

## **XRF SCIENTIFIC LIMITED**

### **AUDIT & GOVERNANCE COMMITTEE CHARTER**

#### **Objectives**

The purpose of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities, including its responsibilities in relation to the accounting and reporting practices of the group, by:

- monitoring and reviewing the integrity of financial statements and the independence, objectivity and competency of external auditors;
- providing an independent, objective review of financial information provided by management to Shareholders and regulatory authorities; and
- making recommendations to the Board in relation to the nomination and appointment of external auditors, approving the remuneration and terms of their engagement and reviewing the quality of the external audit.

#### **Composition**

The Audit & Governance Committee shall consist of a minimum of two members, and be chaired by an independent director.

Each member of the Committee must be able to read and understand financial statements. The Committee must also include at least one member who is a qualified accountant or other financial professional with experience of financial and accounting matters.

Members of the Committee must have an appropriate level of understanding of the principles of corporate governance, including knowledge of the Australian Stock Exchange Limited's (ASX) Principles of Good Corporate Governance and Best Practice Recommendations.

#### **Term of Membership**

Members of the Audit & Governance Committee shall be appointed for an initial term of not more than three years after which they will be eligible for reappointment by rotation.

Any casual vacancy that may arise in the membership of the Committee shall be filled by appointment of the Board for a term consistent with the above.

#### **Quorum, Secretary and Minutes**

A quorum for Committee meetings will be at least two members.

The Company Secretary will be the secretary for the committee, and will be responsible for taking minutes of each meeting and distributing them to Committee members as soon as practicable.

## **Meetings**

The Audit & Governance Committee will hold at least two meetings during the year, to consider the interim and final accounts and the reports from the auditors thereon, at times that coincide with the finalisation of the Appendix 4D and the Appendix 4E and shall hold such additional meetings that the Chairman shall decide in order to fulfil its duties. In addition the Chairman shall be required to call a meeting of the Committee if requested to do so by any Committee member.

## **Duties and Responsibilities**

***In relation to the external auditors*** the responsibilities of the Committee include:

- (1) providing a link between the external auditors and the Board;
- (2) reviewing the performance and independence of the external auditors;
- (3) reviewing procedures for the selection and appointment of external auditors;
- (4) recommending the appointment, remuneration and terms of engagement of the external auditors;
- (5) recommending the scope of the external audit for Board approval;
- (6) reviewing and providing oversight of audit reports prepared and issued by the external auditors;
- (7) ensuring that no management or other restrictions are placed on the external auditors; and
- (8) determining what non-audit services are to be provided by the external auditor and ensure these services are consistent with maintaining the external auditor's independence.

The external auditors will have a direct line of reporting to the Committee and have clear and open access to members of this Committee.

***In relation to the review of financial reports*** the duties of the Committee include:

- (1) reviewing financial statements for accuracy, adequacy and clarity and ensuring they reflect a true and fair view as a basis for recommendation to and adoption by the Board including without limitation, requiring the Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) making signed and written declarations that:
  - a. the financial records for the financial year have been correctly maintained;
  - b. the financial statements and notes for the financial year comply with the relevant accounting standards;
  - c. the financial statements and notes for the financial year give a true and fair view of the financial position and performance of the Company; and
  - d. any other matters in relation to the financial; statements that are materially relevant;
- (2) reviewing financial statements for adherence to accounting standards and policies and the requirements of the ASX Listing Rules and the Corporations Act 2001;
- (3) reviewing accounting policies adopted and any changes made to them;
- (4) reviewing management processes supporting external reporting;

- (5) discussing any significant matters arising from the audit, management judgments and accounting estimates with management and external auditors; and
- (6) reviewing, and where necessary challenging, the actions and judgment of management in relation to all financial reports.

#### **Reporting to the Board**

The Committee must report to the Board, at the first Board meeting subsequent to each Committee meeting, regarding the proceedings of each Committee meeting, the outcomes of the Committee's reviews and recommendations and any other relevant issues. The report may include such items as:

- (1) an assessment of whether external reporting is in line with the information and knowledge of the Committee and whether it is adequate for the needs of the Company's shareholders;
- (2) an assessment of the management processes which support external reporting;
- (3) recommendations (if any) for the appointment or removal of an auditor; and
- (4) an assessment of the performance and independence of the external auditors and, given the provision by the external auditors of any non-audit services, whether the independence of the external auditors has been maintained.

#### **Review of the charter**

This charter shall be reviewed annually and revised as required.