

Audit and Risk Committee Charter

Astro Diamond Mines NL
ACN 007 090 904

1 Membership

The Committee shall comprise the full Board.

At least one member is to have relevant qualifications and experience.

From time to time, non Committee members may be invited by the Committee to attend meetings of the Committee, if it is considered appropriate.

2 Purpose

The primary role of the Committee is to monitor and review the effectiveness of the control environment of Astro Diamond Mines NL (**Astro**) and its related bodies corporate (as defined in the *Corporations Act*) (the **Group**) in the areas of operational and balance sheet risk, legal/regulatory compliance and financial reporting.

The overriding objective of the Committee is to provide an independent and objective review of financial and other information prepared by management, in particular that to be provided to members and/or filed with regulators.

The Committee meets and receives regular reports from its external auditors concerning matters that arise in connection with their audit. The Committee is also responsible for review of performance and nomination of the external auditors.

3 Role of the Committee

The Committee will be responsible for:

- overseeing the Group's relationship with the external auditor (including forming a policy on the provision of non-audit services and the rotation of external auditor personnel on a regular basis) and the external audit function generally;
- overseeing the adequacy of the control processes in place in relation to the preparation of financial statements and reports; and
- overseeing the adequacy of the Group's financial controls and systems.

The Committee's specific function on audit is to review and report to the Board that:

- a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies;
- the system of control, which management has established, effectively safeguards the assets of the Group;
- processes are in place such that accounting records are properly maintained in accordance with statutory requirements; and
- processes exist to reasonably guarantee that financial information provided to investors and the Board is accurate and reliable.

The following are intended to form part of the normal procedures for the Committee's audit responsibility:

- recommending the appointment and removal of the external auditors and reviewing the terms of engagement;
- approving the audit plan of the external auditors;

- monitoring the effectiveness and independence of the external auditor;
- obtaining assurances that the audit is conducted in accordance with the Auditing Standards and all other relevant accounting policies and standards;
- providing recommendations as to the role of the internal auditor/internal audit function, if any;
- reviewing and appraising the quality of audits conducted by the Group's external auditors and confirming their respective authority and responsibilities;
- monitoring the relationship between management and the external auditors;
- evaluating the adequacy, effectiveness and appropriateness of the Group's administrative, operating and accounting control systems and policies;
- reviewing and evaluating controls and processes in place to ensure compliance with approved policies, controls, and with applicable accounting standards and other requirements relating to the preparation and presentation of financial results;
- overseeing the Group's financial reporting and disclosure processes and the outputs of that process;
- determining the reliability, integrity and effectiveness of accounting policies and financial reporting and disclosure practices;
- reviewing (in consultation with management and external auditors) the appropriateness of the accounting principles adopted by management in the composition and presentation of financial reports and approving all significant accounting policy changes;
- reviewing and making recommendations on the strategic direction, objectives and effectiveness of the Group's financial risk management policies;
- evaluating the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and guidelines and limits for management of balance sheet risks; and
- evaluating the Group's exposure to fraud and overseeing investigations of allegations of fraud or malfeasance.

4 Administrative matters

A separate independent Chair, other than the chair of the Board, may be elected to chair the meeting when the Board meets as the Audit Committee.

The Committee will meet as often as the Committee members deem necessary in order to fulfil their role. However, it is intended that the Committee will meet at half yearly. Where Astro is included in the ASX/S&P All Ordinaries Index at the beginning of its financial year, an audit committee meeting must be held during that year.

A quorum consists of the lesser of two members or a majority of members of the Committee.

The Committee may have access to financial, legal or other independent advisers, in accordance with the Board's general policy. The Committee may obtain information from and consult with such members of management as it considers appropriate.

The Company Secretary will attend all Committee meetings as minute secretary. All minutes of the Committee will be entered into a minute book maintained for that purpose and will be open at all times for inspection by any director.

5 Procedure for the Selection, Appointment and Rotation of External Auditor

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as per the recommendations of the Audit Committee (or its equivalent). Any appointment made by the Board must be ratified by shareholders at the next annual general meeting of Astro.

Candidates for the position of external auditor of the Group must be able to demonstrate complete independence from the Group and an ability to maintain independence through the engagement period. Further, the successful candidate must have arrangements in place for the rotation of the audit engagement partner on a regular basis.

Other than the mandatory criteria mentioned above, the Board may select an external auditor based on criteria relevant to the business of the Company such as experience in the industry in which the Company operates, references, cost and any other matters deemed relevant by the Board.

The Audit Committee (or its equivalent) will review the performance of the external auditor on an annual basis and make any recommendations to the Board.

6 Review

The Board will regularly review the membership and charter of the Committee to ensure it remains consistent with the Board's objective and responsibilities.