

# Audit and Risk Committee Charter

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## 1 Applicability

This Audit and Risk Committee Charter applies to all members of Vysarn Limited's ABN 41 124 212 175 (**Company**) Audit and Risk Committee

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## 2 Role

The role of the Audit and Risk Committee is to assist the Company's board of directors (**Board**) to meet its oversight responsibilities in relation to the Company's corporate reporting processes, including the financial reporting process, risk management and internal control, external audit and compliance (including the Code of Conduct and Anti-bribery and Corruption Policy).

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## 1 Composition

The Board has not established a separate Audit and Risk Committee, but rather the full Board performs the role of the Audit and Risk Committee. References in this Audit and Risk Committee Charter to the "Audit and Risk Committee" are references to the full Board's function as the Audit and Risk Committee.

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## 2 Responsibilities

The Audit and Risk Committee will carry out the following responsibilities:

### 2.1 Corporate reporting

- (a) Review the half-year and annual financial statements presented by management, together with reports and opinions from the external auditor and confirm they reflect the understanding of the Audit and Risk Committee members and otherwise provide a true and fair view of the financial position and performance of the Company.
- (b) Review significant accounting and reporting issues and assess the appropriateness of accounting policies and methods chosen by management, particularly those relating to significant accounting estimates and judgements and the assessment of going concern.
- (c) Review recent regulatory and professional pronouncements and understand their impact on the financial statements.
- (d) Review the results of the audit with the external auditor, including significant adjustments, uncorrected misstatements and any difficulties encountered or unresolved disagreements with management.
- (e) Review the appropriateness of disclosures in the financial statements and financial reporting to stakeholders, particularly in regard to estimate and judgments.
- (f) Review all matters required to be communicated to the audit committee under Australian Auditing Standards with management and the external auditor, such as key audit matters for listed companies, significant internal control deficiencies, indications of fraud or corruption and non-compliance with laws or regulations.

- (g) Review management representations, including the Chief Executive Officer (or equivalent) and Chief Financial Officer declarations regarding the financial report and financial records.
- (h) Provide a recommendation to the Board whether the financial report should be approved, based on a review of the financial statements, note disclosures and other information.
- (i) Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with members' knowledge about the entity and its operations, and is unbiased.
- (j) Review management's process for ensuring that information contained in analyst briefings, investor presentations and press announcements is consistent with published financial information, and is balanced and transparent.
- (k) Ensure that the declaration referred to in Recommendation 4.2 of the Principles and Recommendations is given before the Board approves the Company's financial statements for each half-year and full year.

## **2.2 External audit**

- (a) Assess the quality and effectiveness of the audit conducted and evaluate performance of the auditor.
- (b) Meet with the external auditor at least twice each year, and any other time considered appropriate.
- (c) Review the Company's Procedure for the Selection, Appointment and Rotation of External Auditor set out in the Appendix to this Charter.
- (d) Carry out the functions ascribed to the Audit and Risk Committee in the Procedure for the Selection, Appointment and Rotation of the External Auditor.
- (e) Review with the external auditor the scope and terms of the audit and the audit fee including a review of non-audit services provided by the external auditor.
- (f) Review the audit plan for coverage of material risks and financial reporting requirements.
- (g) Monitor and review auditor independence and objectivity.
- (h) Establish ongoing communications with the auditors and ensure access to directors and the Audit and Risk Committee.
- (i) Review reports from the external auditors (including auditor's reports, closing reports and management letters).
- (j) Discuss with the external auditor matters relating to the conduct of the audit, including any difficulties encountered, any restrictions on scope of activities or access to information, significant disagreements with management and the adequacy of management response
- (k) Review any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor.
- (l) Ensure that the external auditor is given notice of all general meetings and attends the Company's annual general meeting.

## **2.3 Fraud and internal control**

- (a) Consider the impact of the Company's culture on internal control.
- (b) Assess the internal processes for determining and managing key financial risk areas, particularly:

- (i) compliance with laws, regulations, standards and best practice guidelines, including industrial relations laws;
  - (ii) important judgments and accounting estimates;
  - (iii) litigation and claims; and
  - (iv) fraud and theft.
- (c) Make recommendations to the Board for improvements (if any) in relation to the internal financial management and financial controls of the Company.
  - (d) Obtain and assess management reports on any suspected or actual fraud, theft or breaches of law, and recommend appropriate actions by the Board.
  - (e) Address the effectiveness of the internal control, financial risk management and performance management systems with management and the external audit providers.
  - (f) Evaluate the processes the Company has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk.
  - (g) Meet periodically with key management and external auditors to understand and discuss the control environment.

## **2.4 Compliance and ethics**

- (a) Consider the impact of the Company's culture on compliance processes.
- (b) Monitor the impact of changes in key laws, regulations, internal policies and Accounting Standards affecting the entity's operations.
- (c) Review the effectiveness of the entity's systems, policies and practices that relate to compliance with laws, regulations, internal policies and Accounting Standards, and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- (d) Obtain regular updates from management and the head of compliance about compliance and ethical matters that may have a material impact on the entity's financial statements, strategy, operations or reputation, including material breaches of laws, regulations, standards and company policies.
- (e) Review and monitor related party transactions.
- (f) Review processes and procedures designed to ensure compliance with the ASX Listing Rules on continuous disclosure.
- (g) Review and, where applicable, approve the policies, processes and framework for identifying, analysing and addressing complaints (including whistleblowing) and review material complaints and their resolution.
- (h) Review the entity's process for communicating the code of conduct to staff and assess the effectiveness of, and compliance with the code.
- (i) Discuss with management whether all regulatory compliance matters of the Company have been considered in the preparation of the financial statements, such as compliance with Accounting Standards and the requirement for the financial statements to reflect a 'true and fair' view.

## **2.5 Risk management**

- (a) Consider the impact of the entity's culture on risk management.
- (b) Monitor changes in the economic and business environment, including consideration of emerging trends and other factors related to the entity's risk profile.

- (c) Review the effectiveness of processes for identifying the entity's risks and the appropriateness of the risk management procedures to maintain activities within the board's risk appetite.
- (d) Consider the adequacy and effectiveness of the risk management framework by reviewing reports from management and external audit, and by monitoring management responses and actions to correct any noted deficiencies
- (e) Formulate an action plan to address areas of perceived risk and monitor implementation programs.
- (f) Consider internal controls, including the Company's policies and procedures to assess, monitor and manage risks.
- (g) Review any material incident involving fraud or a breakdown of the Company's risk controls and the "lessons learned".
- (h) Review the Company's insurance program, having regard to the Company's business and the insurable risks associated with its business.
- (i) Review disclosures in the annual corporate governance statement in relation to the recognition and management of business risks.

## **2.6 Other**

Perform such other functions related to this Charter as requested by the Board.

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## **3 Operations**

The Board meets in its capacity as the Audit and Risk Committee at least twice per calendar year and otherwise as required. The meetings are governed by the same rules set out in the Company's constitution as applicable to other meetings of the Board.

The Board deals with any conflicts of interest that may occur by ensuring that the director with a conflicting interest is not party to the relevant discussions.

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## **4 Authority and resources**

The Company will provide the Audit and Risk Committee with sufficient resources to undertake its duties, including providing educational information on accounting policies and other financial topics relevant to the Company, to assist the Audit and Risk Committee in fulfilling its duties.

The Audit and Risk Committee is authorised to:

- (a) seek any information it requires to perform its duties, from any employee of the Company;
- (b) seek explanations and additional information from the Company's external auditors, ( with or without management present), when required; and
- (c) obtain, at the Company's expense, external legal or other professional advice on any matter within its responsibilities as set out in this Audit and Risk Committee Charter where the Audit and Risk Committee considers that necessary or appropriate.

The Audit and Risk Committee has the power to conduct or authorise investigations into any matter within its scope of responsibilities.

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## **5 Reporting**

The Audit and Risk Committee will report regularly to the Board about Audit and Risk Committee activities and make appropriate recommendations.

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**6 Review**

The Audit and Risk Committee Charter will be reviewed at least annually and updated as required.