



Audit and Risk Committee Charter

Approved by the Board
1 April 2025

SILEX SYSTEMS LIMITED
ACN 003 372 067

Audit and Risk Committee Charter



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1 Applicability

The purpose of this Audit and Risk Committee Charter (**Charter**) is to specify the authority delegated to the Audit and Risk Committee by the Board of Silex Systems Limited (**Silex** or the **Company**) and to set out the role, responsibilities, composition and operation of the Committee.

The Audit and Risk Committee (**Committee**) is a committee of the Board established in accordance with the Company's Constitution and is 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 and granted to it under any separate resolutions of the Board from time to time. This Charter applies to all members of the Committee.

2 Role of the Committee

The role of the Committee is to provide the Board, investors, owners and stakeholders with confidence that the financial reports for the Company represent a true and fair view of the Company's financial condition and operational results in all material respects, and are in accordance with relevant accounting standards. The Committee's role is to also assist the Board to meet its oversight responsibilities in relation to the Company's risk management framework and processes, internal control structure and review compliance with legal and regulatory requirements.

The Committee will:

- 1) Assist the Board in its oversight responsibilities by monitoring and advising on:
 - a) The integrity of the Company's financial reporting systems, internal and external financial reporting and financial statements of the Company;
 - b) The Company's accounting policies and practices in accordance with current accounting standards;
 - c) The external auditors' independence and performance and review of their audits;
 - d) Compliance with applicable legal and regulatory requirements and policies in this regard;
 - e) Compliance with the policy framework in place from time to time;
 - f) Internal controls and the overall efficiency and effectiveness of financial operations;
 - g) The Company's risk management framework, and risk appetite as set by the Board;
- 2) Promote a culture of compliance;
- 3) Provide a forum for communication between the Board, executive leadership and external auditors; and
- 4) Provide a conduit to the Board for external advice on audit and financial risk management.

3 Responsibilities of the Committee

The Committee will take responsibility for:

3.1 Financial Reporting

- 1) Reviewing the current areas of greatest financial risk and how these are being managed in the business;
- 2) Reviewing significant accounting and reporting issues, including recent professional and regulatory pronouncements and understanding their impact on the financial statements;
- 3) Reviewing Management's process, policies and procedures for meeting the Company's continuous disclosure obligations;
- 4) Overseeing the periodic financial reporting process implemented by managing and reviewing the interim financial statements and annual financial statements to determine whether they are complete, reflect appropriate accounting principles, contain appropriate disclosure and are consistent with the information known to Committee members. In discharging this responsibility, the Committee is to:
 - a) Review compliance with accounting standards, Australian Securities Exchange requirements, and other legal and regulatory requirements;
 - b) Pay particular attention to complex and/or unusual transactions such as business combinations, restructuring charges and measurement and recognition of financial instruments;
 - c) Focus on judgmental areas of the financial statements, for example those involving revenue recognition; valuation of assets and liabilities, warranty, product or environmental liabilities, and other commitments and contingencies;
 - d) Receive briefings on material developments in laws, regulations and accounting standards relevant to the Company;
 - e) Meet with Management and the external auditors to review the financial statements and the results of the audit;
 - f) Review any significant adjustments, unadjusted differences, disagreements with Management and critical accounting policies and practices, and ensure these have been discussed with the external auditor;
- 5) Assessing any significant estimates or judgments in the financial reports (including those in any consolidated financial statements) by:
 - a) Querying Management as how they were made; and
 - b) Querying the external auditors as how they concluded that those estimates were reasonable;

- 6) Discussing with Management significant movements in the financial statements between periods and from budget and ensure that explanations are consistent with the Committee's understanding of the business; and
- 7) Reviewing, approving and monitoring the propriety of all related-party transactions.

3.2 Reporting to the Board

The Committee will:

- 1) Regularly update the Board about matters relevant to the Committee's role and responsibilities and make appropriate recommendations; and
- 2) Report to the Board matters that may significantly impact the financial condition or affairs of the business.

3.3 Risk Management

The Committee will:

- 1) Assist the Board in setting the risk management policy and risk appetite. This will include the Committee satisfying itself that the risk management framework deals adequately with contemporary and emerging risks (such as conduct risk, cyber security, privacy and data breaches) and encompass financial risks;
- 2) Articulate and formalise the Company's policy for the oversight and management of strategic and financial risks in consultation with senior managers;
- 3) Approve Management's overall strategic and financial risk management strategy for the Company;
- 4) Monitor the Company's identification, review and regular updates to the profile of the principal strategic and financial risks (including interest rate and exchange rate exposures) to which it is exposed and assess the appropriateness of the steps Management has taken to manage these risks;
- 5) Monitor performance of Management in implementing strategic and financial risk management responses and internal control rectification activities and monitor the systems for identifying and monitoring risks and that these are operating as intended;
- 6) Review the Company's risk management framework and other internal controls at least annually to satisfy itself that:
 - a) They are effective to manage material business risks and the protection of assets;
 - b) The Company has in place appropriate systems and procedures to manage compliance with all relevant laws, regulations, codes standards and best practice guidelines in order to support the Company's risk management framework; and
 - c) The Company's risk management framework deals adequately and in all material respects with contemporary and emerging risks;

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- 7) Review any material incident involving fraud or a breakdown of the Company's risk controls and the "lessons learned";
- 8) Receive reports from Management on new and emerging sources of risk and the risk controls and mitigation measures that Management has put in place to deal with those risks; and
- 9) Receive and review reports from Management on any significant breach of, or material deviation from, Silex's risk management framework and make recommendations to the Board.

3.4 Internal Control

The Committee will:

- 1) Monitor the implementation of any internal control recommendations made by the external auditors and approved by the Committee;
- 2) Understand and be comfortable with the information system and processes used in developing financial statements;
- 3) Evaluate the process the entity has in place for assessing the effectiveness and efficiency of and continuously improving internal controls, particularly those related to areas of significant risk; and
- 4) Assess whether Management has appropriate controls in place for unusual types of transactions and/or any particular transactions that may carry more than an acceptable degree of risk.

3.5 Compliance with Laws and Regulations

Corporate laws and regulations are defined for these purposes as the Australian Securities Exchange Listing Rules, OTCQX International Rules, the *Corporations Act 2001* (Cth) (**Corporations Act**) and its equivalent legislation in other jurisdictions in which the Company operates, Australian Accounting Standards and taxation law in all jurisdictions in which the Company operates.

The Committee will:

- 1) Review the effectiveness of the system for monitoring compliance with corporate laws and regulations and the results of Management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance;
- 2) Obtain regular updates from Management and the Company's legal counsel regarding corporate compliance matters that may have a material impact on the Company's reputation or financial statements;
- 3) Make appropriate enquiries to satisfy itself that all corporate regulatory compliance matters, related to the business of the Company, have been considered in the preparation of the financial statements; and

- 4) Review the findings and recommendations of any examinations by corporate regulatory agencies.

3.6 External Audit

An external audit partner is to be permanently engaged by the Company to provide shareholders and investors with confidence in respect of the integrity of the Company's financial reports, and audit compliance. The Company requires the external audit partner to maintain independence from the Company in accordance with the Corporations Act and this Charter.

The Committee will:

- 1) Review the external auditors' proposed audit scope and audit approach for the current year in light of the Company's circumstances and changes in regulatory and other requirements;
- 2) Regularly review with the external auditor any audit problems or difficulties the auditor encountered in the normal course of audit work including any restriction on audit scope or access to information;
- 3) Reviewing with the external auditor its report regarding significant findings in the conduct of its audit and the adequacy of Management's response, and monitoring whether any issues are being managed and rectified in an appropriate and timely manner;
- 4) Discuss with the external auditor the quality of accounting policies applied in the Company's financial reporting;
- 5) Discuss any draft audit opinion letter with the external auditor before it is finalised;
- 6) Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately;

Advise the Board on the appointment, independence, terms of engagement, performance and, if necessary, the termination/retirement of the external auditor; and

- 7) Review all representation letters signed by Management and consider whether the information provided is complete and appropriate.

3.7 Other

The Committee will:

- 1) Review the annual agenda for the Committee, to determine its adequacy for current circumstances; and
- 2) Oversee the information received and the action taken by the Company in relation to matters affecting the Company's audit, financial statements or internal controls and any instances of possible fraud raised by an internal whistle-blower or in relation to a complaint made by a third party.

4 Composition

- 1) The Board of Directors will nominate the Committee members and the Chair of the Committee;
- 2) The Chair of the Committee is to be an independent, Non-Executive Director who is not Chair of the Board of Directors. The Chair of the Committee must have strong accounting, finance or business background;
- 3) The Committee will be comprised of least three members and have no more than six members;
- 4) The majority of Committee members shall be independent, Non-Executive Directors. Independence is assessed as per the guidance included in the ASX Corporate Governance Principles and Recommendations;
- 5) Each member should be capable of making a valuable contribution to the Committee and have skills and experience appropriate to the Company's business;
- 6) Each member shall:
 - a) Be financially literate (able to read and understand financial statements);
 - b) Have reasonable knowledge of the Company's own risks and controls; and
 - c) Have relevant industry knowledge.

Members of an Committee who do not have the requisite level of financial literacy and/or industry knowledge at the time of their appointment must undertake induction training and additional training within six months of membership, to raise their competency to the level described above.

- 7) Members will be appointed for a three-year term of office and can be reappointed by the Board. The Board will decide appointments, rotations and resignations with the Committee having regard to the ASX Listing Rules, OTCQX International Rules and the Corporations Act;
- 8) The Secretary of the Committee will be the Company Secretary, or such other person as nominated by the Board;

- 9) A quorum of any meeting will be a majority of the Committee at the date of the meeting. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee; and
- 10) Members will be given the opportunity to attend technical or professional development courses to assist them in keeping up to date with legislative, accounting and other relevant issues.

5 Meetings

- 1) Meetings shall be held at least three times a year or as frequently as required to undertake its role effectively. The meetings should be scheduled to correspond with the Company's financial reporting cycle;
- 2) The CEO/Managing Director and Chief Financial Officer are expected to attend each scheduled meeting of the Committee and a standing invitation will be issued to the external auditors. The Committee may invite such other persons (e.g. the legal counsel) to its meetings, as it deems necessary;
- 3) The external auditors should be invited to make presentations to the Committee as appropriate;
- 4) The Chair may also invite Directors who are not members of the Committee, 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.
- 5) All Directors will have access to Committee papers and have a standing invitation to attend any Committee meetings;
- 6) Special meetings may be convened by any member of the Committee as required. The external auditors may convene a meeting on request;
- 7) The notice of each meeting, the agenda and supporting documentation should be delivered to the Committee members at least three working days in advance of each meeting;
- 8) Members of the Committee should use their best endeavours to attend every meeting of the Committee;
- 9) The Committee is to meet with the external auditor in absence of Management on at least an annual basis;
- 10) Meetings of the Committee may be held by any technological means allowing its members to participate in discussions even if all of them are not physically present in the same place. A member who is not physically present but participating by technological means is taken to be present.

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11) Minutes:

- a) Minutes of all Committee meetings are to be kept, and the minutes the minutes and a report of actions taken or recommended shall be given at each subsequent Board meeting;
- b) The draft minutes of each Committee meeting are to be approved by the Chair and circulated to all Committee members as soon as practicable but no later than the distribution date for papers for the next Committee meeting at which the minutes of the meetings are to be confirmed;
- c) A copy of the Committee minutes, once they have been approved by the Chair, will be included in the papers for the next Committee meeting.

6 Authority

The Board authorises the Committee, within the scope of its responsibilities, to:

- 1) Perform activities within its Charter;
- 2) Engage independent counsel and other advisors (including independent auditors, company tax and other financial or risk management advisors) as it deems necessary to carry out its duties, at the Company's expense;
- 3) Require the attendance of Company Officers at meetings as appropriate;
- 4) Have unrestricted access to members of Management, employees and information it considers relevant;
- 5) Establish and oversee procedures for dealing with concerns of employees regarding questionable accounting, internal control or auditing matters;
- 6) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
- 7) Make recommendations to the Board on the appointment and retention of the external auditor; and
- 8) Oversee the work and assess the performance and remuneration of the external auditors.

Although the Committee can seek the advice and assistance of any of the Company's Management, it needs to ensure that this role is clearly separated from its role within the business.

7 Performance

The Committee will:

- 1) Evaluate its own performance on an annual basis and whenever there are major changes to the management structure of the Company;

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- 2) May obtain feedback on the Committee's performance and operations from key people such as the external auditor and senior financial and other executive and Management staff; and
- 3) May obtain feedback from the Board of Directors on the effectiveness of the Committee.

8 Review

The Board will review this Charter regularly and update it as required or deemed as appropriate. This Charter may be amended by resolution of the Board.

Version	Date Issued	Approval
0	23-Apr-2013	Silex Systems Limited Board of Directors
1	29-Jun-2020	Silex Systems Limited Board of Directors
2	01-Apr-2025	Silex Systems Limited Board of Directors