

## AUDIT AND RISK COMMITTEE CHARTER

### 1. Role of the Committee

The Audit and Risk Committee Charter sets out the role, composition, authority, responsibilities and operations of the Audit and Risk Committee. The Committee supports and advises the Board to fulfil its corporate governance and oversight responsibilities relating to financial accounting practices, risk management, internal control systems, external reporting, the external audit function, and the Company's processes for monitoring compliance with laws and regulations.

The Board of QMASTOR has established the Audit and Risk Committee to:

- Conduct or authorise investigations into any matter within its scope
- Retain outside counsel, accountants or others to advise the Committee or assist in the conduct of an investigation
- Seek any information it requires from employees, all of whom are directed to cooperate with the Committee's requests
- Meet with Company officers, external Auditors or outside counsel, as necessary

This Committee and the functions it performs do not diminish the ultimate responsibility of the Board.

### 2. Responsibilities of the Committee

The Committee has the delegated responsibility from the Board to conduct detailed examination of certain matters which may require the Board's approval.

#### 2.1. Financial Statements

- 2.1.1. Approve the Company's accounting policies and principles that are required to be reported in the notes to the financial statements (Policies) and changes to the Policies, review and assess the appropriateness of those Policies, including conformance with relevant accounting and reporting standards, and, where appropriate (without limiting the Committee's powers to approve accounting policies and settle interpretation of accounting policies and standards), referring material changes to the Board;
- 2.1.2. Review all financial statements and reports which are required to be published and/or signed by directors prior to approval by the Board. The review of financial statements and reports should include a discussion with the external auditor of accounting issues, accounting policies adopted and the proposed audit report. Subject always to ultimate Board approval of the published financial statements, the Committee has authority to approve accounting issues raised, review and interpret accounting policies adopted and the proposed audit (or review) report;
- 2.1.3. Review the annual report, directors' report (excluding the Remuneration Report) and any other report of management which is required by law to accompany any published financial statements (to the extent that such a report discusses the financial position or operating results) before approval by the Board, including assessing whether the Company's external reporting is consistent with the Committee members' information and knowledge, and is adequate for shareholder needs;

- 2.1.4. Review any statements or commentary to be released to the ASX to accompany the half year or annual financial statements;
- 2.1.5. Review and consider the processes used by management to monitor and ensure compliance with laws, regulations and other requirements relating to external reporting of financial information;
- 2.1.6. Review proposed professional and regulatory pronouncements regarding accounting policies and financial reporting and assess their impact on the Company;
- 2.1.7. Review the process implemented to support the certifications to be provided by the Managing Director and the Finance Manager as to the truth and fairness of the Company's financial reports and that those reports are based on a sound system of risk management and internal compliance and control so far as they relate to financial reports;
- 2.1.8. Review and discuss with management and the external auditor any correspondence with regulatory or government bodies which raise material issues regarding the Company's financial statements and review the results of any governmental or regulatory audits involving material findings which have not otherwise been reviewed by the Board;
- 2.1.9. Review and monitor related party transactions and assess their propriety.

## *2.2. Risk Management*

The Committee will review and consider the appropriateness and adequacy of internal processes for determining, monitoring and assessing key risk areas identified by the Board's risk management policies, including:

- 2.2.1. Reviewing and approving management's programs and policies which deal with the adequacy and effectiveness of internal controls over the Company's business processes;
- 2.2.2. Receiving reports concerning material actual and suspected breaches of law, including fraud and theft and assess systems to manage this risk;
- 2.2.3. Assessing whether senior executives, the external auditor and internal auditor have an understanding of the Company's control environment;
- 2.2.4. Assessing whether management has appropriate controls in place for transactions that may carry more than the usual degree of risk accepted by the Company;
- 2.2.5. Assessing the effectiveness and efficiency of the Company's internal compliance and controls, including the adequacy of disclosure and processes for regular reporting of information, particularly in relation to significant risks; and
- 2.2.6. Reviewing the form of the proposed annual Managing Director/Finance Manager sign off letter on identification and effective management of material business risks.

## *2.3. Internal Control*

- 2.3.1. Consider the effectiveness of the Company's internal control over annual and interim financial reporting, including information technology security and control
- 2.3.2. Understand the scope of external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management responses

## *2.4. External Audit*

- 2.4.1. Make recommendations to the Board on the appointment, reappointment or replacement of the external auditor;
- 2.4.2. Review and agree with the external auditor the terms of engagement for the external auditor, including fees;
- 2.4.3. Monitor the effectiveness and independence of the external auditor;

- 2.4.4. Review the scope of the external audit with the external auditor including identified risk areas and approve external audit plans;
- 2.4.5. Review, assess and, as appropriate approve, provision of non-audit services by the external auditor, with particular consideration to the potential to impair, or appear to impair, the external auditor's judgment or independence in respect of the Company and, as appropriate, recommend changes to relevant policies to the Board;
- 2.4.6. Ensure that the internal auditor monitors compliance with the Company's policy in respect of the provision of non-audit services by the external auditor and periodically reports to the Committee, including on any breaches of the policy;
- 2.4.7. Provide the external auditors with unrestricted and confidential access to the Managing Director and Finance Manager, the Committee or, if deemed appropriate by the external auditors, to the Chairman of the Board

### *2.5. Compliance*

- 2.5.1. Review the effectiveness of the system for monitoring compliance with laws and regulation and the results of management's investigations and follow-up (including disciplinary action) of any instances of non-compliance
- 2.5.2. Review the examinations by regulatory agencies, and any Auditor observations
- 2.5.3. Review the process for communicating the code of conduct to Company personnel, and for monitoring compliance therewith
- 2.5.4. Obtain regular updates from management and Company legal counsel regarding compliance matters

## **3. Composition & Structure**

- 3.1. The Committee members are appointed, removed and/or replaced by the Board. Appointments are for twelve month terms or as otherwise determined by the Board.
- 3.2. The Committee will consist of at least three members, a majority of which are independent non executive directors and able to read financial statements.
- 3.3. The Chairman will be the Chairman of the QMASTOR Board.
- 3.4. A quorum shall be at least two members or any greater number determined by the Board.
- 3.5. The duties and responsibilities of a member of the Committee shall be in addition to those duties set out for a director of the Board.
- 3.6. At least one member of the Committee should have financial expertise.
- 3.7. A majority of members must have an understanding of the industry in which the Company operates.
- 3.8. Board members, external auditors, employees or any other person that are not members of the Committee may attend the Committee meeting by invitation with or without management being present.

## **4. Meetings**

- 4.1. The Committee shall meet at least two times per annum and more frequently as required.
- 4.2. The internal or external auditor may request that a meeting of the Committee be convened.

## **5. Access**

The Committee may, in performing its functions, have unrestricted access to company records and any other document, report, material or information in the possession of an employee or external adviser of the Company.

## **6. Reporting**

- 6.1. The Committee reports to the Board and Committee meeting minutes will be provided to the Board for noting.
- 6.2. The Committee will ensure that the Board is provided with sufficient information to ensure informed decision making.

## **7. Review**

- 7.1. The Committee will review its Charter annually to keep it up to date and consistent with the Committee's authority, objectives and responsibilities.
- 7.2. Amendments to the Charter are to be approved by the Board.

## **8. Limitations**

The Committee's principal function is one of review, oversight and monitoring. Without limiting the Committee's duties as described in this Charter, the Committee:

- 8.1. is not required to personally conduct accounting reviews or audits; and
- 8.2. is entitled to rely on employees of the Company or professional advisers or consultants engaged by the Committee or the Company where:
  - 8.2.1. there are reasonable grounds to believe that the employee, adviser or consultant is reliable and competent; and
  - 8.2.2. the reliance was made in good faith and after making an independent assessment of the information.