

THE UNITED BASALT PRODUCTS LIMITED

AUDIT COMMITTEE CHARTER

Audit Committee Charter

Terms of Reference

1. Constitution

- 1.1 At a meeting held at on 12/05/05.....the Board of Directors of The United Basalt Products Limited resolved to establish a standing Committee of the Board without executive responsibilities, to be known as the Audit Committee, in accordance with these Terms of Reference which were adopted on 12/05/05

2. Membership

- 2.1 The membership of the Committee shall be appointed by the Board from amongst the non-executive Directors of the Company and shall consist of a minimum of three members and majority of whom should be independent of the Company. A quorum shall be two members when the board shall consist of three members.
- 2.2 The duties and responsibilities of a member of the Audit Committee are in addition to those set out for a member of the Board of Directors.
- 2.3 The Chairman of the Committee, who shall not be the Chairman of the Company, shall be appointed by the Board by formal Board resolution.

3. Attendance at Meetings

- 3.1 The Committee may instruct any officer or employee of the Company to attend any meeting and provide pertinent information as necessary.

- 3.2 At least one a year, the Committee shall meet with the Chief Internal Auditor and the External Auditors respectively without the presence of executive management to discuss any matters that either the Committee or these two believe should be discussed privately.

4. Frequency of Meetings

- 4.1 Meetings shall be held at least three times yearly or more frequently as circumstances require.
- 4.2 The Committee Chairman shall convene a meeting upon request of any Committee member who considers it necessary.
- 4.3 Whenever possible Committee meetings shall be scheduled to allow for adequate time for Committee business and so that they can be reported promptly and effectively to the Board.

5. Authority

- 5.1 The Committee is authorised by the Board to investigate any activity it deems appropriate. It is authorised to seek any information from any officer or employee of the Company all of whom are directed to co-operate with any request made by the Committee.
- 5.2 The Committee is authorised to engage any firm of accountants, lawyers or other professionals as the Committee sees fit to provide the independent council and advice and to assist in any review or investigation on such matters as the Committee deems appropriate.
- 5.3 The Chief Internal Auditor reports functionally to the Chairman of the Audit Committee (and administratively to the Chief Executive Officer).

6. Duties

The duties of the Committee shall be to :

General

- 6.1 To ensure that there is an open avenue of communication between the internal auditors, the external auditors and the Board of Directors.
- 6.2 Review annually and, if necessary propose for formal Board adoption, amendments to the Committee's Terms of Reference.
- 6.3 Consider, in consultation with Management, the audit plans and scope of internal auditors.
- 6.4 Ensure the co-ordination of internal and external audits.
- 6.5 Institute and oversee special investigations as needed.
- 6.6 Confirm annually that all responsibilities outlined in this charter have been carried out.

Financial Statements

- 6.7 Review with the management and/or the external auditors at the completion of the quarterly and final accounts:
 - a. Significant accounting and reporting issues, and recent professional and regulatory pronouncements and understand their impact on the financial statements.
 - b. The Company's annual financial statements and related footnotes and consider whether they are complete and consistent with information known to the committee.
 - c. Any significant changes which have been required in the external auditors plan.

- d. Any significant difficulties or disputes with management encountered during the course of the audit.
- e. Other matters related to the conduct of the audit which are to be communicated to the Committee under *The International Accounting Standards*.

Internal Control

- 6.8 Enquire from management, the Chief Internal Auditor, and the external auditors about significant risks or exposures and evaluate the steps taken to minimise such risk to the Company.
- 6.9 Consider and review with management and the Chief Internal Auditor significant findings during the year and management's responses thereto.
- 6.10 Consider and review with the internal and external auditors as appropriate:
 - a. The adequacy of the Company's systems of internal control including computerised information systems controls and security.
 - b. Any related significant findings and recommendations of the external auditors and of the internal auditors, together with management's responses thereto.
 - c. The contents of the external auditors Management Letter, together with management's responses thereto.

External Audit

- 6.11 Recommend to the Board of Directors the external and internal auditors to be appointed and their compensation; review and approve the scope and quality of their work, and their discharge or resignation.
- 6.12 Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Company, including non-audit services.

- 6.13 Consider with management the rationale for employing audit firms other than the principal external auditors for non-audit services.

Internal Audit

- 6.14 Review and approve, where possible in advance of the event, the appointment, replacement, reassignment, or dismissal of the Chief Internal Auditor.
- 6.15 Consider and review with Management and the Chief Internal Auditor as appropriate:
- a. Any difficulties encountered in the course of internal audits, and any restrictions placed on internal audit scope of work or access to required information or personnel.
 - b. The audit plan of future audits to be conducted.
 - c. The internal auditing department's budget and staffing.
 - d. Any changes which have been required in the previously approved audit plan.
 - e. The internal audit department's Charter.

7. Compliance

- 7.1 Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- 7.2 Review the findings of any examinations by regulatory agencies, and any auditors observations.
- 7.3 Review the process for communicating the code of conduct to Company personnel, and for monitoring compliance therewith.
- 7.4 Obtain regular updates from management and Company's legal counsel regarding matters.

8. Reporting

- 8.1 The Chairman of the Committee shall report on the Committee business to the Board of Directors with such recommendations as the Committee may deem appropriate.
- 8.2 The Committee shall recommend approval of the annual report and accounts to the Board of Directors.
- 8.3 The Committee shall distribute copies of the minutes of meetings of the Committee to the Chairman of the Board of Directors for information.