

AUSTIN ENGINEERING LIMITED

ABN 60 078 480 136

BOARD CHARTER

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BOARD CHARTER

SECTION 1: BOARD'S CORPORATE GOVERNANCE STATEMENT

Austin Engineering Limited is committed to good corporate governance. This commitment is demonstrated by the Board of Directors by the formulation, establishment, maintenance and regular review, of a Corporate Governance Policy and Manual to guide the actions of the Board and Management.

In formulating this Charter, the Board has had regard to the ten core principles and specific recommendations contained in the ASX Corporate Governance Council's *Principles of Good Governance and Best Practice Recommendations* dated March 2003.

This Charter encompasses such matters as:

- Board composition, independence and responsibility
- Roles for the Board and Management
- Appropriate approval for the appointment and removal of all company officers
- Ensuring that Board delegations to Management are properly documented and promulgated
- Ensuring that appropriate skills and experience are represented in the Board and Management
- Integrity with respect of the Company's strategy and financial performance, systems and control
- Compliance with the law, statute, regulatory and common law
- Compliance with continuous disclosure requirements by the Company and ensuring that comprehensive and proper disclosure is made by management to the Board in a timely manner
- Ensuring that the rights of all stakeholders are recognised by Management in the operation of the Company and in Board and Management decisions
- An adequate and proper risk management system is in place, maintained and is subject to regular review
- Remuneration and rewards for all personnel, including directors, are properly approved, documented and disclosed in accordance with the law and continuous disclosure requirements

The Board recognises that good corporate governance will need to evolve and will require constant review. The Board also recognises that sound governance is not a matter of prescribing policies and procedures but is a culture within each individual within the Company demonstrated by their daily conduct. In recognition of this, and to facilitate an increasing level of governance culture, the Board has established Codes of Conduct to guide Directors, executives and other personnel in their dealings with all stakeholders in the company. These codes are contained in Section 4 of this manual.

Signed for and on behalf of the Board of Austin Engineering Limited, pursuant to a resolution thereof on 24 September 2004.

Peter George Fitch
Chairman

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SECTION 2: BOARD CHARTER

2.1 THE BOARD

2.1.1 Role of the Board

The Board of Directors is the supreme decision making body of the Company and is responsible to the Stakeholders of the Company for all aspects of its operations.

2.1.2 Authority of the Board

The Board shall have all and exclusive authority in the operation and administration of the Company except that authority expressly reserved by the Constitution or the Act to be exercised by the Members in General Meeting.

The Board may, by resolution, delegate to committees of the Board and to Management such authority as it determines is appropriate. Such delegations shall be in writing, provided that the Board shall not delegate to Management the matters expressly provided by this Charter or the Constitution to be exercised only by the Board.

2.1.3 Establishment of Committees

From time to time the Board may establish committees to assist it in carrying out its responsibilities, and shall adopt such charters setting out matters relevant to the composition, responsibilities, powers and modus operandi, and such other matters as the Board considers appropriate. The Board, at the date of adoption of this Manual, has established an Audit Committee.

2.1.4 Responsibilities of the Board (ASX Best Practice Recommendation 1.1)

The Board shall be responsible for assessing all aspects of the management of the Company, ensuring that the Company has the appropriate skills and experience to adequately ensure its performance and shall ensure that there are proper, adequate and effective internal controls in place at all times. In particular the following shall be responsibilities expressly reserved for the Board and which may be exercised only by the Board:

Corporate governance

- oversight of the Company, including its corporate governance, control and accountability systems
- ratifying and reviewing systems of risk management and internal compliance and controls, codes of conduct, and legal compliance (including compliance with ASX listing rules)

Oversight of management

- appointing, reviewing the performance of, and removing the Managing Director
- ratifying the appointment and the removal of the chief financial officer and the Company Secretary
- monitoring senior management's performance and implementation of strategy, and ensuring proper resources are available

Strategic direction

- input into and final approval of the Company's corporate strategy, business plan and performance objectives
- approving and monitoring the progress of major capital expenditure, capital management, and acquisition and divestitures

Financial reporting

- approving and monitoring financial and other reporting

Board performance

- regularly review the skills and experience of the Company's current Directors and to review the skills and experience relevant to the operation of the Company. (ASX Best Practice Recommendation 2.4)

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2.1.4 Responsibilities of the Board (Cont'd)

Risk management

- to review and monitor:
 - management's risk management and internal compliance and control systems;
 - the Company's business policies and practices;
 - the protection of the Company's assets;
 - the Company's compliance with applicable laws, regulations, standards and best practice guidelines;
- to ensure the risks under which the Company operates are adequately identified and analysed and appropriate mitigation and management strategies are developed, implemented and their effectiveness monitored; and
- to ensure that the Company has in place effective systems for the identification, assessment and monitoring of the Company's compliance with laws and regulations that govern its operations.

Remuneration

- to develop remuneration policies and to ensure that remuneration levels and structure comply with those policies and are reported to Stakeholders as required by law and best practice

2.1.5 Composition of the Board

Number of Directors

The number of Directors of the Company shall be determined by the Board from time to time and must at least three (3) [*Rule 3.1 (a) of the Constitution*]. At the adoption of this Charter, the Board has determined that the number of directors for the time being shall be four (4).

The Board shall be comprised of a majority of Independent Directors. (*ASX Best Practice Recommendation 2.1*)

Chairman

The Chairman shall be elected by the Board (*in accordance with Rule 12.4 of the Constitution*) provided that the following shall be followed in so electing the Chairman:

- the Chairman shall be an Independent Director (*ASX Best Practice Recommendation 2.2*);
- the roles of Chairman and Managing Director shall not be exercised by the one person. (*ASX Best Practice Recommendation 2.3*); and
- the Chairman shall not have been in the position of Managing Director, or chief executive officer, of the Company at any time. (*ASX Best Practice Recommendation 2.3*)

2.2 DIRECTORS

2.2.1 Qualifications and Experience of Directors

The Board shall ensure that there are amongst their number, Directors with appropriate skills and experience to competently discharge their duty to the other stakeholders in the Company and to manage the Company in a manner that protects the interest of all stakeholders and maximises the return to and value of the Company for the Members of the Company.

2.2.2 Review of Directors Experience

The Board will regularly monitor both the skills and experience possessed by incumbent Directors and the skills and experience it believes are required to be represented on the Board for the proper and adequate discharge of its duty to all stakeholders and in particular its Members.

The Board must specifically have regard to whether the Board is structured and composed in such a way that it:

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2.2.2 Review of Directors Experience (Cont'd)

- has a proper understanding of, and competence to deal with, the current and emerging issues of the business of the Company; and
- can effectively review and challenge the performance of management and exercise independent judgement.
(ASX Good Governance Principle 2)

2.3 DUTIES OF DIRECTORS

2.3.1 Manage the Business of the Company

The business of the Company shall be managed by or under the direction of the Directors, as a Board.

2.3.2 Duties at Law

The specific duties of Directors of the Company as prescribed by the Act are as follows:

- Directors of the Company shall exercise their powers and discharge their duties with the **degree of care and diligence** that a reasonable person would exercise and if they were a Director or Officer of a corporation in the Company's circumstances and occupied the office held by, and had the same responsibilities within the Company as, the Director or Officer(1).
- Directors of the Company shall exercise their powers and discharge their duties **in good faith** and **in the best interest of the Company** and **for a proper purpose(2)**.
- Directors of the Company shall **not improperly use their position** to gain an advantage for themselves or someone else or cause detriment to the Company(3).
- Directors of the Company shall **not improperly use information** acquired by virtue of, or through, their position to gain an advantage for themselves or someone else or cause detriment to the Company(4).
- Directors of the Company who have any **material personal interest** in a matter that relates to the affairs of the company shall **give notice to the Company** of that interest as soon as that Director becomes aware of that material personal interest and given to the Company Secretary who shall note the Notice of Interest of a Director in the Company's Register of Officers and the Register of Directors' Standing Interests and shall circulate the notice to the Directors of the company within **seven (7) days** of receipt thereof. However, the foregoing does not apply in circumstances prescribed by *Section 191 (2) of the Act*.(5) . Such notice shall
- Notwithstanding the provision of rule 9.5 of the Constitution, a Director who has a material personal interest of the type set out above must **not be present** at a meeting while the matter is being considered or vote on the matter **notwithstanding** that the matters set out on *Section 195 (2) Corporation Act (2001) Cwlth* are complied with.

2.3.3 Duty in respect of Security Trading

- **Duty to Comply with Security Trading Code of Conduct**
The Directors of the Company shall refrain from trading in the Company's Securities (including unlisted and listed options) **EXCEPT in strict compliance with** the Company's *Security Trading Policy* adopted by the Board from time to time.

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2.3.3 Duty in respect of Security Trading (Cont'd)

- **Duty to advise certain information in respect of Directors' shareholding (ASX Listing Rule 3.19 and Sec 205G Corporations Act)**

In discharge of their obligations under Section 205G of the Act and in compliance with Listing Rule 3.19, Directors shall notify the Company immediately their Initial Notifiable Interest and Changes in Notifiable Interest upon the occurring of an Event concerning the Director and in any event no later than three (3) days after the occurring of an Event. The form by which the Director shall notify the Company shall be Appendix 3X, Appendix 3Y or Appendix 3Z, as appropriate, as required under the Listing Rules.

Directors will also be required as a condition of their appointment, or their continuing appointment, to enter into an enforceable undertaking with the Company in terms of Listing Rule 3.19B, in the form required from time to time by the Company.

2.3.4 Duty to Comply with Board Charter

The Directors shall in all respects in discharging their duties under this Charter comply in all material ways with all requirements thereof.

2.3.5 Duty to Comply with the Constitution

The Directors shall in all respects in discharging their duties under this manual comply in all material ways with all requirements of the Constitution.

2.3.6 Duty to Keep Informed

The Directors shall keep themselves informed of the general duties of Directors as prescribed by law, as are commonly required and expected of Directors and are contained in this Manual. This may include, but is not limited to, being aware of and attending training conducted by the Australian Institute of Company Directors, Chartered Secretaries Australia or other bodies recognised as authorities in the field of corporate governance and directors' duties.

2.4 DIRECTORS' RIGHTS

2.4.1 Right of Enquiry

The Directors of the Company individually and collectively shall be entitled to enquire into and receive Company documents concerning any matter with respect of the operations of the Company. Directors shall provide Management with reasonable notice for any such enquiry or documents having regard to the smooth and efficient management of the Company's operations. The Directors shall be entitled to question any employee of the Company concerning the Company's operations PROVIDED THAT the Managing Director shall have notice of such request and a member of senior management shall be entitled to be present during any such questioning.

All enquiries, requests for documents and questioning shall be directed to the Company Secretary who shall progress each matter in a timely manner. The Company Secretary shall maintain a register of Directors enquiries and requests.

2.4.2 Right to Board Papers

The Directors shall receive Board papers, which shall become their absolute property, for each Board meeting during their term as Directors and shall have a right to access Board papers thereafter, upon their request on reasonable grounds, for a period of seven (7) years after they cease to be Directors. Notwithstanding that the Board papers become the property of Directors, Directors shall not deal with the Board papers so as to:

- disclose information that is confidential to the Company, or if such disclosure would be in breach of an obligation of confidentiality owed by the Company, to another person or party. For the purpose of this matter, all information contained in the Company's Board papers shall be deemed to be confidential.
- breach legal professional privilege attaching to documents contained therein for the benefit of the Company.

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2.4.2 Right to Board Papers (Cont'd)

Should a director be required by the operation of any law or order of any Court of competent jurisdiction to disclose any matter contained in the Board papers in their possession, the Director shall immediately notify the Company Secretary.

2.4.3 Right to Independent Professional Advice

Directors shall have the right, subject to the approval of the Chairman, to seek independent professional advice, at the Company's cost, in respect of any matter concerning the Company, its operations and/or financial arrangements. (*ASX Best Practice Recommendation 2.5*)

To this end the Board shall establish and approve a procedure by which Directors shall seek approval to seek independent professional advice.

2.4.4 Right to Indemnity and Insurance

The Directors shall be entitled to be indemnified and insured by the Company at its expense for all liabilities, claims or losses incurred by the Director in carrying out his/her role as a Director as permitted by the Act.

2.4.5 Right to Payment of Certain Expenses

The Directors are in addition to any other remuneration provided in accordance with the Constitution and approved by members as required by the Act or the Listing Rules, entitled to be paid from Company funds all reasonable travel, accommodation and other expenses incurred by the Directors in attending meetings of the Company or of the Board or of any Committees or while engaged on the business of the Company. Directors shall comply with all policies of the Company concerning expense authorisation.

2.5 MANAGEMENT

2.5.1 Subject to the Direction of the Board

Management shall, in all respects and to do with all matters concerning the operation, management and general conduct of the affairs of the Company, be subject to, and in all circumstances act in compliance with, the directions of the Board. In the operation of the Company the Board and Management may interact in a manner that the Board determines and its communication with Management shall be determined by the Board and may, as it sees fit, be formal or informal. Notwithstanding, the above Management may seek formal clarification from the Board as to its directions or instructions in any matter and such clarification shall be provided in writing by the Board within seven (7) days thereof.

2.5.2 Responsibilities of, and Delegations to, Management

To assist Management in its understanding of the matters that are reserved to the Board and the matters that have been delegated to Management in the operation of the Company, the Board has established a Statement of Delegations.

The Board recognises that, from time to time, the Statement of Delegations may need to be amended. Until such time as Board formally resolves to amend, by a valid resolution of a properly constituted meeting of the Board, that document of the previously approved Statement of Delegations shall be the definitive statement of valid Board delegations to Management.

All power not specifically delegated to management in the Statement of Delegations shall be validly exercised only by the Board as the supreme organ of management of the Company.

2.6 BOARD REVIEW OF PERFORMANCE

2.6.1 Board Performance Evaluation

The Board shall undertake an annual performance evaluation of itself on or before 30 June in each year that:

- Compares the performance of the Board with the requirements of this Board Charter;
- Sets goals and objectives for the Board for the ensuing year; and

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2.6.1 Board Performance Evaluation (Cont'd)

- Effects any improvement to the Board Charter that appears necessary or desirable by the outcome of the performance review.

The performance evaluation shall be led by the Chairman.

2.6.2 Performance Evaluation of individual directors

On or before 30 June each year, the performance of each individual director will be evaluated by the Chairman and the performance of the Chairman will be evaluated by the other directors (excluding the Chairman).

2.7 BOARD DISCLOSURE

2.7.1 Reporting to Members (ASX Best Practice Recommendation 2.5)

The Corporate Governance section of the Company's annual report to Members shall contain the following information:

- The skills, experience and expertise relevant to the position of director held by each Director in office at the date of the annual report
- The names of the Directors considered by the Board to constitute independent directors and the company's materiality thresholds
- A statement as to whether there is a procedure agreed by the Board to take independent professional advice at the expense of the Company
- The term of office held by each Director in office at the date of the annual report
- The names of members of the Nomination Committee and their attendance at meetings of the committee (if any)
- An explanation of any departure from ASX Best Practice Recommendations 2.1, 2.2, 2.3, 2.4 or 2.5

2.7.2 Information available on the Company's Website (ASX Best Practice Recommendation 2.5)

The Company shall establish a website by 31 March 2005. The following information shall be contained in a Corporate Governance section of the company's website:

- A description of the procedure for the selection and appointment of new directors to the Board
- A summary of the role, rights, responsibilities and membership requirements of the Nomination Committee (if any)
- The Nomination Committee's (if any) policy for the appointment of directors
- If the Board has not appointed a nomination committee, an explanation as to the benefit to the Company in so doing

2.8 COMPANY SECRETARY

2.8.1 Statutory requirement

The Company is required to have at least one (1) Company Secretary.

2.8.2 Role of Company Secretary

The company secretary supports the effectiveness of the board by:

- monitoring that board policy and procedures and the law are followed; and
- coordinating the completion and dispatch of board agendas and briefing papers.
- being responsible to the Board, through the Chairman, for all corporate governance matters.

Footnotes:

1 Corporations Act (2001) Cwlth Section 180

2 Corporations Act (2001) Cwlth Section 181

3 Corporations Act (2001) Cwlth Section 182

4 Corporations Act (2001) Cwlth Section 183

5 Corporations Act (2001) Cwlth Section 191

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SECTION 3: APPOINTMENT OF DIRECTORS

3.1 INDEPENDENCE OF DIRECTORS

The Board shall be mindful of the ASX Corporate Governance Council's Best Practice recommendation 2.1 that "a majority of the board should be independent directors". For the purposes of this an independent director shall be a director who is not a full time employee of the Company and who;

- Is not a substantial shareholder of the Company or an Officer of or otherwise associated directly with a substantial shareholder of the Company
- Within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment
- Within the last three years has not been a principal of a professional adviser or a consultant to the Company or another group member, or an employee of or associated with the service provider, whose annual billings to the Company represent more than 1% of the Company's annual revenue or more than 5% of the professional advisor's or consultants total annual billings
- Is not a supplier or customer of the Company or other group member, or an officer of or otherwise associated directly with a material supplier or customer whose annual billings to the Company represent more than 1% of the Company's annual revenue or more than 5% of the supplier's or customer's total annual revenue
- Has no material contractual relationship with the Company or other group member other than as a Director of the Company
- Has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company
- Is free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

For the purpose of this section the following terms shall have the meaning ascribed to them:

substantial shareholder has the meaning ascribed to that term in Section 9 of the Corporation Act (2001) Cwth.

material shall mean equivalent to 5% or more of the Company's gross revenue in any one financial year.

3.2 APPOINTMENT OF DIRECTORS

3.2.1 Term

Directors (except the Managing Director) shall be appointed for a fixed term of no greater than three (3) years and shall retire in accordance with Rule 3.6 of the Company's Constitution unless the director was appointed pursuant to Rule 3.3 of the Constitution in which case that Director shall hold office in accordance with the provision of that rule.

3.2.2 Director's Letter of Appointment

No director shall be appointed except in conformance with the provisions for such in the Company's Constitution. No director shall be appointed unless the Director has first provided to the Company Secretary in the form required by the Company a *Director's Consent to Act* in the form approved by the Board from time to time. The Board may resolve to appoint a person a Director of the Company but any such appointment shall be expressed to be subject to and conditional upon the appointee agreeing to accept such appointment on the terms and in the manner agreed from time to time by the Board.

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3.2.2 Director's Letter of Appointment (Cont'd)

Upon the appointment of a Director in accordance with the Company's Constitution, a Letter of Appointment shall be forwarded to the Director, which shall contain the following:

- Term of appointment
- Time commitment envisaged
- Powers and duties of Directors
- Any special duties or arrangements attaching to the position
- Circumstances in which the office of a Director becomes vacant
- Expectation regarding involvement in committee work
- Remuneration and expenses
- Requirement to disclose Directors' interests and any matters which affect the director's independence
- Requirement to disclose Directors' Notifiable Interests and Changes in Notifiable Interest in the form required by the Company and the requirement to enter into a Deed with the Company in accordance with Listing Rule 3.19B in the form required by the Company from time to time
- Names and contacts of fellow Directors
- The Company's Officers' Code(s) of Conduct and in particular the Policy governing trading in the Company's securities and related financial instruments by Directors, including notification requirements
- Induction training and continuous education requirements
- Right to access to independent professional advice
- Indemnity and insurance arrangements
- Confidentiality and rights of access to corporate information
- A copy of the Company's Constitution
- A copy of the Company's Board Charter
- A copy of the Company's last annual report (*if applicable*)
- A copy of all market releases to the ASX and other exchanges during the last three months (*if applicable*)

3.2.3 Acceptance by Director

The appointment of the Director shall be subject to and conditional upon the Director formally accepting the appointment and the terms of the Letter of Appointment.

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SECTION 4: CODES OF CONDUCT

The Board has established certain a Codes of Conduct to guide all employees, particularly Directors, the Managing Director, the Chief Financial Officer and other senior executives (see 'Code of Conduct and Guidelines for Directors and Officers, Page 43) in respect of ethical behaviour expected by the Company. These codes clearly spell out the benefits and importance to the Company of having such codes.

Commitment

In establishing these codes the Board is demonstrating its commitment to comply with applicable laws and Standards, to promote a culture of fair and ethical behaviour and to encourage the reporting of corrupt practices, breaches of the law and matters detrimental to the Company and its reputation.

The establishment of these codes of conduct prescribe the practices necessary to maintain confidence in the Company's integrity (*ASX Best Practice Recommendation 3.1.1*).

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SECTION 5: COMMITTEES

The Board has established an Audit Committee to assist it in the discharge of its duties under this Charter.

5.1 Board Audit Committee

The existence of a Board Audit Committee has been recognised internationally as an important feature of good corporate governance.

The Board has established a Board Audit Management Committee to assist it to independently verify and safeguard the integrity of the Company's financial reporting. The role of the Committee is to *(ASX Best Practice Recommendation 4.2)*:

- Consider and review of the Company's accounts and system of internal controls including overseeing the internal audit function; and
- Ensure the independence and competence of the Company's external auditors.

For this purpose the Board has established a Charter for the Audit Committee (Page 27) to ensure that the role, purpose and responsibilities of the Committee are clearly defined and that the Committee is efficient and adds value to the Board processes.

The Company shall disclose in the Corporate Governance section of its annual report the following information in respect of the Board Audit Committee:

- Details of the names and qualifications of those appointed to the Audit Committee.
- The number of meetings of the Audit Committee and the names of the attendees
- Explanation of any departures from Sections 5.1, 6.1.1 and the Charter

(ASX Best Practice Recommendation 2.5)

Information available on the Company's Website *(ASX Best Practice Recommendation 4.5)*

The following information shall be contained in a corporate governance section of the company's website, once it is developed:

- A summary of the role, rights, responsibilities and membership requirements of the Audit Committee
- Information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

5.2 Review of Committees' Performance by Board

The Board shall annually conduct a review of all committees. In conducting this review the Board shall take into consideration the following matters:

- Fulfilment of the Charter
- Fulfilment of reporting requirements
- Exceptional performance of individual members
- Skills/proficiency match of Committee
- Training undertaken
- Particular difficulties/problems

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SECTION 6: FINANCIAL AND RISK MANAGEMENT

6.1. INTEGRITY OF FINANCIAL REPORTING

The Board has established a policy and a commitment to independently verify and safeguard the integrity of the Company's financial reporting.

6.1.1 To demonstrate this commitment the Board has established a process whereby the Chief Executive Officer and the Chief Financial Officer shall state in writing to the Board annually 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 are in accordance with relevant and appropriate accounting standards. (ASX Best Practice Recommendation 4.1)

6.2. FINANCIAL AND RISK MANAGEMENT

The Board will establish a process of financial and risk oversight of management's systems of risk management and internal control. The objectives of this oversight are to:

- Identify, assess, monitor and manage the Company's risks
- Inform investors of material changes to the Company's risk profile

It is the Board's view that this structure can enhance the environment for identifying and capitalising on opportunities to create value.

Risk Management Committee

The Board may establish a Risk Management Committee, if deemed necessary. In doing so, the Company's size, complexity of operations, compliance obligations, responsibilities and resources will be taken into consideration. In the absence of a formal Risk Management Committee, the process of risk management will be assumed by the Board.

The Board, or Risk Management Committee, shall prescribe policies that:

- clearly describe the respective roles of the Board, Audit and Risk Management Committee, Management and the internal audit function (if formed) (ASX Best Practice Recommendation 7.1); and
- that prescribe the elements of an effective risk management system, being oversight, risk profile, risk management, compliance and control, and assessment of system effectiveness.

The Board or Committee shall oversee the establishment, implementation, maintenance, and effectiveness of the Company's risk management system and its constituent elements as follows:

Risk profile

The risk profile shall be a description of material risks facing the Company. Material risks may include financial and non-financial matters.

The Risk profile shall be regularly reviewed and updated.

Risk Management and Compliance & Control

The company shall establish and implement a system for identifying, assessing, monitoring, managing and reporting material risk throughout the Company. This system shall include the Company's internal compliance and control systems.

In establishing appropriate procedures the Company shall adopt the model prescribed by Australian Standard (AS) 3806 and shall take into account AS/NZS 4360 - Risk Management within the Internal Audit Process (www.standards.com.au and www.iaa.org.au)

Assessment of Effectiveness

The Board or Committee shall continually assess and monitor the effectiveness of the Company's risk management and internal compliance system(s). In the case of a Committee, this may be carried out by an internal audit function reporting to the Committee at each meeting in respect of its findings and recommendations in the area of risk management and internal compliance.

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6.2.1. Board Audit and Risk Management Committee (Cont'd)

Internal Audit Function

The Committee shall recommend to the Board the formation of an internal audit function, if deemed necessary. In so doing the Committee shall take into consideration the Company's size, breadth and complexity of operations, compliance obligations and responsibilities, resources, and outsourcing potential and cost/benefit to the Company and its stakeholders.

The Committee shall recommend to the Board the appointment and removal/replacement of any chief internal audit executive.

The internal audit function shall be independent of the external auditor.

The Committee shall ensure that the internal audit function has adequate access to management, management records and can properly question and seek explanations from management to perform its function credibly.

The Committee shall have the right to question and seek information from the internal audit function without representatives of management present.

6.2.2 Annual Certificates

The Managing Director and the Chief Financial Officer shall certify to the Board annually, at the times determined by the Board or the Committee, in writing that:

- the statement given in accordance with Section 6.1.1 is founded on a sound system of risk management and internal compliance and control, which implement the policies adopted by the Board and its relevant Committee(s); *(ASX Best Practice Recommendation 7.2.1)*
- the Company's risk management and internal compliance and control system(s) is (are) operating efficiently and effectively in all material respects. *(ASX Best Practice Recommendation 7.2.2)*

The Committee shall certify to the Board annually that it has confidence, on the basis of its enquiries of and reports from the internal audit function and external audit functions, in certificates from the Managing Director and the Chief Financial Officer provided pursuant to Section 6.2.2.

6.3 DISCLOSURE IN ANNUAL REPORT

The Company shall disclose in the Corporate Governance section of its annual report the following information in respect of Financial and Risk Management:

- Explanation of any departures from Sections 6.2.1, 6.2.2
- A summary of the Company's risk management policy and internal compliance and control system(s).

(ASX Best Practice Recommendation 7.3)

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SECTION 7: LEGITIMATE INTERESTS OF STAKEHOLDERS

7.1 BOARD STATEMENT *(ASX Best Practice Recommendation 10.1)*

The Board recognises the interests of stakeholders other than Shareholders of the Company. The Company has a number of legal and other obligations to such stakeholders as employees, clients, suppliers and the community as a whole. It is the Board's view that the Company can create value by better managing its natural, human, social and other forms of capital.

7.2 BOARD COMMITMENT

The Board has established a Code of Conduct in respect of compliance (*refer Code of Conduct and Guidelines for Directors and Officers*) and has resourced this commitment by forming an Audit Committee as a sub-committee of the Board with a majority of Independent Directors to oversee and ensure the integrity of the Company's financial reporting. The results of the Committee's work shall be reported regularly to the Board.

7.3 COMMITMENT TO SHAREHOLDERS

The Board's commitment to Shareholders to deliver shareholder value shall be achieved by establishing and maintaining an environment within the Company that effectively:

- demonstrates best practice corporate governance
- promotes integrity in financial and risk management
- encourages compliance
- discloses timely, relevant and understandable shareholder information
- communicates a supportive culture
- manages risk proactively
- seeks out profitable opportunities
- delivers a competitive advantage
- develops innovative strategies, processes and products

7.4 COMMITMENT TO CUSTOMERS

The Board's and Management's commitment to our customers, both present and future, is to provide solutions in steel fabrication design and manufacture demonstrating best practice and providing fair value.

The Board and Management are committed to developing innovative processes utilising emerging technologies and systems to fabricate a better product to assist our customers.

7.5 COMMITMENT TO OUR EMPLOYEES

The Board's and Management's commitment to our employees, as our business partners, is to provide a culture that:

- clearly enunciates the corporate strategy
- recognises individual initiative whilst developing and encouraging team building and team achievements
- provides fair and just reward based on achievements and results
- establishes a safe workplace where the individual is treated with dignity
- actively discourages discrimination and harassment in any form
- encourages relevant training, personal development and advancement opportunities
- promotes integrity in dealings with all stakeholders
- actively promotes a wider understanding and enforcement of the expected Code of Conduct

7.6 COMMITMENT TO FAIR TRADING AND DEALING

The Board and Management is committed, in line with its commitment to compliance and risk management already discussed, to demonstrating fair and reputable conduct in its business dealings. This commitment will be demonstrated by compliance with the provisions of the Trade Practices Act 1974 (Cwth) and the Fair Trading Acts in the States in which the Company operates.

This commitment will be achieved where necessary by establishing a training programme in trade practices compliance for all senior and marketing staff.

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7.7 COMMITMENT TO THE COMMUNITY

The Board is committed to guiding the behaviour of the Company such that it is good corporate citizen and honours its responsibility to the community. As a company we are corporate person in a community of people and we discharge our social obligations and the reasonable expectations of our community.

Our commitment to the community will be discharged by seeking ways to contribute to the value of the community by:

- developing technology based
- environmental friendly
- Increasing our recycling efforts in all areas of our operations
- Increasing productivity in design and manufacturing processes for steel fabrication.

The Board and Management provide leadership in the community by championing community issues and seeking reasonable opportunities of community and sponsorship involvement and encouraging employees in these areas.

7.8 COMMITMENT TO INDIVIDUALS DEALING WITH THE COMPANY

The Board and Management are firmly committed to protecting the individual's privacy as they interact with the Company from time to time. The Company aims to maintain a safe and secure system of handling personal individual information, whilst still providing access to the individual's personal information when required. For this reason, we ensure that personal information is handled in strict compliance with the Commonwealth Government's National Privacy Principles.

The Company has adopted the principles set out in this policy in order to protect individual personal information. These principles deal generally with our collection, use and disclosure of, and the individual's access to information the Company may have recorded.

The Company has appointed a Privacy Officer, for the purpose of ensuring that all personal information is treated in strict compliance with the requirements of the Privacy Act.

The Company's Privacy Policy is included on Page 49.

7.9 HOW THE COMPANY COMPLIES WITH LEGISLATION AFFECTING ITS OPERATION

The Company shall by 31 December 2004 develop a compliance protocol using the methodology of Australian Standard *AS 3806 Compliance Programs* to prescribe, ensure and monitor compliance with statute, regulations and industry codes of conduct relevant to the Company's operations. The Company shall continually monitor compliance and manage compliance exceptions proactively in the interest of best practice operations.

As outlined in Section 6 of the Board Charter the Managing Director and the Chief Financial Officer shall certify to the Board annually that the Company's risk management and internal compliance and control system(s) is (are) operating efficiently and effectively in all material respects.

The Board shall establish process and procedures to enable it to assure itself that there are reasonable grounds for the Board to have confidence in Management's certificates.

7.10 HOW THE COMPANY MONITORS AND ENSURES COMPLIANCE

The Board will by 31 December 2004 develop as part of its risk management policy, procedures for monitoring and ensuring the company's compliance with its legislative and regulatory requirements. Policies will be established for the identification, profiling, analysis, managing and monitoring of the various risks including compliance risk impacting or likely to impact on the Company. These policies shall clearly describe the respective roles of the Board, the Committee, Management and the internal audit function and prescribe the following elements of an effective risk management system:

- oversight
- risk profile
- risk management

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BOARD CHARTER

7.10 HOW THE COMPANY MONITORS AND ENSURES COMPLIANCE (Cont'd)

- compliance and control
- assessment of system effectiveness.

The Board shall continually assess and monitor the effectiveness of the Company's risk management and internal compliance system(s).

7.11 HOW THE COMPANY MONITORS AND ENSURES COMPLIANCE WITH ITS CODE

The Board will monitor compliance with all Board established codes, including this code.

7.12 DISCLOSURE

7.12.1 Reporting in Annual Report

The Company shall disclose in the Corporate Governance section of its annual report the commitments outlined in this section and an explanation of any departure from the code espoused therein during the period.

7.12.2 Publish on Website

The Company shall publish on its website, when developed, a summary of the main provisions in respect of the commitments contain in this section.

(ASX Best Practice Recommendation 10.1)

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BOARD CHARTER

SECTION 8: RIGHTS OF MEMBERS

8.1 BOARD STATEMENT

8.1.1 Beneficial Owners of the Company

The Board recognises that the Members are the beneficial owners of the Company.

8.1.2 Rights of Members

The Board respects the rights of Members and is continually seeking ways to assist Members in the exercise of those rights.

8.1.3 Members Empowerment

The Board also recognises that as owners of the Company the Members may best contribute to the Company's growth, value and prosperity if they are informed. To this end the Board seeks to empower Members by:

- communicating effectively with Members;
- enabling Members access to balanced and understandable information about the Company, its operations and proposals;
- assisting Members participation in general meetings.

(ASX Good Governance Principle 6)

8.2 MEMBER COMMUNICATIONS

8.2.1 Use of Technology *(ASX Best Practice Recommendation 6.1)*

The Board is committed to the use of emerging technologies in its communication with Members.

The Company will by 31 March 2005 develop a website which shall be used to enable Members ease of access to company communications to Members and the market in general. The Board shall post as soon as practical after release the following communications and information in the Investor Relations section of the Company's website:

- all ASX and other market announcements;
- summaries of media and analysts briefings;
- summaries of presentations to trade shows and conventions;
- full text of the Company's annual reports, notice of meetings and explanatory information;
- full text of all Members resolutions passed at general meetings; and
- a summary of analyst or media briefings and general meetings.

8.2.2 Notices of Meetings

The Board has adopted the ASX Corporate Governance Council's recommendation and guidelines as published in the Council's *Principles of Good Governance and Best Practice Recommendations Attachment A* in respect of notices of meetings

8.3 MEMBERS MAY QUESTION AUDITOR *(ASX Best Practice Recommendation 6.2)*

The Board will ensure that a representative of the Company's external auditor, subject to availability, is present at all Annual General Meetings and that Members have adequate opportunity to ask reasonable questions of the auditor at that meeting.

8.4 DISCLOSURE IN ANNUAL REPORT

The Company shall disclose in the Corporate Governance section of its annual report any explanation for any departures from Sections 8.1.3, 8.2 and 8.3.

8.5 DISCLOSURE ON THE COMPANY'S WEBSITE

The Company's corporate governance charter and policies will be made available in a corporate governance section of the Company's website.

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BOARD CHARTER

SECTION 9: DEFINITIONS AND INTERPRETATION OF TERMS USED IN THE BOARD CHARTER

The terms and phrases used throughout this Board Charter, including committee charters shall have the following meanings unless the context imports a contrary meaning. The onus of proof shall rest on the party asserting the contrary meaning.

- “Act”** means the Corporations Act 2001 (Cwlth), its successor and predecessor legislation and any regulation made pursuant thereto.
- “ASX”** means the Australian Stock Exchange Limited
- “Alternate Director”** means a person appointed as an alternate Director in accordance with Rule 4 of the Constitution
- “Board”** means all Directors of the Company from time to time acting in a collective capacity, notwithstanding the temporary absence of one or more Directors PROVIDED THAT a quorum of Directors is present and that all Directors have had valid notice of the meeting of Directors and the purpose thereof
- “Chairman”** means chairman or chairperson of Directors elected in accordance with Rule 12.4 of the Constitution.
- “Changes in Notifiable Interest”** shall include the following:
- Details of changes in Securities registered in the Director's name other than changes occurring as a result of corporate actions by the Company. These details include the date of the change, the number and class of the Securities held before and after the change, and the nature of the change, for example on-market transfer. The Director will also provide details of the consideration payable in connection with the change, or if a market consideration is not payable, the value of the securities the subject of the change.
 - Details of changes in Securities not registered in the Director's name but in which the Director has a relevant interest within the meaning of section 9 of the Corporations Act. These details shall include the date of the change, the number and class of the Securities held before and after the change, the name of the registered holder before and after the change, and the circumstances giving rise to the relevant interest. The Director will also provide details of the consideration payable in connection with the change, or if a market consideration is not payable, the value of the Securities the subject of the change.
 - Details of all changes to contracts (other than contracts to which the Company is a party) to which the Director is a party or under which the Director is entitled to a benefit, and that confer a right to call for or deliver shares in, debentures of, or interests in a managed investment scheme made available by, the Company or a related body corporate. These details include the date of the change, the number and class of the shares, debentures or interests to which the interest relates before and after the change, the name of the registered holder if the shares, debentures or interests have been issued, and the nature of the Director's interest under the contract.
- “Company”** means Austin Engineering Limited, ABN. 60 078 480 136.
- “Constitution”** means the Constitution of the Company as adopted and approved by the Members from time to time.

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BOARD CHARTER

DEFINITIONS AND INTERPRETATION OF TERMS USED IN THE BOARD CHARTER (Cont'd)

“Director”	<p>means a person who has been validly appointed and has not ceased and acting in the position of director in accordance with the provisions of the Constitution and the Act; or</p> <p>an Alternate Director appointed in accordance with the Constitution in the capacity of a Director of the Company.</p>
“Event”	<p>means any of the following events:</p> <ul style="list-style-type: none">• Appointment of a Director• Change in a Director’s Notifiable Interest• The date on which a Director ceases to be a Director of the Company
“Executive Director”	<p>means a Director who is not Independent</p>
“Independent”	<p>means, in respect of a Director, a person who fulfils the requirement for independence in Item 3.1 of Section 3 of this Charter</p>
“Listing Rules”	<p>means the listing rules of the ASX</p>
“Managing Director”	<p>means a Director appointed as managing director in accordance with Rule 7.1 of the Constitution</p>
“Management”	<p>means executive management of the Company headed by the Managing Director and shall include Executive Directors.</p>
“Notifiable Interest”	<p>shall include the following:</p> <ul style="list-style-type: none">• Details of all Securities registered in the Director’s name. These details include the number and class of the Securities.• Details of all Securities not registered in the Director’s name but in which the director has a relevant interest within the meaning of section 9 of the Corporations Act. These details include the number and class of the Securities, the name of the registered holder and the circumstances giving rise to the relevant interest.• Details of all contracts (other than contracts to which the Company is a party) to which the Director is a party or under which the Director is entitled to a benefit, and that confer a right to call for or deliver shares in, debentures of, or interests in a managed investment scheme made available by, the Company or a related body corporate. These details include the number and class of the shares, debentures or interests, the name of the registered holder if the shares, debentures or interests have been issued and the nature of the Director’s interest under the contract.
“Officer”	<p>has the same meaning as that term has in the Act</p>
“Shareholder”	<p>has the same meaning as that term has in the Act</p>
“Securities”	<p>means securities (both listed and un-listed) of the Company or a related body corporate. A Security shall include an option right to subscribe for a security in the company.</p>