

The board of directors of Imdex Limited (Company or Imdex) has approved the following terms of reference for the Audit, Risk and Compliance Committee (the Committee). This Committee has the authority to review, on behalf of the board of directors (Board), matters arising in relation to financial reporting, internal control structures, internal and external audit functions, risk management systems and compliance.

The Board sets the risk appetite for the entity and delegates to senior management responsibility for the operational effectiveness of the management of risk. The Board has responsibility for oversight of the risk management framework to satisfy itself that it is sound.

1. OBJECTIVES

The objective of the Committee is to assist the Board in fulfilling its responsibilities in regard to financial reporting, internal and external audit, risk management and compliance. These activities include but are not limited to:

- (a) monitoring compliance with all relevant financial, statutory and regulatory requirements;
- (b) considering the integrity of Imdex's accounting systems and their associated internal control frameworks;
- (c) considering the reliability, punctuality and accuracy of Imdex's financial reporting;
- (d) liaison with and monitoring the independence of, the external auditor;
- (e) review of the risk management and control framework;
- (f) overseeing and monitoring the internal audit process;
- (g) identifying the full range of actual or potential risk exposures which are material to the Company;
- (h) creating a culture from the top down where staff and supervisors ensure that internal controls are operational, compliance with obligations is sustained and breaches are reported appropriately; and
- (i) acting on complaints received regarding accounting practices, internal accounting controls, auditing matters, significant risk and compliance issues whether received from employees or otherwise and whether or not provided on a confidential or anonymous basis.

2. COMPOSITION

2.1 Committee members will be appointed by the Board and will consist of:

- (a) at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
- (b) members who between them have accounting and financial expertise, technical knowledge and a sufficient understanding of the industry in which Imdex operates.

2.2 The Chairperson of the Committee is to be an independent Non-Executive Director, who is not the Chairperson of the Board.

3. MEETINGS

3.1 The Committee shall meet at least four times a year. If required, any member of the Committee, or the external auditor, may request additional meetings through the Committee Chairperson.

3.2 The quorum for a meeting is two members.

- 3.3 Members of Imdex management and representatives of the external auditor may be requested or required to attend Committee meetings at the invitation of the Chairperson for the purpose of providing reports or presentations to the Committee.
- 3.4 For at least two meetings in each financial year, the Committee will:
 - (a) meet with Imdex management without the external auditor being present, to discuss any issues relating to the external audit; and
 - (b) meet with the external auditor without any representatives of management being present, to discuss any relevant issues and seek assurance that no management restrictions are being placed upon the external auditors.
- 3.5 The Company Secretary, in conjunction with the Chairperson of the Committee, is responsible for preparation of the agenda for each meeting and must circulate the agenda and Committee papers to all members and attendees prior to each meeting.
- 3.6 The Company Secretary is to attend all Committee meetings and is responsible for ensuring that proper minutes are taken. The minutes will be included in the papers for the next Board meeting following the Committee meeting.

4. ACCESS TO INFORMATION AND INDEPENDENT ADVICE

- 4.1 The Committee will maintain free and open communication with Imdex management and the external auditor. The Committee has the authority to seek any information it requires from any employee of the Imdex group of companies and all employees must comply with such requests.
- 4.2 The Committee may take such independent legal, financial or other advice as it considers necessary.
- 4.3 The Committee should understand the Imdex corporate structure, its operations and key developments as are relevant to the Committee's role and may receive periodic presentations from subject matter experts to assist in achieving such an understanding.
- 4.4 In discharging its role the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of Imdex and the authority to engage independent counsel and other advisers as it deems necessary to carry out its duties.

5. ROLES AND RESPONSIBILITIES

- 5.1 The Committee is responsible for:
 - (a) the review and monitoring of financial reporting, audit and risk management systems and internal controls implemented and reported on by Imdex management; and
 - (b) the review of Imdex's processes for identifying and reporting on non-compliance, and the results of management's investigation and follow-up actions.
- 5.2 Members of the Committee generally do not represent themselves as experts in the fields of accounting, auditing or financial risk management. As such, it is not the responsibility of the Committee directly to conduct accounting, auditing or financial risk management reviews.
- 5.3 Management is responsible for:
 - (a) The preparation, presentation and integrity of Imdex's financial information and other information provided to the Committee;

- (b) Implementing, managing and maintaining appropriate enterprise- wide accounting, financial reporting and financial risk management systems and internal controls that are designed to ensure compliance with applicable accounting standards, laws and regulations; and
 - (c) Maintaining sufficient knowledge, skills and expertise within Imdex's finance function.
- 5.4 The external auditor is responsible for planning and carrying out each audit and review in accordance with applicable auditing standards. The external auditor is accountable to shareholders.

6. REVIEW OF FINANCIAL INFORMATION

- 6.1 The Committee will review the draft half yearly and annual financial statements of Imdex and any draft associated documents for public release, prior to consideration by the Board, to assess whether they represent a true and fair view of Imdex and the entities consolidated for reporting purposes, and their financial position and performance. The Committee should focus on:
- (a) compliance with accounting standards (including an assessment of the appropriateness of management's selection of accounting policies and disclosures);
 - (b) significant or unusual transactions and accounting estimates;
 - (c) significant changes in accounting policies and practices;
 - (d) underlying earnings and areas of subjectivity requiring the exercise of sound judgment, especially insofar as these may impact reported earnings;
 - (e) significant audit adjustments and/or unadjusted audit differences;
 - (f) review all Representation Letters to the external auditor signed by management; and
 - (g) the form of the proposed opinion to be issued by the external auditor.
- 6.2 The Committee will review the declarations signed by the Managing Director and Chief Financial Officer required by the Corporations Act.

7. LEGAL AND REGULATORY COMPLIANCE

- 7.1 The Committee will, in conjunction with the Board, and Imdex management, monitor Imdex's compliance with all relevant financial, statutory and regulatory obligations.
- 7.2 The Committee will consider the effects on Imdex of new or proposed accounting or tax practices, principles, or developments, as well as changes in disclosure requirements and legislative or regulatory pronouncements.

8. RISK MANAGEMENT AND CONTROL FRAMEWORK

- 8.1 The Committee, taking into consideration the functions of the Board, will review Imdex management's risk management system (which is designed to identify, assess, monitor and manage material business risks throughout Imdex), in relation to audit, accounting, taxation, financial and non-financial reporting risks and obligations.
- 8.2 The Committee will consider the adequacy and effectiveness of Imdex's internal control framework by reviewing reports from management, relevant consultants and the external auditors, and by monitoring management actions to correct any noted deficiencies.
- 8.3 In assisting the Board, the Committee is to confirm that there are procedures established for the receipt, retention and treatment of complaints received by Imdex regarding accounting, internal control or

auditing matters and the confidential, anonymous submission of concerns by employees of Imdex regarding questionable accounting or auditing matters.

- 8.4 The Committee should regularly engage with line leaders / business unit heads across the Company to:
- (a) ensure uniformity in risk management practices across the Company; and
 - (b) encourage reporting of significant issues promptly to the Board when necessary.

9. EXTERNAL AUDITOR

- 9.1 The Committee will:
- (a) recommend to the Board the appointment, reappointment or replacement of the external auditor;
 - (b) approve the proposed rotation of the external audit partner;
 - (c) review the engagement letters (and where relevant, audit plan) of the external auditor, including payment of annual fees and variations to approved fees of greater than 10%;
 - (d) review the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures;
 - (e) consider the overall effectiveness and independence of the external auditor; and
 - (f) resolve any disagreement between management and the external auditor regarding financial reporting.
- 9.2 The Committee will monitor and note compliance by the external auditor with the independence requirements of the Corporations Act and will receive and review the Auditor's Independence Declaration to be provided to the directors of Imdex by the external auditor pursuant to the Corporations Act.
- 9.3 The Committee will implement a process for approval of all non-audit services i.e. all services not directly related to the financial statement audit performed by the external auditor (who is not to be appointed to undertake any non-audit assurance services that may impair the external auditor's independence in respect of Imdex).
- 9.4 On an annual basis, the Committee will review a report from the external auditor:
- (a) confirming that the audit firm's internal quality control and conflict procedures are in place and operative; and
 - (b) describing any material issues raised by the most recent quality control or peer review of the audit firm and any steps taken to deal with any such issues.
- 9.5 The Committee and management will agree on the hiring of employees or former employees of the external auditor in order to comply with the Corporations Act.
- 9.6 Prior to the annual approval of the Director's Report, the Committee will pass a resolution to provide the Board with written advice as required by the Corporations Act relating to:
- (a) whether any non-audit services provided during the year by the external auditor are compatible with the general standard of auditor independence as imposed by the Corporations Act; and
 - (b) the reason why the Board should be satisfied that any non-audit services provided during the year by the external auditor did not compromise the auditor independence requirements of the Corporation Act.
- 9.7 With the exception of 9.1(b) and (c) above, recommendations of the Committee are to be referred to the Board for approval.

10. INTERNAL AUDIT

The internal audit function will report to the Committee. The Committee will:¹

- (a) appoint and remove the internal audit provider;
- (b) review and approve the internal audit mandate, plans, work program and quality control procedures and monitor the progress of the work program;
- (c) confirm that the internal audit function is independent;
- (d) confirm that the internal audit function has all necessary access to Imdex management and the right to seek information and explanation; and
- (e) consider the overall effectiveness of the internal audit function

11. OTHER MATTERS

The Committee may undertake any special projects or investigations which the Committee considers necessary, or as may be requested by the Board.

12. COMMITTEE PERFORMANCE

Once a year, the Committee shall:

- (a) review this Charter; and
- (b) perform an evaluation of its performance.

13. RELATED DOCUMENTS:

- Imdex Risk Management Policy
- Enterprise Risk Management (ERM) Policy
- Imdex Risk Management Framework Policy
- Imdex Speak Up Policy

14. APPENDIX 1 – CHARTER HISTORY

- 17 April 2013 – Audit Committee Charter revised.
- 24 April 2013 – Revised Audit Committee Charter approved.
- 3 April 2017 – Audit Committee Charter revised.
- 21 April 2017 – Revised Audit Committee Charter approved.
- June 2018 – revised Charter based on changing corporate governance regulation and ASX Principles and Guidelines likely to be released 2019.

¹ See the International Standards for the Professional Practice of Internal Auditing for guidance in determining how best to structure and staff that function.