

ONESTEEL LIMITED
AUDIT AND COMPLIANCE COMMITTEE
CHARTER

1. Composition**1.1 Members:**

Chair Mr P G Nankervis
 Mr L G Cox
 Mr R B Davis
 Dr E J Doyle
 Mr C R Galbraith
 Mr N J Roach

1.2 Secretary - The OneSteel Company Secretary

1.3 Management attends meetings of the Committee on invitation.

2. Terms of Reference**2.1 Duties/Scope**

The Committee is to:

- 2.1.1 Review and report to the Board on half-yearly and yearly financial statements prior to their approval and external release;
- 2.1.2 Review all significant accounting policy changes and where appropriate recommend them to the Board;
- 2.1.3 Monitor and report to the Board on the framework, adequacy and security of internal control and accounting and management information systems;
- 2.1.4 Monitor the working relationship between the internal and external audit functions;
- 2.1.5 Ensure adequate audit coverage for all major financial risks of the business and report to the Board on any issues arising from this coverage;
- 2.1.6 Review internal and external audit reports to ensure that, where significant deficiencies in controls or procedures have been identified, management takes prompt remedial action and reports to the Board as appropriate;
- 2.1.7 Review the annual and half yearly accounts with the external auditors, review whether audits have been conducted effectively and report thereon to the Board as appropriate;
- 2.1.8 Provide an open communication channel between internal and external auditors and the Board;
- 2.1.9 Review, and in the case of external audit, agree fees and recommend to the Board on the appointment or replacement of the auditors. For internal audit recommend to the Board the appointment of internal auditors;

- 2.1.10 Monitor the engagement of the external auditors to undertake non audit services where the company will accept the auditor's performance of the engagement in accordance with OneSteel's policy on Audit Independence and Non Audit Services attached to this Charter;
- 2.1.11 Assess the performance and independence of external auditors and whether the Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
- 2.1.12 Assess the performance and (where appropriate) the independence of internal auditors;
- 2.1.13 Monitor and report to the Board on relevant tax and legal matters (including tax compliance procedures);
- 2.1.14 Review major capital project Post Implementation review (PIR's);
- 2.1.15 Monitor funding commitments and availability;
- 2.1.16 Assess and review the business risk process including major customer contracts;
- 2.1.17 Review major non-financial regulatory matters through the use of a compliance monitoring reporting regime which covers the following areas of exposure:
- asset protection (incl. Insurance)
 - trade practices
 - conflict of interest
 - discrimination and harassment
 - ethical standards; and
 - review adequacy of processes to ensure compliance with new or emerging government reporting legislation in relation to a carbon pollution reduction scheme and to also review adequacy of controls, risk processes and reporting with respect to any related permits;
- 2.1.18 Approve the internal audit risk assessment and related audit plan.

2.2 Reporting

The Committee reports to the Board on all matters relevant to its role and responsibility.

2.3 Meetings

The Committee meets at least four times each year with the February and August meetings focusing predominantly on audit issues associated with the half-yearly and yearly accounts. Meetings held in May and November have strong emphasis on financial compliance issues. The Committee meets at least once each year with the internal auditor and external auditor without executives in attendance.

The Managing Director & CEO, Chief Financial Officer, internal audit manager and external audit partner are ex-officio to attend meetings.

2.4 Quorum

Two members of the Committee form a quorum.

2.5 Calling of Meetings

Meetings are called by the Secretary as directed by the Board or at the request of the Chair of the Committee.

2.6 Minutes

Minutes of meetings of the Committee are kept by the Secretary and after confirmation by the Committee presented at the next Board Meeting.

Reviewed by the Committee on 6 May 2009

Approved by the OneSteel Limited Board on 18 May 2009

Audit Independence and Non Audit Services Policy

The external audit of OneSteel is governed by the following principles:

- The external auditors must clearly demonstrate their independence.
- The external auditors must not provide services which are in conflict with the role of an auditor unless Audit Committee approval is obtained for the service.
- The quality of the audit is reviewed annually.
- The lead audit partner is to be rotated at the end of a period no longer than 5 years.
- The appropriateness of putting the audit to tender is reviewed at the end of a period no longer than 5 years.
- The services and fees provided by the external auditors are fully disclosed.

The process for applying the policy follows.

Independence Declaration

The external audit Engagement Partner signs an annual declaration to the Board as to independence and lack of any conflicts. The notes and work papers kept by the firms Quality Control Partner are available to the Board.

Rotation

The lead audit partner must spend no more than 5 years on the engagement, after which time he/she shall be replaced by another in the firm.

Quality Review

The quality of the accounts, the accounts preparation process and the audit process are evaluated each year by both the auditors and management. Where appropriate benchmarks are used to ensure objectivity. The findings are presented to the Audit & Compliance Committee.

Audit Related Assignments

OneSteel is at liberty to appoint the external auditors to perform audit related services. These can be approved by management, namely the CEO or CFO, without further reference to the Audit & Compliance Committee.

Non-Audit Services

Annually, management submits to the Audit and Compliance Committee for pre-approval, a listing of all non-audit services. For work not listed, pre-approval must be obtained from the Chairman of the Committee. Any individual amount over \$250,000 must be approved by the Board.

Non-audit services must maintain all other areas of audit independence and the Non-Audit Services Policy.

If, at the time of the annual submission, the Audit and Compliance Committee is of the view that that the auditor's independence may be impaired by the provision of tax services, management will be asked to begin the move to another tax related provider.

Reporting of Non- Audit Services

Management reports to the Audit and Compliance Committee at each Committee meeting on the year to date costs and details of non-audit services.

Financial Statement Disclosure

OneSteel makes a full and comprehensive disclosure of all services and fees provided by the external auditors.