



MAGNIS ENERGY TECHNOLOGIES LIMITED

AUDIT & RISK COMMITTEE CHARTER

The Magnis Energy Technologies Ltd Board operates an **Audit and Risk Committee (“A&RC”)** or (“**Committee**”) as a Committee of the Board.

1. ROLE AND PURPOSE

The role of the A&RC is to:

- Assist the Board in carrying out its responsibility to exercise due care, diligence and skill in relation to the Board’s reporting of financial information, application of accounting policies, financial management, internal control systems, business policies and procedures, compliance with applicable laws and regulations, and monitoring and controlling of business risks;
- Provide a formal forum for communication between the Board, auditors and senior management;
- Ensure the effectiveness of tax risk management and compliance and general internal controls;
- Review the matters in relation to risk management (including financial and non-financial risks) and risks over short, medium and long-term time horizons.

2. MEMBERSHIP

The A&RC shall comprise a minimum of three members and all members will be members of the Board of Directors and shall be appointed by the Board.

- Members shall only be Non-Executive Directors where possible, with a majority of independent directors and a quorum will comprise two members;
- If membership of the A&RC contains an Executive Director out of default or given the lack of Non-Executive Directors available to comprise membership,

the Executive Director will abstain from voting and discussions on the terms and conditions related to his or her matter or direct interests;

- Each member shall have working knowledge with basic accounting and finance practices with at least one member having considered financial expertise (for example, a qualified accountant or other financial professional) and the members between them should have a sufficient understanding of the industry that the Company operates in;
- If only one A&RC Member is available through unavoidable circumstances, an additional Board Member may be co-opted to the A&RC for the purpose of finalising urgent business. Should the Chairperson of the A&RC be absent from any A&RC meeting, the other independent Non-Executive members of the A&RC present at that meeting shall appoint one of their number to be Chairperson for that meeting;
- The Chairperson of the A&RC shall be an independent Non-Executive Director of the Company. The Chairperson of the Board cannot be Chairperson of the A&RC;
- The Secretary of the A&RC should be the Company Secretary or his or her designated representative if the Company Secretary is not available to attend.

3. MEETINGS

- The Company Secretary, in conjunction with the A&RC Chairperson, shall draw up an agenda, which shall be circulated at least one week prior to each meeting to the members of the A&RC;
- The A&RC Chairperson will call a meeting of the A&RC if requested by any A&RC Member, or by the external auditors;
- The external auditors should be given notice of all meetings and have the right to attend and speak;
- Unless the A&RC determines otherwise, the Managing Director and/or Chief Executive Officer, the Chief Financial Officer and other Executive Senior Management personnel are to attend A&RC meetings, or part thereof, as requested by the Chairperson of the A&RC to provide required reports and presentations;
- Meetings shall be held at least twice per annum and more frequently if required as determined by the A&RC Chairperson;
- A quorum of any A&RC meeting shall be two members;

- Minutes of all meetings of the A&RC are to be kept by the Company Secretary.

4. RESPONSIBILITIES AND AUTHORITY

The A&RC shall consider any matters relating to the financial affairs, corporate governance, external audit, and internal controls of the Company and its controlled entities that it considers necessary. In addition, the A&RC shall examine any other matters referred to it by the Board. The key areas of authority are:

A. EXTERNAL AUDIT

- Manage the performance of the external auditors;
- Make recommendations to the Board regarding the appointment of the external auditors;
- Approve the terms of engagement and audit fee of the external auditors;
- Review and approve the annual external audit plan;
- Review external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- Review the work carried out by the external auditors, to ensure that the conduct of such work does not compromise the independence of the external auditors;
- Review the annual declaration of independence from the external auditors;
- Supervise special reports or investigations

B. FINANCIAL REPORTING PROCESSES

In reviewing the Company's financial reports, the A&RC shall consider with management the following:

- Review significant accounting policies, judgements and estimates applied in financial reporting to ensure appropriateness for the organisation and compliance with accounting standards;
- Monitor the procedures in place to ensure that the entity is in compliance with the Corporations Act, Australian Securities Exchange Listing Rules and other legislative and reporting requirements;
- Review related party transactions and consider the adequacy of disclosure of those transactions in the financial statements

C. FINANCIAL RISK MANAGEMENT

A&RC oversight of financial risk to include:

- Ensure that management has put in place a process to identify, manage and report on the significant financial risks facing the business;
- Review policies on sensitive issues or practices
- Review declarations from management on compliance with statutory responsibilities

D. TAX RISK MANAGEMENT AND COMPLIANCE

In monitoring of Company's tax risk management and governance, the A&RC shall consider the following:

- Review the company's tax risk governance framework; adequacy of staff capacity and capability; IT systems, controls and procedures for dealing with tax law and administrative updates; effective use of tax advisors; and self-assurance processes to periodically test the effectiveness of its tax policies;
- Tax reporting to the Committee that includes status of tax lodgement, tax advice taken on technical issues, tax issues identified, escalated and mitigated and the status of franking credits if applicable.

E. INTERNAL CONTROLS

- Reviewing the adequacy, effectiveness and appropriateness of the Company's accounting control systems and policies
- Approving the appointment, and removal, of the internal auditor including the:
 - Role, scope, nature and suitability of the internal audit function
 - Internal audit programme and any changes to it
 - Internal audit fees
- Confirming that any internal control recommendations made by the internal or external auditor and approved by the A&RC have been implemented by management on a timely basis
- Reviewing and making recommendations to the Board in relation to incidents involving actual or potential breach of Company financial policies, actual or potential fraud or other breakdown of the Company's internal controls
- Confirming that processes are in place such that accounting records are properly maintained in accordance with statutory requirements

F. FINANCIAL CORPORATE GOVERNANCE

In conjunction with the Board, use all reasonable endeavours to:

- Monitor developments in corporate governance practices;
- Benchmark the entity's policies against best practice;
- Review past or proposed transactions between the Company and members of management or the Board;
- Make recommendations on Corporate Governance standards and practices to the Board;
- Liaise with the Board on documentation relating to Corporate Governance on an annual basis.

5. REPORTING

The Chairman of the A&RC shall report the findings and recommendations of the Committee to the Board after each A&RC meeting. The minutes of all A&RC meetings shall be circulated and tabled to all members of the Board.

The A&RC will oversee the preparation of any reports required by law or the ASX Listing Rules or as requested by the Board including any reports on corporate governance that are required to be included in the Annual Report.

6. AUTHORITY

The A&RC shall have the authority to seek any information it requires from any officer or employee of the Company or its controlled entities and such officer or employee shall be instructed by the Board of the Company to respond to such enquiries.

The A&RC can engage and take authorised independent counsel and advice from lawyers, accountants or other professionals as it considers necessary to assist in any review or investigation or such matters as the A&RC deems appropriate.

The A&RC shall have no executive powers, unless otherwise stated in this Charter, with regard to its findings and recommendations.

The findings of the A&RC shall not relieve the Board of any of its responsibilities.

7. COMMITTEE PERFORMANCE AND REVIEW OF CHARTER

To determine whether it is functioning effectively, the Board will:

- A. Review this A&RC Charter every two years;
- B. Assess the performance of the A&RC on an annual basis
- C. Be able to amend the A&RC Charter by a Board Resolution.

The Directors acknowledge that all proceedings of the Board and its sub-committees are strictly confidential and that a Director will be expected to resign from the Board if he or she commits a breach of this confidentiality.

The A&RC Charter shall be made available on the Company website.

Audit & Risk Committee Charter

Formed by:	Company Secretary
Approver:	Board of Directors
Version:	1.0
Issued:	Apr 2020
Next Review Date:	Apr 2022