

Audit, Risk & Corporate Governance Committee Charter

1. Organisation

This Charter governs the operations of the Audit, Risk & Corporate Governance Committee (**Committee**), which is a Committee of the Board of Directors of Ruralco Holdings Limited (**Company**). The Charter has been prepared having regard to the ASX Principles of Good Corporate Governance and Best Practice Recommendations.¹

The Committee is entitled to receive certain information and to request management to conduct certain investigations and carry out certain projects. On the basis of the information it receives, the Committee makes recommendations to the Board.

2. Membership²

The Committee consists of a Chairperson and at least three members of the Board with complementary skills and experience.

All members of the Committee must be non executive directors and the majority of members must be independent. In addition, at least one member is to have accounting or related financial management expertise as determined by the Board³ and at least one member must have an understanding of the industry in which the Company operates⁴.

The Committee Chairperson is to be independent and have leadership experience and a strong finance, accounting or business background.

All Committee members are to be financially literate⁵ - or to become financially literate within a reasonable period of time after appointment.

Independence of members of the Committee will be considered in accordance with Ruralco's Policy on Independence of Directors.⁶

The Board appoints the Chairperson of the Committee. The Chairperson of the Committee cannot be the Chairperson of the Board.

It is anticipated that the Committee will invite members of management to meetings to give administrative support and to provide to the Committee management's knowledge of the Company's business. In particular it is likely that the Managing Director, Chief Financial Officer, Internal Auditor and Company Secretary would attend meetings of the Committee, together with the External Auditor. Management

¹ Dated March 2003

² Based on ASX Best Practice Recommendation 4.3

³ The ASX Best Practice Recommendations contemplate that this person will be a qualified accountant or other financial professional with experience of financial and accounting matters

⁴ ASX Best Practice Recommendation 4.3

⁵ That is, able to read and understand financial statements

⁶ Assessing the independence of directors is set out in ASX Best Practice Recommendation 2.1

attendance at such meetings of the Committee is always at the discretion of the Committee.

3. Operations and Terms of Reference

The Committee is to meet at least four times each year. The purpose of these meetings is to review and require management to take certain actions and to make recommendations to the Board. Matters within the Committee's terms of reference are:

- consider the appointment of the External Auditor and make relevant recommendations to the Board;
- review and approve external and internal audit programs;
- review and approve the half-year financial report;
- update the external audit program;
- review and approve the annual financial report;
- consider changes to the Company's accounting policies and or the format of financial disclosures;
- review the results of internal audit reviews and make appropriate recommendations to the Board;
- review and approve the audit management letter and management's response;
- review the Company's Risk Management Statement & Risk Management Program to ensure the Statement, the Program and management's responses to identified risks remain current to the Company's circumstances from time to time;
- review the Company's corporate governance policies; and
- draft the Corporate Governance Statement to be contained in the Company's annual report.

These matters may be extended or limited, from time to time, upon direction of the Board.

Additional meetings may be held as the Committee or its Chairperson determine.⁷ The Committee will maintain adequate minutes of all its meetings and the minutes are to be included in the papers of the next full Board meeting after each Committee meeting.⁸ It will report actions and progress to each meeting of the Board. At each meeting, Committee members will be given copies of the minutes of the previous meeting .

Quorum for the Committee shall be half the number of members appointed and if this is not a whole number then rounded up to the next whole number.

The Committee is governed by the rules of meetings that apply to the Board.

4. Purpose

The Committee assists the Board to fulfil its corporate governance and oversight responsibilities in relation to the Company's:

- financial reporting;

⁷ The Committee should meet often enough to undertake its role effectively
⁸ ASX Best Practice Recommendation 4.4

- internal control structure;
- risk management systems;
- external audit functions;
- internal audit functions; and
- overall corporate governance policies.

The Committee is empowered to investigate any matter brought to its attention. It has:⁹

- the right to full access to all books, records and facilities;
- the right to management and personnel of the Company and to seek explanations and additional information;
- the right to access the Internal Auditor and the External Auditor of the Company without management present; and
- the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

5. Responsibilities

Understanding the business

The Committee is to ensure that its members understand the Company's structure, controls and types of transactions in order to adequately assess the significant risks the Company faces in the current environment.

Financial reporting

The primary responsibility of the Committee is to review the integrity of the Company's financial reporting process on behalf of the Board and to report the results of its activities to the Board.

The Board is responsible for the Company's financial reports including the appropriateness of the accounting policies and principles that the Company uses.

The External Auditor is responsible for auditing the Company's financial reports and for reviewing the Company's unaudited interim financial reports.

The Internal Auditor is responsible for reviewing aspects of the Company's financial reports and operations which in the Committee's opinion pose a material threat to the integrity of the Company's:

- financial statements and disclosures;
- accounts;
- accounting policies; or
- assets

or which might otherwise present a risk to the operations and value of the Company and which the External Auditor is not otherwise reviewing.

The Chief Executive Officer and the Chief Financial Officer are responsible for stating in writing to the Board that:

⁹ ASX Best Practice Recommendation 4.4

- the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards;¹⁰
- the above statement is founded on a sound system of internal compliance and control which implements the policies adopted by the Board); and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.¹¹

The Committee will take all reasonable steps to ensure that the program and activities of the Internal Auditor complement the work of the External Auditor and that if the results of their respective reviews are directly contradictory in any material respect, these are resolved as a matter of priority.

The Committee will take appropriate action to set the overall corporate 'tone' for quality financial reporting, sound business risk practices, and ethical behaviour.

Reporting¹²

The Committee must report to the Board. The report must contain all matters relevant to the Committee's role and responsibilities, including:

- assessment of whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
- assessment of the management processes supporting external reporting;
- procedures for the selection and appointment of the External Auditor and for the rotation of external audit engagement partners;
- recommendations for the appointment or removal of an auditor;
- assessment of the performance and independence of the External Auditor and whether the Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
- assessment of the performance and objectivity of the internal audit function;
- the results of its review of risk management and internal compliance and control systems.

Corporate Governance

The Committee is responsible for the Company's corporate governance policies. The Committee will review these policies at least annually and make any recommendations to the Board to ensure compliance with the law and, if considered appropriate, best practice standards.

The Committee is also responsible for the Corporate Governance Statement included in the annual report. It will provide a draft statement to the Board for approval.

¹⁰ ASX Best Practice Recommendation 4.1

¹¹ ASX Best Practice Recommendation 7.2

¹² ASX Best Practice Recommendation 4.4

Risk Management

The Board's oversight role includes overseeing the establishment and implementation of the risk management system, and to review at least annually the effectiveness of the Company's implementation of that system.

The Committee is responsible for establishing policies on risk oversight and management. The policies should:

- clearly describe the roles and respective accountabilities of the Board, the Committee, management and any internal audit function; and
- the following components: oversight; risk profile; risk management; compliance and control; and assessment of effectiveness.¹³

The Committee is responsible for the currency and appropriateness of the Company's Risk Management Statement, related policies, risk profile, reporting and the programs through which the risks to the Company are managed. The Committee will review the Risk Management Statement at least annually and where changes are required, will make appropriate recommendations to the Board.

Management is responsible for establishing and implementing a system for identifying, assessing, monitoring and managing risk throughout the Company.

6. Duties

Assessment of accounting, financial and internal controls

The Committee will discuss with management and the External Auditor, the adequacy and effectiveness of the accounting and financial controls, including the Company's Internal Audit program, Risk Management Program and its Corporate Governance policies which will include its legal and ethical compliance programs and the Company's Code of Conduct.

The Committee is to meet periodically with management and the External Auditor to discuss issues and concerns warranting Committee attention - including their assessment of the effectiveness of internal controls and the process for improvement. The Committee is to provide sufficient opportunity for the External Auditor to meet privately with the members of the Committee. Also, the Committee is to review with the External Auditor any audit problems or difficulties and management's response.

The Committee is to receive regular reports from the External Auditor regarding:

- the critical policies and practices of the Company; and
- all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

The Committee is also to receive regular reports from the Internal Auditor regarding:

- Company practices and processes identified as requiring internal audit review, the results of internal audit reviews and changes that have been made to Company practices and processes as a result; and

¹³

ASX Best Practice Recommendation 7.1

- Co-ordination of the internal audit function with the external audit function.

The Committee's is to oversee that:¹⁴

- the internal audit function is independent of the External Auditor;
- the internal audit function has all necessary access to management and the right to seek information and explanations.

The Committee is to receive regular reports from the Company Secretary regarding:

- the currency of the Company's Risk Management Statement and related policies;
- the Risk Management Program – that is, the activities of management to ensure that all relevant risks are identified, prioritised, avoided, transferred or mitigated.

The Committee is to receive a report at least annually on the relevance and currency of the Company's Corporate Governance Statement and related policies, such as the Share Trading Policy.

Appointment of external auditor

The Committee is directly responsible for recommending to the Board the appointment, reappointment, replacement, remuneration, monitoring and independence of the External Auditor.

The Committee will pre-approve all audit and non-audit services provided by the External Auditor. The Committee may at any time request the External Auditor to explain its audit program and the Committee may at any time request the External Auditor to carry out additional services.

The Committee may not engage the External Auditor to perform any non-audit/assurance services that may impair, or appear to impair, the External Auditor's judgment or independence in respect of the Company.

The Committee may delegate pre-approval authority to a Committee member. Any Committee member to whom pre-approval authority is delegated must present their decisions to the full Committee at its next scheduled meeting.

Assessment of the external audit

At least once a year, the Committee is to either review a report by the External Auditor describing the following, or to meet, discuss and document the following:

- the External Auditor's internal quality control procedures;
- any material issues, or steps taken in relation to material issues, raised by the most recent review of, or enquiries into, the External Auditor in the previous 5 years whether the internal quality control review, peer review or governmental or professional authorities that relates to any one or more independent audits carried out by the External Auditor; and
- all relationships between the External Auditor and the Company (to assess the auditor's independence).

¹⁴

ASX Best Practice Recommendation 7.1

Independence of the external auditor

The Committee will review and assess the independence of the External Auditor with guidance from Professional Statement F.1 on Professional Independence as amended or replaced from time to time. The Committee will draft an annual statement for inclusion in the Company's annual report as to whether the Committee is satisfied that the External Auditor's provision of non-audit services is compatible with External Auditor independence.

Scope of the external audit

The Committee is to discuss with the External Auditor the overall scope of the external audit, including identified risk areas and any additional agreed procedures. To the extent possible, the scope of the External Auditor's work is to be co-ordinated with that of the Internal Auditor (but the internal audit function must be independent of the External Auditor). Also, the Committee is to review the External Auditor's compensation to ensure that the External Auditor is able to conduct an effective, comprehensive and complete audit.

Communications with stakeholders

Other than in relation to disclosures made pursuant to the Company's disclosure obligations, the Committee is to review and discuss ASX releases which relate to matters within its responsibilities, as well as financial information and earnings guidance provided by the Company to analysts and rating agencies.

The Committee will review the half-year and full year financial report and Appendix 4D (half year) and Appendix 4E (preliminary full year) before the Company files them with the ASX. Also, the Committee will discuss the results of the half-year review and full year results and any other matters communicated to the Committee by the External Auditor under generally accepted auditing standards.

The Committee will review all representation letters to be signed by management to ensure that the information provided is complete and appropriate.

The Committee will receive corporate legal reports of evidence of a material breach of the Corporations Act, the ASX Listing Rules, breaches of fiduciary duty and departures from the ASX Corporate Governance Best Practice Recommendations.

7. Committee performance

The Committee will evaluate its performance at least annually to determine whether it is functioning effectively by reference to current best practice. This evaluation will be presented to the Board for review.