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## AUDIT AND RISK MANAGEMENT CHARTER

Tesseract Limited ACN 605 672 928 (**Company**)

### 1. Objectives

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The objectives of the Company Audit and Risk Management Committee (**Committee**) are to assist the Company's board of directors (**Board**) in fulfilling its corporate governance responsibilities in regard to financial reporting, audit and risk management by promoting a culture of compliance across the Company and to provide a forum for communication between the board and management in relation to audit and risk.

The Committee is to assist the Board in ensuring:

- (a) the integrity of the Company's financial reporting and general reporting processes;
- (b) the Company meets its legal and regulatory obligations, including audit, accounting, tax and financial reporting obligations;
- (c) the risk management of the Company, including its internal risk control framework; and
- (d) the appointment, removal, independence, accuracy and adequacy of any external or internal auditors.

Additionally, the Committee is to undertake the functions of the audit and risk management committee as detailed in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Principles**).

### 2. Membership

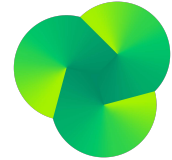
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The Committee is appointed by the Board and is to consist of:

- (a) at least three board members;
- (b) members who are all financially literate;<sup>1</sup> and
- (c) at least one member who has financial expertise as determined by the Board.

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<sup>1</sup> Financially literate means that the person is able to read and understand financial statements.



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The chairman of the Committee (**Chairman**) is to be an independent, non-executive director and is to be appointed by the Board. The Chairman cannot be the chairman of the Board.

The company secretary of the Company is to attend all meetings of the Committee, and is required to ensure that minutes of the meetings are taken and after being approved by the Chairman of the Committee distributed to all members of the Committee and included in the papers for the next full board meeting after each meeting of the Committee, except if there is a conflict of interest.

The Chairman, chief executive officer and the chief financial officer of the Company may attend meetings of the Committee, however only in an informal capacity and if invited by the Committee. Other directors of the Company who are not members of the Committee may also attend meetings of the Committee if invited by the Committee.

### **3. Duties and Responsibilities of the Committee**

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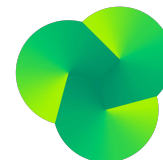
The Committee's function is oversight and review of the financial reporting, audit and risk management strategies, systems, policies and processes implemented, and reported on, by the Company's management.

It is not the responsibility of the Committee to personally conduct accounting, risk and audit reviews.

The Committee may rely on the Company's management on matters within management's responsibility. The Committee may also rely on external professionals on matters within their field of expertise. The reliability of this information may be assumed by the Committee, unless there are reasonable grounds to suggest that reliance on such information may not be appropriate.

The Committee must ensure that at all times it understands the Company's structure, control and any transactions being undertaken by the Company, in order to adequately:

- (a) assess risks faced by the Company and advise on mitigation plans (if appropriate); and
- (b) advise on the reliability and integrity of financial information, the integrity of the Company's internal structure and compliance with audit, accounting and financial reporting obligations.



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### 4. Review of Financial Information

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The Committee must review and approve the draft half-yearly and annual financial statements, any audit reports prepared by internal or external auditors and any consolidated financial statements of the Company prior to consideration by the Board. The Committee is to assess whether the financial statements represent a true and fair view of the Company and the entities consolidated for reporting purposes, the financial position and performance.

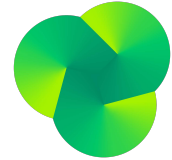
When reviewing financial information, the Committee should pay particular attention to:

- (a) compliance with accounting standards (including assessment of the appropriateness of the selection of accounting policies and disclosures selected by the Company's management);
- (b) significant or unusual transactions and accounting estimates;
- (c) significant changes in accounting policies and/or practices;
- (d) significant audit adjustments and unadjusted audit differences;
- (e) underlying earnings and major judgmental areas; and
- (f) the form of the proposed opinion to be issued by the external auditor.

The Committee will review any representation letters signed by management to ensure that all relevant matters are addressed.

The Committee will ensure that unaudited periodic corporate reports (Report) are produced using the following procedures:

- (a) The Report will be prepared at first instance by the Company's Finance Department;
- (b) The Report will be reviewed by the CFO, who will verify that the Report has been properly prepared;
- (c) The Managing Director will review then circulate the Report to the Board prior to releasing it to the ASX platform giving enough time for any queries or comments to be raised.



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### 5. Meetings

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The Committee must meet frequently enough in order to effectively complete its role. A quorum of a meeting of the Committee is two members. At least one of the members in attendance at the meeting must be an independent non executive board member.

Members must receive reasonable written prior notice of all committee meetings by the Chairman.

Recommendations of the Committee are to be referred to the Board for approval, with the following exceptions:

- (a) approval of the audit plans of the external auditor;
- (b) approval of the internal auditor's charter, audit plans, work program and quality control procedure;
- (c) rotation of partners of the external auditor;
- (d) appointment, remuneration and replacement of the internal auditor;
- (e) approval of the audit plans and management letters of the external auditor, including the payment of annual fees and variations to approved fees of greater than 10%; and
- (f) relevant internal policies and procedures, including amendments, requiring the Committee's approval.

At each meeting, the Committee will:

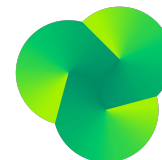
- (a) meet with the management of the Company, without the external auditor, to discuss any issues related to the external audit; and
- (b) separately meet with the internal and external auditors, without the Company's management, to discuss any relevant issues and seek assurance that no management restrictions are being placed upon either the internal or external auditors.

The Committee will report on its meeting to the Board.

### 6. Access to Information and Advice

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The Committee has the right of access to management, rights to seek explanations and additional information and access to internal and external auditors, without management present.



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The Committee may obtain independent legal, financial or other advice as it deems necessary and appropriate. The Committee must advise the Board prior to incurring any costs in relation to independent legal, financial or other advice.

### 7. Internal Control and Risk Management

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The Committee must at least annually review the adequacy and effectiveness of:

- (a) the Company's policies and procedures to assess, monitor and manage financial and non-financial business risks;
- (b) internal compliance and controls systems, including the accounting and financial controls;
- (c) legal and ethical compliance programs (including the Company's code of conduct and diversity policy); and
- (d) the Company's insurance coverage.

As appropriate the Committee will meet with the Board and external auditors and other advisors to discuss risk management issues concerning the Board.

The Committee will receive regular reports from the external auditor on changes to accounting standards that may impact critically on the Company's accounting policies and practices.

The Committee shall establish procedures for dealing with complaints received by the Company regarding accounting, internal accounting control or auditing matters and is responsible for disclosing any material change to the Company's risk profile.

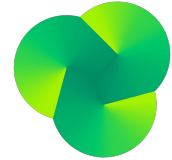
### 8. Auditors

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The Committee will be directly responsible for making recommendations to the Board on the appointment, re-appointment or replacement (subject to shareholder ratification), remuneration, monitoring of the effectiveness and independence of the external auditor.

The Committee will evaluate potential external auditors on a number of criteria including, but not limited to:

- (a) the auditor being registered as an auditor or authorised audit company under the Corporations Act 2001 (Cth);
- (b) the independence of the external audit firm from the Company and the ability to maintain independence throughout the engagement;



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- (c) there being no conflict of interest situations that could affect the independence of the external auditor;
- (d) professional competency, experience and integrity of key personnel;
- (e) the thoroughness of audit approach and methodology;
- (f) cost effectiveness; and
- (g) any other selection criteria the Committee sees fit to include.

The Committee must:

- (a) review the terms of engagement for any external auditor;
- (b) review the scope of the external audit with the external auditor, including determining any areas of risk;
- (c) monitor the performance of the external auditors including: assessment of the quality and rigour of the services provided; and the audit firm's internal quality control procedures; and
- (d) review and monitor management's responsiveness to the external audit finding.

The Committee shall as appropriate and as required recommend to the Board the appointment and dismissal of any internal audit manager.

### 9. Policy review

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This policy is subject to annual review by the Board.

**Document history:**

Adopted: 15 June 2015

Amended: 27 June 2017

Amended: 24 July 2020