



Audit Committee Charter

This policy explains how Hyro manages its internal controls, reporting processes and corporate standards of behaviour in relation to the company's financial matters.

Version 2.0



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1.0 Objective

To assist the Board in discharging its duties in relation to internal controls, reported financial information and corporate standards of behaviour. The objectives of the Committee must be regularly reviewed to ensure that its activities:

- Meet the Board's needs;
- Are consistent with the reasonable expectations of those outside the Company; and
- Recognize and reflect, on a timely basis, changes in the organisation's environment.

2.0 Membership

The Committee should consist of at least three non-executive directors. The Board of Directors shall appoint and remove the members of the Committee and the Committee's Chairman. The Chairman of the Board is not to be the Chairman of the Committee. The Chief Executive Officer or Managing Director can also not be the Chairman of the Committee.

The Chief Executive Officer or Managing Director, Chief Financial Officer and external auditors are to attend meetings by invitation.

A minimum of two-thirds of the Committee members is required for a quorum.

3.0 Secretary

The Company Secretary of Hyro shall act as Company Secretary to the Committee.

4.0 Meetings

The Committee is to meet at least twice per year. Special meetings should be authorised at the request of any Committee member or of the external auditors or if necessary due to matters arising which require further deliberation and/or urgent consideration. Committee meetings are to be held at times that ensure:

- A review of the financials for each six month accounting period;
- The scope of the external audit plan is reviewed;
- An assessment is made of accounting issues impacting the half year and year end results;
- Consideration is given to major issues that have arisen out of the annual audit and half year review process and that they have been resolved;
- The draft financial statements are reviewed before being recommended to the Board for adoption; and
- The performance of the external auditors is reviewed.



5.0 Conduct of Meetings

If required the Chairman of the Committee may meet annually, outside of other normal meeting times, with management to:

- Clearly agree on mutual expectations;
- Agree on an annual detailed plan of Committee activities; and
- Agree on the nature, extent and timing of Committee information needs.

Committee meetings should be formally structured and a written agenda established for each meeting. The Chairman is to review and agree upon the meeting agenda in advance of its distribution to Committee members and others. The responsibility for preparing the draft agenda and papers lies with the Chairman of the Committee and the Company Secretary, in consultation with the management and the external auditors. The agenda and any discussion papers should be distributed to the members 5 business days prior to each meeting, where practical to do so.

The meeting agenda must be managed to assure:

- Significant time for member questions and dialogue;
- Discussion of important business and financial risks and related controls, qualitative aspects of financial reporting and potential future issues; and
- Adequate time for regular, private, Committee-only discussions with external auditors.

Minutes of each meeting are to be prepared within 5 days of the day of the meeting and circulated to Committee members. The draft minutes are to be distributed to the full Board in order to keep it informed on the Committee's activities. Once minutes are approved by the Committee they should be signed by the Chairman.

6.0 Systems of Reporting

The Chairman of the Committee needs to report formally to the Board of Directors at the board meeting following each committee meeting, providing a summary of the committee's work and results. The report needs to cover at least the following:

- The committee's minutes;
- Any formal resolutions of the committee
- Information about the audit process and the results of the external audit;
- The annual review of the committee's charter and its achievement of the charter;
- Other matters the committee believes need to be reported to the board; and
- Any recommendations requiring board action and/or approval.



7.0 Relationship with Management & External Auditors

The Chairman should have regular liaison with the management team to ensure that:

- All accounting matters and issues are appropriately communicated; and
- Management have a clear understanding as to the role of the external audit functions.

The Committee is also to liaise with the external auditor on behalf of the board. The Committee should establish:

- A detailed understanding of the external audit process;
- Whether the external auditors have any difficulty with the management team; and
- Management's views on the efficiency and effectiveness of the external audit process.

The Committee should conduct separate discussions with management and the auditors to facilitate this process.

The primary focus of the external auditors is to express an opinion on the financial statements. The external auditors should also report to management any risks identified, together with suggestions for managing those risks, highlighted during their analysis and other testing.

8.0 Specific Duties and Responsibilities

- Review all financial statements which require approval by the Board, prior to the Board approval;
- Recommend to the Board the appointment of the external auditor;
- Consider the appropriateness of the Company's accounting policies and approve any changes which may be necessary;
- Review the audit plans of the external auditor;
- Review the results of the external audits;
- Assess management's programs and policies which deal with the adequacy and effectiveness of internal controls over the Company's business processes;
- Approve changes to the Company's formal accounting policies;
- Review jointly with management, the external auditors and if necessary, legal counsel, any litigation, claim or other contingency, including tax assessments, which could have a material effect on the financial position or operating results of the Company;
- Review and assess compliance monitoring programs in place within the Company;



- Assess the adequacy of the Company's insurance program and its risk management strategies; and
- Assess the overall performance of the Committee by:
 - obtaining feedback from the Board, CEO or Managing Director, and external auditor;
 - completing a self-assessment process at least every two years; and
 - the Chairman assessing the contribution and performance of individual Committee members.

9.0 Charter Review

The Audit Committee Charter shall be reviewed annually and revised as required.

10.0 Publication

A copy of the Audit Committee's Charter is available on Hyro's website. This charter is available to Hyro shareholders on request.