



AUDIT COMMITTEE CHARTER

The Board has put in place a structure to independently verify and safeguard the integrity of the Company's financial reporting. This includes:

- A review and consideration of the accounts by an independent audit committee of the Board.
- Audit committee selection of an independent and competent external auditor
- Certification of the financial reports by the Executive Chairman and Company Secretary.

These matters are addressed in more detail below.

a) Certification of Financial Reports

After completion of the half-yearly review and the annual statutory audit, a meeting between the external auditors and the non-executive Directors and management of the Company is arranged. Audit recommendations, internal control matters and any other matters arising from the audit are reviewed and discussed and reported to the Board. Recommendations from the auditors shall be considered, and if deemed appropriate, implemented by the Board.

The Executive Chairman and the Company Secretary (who also serves as the Company's most senior financial officer) at this time will state to the Board in writing that 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.

b) Purpose of the Audit Committee

The principal purpose of the Audit Committee is to facilitate the Directors to discharge their duties under the Corporations Law with regard to the financial administration and financial reporting practices of the Company. The existence of an audit committee should not be seen as implying a fragmentation or diminution of the responsibilities of the Board as a whole.

Specific Audit Committee objectives are to:

- Maintain adequate quality and effective scope of the external audit.
- Ensure that the Board of Directors has adequate knowledge of issues discussed with external auditors.

- Ensure that financial information and reports issued by the company to ASX, shareholders and other recipients are accurate and contain relevant disclosure at all times.
- Maintain the integrity of the Company's administrative, operating and accounting controls.
- Ensure proper accounting policies are adhered to by the Company.

c) Composition

While the ASX recommends at least three members, Adelphi has decided, because of its composition and size that for the time being the Audit Committee shall consist of:

- Not less than two members
- A Chairman who is not the same person as the Chairman of the Board and who must be independent

Members will be elected for an initial one year term and thereafter be subject to rotation after each year if appropriate. The Chairman shall be appointed by the Board of Directors for each year. All members of the Audit Committee should be financially literate and at least one person should be a person literate in financial matters.

d) Authority

The Audit Committee has the authority of the Board of Directors to investigate any issue that falls within the duties and responsibilities as detailed within these Terms of Reference, and is empowered to retain persons having particular skills and expertise to assist the Committee in fulfilling its duties and responsibilities. The Audit Committee should be given the necessary power and resources to meet its charter. This will include rights of access to management and to the external auditors (and internal when applicable) without management present and the rights to seek explanations and additional information.

e) Meetings

The Committee will meet as required each year and at such additional times as the Committee decides. The Chairman may convene a meeting at any reasonable time.

The quorum of the Audit committee shall consist of a majority of Committee members, but in any instance shall not be less than two.

f) Secretary

The Company Secretary shall be appointed Secretary of the Audit Committee.

g) Charter of the Audit Committee

On behalf of the Board, the Audit Committee is to act as a focal point for communication between non-executive Directors, Directors, external auditors and management of the company.

Subsequent to each Committee meeting, the Chairman shall report to the Board of Directors on the Committee's activities.

The role and responsibilities of the Audit Committee are to satisfy itself on behalf of the Board and to report to the Board on:

- The adequacy and effectiveness of the Company's management processes supporting external reporting
- Whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs.
- Whether there are adequate procedures for the selection and appointment of the external auditor and for rotation of external audit engagement partners.
- The need to remove an existing auditor or appoint a new auditor and to make such recommendations.
- Whether the performance and independence of the external auditors is satisfactory and whether the Audit Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services.
- Whether the accounting system is appropriate, relevant accounting standards have been applied, and the accounting policies and general-purpose financial reports adopted by the Company comply with the requirements of the Corporations Law.
- Whether when contemplating major changes in accounting policies, the impact of those changes on the reported results of the Company is reported to the Board.
- Whether the intended scope of the external audit has been discussed so as to ensure that there are no unjustified restrictions imposed by management.
- Whether the overall effectiveness of the external audit has been evaluated through review meetings with the auditors and there is adequate liaison directly between the external auditors, management, and the Board of Directors as a whole.
- Whether the findings of internal audits have been reviewed and their performance and objectivity judged adequate.
- Whether the risk management and internal compliance and control systems are implemented and effective.
- Whether the Directors and non-executive Directors are discharging their disclosure duties under the Corporations Law with respect to providing relevant information to the Company.
- Whether reports from legal counsel on significant changes in laws and regulations are adequately assessed and that the Board is fully informed of the impact of those changes.

- Whether the application of the corporate governance policies and procedures established by the Board are being implemented.

h) Minutes

Minutes of each meeting are required to be prepared and sent to each Committee and Board Member.

i) Terms of Reference

Any change to the Terms of Reference or the formal charter of the Audit Committee shall be approved by the Board.