

**Cubic Corporation**  
**Charter of the Audit & Compliance Committee**

**Organization**

This Charter governs the operations of the Audit & Compliance Committee. The Committee shall review and reassess the charter at least annually and obtain the approval of the Board of Directors in respect of any revisions. The Committee shall be members of, and appointed by, the Board of Directors and shall comprise at least three Directors, each of whom are independent of management and the Company. Members of the Committee shall be considered independent as long as they do not accept any consulting, advisory, or other compensatory fee from the Company (other than in their capacity as a Board or Committee member) and are not an affiliated person (i.e. not directly or indirectly controlling, controlled by, or under common control) of the Company or its subsidiaries, and meet the independence requirements of the applicable stock exchange listing standards. All Committee members shall be financially literate, and at least one member shall be an “Audit Committee Financial Expert,” as defined by SEC regulations (see Qualifications below).

**Purpose**

The Committee shall provide assistance to the Board of Directors in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to: the integrity of the Company’s financial statements; the financial reporting process; the systems of internal accounting and financial controls; the performance of the Company’s internal audit function and independent auditors; the independent auditor’s qualifications and independence; and the Company’s compliance with ethics policies and legal and regulatory requirements. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, independent auditors, the internal auditors, and management of the Company.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and to engage independent counsel and other advisers as it determines necessary to carry out its duties.

**Funding**

The Board of Directors shall cause the Company to provide to the Audit Committee appropriate funding, as the Committee may require, for payment of (i) all invoices, approved by the Committee from the Company’s auditors, (ii) invoices from advisors employed by the Committee including independent counsel, and (iii) the ordinary administrative expenses necessary or appropriate for the Committee to carry out its duties.

## **Duties and Responsibilities**

The primary responsibility of the Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of their activities to the Board. It is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management is responsible for the preparation, presentation, and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee should take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior. The following shall be the principal duties and responsibilities of the Committee. These are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

The Committee shall be directly responsible for the appointment, setting compensation, the retention, and the termination of the independent auditors (subject, if applicable, to shareholder ratification of the appointment). The independent auditors shall report directly to the Audit Committee. The Committee also shall be directly responsible for oversight of the work of the independent auditors, including resolution of disagreements between management and the auditor regarding financial reporting. The Committee shall pre-approve all audit and non-audit services provided by the independent auditors and shall not engage the independent auditors to perform specific non-audit services proscribed by law or regulation (see Prohibited Non-Audit Services, below). The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Audit Committee at its next scheduled meeting.

At least annually, the Committee shall obtain and review a written report by the independent auditors describing:

- The firm's internal quality control procedures.
- Any material issues raised by the most recent internal quality control or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
- All relationships between the independent auditor and the Company (to assess the auditor's independence) consistent with Independence Standards Board Standard 1.

The Committee shall actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor. The Committee shall take, or recommend that the Board of Directors take, appropriate action to oversee the independence of the outside auditor.

In addition, the Committee shall set clear hiring policies for employees or former employees of the independent auditors that comply with the SEC regulations and stock exchange listing standards.

The Committee shall discuss with the internal auditors and the independent auditors the overall scope and plans for their respective audits, including the adequacy of staffing and compensation. The Committee shall also separately discuss with the independent auditors the responsibilities, budget and staffing of the internal audit department. Also, the Committee shall discuss with management, the internal auditors and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor and manage business risk, and legal and ethical compliance programs.

The Committee shall meet separately periodically with management, the internal auditors, and the independent auditors to discuss issues and concerns warranting Committee attention. The Committee shall review with the independent auditor any audit problems or difficulties and management's response.

The Committee shall receive a report from the independent auditor, prior to the filing of its audit report with the SEC, on all critical accounting policies and practices of the Company, all material alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the independent auditor, and other material written communications between the independent auditor and management.

The Committee shall review management's assertion on its assessment of the effectiveness of internal controls as of the end of the most recent fiscal year.

The Committee shall monitor and advise management as necessary concerning policies for earnings press releases, and financial information and earnings guidance provided to analysts and rating agencies.

The Committee shall review the interim financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with management and the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q. Also, the Committee shall discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.

The Committee shall review with management and the independent auditors the financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations to be included in the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K), including their judgment about the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.

The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

The Committee shall receive and take appropriate action concerning reports from: (a) Company lawyers regarding evidence of a material violation of securities laws, breaches of fiduciary duty or other material issues, and (b) the independent auditors concerning any report of their discovery of an illegal action or omission. The Committee shall ensure that senior management will take timely and appropriate remedial actions concerning all such matters.

The Committee shall report regularly to the full Board on the quality and integrity of the Company's financial statements, Company compliance with legal and regulatory requirements, and the performance of both the independent and internal auditors.

It also shall review (i) any major issues arising which concern significant changes in the Company's use of accounting principles, the adequacy of the Company's internal controls and any steps taken as a result of material deficiencies in the same; (ii) any analysis prepared by management or the independent auditors which addresses any significant financial reporting issues and decisions made in connection with the preparation of financial statements including any analysis concerning the effects of using alternative GAAP methods on the financial statements; and (iii) the effect of any applicable regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

The Committee shall prepare a report to be included in the Company's annual proxy statement, as required by SEC regulations.

The Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively.

### **Qualifications to be an Audit Committee Financial Expert**

Such person shall possess the following attributes:

- An understanding of generally accepted accounting principles and financial statements;
- The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities;
- An understanding of internal controls and procedures for financial reporting; and
- An understanding of audit committee functions.

The above attributes shall have been acquired through one of the following:

- Education and expertise as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- Other relevant experience.

### **Prohibited Non-Audit Services**

The Audit Committee shall not approve the engagement of the independent auditors to provide any of the following services:

- Bookkeeping or other services related to the accounting records or financial statements of the Company;
- Financial information systems design and implementation;
- Appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
- Actuarial services;
- Internal audit outsourcing services;
- Management functions or human resources;
- Broker or dealer, investment adviser, or investment banking services;
- Legal services and expert services unrelated to the audit; and
- Any other services that the Public Company Accounting Oversight Board may determine, by regulation, is impermissible.