

MMC CONTRARIAN LIMITED
ABN 83 106 248 248

**AUDIT COMMITTEE
CHARTER**

NOVEMBER 2008

AUDIT COMMITTEE CHARTER

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Charter, unless the contrary intention appears:

“**at any time**” means at any time and from time to time;

“**the Auditor**” means the firm appointed as auditor of Contrarian under Part 2M.4 of the Corporations Act and, in particular, the audit engagement partner within that firm;

“**the Board**” means the board of directors of Contrarian;

“**BPR**” means Best Practice Recommendations of the ASX Corporate Governance Council;

“**the Committee**” means the Audit Committee established by resolution of the Board, and whose Charter this is;

“**Director**” means a member of the Board;

“**Contrarian**” means MMC Contrarian Limited (ACN 106 248 248);

1.2 Assessing when a Director is “independent”

For the purpose of this Charter, the Board may at any time determine that a Director is “independent” by reference to the following definition derived from the guidance in BPR 2.1. The Board may at any time determine that a Director is “independent” even though that Director does not satisfy one or more elements of the definition set out below if the Board considers that the Director is independent in character and judgment despite such elements not being satisfied [*see A.3.1 of The Combined Code on Corporate Governance, July 2003, UK*]. A Director may be regarded as “independent” if the Director:

- (a) is a non-executive Director (that is, is not a member of management); and
- (b) is not a substantial shareholder (that is, a person who has a “substantial holding” as defined in section 9 of the Corporations Act 2001) of Contrarian or an officer of, or otherwise associated directly with, a substantial shareholder of Contrarian; and
- (c) within the last 3 years has not been employed in an executive capacity by Contrarian or another entity in Contrarian, or been a Director after ceasing to hold any such employment; and
- (d) within the last 3 years has not been a principal of a material professional adviser or a material consultant to Contrarian or another entity in Contrarian, or an employee of such an adviser or consultant and materially associated with the service provided; and

- (e) is not a material supplier to, or material customer of, Contrarian or another entity in Contrarian, or an officer of, or otherwise associated directly or indirectly with, such a supplier or customer; and
- (f) has no material contractual relationship with Contrarian, or another entity in Contrarian, other than as a Director of Contrarian; and
- (g) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of Contrarian; and
- (h) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of Contrarian.

1.3 Interpretation

In this Charter:

- (a) italicised notes are not part of this Charter and the Charter may be published at any time with or without any one or more of those notes, and either uniformly or on a selective basis;
- (b) references to the Corporations Act 2001 (Cth) ("CA") include any regulation made under that legislation and are construed as references to any statutory modification or re-enactment for the time being in force;
- (c) references to Australian Stock Exchange Ltd Listing Rules ("LR"), clauses of the constitution of Contrarian ("cl."), or Best Practice Recommendations of the ASX Corporate Governance Council ("BPR") are construed as references to those for the time being in force.

2. AUTHORITY

2.1 Source of authority

The Committee is a committee of the Board [cl. 6.13(a)]. The Committee is appointed and authorised by the Board to assist the Board in fulfilling its statutory and fiduciary responsibilities [BPR 4.2]. The authority of the Committee is sourced from:

- (a) this Charter; and
- (b) separate resolutions passed by the Board at any time; and
- (c) relevant Clauses of the Constitution of Contrarian.

2.2 Primary responsibility

The Committee is responsible for review and oversight of:

- (a) the integrity of the accounting and financial reporting processes of Contrarian [guidance on BPR 4.4]; and

- (b) the external audit of Contrarian [*guidance on BPR 4.4*]; and
- (c) compliance with applicable accounting standards to give a true and fair view of the financial position and performance of Contrarian [*s. 296(1) and s. 297 CA*].

2.3 Direct access to Auditor

The Committee has direct access to the Auditor. The Committee may choose to do this at any time without management of Contrarian being present [*guidance on BPR 4.4*].

2.4 Direct access to Contrarian Group employees

The Committee has the authority to seek at any time any information the Committee considers may be relevant to its functions from any officer or employee of Contrarian [*guidance on BPR 4.4*].

2.5 Certain individuals have direct access to the Committee

To ensure that all appropriate matters are drawn to the attention of the Committee, each of the following has direct access to the Committee:

- (a) the Company Secretary of Contrarian;
- (b) the Auditor;
- (c) the Chair of the Board, if he or she is not a member of the Committee [*see Clause 3.1 below*].

2.6 Investigation

The Committee has the authority to at any time conduct or direct any investigation it considers necessary to fulfil its responsibilities.

2.7 Retain advisers

The Committee has the authority to at any time retain, at the expense of Contrarian, such legal, accounting or other advisers, consultants or experts, as the Committee considers appropriate to assist it in meeting its responsibilities [*guidance on BPR 4.4*].

2.8 Recommendation

The Committee may at any time make recommendations to the Board as it sees fit.

2.9 Sub-committee

The Committee may at any time form and delegate authority to sub-committees, comprised of one or more members of the Committee as it considers necessary or appropriate. Each sub-committee has the full power and authority of the Committee, subject to the terms of its delegated authority [*see cl. 6.13(b)*].

3. MEMBERS OF THE COMMITTEE

3.1 Composition requirements

Membership of the Committee is governed by the following requirements:

- (a) each member of the Committee is appointed by the Board;
- (b) the Committee must comprise 3 to 5 non-executive Directors [*BPR 4.3*];
- (c) a majority of the members of the Committee must be independent, with the determination as to whether a Director is “independent” being made by the Board under **Clause 1.2** above [*BPR 4.3*];
- (d) the chair of the Committee must be an independent Director [*BPR 4.3, and see Clause 1.2 above and Clause 4.1 below*];
- (e) the chair of the Board may be a member of the Committee, but may not be chair of the Committee [*BPR 4.3*];
- (f) each member of the Committee must be financially literate (that is, able to read and understand financial statements) [*guidance on BPR 4.3*];
- (g) at least one member of the Committee must have financial expertise (that is, they are a qualified accountant or other financial professional with experience of financial and accounting matters) [*guidance on BPR 4.3*].

3.2 Term

The term of appointment as a member of the Committee is for a period of one year. Each member of the Committee is eligible for reappointment by the Board, subject to the composition requirements for the Committee.

3.3 Cessation

The Board may at any time remove any individual from the Committee and need not give a reason for doing so [*see cl. 6.13(a)*]. If a member of the Committee ceases for any reason to be a Director, that individual automatically ceases to be a member of the Committee.

3.4 Fees

The services of a member of the Committee are beyond the ordinary duties of a Director. Accordingly, under clause 6.3(f) of the Constitution of Contrarian Committee members are entitled to receive remuneration as determined from time to time by the Board (on the recommendation of the Remuneration Committee of Contrarian).

4. CHAIR

4.1 Appointment

The chair of the Committee must be appointed annually by the Board and must be an independent Director other than the chair of the Board [*BPR 4.3, and see Clause 3.1(c) above*]

4.2 Acting chair

If the chair of the Committee is absent from a meeting of the Committee and no acting chair has been appointed, the members of the Committee present at the meeting must choose one of the members of the Committee present, whether independent or not, to chair that particular meeting.

5. SECRETARY

5.1 Appointment

The Committee must appoint a secretary of the Committee.

5.2 Minutes

The secretary of the Committee must ensure that minutes are taken of meetings of the Committee [*guidance on BPR 4.4*]. If the secretary is asked to withdraw for all or any part of any meeting the chair must ensure that minutes are taken in respect of that part of the meeting [*see Clause 8.1 below re circulation of minutes*].

6. MEETINGS

6.1 Meetings other than in person

The Committee may meet for the dispatch of business, adjourn and otherwise regulate their meetings as they see fit. The Committee may conduct meetings by telephone or other form of communication without a member being in the physical presence of another member or other members [*see cl. 6.7(a)*].

6.2 Frequency

The Committee must meet often enough to undertake its role effectively [*guidance on BPR 4.4*]. The Committee must meet at least 3 times per calendar year.

6.3 Additional meetings

The chair of the Committee must call a meeting of the Committee if so requested:

- (a) by any member of the Committee; or
- (b) by the Auditor; or
- (c) by the chair of the Board.

6.4 Quorum

A quorum for a meeting of the Committee is 2 members.

7. ATTENDANCE AT MEETINGS

7.1 Usual attendees

Each of the following is expected to attend each meeting of the Committee:

- (a) representatives of the Auditor;
- (b) the secretary of the Committee.

[see Clause 7.3 below.]

7.2 Other attendees

Other members of management of Contrarian, or parties external to Contrarian, may be invited to attend any meeting of the Committee.

7.3 Attendees may have to withdraw

An individual who is not a member of the Committee may be asked by the Committee to withdraw for all or any part of any meeting of the Committee.

8. REPORTING BY THE COMMITTEE

8.1 Circulation of minutes

Minutes of each meeting of the Committee must be approved and signed by either the chair of that meeting or the chair of the Committee and then provided to the Board at the next meeting of the Board [*guidance on BPR 4.4*].

8.2 Reports to the Board

The Committee, through its chair, must report to the Board at the earliest possible Board meeting after each meeting of the Committee. Such report should include any matters that, in the opinion of the Committee, should be brought to the attention of the Board, and any recommendations requiring the approval of the Board.

8.3 Annual and half-yearly financial statements

The Committee should recommend to the Board acceptance of the annual and the half-yearly financial statements of Contrarian after providing the Board with a report which includes:

- (a) an assessment of the performance and independence of the Auditor, and whether the Committee is satisfied that the independence of the Auditor has been maintained having regard to the provision of non-audit services by the Auditor; and

- (b) an assessment of the management processes supporting external reporting; and
- (c) an assessment of the internal compliance and control systems for financial reporting; and
- (d) an assessment of whether external reporting is consistent with internal information and knowledge and is adequate for the needs of shareholders of Contrarian [*guidance on BPR 4.4*].

8.4 Review of Charter

The Committee must, each year, review the adequacy of this charter and recommend to the Board any that the Committee considers are desirable.

8.5 Annual performance appraisal

An evaluation of the performance of the Committee and the extent to which the Committee has met the requirements of the charter will be conducted through the Board's annual performance appraisal process.

8.6 Publication of Charter

Key features of this Charter should be outlined in the corporate governance section of the annual report to shareholders of Contrarian. This Charter should also be made available by posting it to the website of Contrarian [*guidance on BPR 4.5*].

9. PARTICULAR DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

9.1 Overview

The Committee's main responsibilities are grouped below under the following headings:

- (a) accounting practices and external reporting (**Clause 9.2** below);
- (b) external audit (**Clause 9.3** below);
- (c) financial risk management and compliance (**Clause 9.4** below);
- (d) other responsibilities (**Clause 9.5** below).

9.2 Accounting practices and external reporting

The Committee must:

- (a) review the audited annual and half-yearly financial statements, and any reports which accompany published financial statements, with management and the Auditor, in order to recommend their approval by the Board, or when authorised by the Board, to approve their release to regulators and the market;

- (b) review with management significant accounting and financial reporting issues raised by the Auditor;
- (c) review any new or significant changes to existing Contrarian accounting policies and advise the Board of any significant new policies or significant changes in policy;
- (d) ensure that appropriate policies are promulgated and complied with in relation to the regular review of models that calculate financial valuations of assets and liabilities;
- (e) review the controls and processes that are used to reach the opinions provided in certifications of the Company Secretary of Contrarian [*BPR 4.1, and see Clause 2.2(c) above*].

9.3 External audit

The Committee must:

- (a) in consultation with management of Contrarian, review with the Auditor the integrity and effectiveness of Contrarian's financial reporting systems and controls;
- (b) review the scope of the external audit plan with management of Contrarian and monitor its implementation;
- (c) review the external audit results with management;
- (d) on at least an annual basis, meet with the Auditor without management being present;
- (e) obtain, at least annually, from the Auditor a formal written statement delineating all relationships between the Auditor and Contrarian to assess the independence of the Auditor;
- (f) ensure that each of the external audit engagement partner and lead review partner is rotated off the audit of Contrarian after no more than 5 years and are not re-assigned to Contrarian's audit for at least 2 years;
- (g) make recommendations to the Board on the appointment, reappointment, removal (and related tendering) of the Auditor, and remuneration of the Auditor;
- (h) with management support, conduct the tender for the role of auditor of Contrarian whenever the Board resolves that such a tender should be conducted.

9.4 Financial risk management and compliance

The Committee must:

- (a) after taking into account the allocation to the Board of responsibility for review of risk, review the financial risk management internal control systems and compliance processes for accounting and external reporting;
- (b) review any applicable financial sector regulatory requirements and compliance with them;
- (c) review any major reports of financial sector regulators on the operations of Contrarian and the response of management of Contrarian to such reports;
- (d) establish and maintain procedures so that relevant matters that come to the attention of the Committee are referred in writing to the Board. This will normally be by way of submitting the minutes of the Audit Committee meetings to the Board for their review.

9.5 Other responsibilities

The Committee:

- (a) may need to request or, if approved by the Board, to direct a special project or investigation into a serious issue or significant transaction that falls within the ambit of the overall responsibilities of the Committee;
- (b) must examine any other matters referred to it any time by the Board.

Charter History

11 December 2003	Audit Committee established by Board
26 November 2008	Change to Committee members adopted by Board
26 November 2008	Charter approved by Board