member of the Audit Committee should have an understanding of the industry in which the Group operates.



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AUDIT COMMITTEE MEETINGS

The Audit Committee will meet as often as it considers necessary but at least four times a year.

A quorum for an Audit Committee meeting is two Audit Committee members.

Audit Committee meetings may be held by any technological means allowing its members to participate in discussions even if all of them are not physically present in the same place.

A member who is not physically present but participating by technological means is taken to be present.

The Audit Committee may pass or approve a resolution without holding a meeting in accordance with the procedures (so far as they are appropriate) in Section 248A of the *Corporations Act 2001*.

The Audit Committee may invite other persons it regards appropriate to attend its meetings.

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MINUTES OF AUDIT COMMITTEE MEETINGS

The Audit Committee must keep minutes of its meetings.

The chairman of the Audit Committee must report to the Board on its proceedings at the next Board meeting.

Minutes of each Audit Committee meeting must be included in the papers for the next full Board and relevant subsidiary board meeting after the Audit Committee has approved those minutes.

Minutes, agenda and supporting papers are available to directors upon request to the Company Secretary, except if there is a conflict of interest.

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REPORTING TO THE BOARD

The Audit Committee chairman must report the Audit Committee's findings to the Board at the next regularly scheduled Board meeting.

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ACCESS TO INFORMATION AND INDEPENDENT ADVICE

The Audit Committee may seek any information it considers necessary to fulfil its responsibilities.

The Audit Committee has access to:

- a) Management (including the CEO and/or CFO) to seek explanations and information from management.
- b) Internal and external auditors to seek explanations and information from them, without management being present.

The Audit Committee may seek professional assistance from employees of the Group and may engage appropriate external advisers (on ordinary commercial terms), at ASC's cost.

The Audit Committee may meet with these external advisers without management being present.



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REVIEW AND CHANGES TO THIS CHARTER

The Audit Committee will review and assess the adequacy of this charter annually or as often as it considers necessary and submit any proposed revisions to the Board for consideration and approval.

The Board may change this charter from time to time by resolution.

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SELF-ASSESSMENT

The Audit Committee will periodically assess whether the purpose, authority and responsibility, as defined in this charter, continue to be adequate to enable the Audit Committee to accomplish its objectives. The result of this periodic assessment will be communicated to the Board.