

K2FLY LIMITED

ACN 125 345 502

AUDIT and RISK MANAGEMENT COMMITTEE CHARTER

Updated and approved on 28 February 2022

Registered Office

Level 4, 502 Hay Street Subiaco WA 6008
T +61 8 6333 1833 • E info@k2fly.com
www.k2fly.com

1. Scope

The Audit and Risk Management Committee shall be a committee of the Board of K2fly Limited (**the Company** or **K2F**) with the specific powers delegated under this charter. The charter sets out the Audit and Risk Committee's function, composition, mode of operation, authority and responsibilities.

2. Role of the Committee

The primary function of the Committee shall be to assist the Board in fulfilling its responsibilities for corporate governance and oversight of K2F's financial reporting, internal control structure, risk management systems and internal and external audit functions. In doing so, the Committee has the responsibility to maintain free and open communication with the external auditor and K2F's management.

The Committee is a committee of the Board established in accordance with K2F's constitution (Constitution) and authorised by the Board to assist it in fulfilling its statutory and regulatory responsibilities. It 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.

3. Membership and composition

The Board shall appoint the members of the Committee and review the composition of the Committee at least annually. The appointment and removal of Committee members is the responsibility of the Board.

The Committee will, to the extent practical given the size and composition of the Board and nature and scope of the operations of K2F, comprise of:

- (a) at least three members;
- (b) a majority, where possible, of non-executive directors and whom are independent;
- (c) where possible, an independent Chair appointed by the Board and who is not the Chair of the Board; and
- (d) where possible, members with sufficient financial skills and experience relevant to the Committee's functions.

Committee members will be appointed for a fixed period of no more than three years, with Committee members generally being eligible for re-appointment for so long as the Committee will meet the relevant criteria above.

If a Committee member ceases to be a director of the Board, their appointment as a member of the Committee is automatically terminated with immediate effect.

A Committee member may resign as a member of the Committee upon reasonable notice in writing to the Committee Chair.

The Company Secretary of K2F is secretary to the Committee

4. Meetings

The Committee shall:

- (a) meet as frequently as required but at least two times per year; and
- (b) the minimum quorum for a committee meeting is two members.

The proceedings of all meetings will be minuted by the Company Secretary. All minutes of the Committee are available for inspection by any director.

5. Authority

In performing its functions in accordance with any applicable law, the Committee:

- (a) has unrestricted access to the external auditors, the internal audit firm, senior management and employees of the Company;
- (b) has unrestricted access to information and reports relevant to fulfilling its responsibilities;
- (c) may seek independent external advice on matters brought before the Committee or in relation to the functions and responsibilities of the Committee; and
- (d) shall have the power to conduct or authorise investigations into any matters within the Committee's scope of responsibilities or when requested by the Board.

6. Duties and Responsibilities

The Committee must promote an environment within the Company which is consistent with best practice financial reporting and risk management. In particular, the Committee must:

- (a) perform an independent review of financial information prepared by management for external reporting. This will include conducting reviews of the annual report, directors' report, annual financial statements, half yearly financial statements and any other externally reported financial information required by law;

- (b) review representation letter to be signed by management and ensure that all relevant matters are addressed;
- (c) monitor the integrity and effectiveness of financial reporting processes, including by reviewing the adequacy of the reporting and accounting controls and systems of the Company;
- (d) review and assess the external audit arrangements;
- (e) appoint, review and assess the internal audit arrangements and consider significant internal audit findings and management's responses and related actions;
- (f) oversee the implementation of legislated major accounting changes by management;
- (g) oversee the establishment of appropriate policies and adequate systems to identify and disclose related-party transactions and assess the propriety of any related party transactions; and
- (h) oversee and appraise the quality of the audits conducted by both the Company's external and internal auditors;
- (i) determine the independence and effectiveness of the external and internal auditors;
- (j) maintain open lines of communications among the Board, the internal and external auditors to exchange views and information, as well as confirm their respective authority and responsibilities;
- (k) monitor the management systems in place for addressing significant business risks and the framework of internal management controls;
- (l) on an annual basis, or more frequently if required, review the risk management framework and risk appetite and if required, recommend changes to the Board;
- (m) oversee the risk management function, including considering residual risk exposures which sit outside of the risk appetite set by the Board or where disclosure to the market might be required; and
- (n) periodically evaluate the structure and adequacy of the Company's (Group's) insurance coverage.

The Committee is not required to personally conduct any accounting reviews or audits and is entitled to rely on employees of the Company or professional advisers where appropriate.

7. External audit arrangements

The Committee shall report to the Board on external audit arrangements, including:

- (a) making recommendations to the Board on the appointment, re-appointment, replacement and remuneration of the external audit firm;
- (b) review the terms of engagement for the external auditor;
- (c) review the scope of the external audit with the external auditor including identified risk areas and ensure the auditor attends the Company's Annual General Meeting and is available to answer questions relevant to the audit;
- (d) monitor the performance of the external audit including assessment of the quality and rigour of the audit, quality of the service provided and the audit firm's internal quality control procedures;
- (e) will advise the Board on statements to be made in the directors' report regarding non-audit services in accordance with the Corporations Act;
- (f) review and assess non-audit services (which must be pre-approved by the Committee) to be provided by the external auditor, with particular consideration to the potential to impair or appear to impair the external auditors' independence;
- (g) review and monitor management's responsiveness to the external audit findings; and
- (h) on a periodic basis, meet with the external auditor without the presence of management.

8. Appointment of external auditor

Should a change in auditor be considered necessary, a formal tendering process will be undertaken. The Committee will identify the attributes required of an auditor and will ensure the selection process is sufficiently robust so as to ensure selection of an appropriate auditor.

The Committee will ensure that prospective auditors have been provided with a sufficiently detailed understanding of the Company, its operations, its key personnel and any other information, including group structures and financial statements, that will have a direct bearing on each firm's ability to develop an appropriate proposal and fee estimate.

The Committee and the Board will consider the appointment in conjunction with senior management.

In selecting an external auditor, particular consideration will be given to determining whether the fee quoted is sufficient for the work required, that the work is to be undertaken by people with an appropriate level of seniority, skill and knowledge and whether the work proposed is sufficient to meet the Company's needs and

expectations.

The appointment of a new external audit firm will be placed before shareholders for ratification at the next annual general meeting after the appointment is made.

9. *Rotation and succession planning*

The Committee will discuss with the auditor the provisions the audit firm has in place for rotation of the lead engagement partner and the independent review partner. The Company shall require that the lead engagement partner be rotated in accordance with legislative requirements.

10. *Management sign-off procedure*

The Committee will ensure that the Managing Director or Chief Executive Officer and Chief Financial Officer (if one is employed) prepare a written statement (in compliance with s295A *Corporations Act 2001*) to the Board certifying that the Company's annual financial report and half yearly financial report present a true and fair view, in all material respects, of the financial condition of the Company and in relation to the systems of internal controls, that that system is operating effectively in all material respects in relation to financial reporting risks.

The statement is to be presented to the Board prior to the approval and sign-off of the respective annual and half yearly financial reports.

The Committee will also ensure the Board is given an appropriate statement, prior to the signing of any quarterly financial report or any other financial report, confirming the financial reports present a true and fair view, in all material respects, and its operational performance and are in accordance with relevant accounting standards.

11. *Review and Changes to this Charter*

- (a) The Committee will review this Charter annually or as often as it considers necessary.
- (b) The Board may change this Charter (including the responsibilities of the Committee) from time to time by resolution.