

HEADLINE GROUP LIMITED

INTEGRITY OF FINANCIAL REPORTING

AUDIT COMMITTEE – TERMS OF REFERENCE

1. **Purpose**

The Audit Committee (“the Committee”) is a committee of the Board of HeadLine Group Limited (“HeadLine”) created to assist the Board in the effective discharge of its responsibilities for:

- financial reporting;
- internal control structures; and
- internal and external audit functions.,

Responsibility for the oversight of effective risk management systems remains with the full Board.

2. **Composition & Membership**

The Committee will consist of at least two (2) members, each of whom will be non-executive and where possible independent¹ directors.

Committee members must have a working familiarity with basic finance and accounting practices, and at least one (1) member must have accounting or associated financial management experience.

The Board shall determine the Chairman, members, and term of each member of the Committee and will review annually the performance of the committee and its compliance with these Terms of Reference.

The Chairman of the Committee must not be the Chairman of the Board.

The Committee can appoint a Secretary at its discretion.

3. **Meetings**

The Committee shall meet as frequently as required but not less than two (2) times a year.

The Chairman, or Secretary if appointed, may call a meeting.

¹ The concept of ‘independence’ as it relates to HeadLine has been defined by the HeadLine Board of Directors. A document which details the application of this concept to the classification of individual directors of HeadLine is found on the company website at www.headlinegroup.com.au/corporate_governance.

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Two (2) non-executive directors shall constitute a quorum.

The Committee will meet with the external auditors and/or the internal auditors, if appointed, without members of management being present whenever it is deemed appropriate by the Chairman of the Committee.

4. Role & Responsibilities of Committee

The Committee will review and report to the Board on the following:

- statutory compliance matters;
- the annual and half yearly financial reporting carried out by HeadLine;
- the accounting policies of HeadLine;
- the scope and audit programmes of the internal and external auditors and any material issues arising from these audits;
- overseeing the independence of external auditors and determining procedures for the rotation of audit partners; and
- the effectiveness of HeadLine's systems of accounting and internal controls.

The full Board remain responsible for:

- the sufficiency of, and compliance with, ethical guidelines and company policies affecting corporate governance, financial reporting and corporate control together with compliance with laws and external regulations;
- identification of the full range of actual or potential risk exposures which are material to HeadLine; and,
- the effectiveness of the group's risk management systems and strategies.

In addition, the Committee will recommend to the Board the appointment of internal and external auditors and the level of their fees.

The Committee will consider annually the issue of whether the group requires the appointment of an internal auditor and, if so, will review and approve the appointment and removal of the executive responsible for internal audit.

The Chairman of the Committee will report to the Board following each Committee meeting, If minutes of the Committee meeting are available these are to be tabled at the next practicable Board Meeting.

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The Committee's Terms of Reference shall be reviewed annually and updated as required.

5. Authority

In the performance of its duties the Committee shall have authority to:

- discuss directly with employees, management, internal auditors (if any) and external auditors, any issue within the ambit of its function;
- request reports, explanations and information of any of the activities, procedures or accounts of the group;
- institute special investigations at its own discretion;
- engage external consultants or experts to assist in any of its work;
- consult the Company Secretary, obtain external legal advice or other professional advice if it considers this necessary.

HeadLine will pay all of the costs associated with the Committee.

Other than the appointment or removal of an internal auditor, the Committee is not authorised to make decisions on behalf of the Board.

Decisions regarding the overall management and oversight of HeadLine are to remain the responsibility of the Board of Directors.