

Audit and Risk Management Committee Charter

(Approved by the Board on 29 September 2014)

1 Purpose and Authority

The Audit and Risk Management Committee (the *Committee*) is established to assist the Board of Alchemia Limited (the *Company*) in fulfilling its responsibility to ensure the quality and integrity of the accounting, auditing, financial reporting and risk management procedures of the Company and its subsidiaries (the *Group*), including:

- (a) exercising oversight over the compliance of the Group's financial statements with the requirements of the Corporations Act and any other mandatory professional reporting requirements, statutory reporting requirements;
- (b) assisting the Board to make informed decisions regarding accounting and regulatory policies, judgements, practices and disclosures;
- (c) advising the Board on, and assessing the effectiveness of, the Group's internal control framework and developing ethical standards for the management of the Group's affairs;
- (d) assessing the performance of the Group's existing risk management framework, and advising the Board with respect to improvements that may better place the Group to respond to and manage its exposure to economic, environmental and social sustainability risks; and
- (e) reviewing the suitability of the Group's insurance program.

The Committee is a committee of the Board established in accordance with the Company's constitution and authorised by the Board to assist it in fulfilling its statutory, fiduciary and regulatory responsibilities.

The Committee has the authority and power to exercise the role and responsibilities set out in this Charter. It does not have the power to commit the Board to any recommendation or decision made by it except in respect of matters relating to the appointment, oversight, remuneration and replacement of the Group's external auditors, or to the extent that the Board grants a separate resolution for it to do so.

2 Membership

2.1 Composition of the Audit and Risk Committee

The Audit and Risk Committee will comprise at least three Members, a majority of whom are independent directors.

Members should be financially literate and the Committee Chairperson should have significant and relevant accounting experience.

Members of the Committee will be appointed by the Board.

2.2 Committee Chairperson

A member who is an independent director will be appointed by the Board to chair the Committee (the *Committee Chairperson*).

The role of the Committee Chairperson is to:

- (a) determine the agenda for meetings of the Committee in conjunction with the Committee Secretary;
- (b) chair meetings of the Committee and take reasonable steps for the proper functioning of the Committee, including the proper conduct of meetings and an appropriate level of discussion;
- (c) take reasonable steps regarding the adequate flow of relevant information to the Committee;
- (d) take reasonable steps to advise the Board on the Committee's recommendations to the Board on matters falling within the scope of the Committee's responsibilities;

- (e) review the minutes of meetings of the Committee for circulation to and approval of the Committee and sign the approved minutes; and
- (f) act under a delegation of the Committee, including liaising on behalf of the Committee with consultants advising the Committee.

2.3 Committee Secretary

The Committee will appoint a Secretary (the *Committee Secretary*) who will act as secretary for all meetings of the Committee.

The Committee Secretary or a nominee will take minutes, distribute these to Committee members for comment, and have these approved by the Committee Chairman as soon as practicable after each meeting.

Minutes of Committee meetings will be included in the papers for the next Board meeting after each Committee meeting.

The Committee Secretary is responsible for distributing meeting notices, agendas and Committee papers to members prior to each meeting.

3 Duties and Responsibilities

The Committee has the duties and responsibilities as set out in sections 3.1 to 3.5 below in respect of the Group's audit matters, financial statements and internal risk management procedures.

3.1 External Audit

The duties and responsibilities of the Committee include:

- (a) appointing an external auditor according to criteria which include, but are not limited to:
 - (i) the connection, past or present, or association of the external auditor with the Group, directors, or senior management of the Group that may impair, or be seen as impairing, the independence of the audit;
 - (ii) the external auditor's reputation for independence and probity;
 - (iii) the professional standing of the external auditor within the business community; and
 - (iv) the knowledge held by the external auditor of the industry within which the Group operates;
- (b) requiring that staff employed by an external auditor, including the partner or other principal with overall responsibility for the engagement be rotated periodically, and in any event at intervals not exceeding five years, for the purpose of avoiding the risk that the independence of the Group's external audit function may become impaired;
- (c) informing the Board of the appointment, re-appointment and removal of the external auditors. This will include periodic reviews of the external auditor;
- (d) reviewing and advising the Board of:
 - (i) the external auditor's annual plan;
 - (ii) the impact of any proposed changes in accounting policies on the Group's financial statements;
 - (iii) the fees proposed by the external auditor, including whether an effective, comprehensive and complete audit can be conducted for the fee; and
 - (iv) the annual review of the qualification, expertise, resources and performance of the external auditor;
- (e) confirming that there have been no unjustified restrictions or limitations placed on the external auditor;
- (f) monitoring the effectiveness, objectivity, and independence of the external auditors. This may include obtaining statements from the external auditors on relationships between them and the Group;

- (g) reviewing the scope and terms of the engagement for the external audit to establish that they are adequate, placing emphasis on areas where the Board, the Committee, management and/or the external auditors consider special emphasis is necessary;
- (h) reviewing the need for an internal audit function and, if an internal audit function is considered necessary, the scope of any work to be conducted;
- (i) approving and monitoring the Group's policy in relation to the provision of non-audit services by the external auditor to avoid impairing the external auditor's independence or objectivity; and
- (j) ensuring that at each Annual General Meeting held by the Company, the appointed external auditor is in attendance and is available to answer questions by shareholders, as required by section 250T of the *Corporations Act 2001 (Cth)*, including in relation to:
 - (i) the conduct of the annual audit and the independence of the auditor in relation to that audit; and
 - (ii) the preparation and content of the auditor's report.

3.2 Financial Statements

The duties and responsibilities of the Committee include:

- (a) reviewing with management and in conjunction with the external auditor at the completion of the half yearly and the annual audit, and advise and make recommendations to the Board on:
 - (i) the Group's financial statements and related notes (and adoption thereof);
 - (ii) the external auditor's audit of the Group's financial statements; and
 - (iii) any significant changes required in the external auditor's audit plan, including new or proposed accounting practices, principles or developments, disclosure requirements and legislative or regulatory pronouncements and its effect on the external auditor's audit plan;
- (b) reviewing the Group's financial performance, including profit and loss and cash flow statements, on a monthly basis against budget, and ensuring that revised forecasts are prepared regularly;
- (c) reviewing the significant accounting and financial reporting issues and judgements, including complex or unusual transactions made in connection with the preparation of the Group's financial statements, interim reports, preliminary announcements and related formal statements;
- (d) reviewing the disclosures in the financial statements;
- (e) reviewing recent regulatory and professional pronouncements and understand their impact on the financial statements, as advised by the Chief Financial Officer; and
- (f) reviewing the Group's financial statements prior to their lodgement, and considering whether they are consistent with information known to Committee members and reflect appropriate accounting principles, standards and regulations.

3.3 Internal Controls

The duties and responsibilities of the Committee include:

- (a) reviewing the Group's risk management framework and overseeing its effectiveness, with a view to specifically enabling the timely and effective identification of material economic, environmental and social sustainability risks to the Group;
- (b) reviewing and making recommendations to the Board on the Group's overall risk profile and risk appetite as well as the Group's risk profile in each risk area of market, liquidity, equity, credit, regulatory, and operational. There should also be a review of:
 - (i) developments in markets in which the Group operates;
 - (ii) the appropriate level of insurance cover that the Group should maintain, including the terms and conditions of any such insurances; and

- (iii) experience of profits and losses in each risk category to provide confidence that the Group's policy reflects and is consistent with experience;
- (c) considering and reviewing with the Chief Financial Officer:
 - (i) any matters that might have a significant impact on the financial condition or affairs of the Group;
 - (ii) the adequacy of the process for reporting and responding to significant control weaknesses;
 - (iii) the adequacy of the Group's internal controls;
 - (iv) any instances of significant internal and external fraudulent activity identified and responses thereto; and
 - (v) the findings of any auditor observations;
- (d) reviewing and monitoring compliance with the Group's Board Charter; and
- (e) preparing and recommending for approval by the Board, the Corporate Governance Statement for inclusion in the Group's Annual Report (or any other public document).

3.4 Sustainability Risk Review

The Committee will review the extent to which the Group has a material exposure to economic, environmental and social sustainability risks and if it determines that the Group does have a material risk of such exposure, it will disclose to shareholders how it currently manages or intends to manage those risks.

The Committee will determine an exposure to be 'material' where there exists a real possibility that the risk in question could substantially affect the Group's ability to create or preserve value for shareholders over the short, medium or long term.

The Committee will provide the Board with a Sustainability Risk Report on an annual basis.

3.5 Financial Statement Declaration

The Committee is required to ensure that before the Board approves the Group's financial statements, it procures a declaration from both the Chief Executive Officer and Chief Financial Officer that, in each of their opinion:

- (a) the financial records of the Group have been properly maintained;
- (b) the financial statements prepared by the Group comply with the appropriate accounting standards; and
- (c) the financial statements prepared by the Group give a true and fair view of the financial position and performance of the Group,

and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

4 Access to Information

The Committee has the authority to require:

- (a) the attendance of any management or employee of the Group; and
- (b) unrestricted and unfettered access to any information, document, report or material in the possession of any manager, employee or entity of the Group, and all employees and managers must comply with such requests from the Committee,

subject to any legal requirements, including any fiduciary or statutory duties of Committee members.

5 Independent Advice

The Committee is authorised to obtain (at the cost of the Company or another appropriate company in the Group) outside legal or other independent professional advice if it is considered necessary for the proper performance of the Committee's functions under this Charter.

Where the Committee seeks advice independently of management, the Committee should engage those advisers directly and request that any advice be provided directly to the Committee (or the Committee Chairperson).

6 Meetings

6.1 Frequency of Meetings

The Committee will meet at least twice during each year.

Meetings may be held more often, as required, at the request of the Committee Chairperson.

The Committee, through the Committee Chairperson, will report to the Board following each meeting.

6.2 Quorum

The quorum for a meeting of the Committee is two members.

6.3 Attendance of Representatives

Representatives of management and other employed personnel may be invited to attend meetings, or specific parts of meetings, at the discretion of the Committee Chairperson.

7 Committee Performance

The Board will periodically assess the effectiveness of the Committee with a view toward ensuring that its performance accords with best practice.

The Committee will also participate in a formal review every two years, as part of the Board and Committee review process.

The Committee will oversee that its members undergo ongoing training and professional development as appropriate, so that all members are best placed to discharge the Committee's responsibilities.

The Committee's Charter will be reviewed and updated as required, so as to ensure, among other things, that it complies with corporate governance requirements and meets the needs of the Group.