

Audit and Risk Committee Charter

Phoslock Environmental Technologies Limited ACN 099 555 290
(Company)

Adopted by the Board – [date]

1 Purpose

The purpose of this Audit Charter is to specify the authority delegated to the Audit and Risk Committee (**Committee**) by the board of directors of the Company (**Board**) and to set out the role, responsibilities, membership and operation of the Committee. 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. It has the authority and power to exercise the role and responsibilities set out in this charter and granted to it under any separate resolutions of the Board from time to time.

2 Overview

The ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" (**ASX Recommendations**) recommend that the Company has formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting and that it has a sound management framework.

The Committee is established to assist the Board by undertaking the roles, and exercising the responsibilities, set out in this charter and other assignments as requested by the Board.

The Committee aims to bring transparency, focus and independent judgment to these roles. It will report regularly to the Board on matters relevant to these roles and responsibilities, and as required to satisfy the Corporations Act, ASX Recommendations and ASX Listing Rule requirements relevant to these roles and responsibilities.

3 Corporate reporting

3.1 The Committee's role

The Committee's role is to oversee the adequacy of the Company's corporate reporting processes. The processes should be formal and rigorous to independently verify and safeguard the integrity of the Company's corporate reporting.

3.2 The Committee's responsibilities

The Committee is responsible for:

- (a) **adequacy:** making recommendations in relation to the adequacy of the Company's corporate reporting processes;
- (b) **external auditor:** asking the external auditor for an independent judgment about the appropriateness of the accounting principles, and the clarity of financial disclosure practices, used by the Company;
- (c) **assessing information** from external auditors which is significant for financial reports;
- (d) **accounting judgments:** reviewing and assessing the appropriateness of material estimates, accounting judgments and significant choices exercised by management in preparing the Company's financial statements (including the solvency and going concern assumptions) by:
 - (i) examining the processes used; and
 - (ii) seeking verification from external auditors;

- (e) **true and fair view:** assessing that the Company's financial statements reflect the Committee's understanding of, and provide a true and fair view of, the Company's financial position and performance;
- (f) **preparation of financial reports:** overseeing the preparation of financial reports and reviewing the results of external audits of these reports;
- (g) **section 295A declaration:** overseeing that internal control processes are in place to form the basis upon which the persons performing the chief executive function and the company secretary function respectively make their declarations to the Board under section 295A of the *Corporations Act 2001* (Cth) and Principle 4 of the ASX Recommendations;
- (h) **Board approval:** recommending to the Board whether the financial statements, financial report, Directors' Report and Annual Report should be approved based on the Committee's assessment of them.

4 The external audit

4.1 The Committee's role

The external audit is fundamental in the process to independently verify and safeguard the integrity of the Company's corporate reporting. The Committee's role is to oversee the external auditor's role in the corporate reporting process and make recommendations to the Board regarding the external audit.

4.2 The Committee's responsibilities

The Committee is responsible for:

- (a) **appointment:**
 - (i) making recommendations to the Board on the selection process, appointment and remuneration of the external auditor;
 - (ii) agreeing the terms of engagement of the external auditor before the start of each audit;
 - (iii) reviewing the external auditor's fee and being satisfied that an effective, comprehensive and complete audit can be conducted for the fee set;
- (b) **independence:**
 - (i) monitoring the independence of the external auditor;
 - (ii) reviewing the external auditor's independence based on the external auditor's relationships and services with the Company and other organisations;
 - (iii) assessing any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor and, if required, developing policies for Board approval in relation to this;
- (c) **meetings and ongoing communication:**
 - (i) inviting the external auditor to attend Committee meetings to review the audit plan, discuss audit results and consider the implications of external audit findings;
 - (ii) meeting with the external auditor without management present at least once a year;
 - (iii) raising with the external auditor any specific points of divergence with the Company's management;
- (d) **reviewing and monitoring:**
 - (i) the effectiveness of the external auditor and assessing their performance;

- (ii) the scope and adequacy of the external audit and any additional procedures with the external auditor on a periodic basis;
- (iii) representation letters signed by management and assessing that information provided is complete and appropriate;
- (iv) monitoring management's response to the external auditor's findings and recommendations;
- (e) **rotation:** making recommendations to the Board on the rotation of the audit engagement partner;
- (f) **removal:** evaluating whether to recommend to the Board that an external auditor be removed.

The external auditor will attend the Company's Annual General Meeting and be available to answer questions from security holders relevant to the audit.

5 Related party transactions

The Committee is responsible for reviewing and monitoring the propriety of related party transactions.

6 Membership

6.1 Composition and size

The Committee will consist of:

- (a) at least three (3) members; and
- (b) a Chairman, who is not the Chairman of the Board.

The Company will disclose the relevant qualifications and experience of the members of the Committee.

The Board may appoint additional directors to the Committee or remove and replace members of the Committee by resolution.

6.2 Chairman

The Chairman of the Committee is appointed by the Board. If, for a particular Committee meeting, the Committee Chairman is not present within 10 minutes of the nominated starting time of the meeting, the Committee may elect one of their number as a Chairman for the meeting.

6.3 Technical expertise and development

The Committee is intended to be structured so that between them, the members of the Committee should have the accounting and financial expertise and a sufficient understanding of the industry in which the Company operates, to be able to discharge the Committee's role effectively.

If the Committee Chairman approves, a Committee member may attend seminars or training related to the functions and responsibilities of the Committee at the Company's expense.

6.4 Commitment

Committee members should devote the necessary time and attention for the Committee to carry out its responsibilities.

6.5 Secretary

The Company Secretary is the Secretary of the Committee.

7 Committee meetings and processes

7.1 Meetings

Meetings and proceedings of the Committee are governed by the provisions in the Company's constitution regulating meetings and proceedings of the Board and committees of the Board in so far as they are applicable and not inconsistent with this charter.

Committee members may attend meetings in person, by telephone or by electronic means.

At the end of each reporting period, the Board will disclose the number of times the Committee met throughout that reporting period and the individual attendance of each Committee member at those meetings.

7.2 Frequency and calling of meetings

The Committee will meet as frequently as required to undertake its role effectively, but at least annually. The Chairman must call a meeting of the Committee if requested by any member of the Committee, the external auditor, or the Chairman of the Board.

7.3 Quorum

Two members constitute a quorum for meetings of the Committee.

7.4 Attendance by management and advisors

Non-member directors may attend Committee meetings at their discretion. The Committee Chairman may also invite other senior managers and external advisors to attend meetings of the Committee. The Committee may request management and/or others to provide such input and advice as is required.

7.5 Notice, agenda and material

The Chairman of the Committee determines the meeting agenda after appropriate consultation.

The Secretary will distribute the notice of meeting, the agenda of items to be discussed and related material to all Committee members and other attendees not less than three (3) business days before each proposed meeting of the Committee.

7.6 Access to information and advisors

The Chairman of the Committee receives all reports between the external auditor and management.

The Committee has the authority to:

- (a) require management or others to attend meetings and to provide any information or advice that the Committee requires;
- (b) access the Company's documents and records;
- (c) obtain advice and input from counsel, accountants and other experts, without seeking approval of the Board or management (where the committee considers that necessary or appropriate); and
- (d) access and interview management and external auditors (with or without management present).

Relevant information will be distributed to Committee members as it becomes available.

7.7 Minutes

The Secretary will keep minute books to record the proceedings and resolutions of its meetings.

The Chairman of the Committee, or their delegate, will report to the Board after each Committee meeting. Minutes of Committee meetings will be included in the papers for the next Board meeting after each Committee meeting.

8 Committee's performance evaluation

The Committee will review its performance from time to time and whenever there are major changes to the management structure of the Company.

The performance evaluation will have regard to the extent to which the Company has met its responsibilities in terms of this charter.

Committee members must be available to meet with external bodies if requested to do so in accordance with relevant laws, regulations or prudential standards.

9 Review and publication of charter

The Board will review this charter from time to time to assess whether it remains relevant to the current needs of the Company. The charter may be amended by resolution of the Board.

The charter is available on the Company's website and the key features are published in the annual report.