



Audit and Risk Committee Charter

1. Introduction

The Audit and Risk Committee (**ARC**) is a committee of the board of directors (**Board**) and applies to of Elixinol Global Limited (**Group**).

The primary role of the ARC is to:

- (a) satisfy itself that the Group has an adequate control framework for the oversight of the external audit arrangements; and
- (b) make recommendations to the Board in relation to:
 - the adequacy of the Group's processes for identifying, measuring, monitoring and managing the material business risks it faces;
 - any incident involving fraud or other break down of the Group's internal control policies and practices; and
 - the Group's insurance program.

2. Responsibilities

The ARC is required to ensure:

- (a) Reliable management and financial reporting
 - Assess the adequacy of management reporting on the entity's risks, operations, and financial condition to the Board.
 - Scrutinise the Group's accounting policies and practices in the light of the Corporations Act and Australian Accounting Standards.
 - Review the half yearly and annual financial statements of the Group and recommend to the Board the signing of the directors' declaration to them.
 - Review and discuss with the external auditor the quality and acceptability of the Group's accounting principles as applied in its financial reporting.
 - Supervise the implementation of the Australian Accounting Standards and other changes in regulatory requirements.
- (b) Compliance with laws and regulations



- Consider the plans and processes for the Group's compliance activities.
- Ensure that the Group's financial statements and reporting complies with the Corporations Act, accounting standards, ASX Listing Rules and other relevant regulatory requirements.
- Monitor the laws and the regulations that relate generally to the entity's business operations and, review the Group's compliance with such laws.
- Seek advice of the Group's legal advisers on any legal matters that could have significant impact on the Group's financial statements.

(c) Maintenance of an effective and efficient audit

- Recommend to the Board the appointment of the external auditors.
- Review the plans of the external auditors, including any significant changes to the plans.
- Review the efficiency and effectiveness of the external auditors in relation to their responsibilities.
- Review and discuss with the external auditor professional and other significant relationships to determine their independence.
- Review the external auditor's fees.
- Ensure there are no unjustified limitations placed on the auditors and review any serious disputes with management during the audits.
- Ensure the scopes of the audits are adequate, with emphasis on matters where the ARC, management or the auditors believe special attention is necessary.
- Meet with and assess the findings of the external auditors as well as management's response to their recommendations.
- Ensure compliance with the ASX principles of good corporate governance related to external auditors.

(d) Risk management and internal control

- (i) In consultation with management:



- Prepare a risk profile which describes the material business risks facing the Group, including financial and non-financial matters and taking into account both the Group's legal obligations and the reasonable expectations of the Group's stakeholders (such as shareholders, employees, customers, suppliers, creditors, consumers and the broader community in which the Group operates). This risk profile should include any material exposure to economic, environmental and social sustainability risks, and how the Group intends to manage any identified risks.
 - Regularly review and update the risk profile and provide copies to the Board.
 - Review the risk profile at least annually to satisfy itself that it continues to be sound and disclose that such a review has taken place in the Group's annual report.
- (ii) Review and report to the Board (at least annually) on the effectiveness of the Group's internal controls regarding:
- Due diligence for acquisitions and other new projects.
 - Compliance with confidentiality obligations.
 - Information technology security.
- (iii) Review and report to the Board (at least annually) on the effectiveness of internal systems and processes for identifying, managing and monitoring material business risks, including:
- Breaches of contract or internal controls.
 - Litigation and claims.
 - Fraud and theft.
 - The Group's insurance program, having regard to the Group's business and the insurable risk associated with its business.
- (iv) Obtain regular reports from management on the occurrence and/or status of any material breaches of internal controls or other material risk exposures or incidents and report to the Board (at each Board meeting or earlier, if appropriate) on such breaches, exposures and incidents and generally whether material business risks are being managed effectively.



- (v) Review the scope of the external auditors' review of internal control and risk management, review reports on significant findings and recommendations, together with management's responses.
- (vi) Recommend to the Board any changes to the Company's internal control and risk management framework from time to time as appropriate.

3. Composition

- (a) Unless the Board determines otherwise, the ARC shall comprise a minimum of three members, the majority of whom should be independent non-executive directors.
- (b) If the Chairperson of the Board is an independent non-executive director, the Chairperson of the Board will be the Chairperson of the ARC.
- (c) Otherwise, the Board will nominate the Chairperson of the ARC from time to time. The Chairperson of the ARC must be an independent non-executive director.
- (d) The ARC may invite other persons as it deems necessary and may seek advice from such other persons as appropriate.
- (e) The ARC must include members who are financially literate and at least one member being the chairperson who has financial expertise (i.e. is a qualified accountant or other financial professional with experience of financial and accounting matters).
- (f) The secretary of the ARC should be the Company Secretary or such other person as nominated by the Board.
- (g) A quorum for ARC Meetings is two members of the ARC.

4. Procedural requirements

4.1 ARC procedures

- (a) Meetings shall be held at least six monthly or more frequently as required. Additional meetings may be convened as required.
- (b) The ARC may meet with the external auditor from time to time, in separate executive sessions to discuss relevant matters.
- (c) The proceedings of all meetings will be recorded in minutes to be approved by the ARC. The minutes of the ARC shall be made available at the next full Board meeting of the Group after each ARC meeting.
- (d) Regular reports shall be provided to the Board including:



- assessment of the management processes supporting external reporting;
 - procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
 - assessment of the performance and independence of the external auditors and whether the ARC is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
 - the results of its review of internal compliance and control systems;
 - assessment of whether external reporting is consistent with committee members' information and knowledge and is adequate for securityholder needs;
 - recommendations for the appointment or removal of an auditor;
 - report annually to the Board regarding information to be provided in the Annual Report to securityholders, describing the ARC's composition, responsibilities and how they were discharged, and any other information required by law or the ASX Listing Rules; and
 - before the Board approves the Group's financial statements for a financial period, provide a report on whether the financial records of the Group have been properly maintained and whether the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity.
- (e) ARC members may not receive directly or indirectly any consulting, advisory or other fee from the Group, other than the remuneration received by a Director on the ARC in his or her capacity as a Director and member of the ARC.

4.2 Authorities

- (a) The Board authorises the ARC, within the scope of its responsibilities, to seek any information it requires from any Group employee or contractor.
- (b) The ARC may obtain independent professional advice on relevant matters at the expense of the Group.



5. Revisions of this Charter

This Charter of the ARC must be approved by the Board of the Group.

The ARC is responsible for reviewing the effectiveness of this Charter and the ARC, and to make recommendations to the Board of any amendments to this Charter.