

AUDIT COMMITTEE CHARTER

AUDIT COMMITTEE

Composition

The Board of Adacel Technologies Limited has established the Audit Committee, which comprises only non-executive Directors with a majority of independent Directors:

- Independent Chairman (who is not the Chairman of the Board)
- Non Executive Director
- Non Executive Director

The Audit Committee is empowered to call on any Company employee, including the Chief Financial Officer or equivalent to present themselves to the Committee for discussion on any aspect of the Company's affairs. The Audit Committee has adopted the following Terms of Reference:

Objectives

The main objectives and the potential benefits of an appropriately established and effective audit committee include the following:

- Improving the credibility and objectivity of the accountability process (including financial reporting), especially where the role of the audit committee is disclosed.
- Assisting the Board of Directors to discharge its responsibility to exercise due care, diligence and skill in relation to the entity's:
 - Reporting of financial information to users of financial reports
 - Application of accounting policies
 - Financial management
 - Internal management systems
 - Business policies and practices
 - Compliance with applicable laws and regulations, and
 - Monitoring and controlling of business risk
- Providing a formal forum for communication between the Board of Directors and senior financial management
- Improving the efficiency of the Board of Directors by delegating tasks to the Committee and thus allowing more time for issues to be discussed in sufficient detail
- Improving the effectiveness of the internal and external audit functions and the communication between the Board of Directors and the external and internal auditors
- Facilitating the maintenance of the independence of the external auditor
- Providing a structured reporting line for internal auditor and facilitating the maintenance of the objectivity of the internal auditor
- Improving the quality of external reporting
- Strengthening the role and influence of non-executive directors

Empowerment

The Audit Committee is empowered to examine any matters relating to the financial affairs of the Company and the Company's internal and external audits as it see fit. In particular the responsibilities of the Audit Committee will include:

- Reviewing audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- Liaising with the auditors and ensuring that the annual statutory audits are conducted in an effective manner;

- Monitoring management efforts to improve continuously the quality of the accounting function;
- Reviewing the reports to regulators requiring Board approval, including half-year and annual reporting and financial statements prior to lodgement of those documents with the Australian Stock Exchange and to make the necessary recommendations to the Board for the approval of these documents;
- Providing the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports;
- Recommending to the Board the appointment, removal and remuneration of the external auditors, and reviewing the terms of their engagement and the scope and quality of the audit.
- Reviewing the systems established by management to identify, monitor and manage matters likely to impact on the business or financial performance of the Company including:
 - Material business risks
 - Compliance with laws and regulations
 - Related party transactions
 - Prevention and detection of fraud and irregularities
- Management information and other systems of internal control and risk management
- Ethical policies and practices for corporate conduct are in place and being adhered to

Membership

The Board will appoint the Chairman of the Committee from within its non-executive members. A quorum will be any two members of the Non Executive Directors.

Period of Appointment

Every effort will be made to maintain continuity through staggered retirement of committee members. Members would expect to spend no less than two years and no more than four consecutive years on the Audit Committee except with the approval of the Board.

Frequency of Meetings

The Audit Committee Chairman will call meetings as necessary.

Administrative Issues

- The Committee appoints a Secretary from the Company management
- The Committee has unrestricted access to the Chief Executive Officer or equivalent; the Company Secretary; Chief Financial Officer or equivalent and the External Auditors
- The Committee provides a summary of its activities to the Board after each meeting
- An agenda is drawn up by the Secretary in conjunction with the Committee Chairman and distributed to Committee members no less than one week ahead of meeting dates
- Committee members agree a schedule for forthcoming meetings
- The Secretary keeps meeting minutes. Once approved, the minutes or appropriate extracts are available to Directors and /or External Auditors
- The Committee Charter and the monitoring of the Committee's performance and compliance with the Charter will be reviewed from time to time
- The Committee Charter requires the unanimous support of the Company's Board
- A process has been established to gain access to additional resources, including external resources such as independent advice if necessary to assist the Committee to fulfil its responsibilities, and is reviewed as required.