

Board Audit Committee Charter

The Audit Committee has the responsibility for ensuring that proper accounting and auditing practices are maintained; that business risks are identified and managed effectively; and that assets are protected against financial loss. The Audit Committee is responsible for firstly overseeing and appraising the quality of the external audit and the internal control procedures. Secondly, committee shall set, review, ratify and oversee the implementation of corporate compliance policies and risk systems. The detailed functions are contained in its charter.

It is anticipated the Committee will meet at least quarterly.

The Committee will comprise at least two non-executive Directors. The chair of the committee will not be the chair of KMEC. A Chief Executive Officer and the Chief Financial Officer may be present for part or all of these meetings but will not be members of the Audit Committee. The Chairman is to be a different person from the Chairman of the Board.

The Audit Committee will meet, independently of all employees of KMEC, with the external auditors at least twice a year.

The Committee's charter is as follows:

- ◆ To review reports submitted by external auditors;
- ◆ To review and recommend to the Board for approval half-yearly and yearly financial statements;
- ◆ To monitor the company's cash position and funds management;
- ◆ Foreign exchange risk management;
- ◆ Capital expenditure approval procedures;
- ◆ Insurance;
- ◆ To monitor the management of information systems;
- ◆ To review any problems identified by the external auditors and whether those problems have been rectified;
- ◆ To review the adequacy of internal controls;
- ◆ To review the Company's risk assessment processes;
- ◆ To review directors' and senior management's entertainment and travel expenses and use of the Company's assets;
- ◆ To review any fraud or major theft relating to the Company; and

- ◆ To review the adequacy of external audits, including:
 - the independence of the audits, (for instance, whether the auditors provide services other than auditing to the Company);
 - the techniques and thoroughness of the audits, (for instance, ascertain what type of fraud or irregularities the audit would identify);
 - whether management fully co-operated with the auditors;
 - whether the Company should maintain its current auditors and, if the Company should appoint new auditors, recommend to the Board and to shareholders the appropriate auditors; and
 - if the auditors resign, investigate why they resigned.

The Committee is to have direct access to the company's auditors and senior management and to all company information. It will also have access to independent professional advice unless the Board determines otherwise and will report its concerns, findings, requests and recommendations to the Board.

The development and implementation of the risk management program will incorporate:

- ◆ An organisational risk management philosophy and awareness of risk.
- ◆ Senior executives will be expected to support the process.
- ◆ A policy linked to the strategic plan will be implemented for the management of risk.
- ◆ The key risks to the organisation's success will be detailed, assessed and managed in an ongoing manner.
- ◆ These risks and the key management actions will be summarised at board level on a monthly basis.
- ◆ KPI's will be adopted wherever possible to track progress.