



Risk & Audit Committee Charter

Ellex Medical Lasers Limited

ACN 007 702 927

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1. Introduction

The Board of Ellex International Limited (“Ellex” or “the Company”) has established a Risk and Audit Committee (“Committee”).

It is noted that the Committee is a sub-committee of the Board. The Committee has no decision making powers except where expressly provided by the Board. The Committee’s role is to review and make recommendations to the Board.

2. Role

The primary objective of this Committee is to assist the Board in the discharge of its responsibilities with regard to independently verifying and safe guarding the integrity and supporting controls of Ellex’s financial reporting and the risk oversight and management of opportunities and threats.

3. Members and independence

- 3.1. The Committee shall be comprised of a minimum of 2 and maximum of 4 directors.
- 3.2. Committee mentorship includes appropriate financial expertise, with at least one member having relevant financial qualifications and experience, a diverse range of skills and experience as appropriate given the strategic, operational and financial risk profile of the Company.
- 3.3. A quorum shall be two directors.
- 3.4. The Board may appoint such additional directors to the Committee or remove and replace members of the Committee by resolution.
- 3.5. Members of management may attend meetings of the Committee at the invitation of the Committee Chair, but must not be appointed members of the Committee.
- 3.6. The Committee may delegate its authority to subcommittees or to the Chair of the Committee from time to time.

4. Chair

- 4.1. The Board shall appoint one member of the Committee as Chair of the Committee.
- 4.2. The Chair shall not be the Chair of the Board.
- 4.3. The Chair shall be primarily responsible for the proper functioning of the Committee and shall be the main contact for the Board.
- 4.4. Where the Chair is absent from a committee meeting, a Chair for the meeting will be appointed by the members of the Committee present.

5. Responsibilities and duties

The duties of the Committee shall include reviewing and making recommendations/reporting to the Board on:

- 5.1. Financial Reporting and Compliance
 - 5.1.1. Review, assess and approve the annual report, the half-year financial report and all other financial information to the extent directed by the Board which is published by the Company or released to the Australian Stock Exchange. In assessing the financial statements, the Committee relies on management attestation, and also considers reports from the internal and external auditors and other experts as required.
 - 5.1.2. Review procedures in place to ensure the Company is in compliance with corporate governance and ASX listing rules.
 - 5.1.3. Review procedures in place to ensure the Company is in compliance with accounting and taxation statutory requirements and other financial compliance obligations.
 - 5.1.4. Review updates provided by management, external and/ or internal audit regarding the Company's compliance with financial statutory requirements, and other financial compliance obligations.
 - 5.1.5. Direct actions, as appropriate, to remedy financial compliance risks or instances of financial non-compliance where these arise.
 - 5.1.6. Ensure the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition, operational results and are in accordance with relevant accounting standards and that financial records have been properly maintained in accordance with relevant corporations laws.

5.2. Internal Control and Internal Audit

5.2.1. Assist the Board in reviewing the effectiveness of the Company's internal control environment covering:

- i) Reliability of financial reporting.
- ii) Appropriateness of the financial control environment.
- iii) Compliance with applicable laws and regulations.

This includes overseeing the various methods used to assist in reviewing the effectiveness of the internal control environment, including internal audit and external audit.

5.2.2. Monitor the coordination of external audits, and other assurance activities, to ensure there is not duplication of effort or insufficient coverage of risk areas and to ensure the lowest effective combined fees

5.2.3. Review the fraud prevention and detection strategies and monitor compliance against the procedures that support these strategies including appropriate reporting of fraudulent and improper acts.

5.3. External Auditors

5.3.1. On an annual basis review the performance of the External Auditor.

5.3.2. Recommend to the Board the appointment, removal and remuneration of the External Auditor, and review their independence and competence on an ongoing basis.

5.3.3. Review and approve the scope of the external audit, the terms of their engagement and audit fees.

5.3.4. Review any reports provided by external audit and monitor the resolution of all significant audit findings.

5.3.5. Resolve any significant disagreements between the External Auditor and management

5.3.6. Review and approve the level of non-audit services provided by the External Auditor and ensure it does not adversely impact on auditor independence.

5.3.7. Provide the External Auditor with a clear line of direct communication at any time to either the Chair of the Risk & Audit Committee or the Chairman of the Board.

5.4. Risk Management

- 5.4.1. Promote awareness of a risk-based culture and the achievement of a balance between risk minimisation and reward for risks accepted.
- 5.4.2. Review the Company's risk appetite and tolerance annually to ensure its ongoing alignment with the Company's strategies.
- 5.4.3. Oversee management's actions in relation to the identification, assessment, management and monitoring of the Company's material risks by reviewing the Risk Register bi-annually.
- 5.4.4. Review the business contingency planning process within the Company and be assured that appropriate contingency plans are in place for material risks.
- 5.4.5. Ensure the Board conducts a strategic review of key risks at least annually and that these risks are linked and integrated to the management annual formal risk review
- 5.4.6. Oversee the effectiveness of the Company's risk management compliance approach.

5.5. Other

- 5.5.1. Review and monitor the propriety of related party transactions.
- 5.5.2. Conduct or authorise investigations into any matters within the Committee's Charter.
- 5.5.3. Perform other functions referred to the Committee by the Board.

6. Independent external advice

- 6.1. The Committee may engage and/or terminate, at the expense of the Company, any independent external adviser in relation to any Committee matter, as it determines are required to assist it in the full performance of its functions.
- 6.2. The committee may seek information directly from any employee or external party, including the External Auditors.
- 6.3. Other than in exceptional circumstances, the external audit engagement partner shall be rotated every 5 years or more frequently if the Committee considers it desirable to maintain the External Auditors' independence.
- 6.4. In addition to meeting with the Committee regularly, the External Auditors have an unrestricted right to discuss any issues they deem necessary with the Chair of the Risk & Audit Committee or, if deemed appropriate by the External Auditors, with the Chairman of the Board.
- 6.5. The external auditor is required to attend the Company's Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.
- 6.6. The internal audit function, if outsourced, will be provided by a firm other than the external audit firm.

7. Frequency of meetings

- 7.1. The Committee will meet at least 3 times each year, prior to Board meetings. It will also meet at such additional times as the Committee Chair or any member of the Committee may request and deem necessary to fulfil their role.
- 7.2. Any Committee member may convene a meeting of the Committee or request the Secretary of the Committee to do so, provided the Chair and Secretary have been given reasonable prior notice.

8. Attendance

- 8.1. Any other director of the Board has a standing invitation to attend and participate in meetings (on a non-remunerated basis).
- 8.2. The appointed Company External Auditor has a standing invitation to attend and participate in meetings.
- 8.3. The CEO and CFO will have a standing invitation to attend each Committee meeting, subject to exclusion as deemed appropriate by the Committee Chair from time to time.
- 8.4. Other executives and external specialists may be invited by the Chair of the Committee to attend part or all of any meeting.
- 8.5. The Committee may ask management to present at Committee meetings on issues relevant to the Committee's duties and responsibilities.

9. Meetings

- 9.1. Reasonable notice of meetings and the business to be conducted will be given to members, along with briefing materials.
- 9.2. The Committee Chair shall review the agenda for each meeting prior to its issue.
- 9.3. Any Committee member may require business to be included in the agenda, provided the Chair and Secretary have been given reasonable prior notice of that business.
- 9.4. Meetings of the Committee will be conducted in accordance with those provisions of the Company's Constitution which relate to the proceedings of meetings, to the extent not inconsistent with this Charter.

10. Secretary

10.1. The Secretary to the Board will also act as Secretary to the Committee.

11. Minutes

- 11.1. Minutes of meetings of the Committee shall be prepared by the Secretary, approved by the Committee Chair in draft and circulated to all members of the Committee and to the Board.
- 11.2. Minutes of meetings of the Committee shall be confirmed at the next meeting of the Committee and then signed by the Committee Chair.
- 11.3. All minutes of the Committee will be entered into a minute book in compliance with applicable legislation and regulatory requirements.

12. Annual review

- 12.1. The Committee will conduct an annual review of its performance and effectiveness by reference to this charter and current best practice.
- 12.2. This review process will include a review of the appropriateness of the terms of this Charter for current circumstances.
- 12.3. Where necessary, the Committee may, by resolution, alter the responsibilities, functions or membership of the Committee and recommend to the Board the formal adoption of the revised Charter for future operations of the Committee.