

Audit and Risk Committee Charter

Genera Biosystems Limited

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Audit and Risk Committee Charter

Genera Biosystems Limited

Table of Contents

1.	Glossary	1
2.	Terms of Reference	2
3.	Audit and Risk Committee Responsibilities'	2
4.	External Reporting	3
5.	External Audit	4
6.	Internal Audit	5
7.	Internal Control and Risk Management	5
8.	Related Parties Transactions	6
9.	Compliance and Ethics	6
10.	Fraud	6

Board Charter of Genera Biosystems Limited

1. Glossary

In this Charter the Glossary is:

“Act” means the Corporations Act 2001.

“ASIC” means the Australian Securities and Investment Commission

“ASX” means the Australian Security Exchange.

“ASX Listing Rules” means the rules and regulations that govern the operation of the ASX for market participants.

“Auditor” means the entity responsible for providing auditor services.

“Board” means the board of directors of the Company.

“Business” means the business of the Company.

“CEO” means the chief executive officer of the Company.

“Chairman” means the chairman of the Board and is used in a gender- neutral sense.

“Committee” mean a Board sub- committee formed to deal with the audit and risk management issues of the business.

“Company” means Genera Biosystems Limited.

“Directors” mean directors of the Board.

“IFRS” means International Financial Reporting System

“Management” means the management personnel of the Company.

“NED” means non executive director.

Audit and Risk Committee Charter

Genera Biosystems Limited

2. Terms of Reference

The terms of reference of the Audit and Risk Committee (“Committee”) for the Charter are as follows:

- 2.1 The Audit and Risk Committee’s objectives are to provide assurance to the Board that the organisation is meeting its responsibilities with respect to overseeing all aspects of financial reporting, internal control and risk management structures and audit functions. The Committee operates to an approved Audit and Risk Committee Charter, which governs the tasks, attendees, sources of professional information and responsibilities of the Committee and provides a forum for the effective communication between the Board and the external and internal auditors.

The Committee reviews the annual and half-yearly financial statements prior to their approval by the Board and release to the ASX or ASIC where appropriate. The effectiveness of management information systems and systems of internal control, and the efficiency and effectiveness of the external and internal audit functions.

- 2.2 The Audit and Risk Committee shall consist of all NED Board members. The Chairman being appointed by the Board but is not the Chairman of the Board. The Committee Chairman’s tenure is reviewed annually. The Committee will invite other Executives and Auditors to their meetings as needed. The Committee’s activities will be co-ordinated by a meeting secretary through the Committee Chairman. The Committee’s reporting and recommendations will be via minuted documents submitted to the Board. The company secretary is secretary to the Committee.

3. Audit and Risk Committee Responsibilities

The Committee’s duties and responsibilities and the scope of its activities, are as follows:

- 3.1 Establish, liaise and monitor the audit process with the appointment of the Auditors and approval of annual programs, strategies and audit fees. Monitor the independence of the Auditor.
- 3.2 Financial reporting and variance reporting to the Board, including accounting policies;
- 3.3 Internal control and risk management systems;
- 3.4 Oversight of the Governance process by the establishment and continuous monitoring of a framework and processes of compliance with laws, regulations and the company’s code of conduct;
- 3.5 Reviewing reports to regulators requiring Board approval;
- 3.6 Periodic monitoring of the corporate risk profile.
- 3.7 Reviewing related-party transactions;
- 3.8 Management information systems; and
- 3.9 The prevention and detection of fraud and irregularities.

Audit and Risk Committee Charter

Genera Biosystems Limited

The relationships and authority of the Committee are:-

- 3.10 The Committee is authorised by the Board to investigate any activity covered by its functions and responsibilities. It is authorised to seek any information it requires from the CEO or other Executives as needed who should co-operate with any requests made by the Committee.
- 3.11 The Committee shall have the authority of the Board and the budget to obtain legal or other independent professional advice. It will also secure the attendance at meetings of third parties with relevant experience and expertise if it considers this necessary.
- 3.12 The Committee shall provide a forum where Directors, executives and Auditors can deal with issues relating to reporting financial obligations, corporate governance, and the management of risk. Executive staff could be invited to the Committee meetings to provide the information the Committee needs to do its job.
- 3.13 The Committee shall have a co-ordinating role with any due diligence committee related to a change in the capital structure or sale of the business to ensure consistency and accuracy of data and policies in the public documents.
- 3.14 Once the Board has appointed the external auditor, the Committee serves as the official and on-going link with the individuals and/or company. The Committee shall recommend to the Board the appointment, retention or termination of the external auditor and the method of appointing and replacing them.

4. External Reporting

- 4.1 Consider the appropriateness of the company's accounting policies and principles and any changes to them, as well as the methods of applying them, whilst ensuring that they are in accordance with the stated financial reporting framework. The Committee requires that management is to advise on:
 - i. The methods chosen are consistent with the applicable financial reporting framework.
 - ii. Any changes in significant accounting policies or their application during the reporting period.
 - iii. The methods used to account for significant unusual transactions or transactions emerging in areas for which there may be no specific accounting standards, including managements reasoning in determining the appropriateness of those methods;
- 4.2 Assess significant estimates and judgments in the financial reports by enquiring of management about the processes used in making material accounting estimates and then enquiring of the Auditor the basis for the Auditor's conclusions regarding the reasonableness of those estimates.
- 4.3 Review the appropriateness of the accounting policies and disclosures to present a true and fair view.
- 4.4 Review management processes for ensuring and monitoring compliance laws (IFRS, the Act, and ASX Listing rules), regulations and other reporting by the company of financial and non-financial information.

Audit and Risk Committee Charter

Genera Biosystems Limited

- 4.5 Review the accuracy and completeness of the main corporate governance compliance practices including, but not limited to related-party disclosures and continuous disclosures as required by the Act and the ASX Listing Rules.
- 4.5 Assess information from external Auditors that affects the quality of financial reports (e.g. actual and potential material Audit adjustments), financial reports disclosure, non-compliance with the laws and regulations, and internal control issues.
- 4.6 Ask the Auditor for an independent judgment about the appropriateness, not just the acceptability, of the accounting principles used and the clarity of the financial disclosure practices used, or proposed to be used, by the entities as put forward to management.
- 4.7 Review the documents and reports to the regulators and make recommendations to the Board about the financial report and any associated non-financial disclosures based on the Committee's assessment prior to their release.

5. External Audit

- 5.1 Establish procedures for the selection and appointment of the external Auditor and for the rotation of external audit partner engagement. Make recommendations on the appointment and removal of the Auditor, their remuneration and monitoring of the effectiveness and independence of the external Auditor.

Any suggestions by management that the Auditor is to be replaced or that the audit should be put out to tender should be examined carefully by the Committee before any decision is made.
- 5.2 Review the external Auditor's work scope (particularly the identified risk areas) and the associated fees and be satisfied that any effective, comprehensive and complete audit can be conducted for a set fee. At the start of each Audit; agree the terms of the engagement with the external Auditor.
- 5.3 Together with the external Auditor, review any additional agreed upon procedures to meet its audit obligations and ensure they are done on a regular and timely basis.
- 5.4 Invite the external Auditor to review the audit plan, discuss audit results and consider the implications of the external audit findings for the control environment.
- 5.5 Review the company's compliance with meeting its taxation obligations- income tax, good and services tax, PAYG, superannuation guarantee charge, payroll tax, fringe benefit tax and any other tax obligations.
- 5.6 Review the Auditor's independent opinion and how it relates to the management compliance within the stated financial reporting framework.
- 5.7 Review any material matters of difference, either resolved or unresolved between the Auditor and management on the conduct of an audit.
- 5.8 Monitor and critique management's responsiveness to the external Auditor's findings and recommendations.
- 5.9 Review all representation letters signed by management to assess whether or not the information provided is complete and appropriate.

Audit and Risk Committee Charter

Genera Biosystems Limited

- 5.10 Provide the opportunity for the independent non-executive members of the committee to meet with the external Auditors without management personnel being present at least once a year, usually at the completion of the audit. The Chairman of the Committee has the responsibility to consider if additional separate meetings between the independent non-executive committee members and the external Auditor are necessary.
- 5.11 Meet periodically with key management staff, compliance staff and external Auditors, to understand and discuss the company's control environment.
- 5.12 Monitor the relationship between internal and external auditors.

6. Internal Audit

- 6.1 Develop an internal audit function as needed. Ensure that the internal audit activity reports to the Committee for functional purposes and to the chief executive officer for administrative purposes. The internal audit should have reporting structures and rights of access to all levels of management and to relevant information. This function's activities should be reported to the Committee in written form.
- 6.2 Review the internal audit annual plan to ensure that it covers the material business risks of the company and has the resources required to meet its annual plan objectives.

7. Internal Control and Risk Management

The Committee can play a key roll in establishing an appropriate culture in the company's overall control environment. The Committee's responsibilities in the area of internal control and risk management include the following.

- 7.1 Reviewing whether or not the company has an effective risk management system and that the material business risks of the company are appropriately reflected in the risk assessment reported the Board annually.
- 7.2 Assess the internal processes for determining and managing key risk areas in accordance with the company's tolerance of risk, particularly:
 - i. Litigation and claims;
 - ii. Non-compliance with laws and regulations, including environmental laws and industrial relations laws;
 - iii. Important judgments and accounting estimates;
 - iv. Business risks other than those that are dealt with by other specific board committees.
 - v. Ensure that the company has adequate risk management systems.
- 7.3 Monitoring the company processes for management's identification and control of material risks, including business, financial and legal compliance risks.
- 7.4 Reviewing summary reports from management on all suspected and actual frauds, thefts and material breaches of laws and ensuring reporting to the Board, and/or, relevant authorities.
- 7.5 Assessing the adequacy of company processes to manage insurable risks and the adequacy of insurance cover.

Audit and Risk Committee Charter

Genera Biosystems Limited

- 7.6 Address the adequacy of the company's control structure with management and the external Auditor.
- 7.7 Assess the performance of the internal audit process.
- 7.8 Evaluate the process the company has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk.
- 7.9 Assess whether management has controls in place for unusual types of transactions, and /or, any potential transactions that may carry more than an acceptable degree of risk.
- 7.10 Assessing the effectiveness of, and compliance with, the company's corporate code of conduct.

8. Related Parties Transactions

- 8.1 Review and monitor the identification, nature, extent and the reasonableness of related-party transactions.
- 8.2 Reviewing and approving processes for related-party transactions.

9. Compliance and Ethics

Compliance and ethics programs within companies are a key expression of a company's values. The Committee should review programs that include:

- 9.1 Overseeing the compliance with laws and regulations.
- 9.2 Maintaining currency of how management is monitoring the effectiveness of its compliance and ethics programs and making amendments as needed.
- 9.3 Meeting periodically with management to discuss, identify and report on the key business risks and the effectiveness of the risk management systems.
- 9.4 Establishing a complaints monitoring system dealing with accounting, legal and compliance issues.
- 9.5 Reviewing management disclosures in the financial reports and the effects of significant compliance issues.
- 9.6 Considering the internal auditor role in assessing compliance and ethics risks in their plan.
- 9.7 Monitoring compliance with the company's key policies on director code of conduct, share trading and continuous disclosure.

10. Fraud

The existence of systems and programs to minimise and detect fraud within companies are a key expression of their attitude to minimising fraud and include:

- 10.1 Ascertaining whether or not fraud risks have been included in the assessment of the company risk profile.
- 10.2 Overseeing the company's fraud prevention and detection framework and monitoring actual and suspected instances of fraud.
- 10.3 Overseeing management's efforts to create strategies and anti-fraud programs and to establish and maintain a strong internal control environment.