

Micro-X Limited ACN 153 273 735

Audit and Risk Committee Charter

1. Introduction

- 1.1 The Audit and Risk Committee is a committee of the board of directors (**Board**) of Micro-X Limited ("**Micro-X**", or "**the Company**").
 - 1.2 The Audit and Risk Committee is not authorised to make decisions on behalf of the Board.
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2. Overview of responsibilities

The objectives of the Audit and Risk Committee are:

- (a) overseeing Micro-X's relationship with the external auditor (including forming a policy on the provision of non-audit services and the rotation of external auditor personnel on a regular basis) and the external audit function generally;
 - (b) overseeing the adequacy of the control processes in place in relation to the preparation of financial statements and reports;
 - (c) overseeing the adequacy of Micro-X's financial controls and systems;
 - (d) overseeing the process of identification and management of financial and non-financial risk;
 - (e) promoting a culture of compliance; and
 - (f) providing a forum for communication between the Board and senior financial and compliance management.
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3. External financial reporting

The Audit and Risk Committee is responsible for:

- (a) Assessing, with advice from the external auditor, the appropriateness and application of the Group's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;
 - (b) assessing any significant estimates or judgments in the financial reports (including those in any consolidated financial statements) by:
 - (1) querying management as how they were made; and
 - (2) querying the external auditors as how they concluded that those estimates were reasonable;
 - (c) assessing information from internal and external auditors that may affect the quality of financial reports (for example, actual and potential material audit adjustments, financial report disclosures, non-compliance with laws and regulations, and internal control issues);
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- (d) reviewing any half-yearly and annual financial with management, advisers and the internal and external auditors (as appropriate) to assess (among other things):
 - (1) the compliance of accounts with accounting standards and the Act; and
 - (2) the nature and impact of any changes in accounting policies during the applicable period;
 - (e) discussing any draft audit opinion letter with the external auditors before it is finalised;
 - (f) receiving any management letter from the external auditors;
 - (g) recommending for adoption by the board interim and final financial reports and the annual report; and
 - (h) following up on any matter raised by the Board regarding financial reports, audit opinions and management letters.
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4. Risk management and internal control

The Audit and Risk Committee is responsible for:

Risk management and internal compliance and control systems

- (a) overseeing management's establishment and implementation of risk management and internal compliance and control systems and ensuring there is a mechanism for assessing the efficiency and effectiveness of those systems; and
- (b) ensuring the risk management system takes into account and assesses the relative significance of all material risks, including:
 - (1) Strategic (including reputational) risk
 - (2) Operational (including manufacturing, supply chain and ICT) risk
 - (3) People (including WHS) risk
 - (4) Legal (including compliance and environmental) risk
 - (5) Financial risk
- (c) receiving reports from management on new and emerging sources of risk, and the risk controls and mitigation strategies that management has implemented to deal with those risks;
- (d) monitoring management's implementation of the Group's risk management framework, including whether it is operating within the risk appetite set by the Board
- (e) making recommendations to the Board on changes that should be made to the entity's risk management framework or to the risk appetite set by the board; and
- (f) reviewing the Group's risk management framework at least annually to satisfy itself and the Board that it continues to be sound and that the Group is operating with due regard to the risk appetite set by the Board

Disclosure and reporting

- (g) ensuring management establishes a comprehensive process to capture information that must be disclosed to ASX;
 - (h) reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the external reporting of financial and non- financial information (including, among other things, preliminary announcements, interim reporting, open or one-on-one briefings and continuous disclosure); and
 - (i) reviewing for completeness and accuracy the reporting of corporate governance practices in accordance with the ASX Listing Rules.
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5. External audit

The Audit and Risk Committee is responsible for:

- (a) approving and recommending to the Board for acceptance, the terms of engagement with the external auditor at the beginning of each year;
- (b) regularly reviewing with the external auditor:
 - (1) the scope of the external audit;
 - (2) identified risk areas; and
 - (3) any other agreed procedures;
- (c) regularly reviewing the effectiveness and independence of the external auditor taking into account:
 - (1) the length of appointment;
 - (2) the last dates lead engagement partners were rotated;
 - (3) an analysis and disclosure of fees paid to external auditors, including the materiality of fees paid for non-audit services and the nature of those services; and
 - (4) any relationships with the Group or any other body or organisation that may impair or appear to impair the external auditor's independence;
- (d) meeting periodically with the external auditors and inviting them to attend Audit Committee meetings to:
 - (1) review their plans for carrying out internal control reviews;
 - (2) consider any comments made in the external auditor's management letter, particularly, any comments about material weaknesses in internal controls and management's response to those matters; and
 - (3) make recommendations to the Board;

- (e) reviewing all representation letters signed by management and ensuring information provided is complete and appropriate; and
 - (f) receiving and reviewing the reports of the external auditor.
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6. Internal audit

At the present time, given the nature and scope of the Group's business operations, the Board have resolved not to maintain an internal audit function.

The Board has resolved that the requirement for an internal audit capability be reviewed regularly on the recommendation of the Audit and Risk Committee.

7. Other responsibilities

The Audit and Risk Committee is responsible for:

- (a) overseeing the implementation of the Group's Anti-Bribery and Corruption Policy and Securities Trading Policy, Corporate Code of Conduct ;
 - (b) ensuring that Micro-X's Whistleblower Policy is operating effectively to allow persons to confidentially and (if desired) anonymously report suspected misconduct;
 - (c) assessing Micro-X's exposure to fraud, overseeing investigations of allegations of fraud or malfeasance and ensuring that "lessons learned" from incidents involving fraud or malfeasance are incorporated into improvements in risk and control systems;
 - (d) assessing and recommending to the Board for adoption the scope, cover and cost of insurance, including insurance relating to directors' and officers' liability, company reimbursement, professional indemnity, crime, special accident and trustees liability; and
 - (e) reporting to the Board on any industry development affecting the control environment;
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8. Committee composition

8.1 The Audit and Risk Committee must be of sufficient size, independence and technical expertise to effectively discharge its mandate.

8.2 The Company follows the ASX corporate governance recommendation that the Audit and Risk Committee comprise:

- (a) at least three directors, all of whom must be non-executive directors; and
- (b) a majority of independent directors,

the chairperson of which should be an independent director and should not be the chairperson of the Board.

8.3 The members of the Audit and Risk Committee must, where possible:

- (a) have a sound knowledge of Micro-X's businesses, organisation structure and related policies and practices;
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- (b) be financially literate (able to read and understand financial statements) and have sufficient financial knowledge and understanding to allow them to discharge their responsibilities; and
- (c) have an appropriate understanding of corporate governance matters particularly in relation to Board and Director responsibilities and the current edition of the ASX Corporate Governance Principles published by the ASX Corporate Governance Council.

9. Secretary

9.1 The Company Secretary or their nominee will act as secretary to the Committee.

10. Proceedings

10.1 Frequency

- (a) The Committee will meet as frequently as required but must not meet less than four times each year.
- (b) The secretary to the Committee or any member may call a meeting of the Committee.

10.2 Attendance

Members of the Board who are not Committee members, along with management or independent consultants, may be invited by the Chair of the Committee to attend all or party of a meeting. Voting at Committee meetings is restricted to Committee members.

10.3 Quorum

A quorum for a meeting shall be a minimum of 2 Committee members. All meetings shall be conducted subject to an agenda circulated by the Chair of the Committee or their nominee and incorporating any matters raised by other members of the Audit and Risk Committee or referred by the Board.

10.4 Minutes

The secretary shall maintain minutes of all meetings of the Audit and Risk Committee. The minutes shall be signed by the Chair of the Committee.

11. Powers and Authorities

11.1 Access

- (a) The Committee has the right to unrestricted access to executive management, all employees and all records of Micro-X.
- (b) The Committee has the right to access auditors, internal or external, without management present.

11.2 Independent Advice

The Committee, or any individual member, with the approval of the Chair of the Board, is entitled to seek advice from external consultants or specialists where the Committee considers that necessary or appropriate.

12. Reporting

- (a) The Chair of the Committee shall report to the Board after each Committee meeting on major issues discussed.
 - (b) The Chair of the Committee or their nominee must attend the Annual General Meeting and be available to respond to any shareholder questions on the Committee's activities and areas of responsibility.
 - (c) The Committee is responsible for review and approval of any disclosures in Micro-X's annual report regarding the Committee, its activities and performance.
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13. Review

- (a) The Committee must conduct an annual review of its performance and effectiveness, inviting comments from all members of the Board, at a meeting to be decided each calendar year. It must recommend to the Board any suggested changes in the duties and responsibilities of the Committee and this Charter.
 - (b) The Board will review this Charter periodically to check that it is operating effectively and to consider whether any changes are required.
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14. Approved and adopted

This charter was approved and adopted by the Board on 15 December 2023.