

NEXT SCIENCE[®]

NEXT SCIENCE LIMITED

Audit and Risk Committee Charter

1 Role of the Committee

The Board of Next Science Limited (the **Company**) (**Board**) has established the Audit and Risk Committee (**Committee**) with the powers set out in this Charter as delegated in accordance with rule 77 of the Company's Constitution.

The purpose of the Committee is to assist the Board to:

- (a) meet its oversight responsibilities in relation to the Company's:
 - (i) financial reporting;
 - (ii) application of accounting policies;
 - (iii) business policies and practices;
 - (iv) legal and regulatory compliance;
 - (v) internal control structure and risk management procedures;
 - (vi) internal and external audit functions; and
 - (vii) clinical and patient risk policy and practice.
- (b) promote a culture of compliance across the Company and its controlled entities (the **Group**); and
- (c) provide a forum for communication between the Board and the Company's external auditor, the internal auditor (if any) and the Company's management in relation to audit and risk matters affecting the Group.

In discharging its duties, the Committee will seek to coordinate its activities with the Remuneration and Nomination Committee where appropriate. The Chairman of the Committee must liaise with the Chairman of the Remuneration and Nomination Committee on an ongoing basis to ensure that no material matter coming within their charters is overlooked by the two Committees.

2 Composition of the Committee

2.1 Membership

The members of the Committee will be appointed by the Board and the Committee should consist of:

- (a) only non-executive Directors;
- (b) at least three members, the majority of whom are independent*;
- (c) at least one member who has accounting or related financial expertise and qualifications;
- (d) a chairman appointed by the Board who is an independent Director and is not Chairman of the Board; and
- (e) Directors who are familiar with and able to read and understand financial statements.

The Board will decide appointments, rotations and resignations within the Committee having regard to the ASX Listing Rules, the prevailing edition of the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" and the Company's Constitution.

*In this Charter, "independent" means assessed by the Board to be independent in accordance with the Board Charter.

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2.2 Secretary

The Company Secretary will act as Secretary to the Committee.

3 Responsibilities

3.1 Risk management

The Committee will:

- (a) oversee the establishment and maintenance by management of processes to ensure that there is an adequate and effective system to identify and manage material business risks;
- (b) monitor and evaluate the adequacy of the Company's risk management procedures by receiving reports from management and the external auditor;
- (c) conduct an annual review of the Company's risk management framework to satisfy itself that it continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board;
- (d) establish procedures for the receipt, retention and handling of complaints received by the Company regarding accounting and audit matters and for the confidential or anonymous submission of concerns by employees regarding accounting and audit matters;
- (e) review and evaluate the procedures the Company has in place to ensure compliance with all laws and regulations in the countries in which it operates and the Company's own policies and procedures;
- (f) review the Company's policies and culture with respect to the establishment and observance of appropriate ethical standards;
- (g) assess management's compliance with the limits set out in any delegated authority framework; and
- (h) review the Company's annual insurance plan and maintain oversight of the Company's insurance activities.

3.2 Audit

The Committee will:

- (a) consider and make recommendations to the Board on the appointment, reappointment or replacement of the Company's external auditor;
- (b) approve the scope of the audit, the terms of the annual engagement letter and audit fees;
- (c) meet with the auditor at least twice each year, once in the audit planning stage and once post completion of the audit at the reporting stage;
- (d) oversee arrangements relating to the rotation of the audit engagement partner;
- (e) monitor, and report to the Board on, the effectiveness of the external audit, placing emphasis on areas where the Committee or the external auditor believe special attention is required;
- (f) after the completion of each end-of-year audit, review the performance, effectiveness and independence of the external auditor;
- (g) develop, and oversee the implementation of, the Company's policy on the engagement of the external auditor to supply non-audit services and ensure compliance with that policy;
- (h) provide advice and an annual report to the Board on whether the Committee is satisfied that the provision of non-audit services is compatible with the general standard of auditor independence and an explanation of why those non-audit services do not compromise auditor independence; and
- (i) ensure the external auditor attends the Company's Annual General Meeting and is available to answer questions from shareholders of the Company relevant to the audit.

3.3 Financial statements

The Committee will:

- (a) engage in the proactive oversight of, and assess the adequacy of, the Company's financial and corporate reporting and disclosure processes, and oversee and review the outputs of that process and make recommendations to the Board in relation to those matters;
- (b) monitor the consistency of accounting policies on a year to year basis and across the Group;
- (c) review and assess the appropriateness of the accounting policies and principles that are required to be reported in the notes to the Company's financial statement and approve any changes to the policies and principles;
- (d) review with management and the external auditor (as appropriate) and challenge where necessary, the Company's financial statements (including quarterly, half-yearly and annual) including the following matters:
 - key accounting policies and practices and any changes to them;
 - significant estimates and judgements in the financial statements; and
 - any unusual transactions affecting the financial statements or significant variances from prior year results or current year budget;
 - any significant adjustments resulting from the audit;
 - the clarity of disclosures for shareholders and other stakeholders;
 - the going concern assumption; and
 - compliance with ASX Listing Rules and other legal requirements; and
- (e) review all reports which are required by law to accompany the Company's published financial statements to the extent that the reports discuss the financial position or performance of the Company and assess whether such reports are consistent with the Committee members' information and knowledge; and
- (f) oversee the provision by the Managing Director and CFO of the declarations required by the *Corporations Act 2001* in respect of the Company's financial reports.

3.4 Reporting

The Committee Chairman will:

- (a) report to the Board on the proceedings and resolutions of each Committee meeting at the following Board meeting; and
- (b) be available at the Company's Annual General Meeting to respond to any shareholder questions on the Committee's areas of responsibility.

The Company will disclose in relation to each reporting period whether an annual review of the Company's risk management framework has taken place.

4 Authority and Access

4.1 Access

In carrying out its responsibilities, the Committee will have unrestricted access:

- (a) to all employees of the Company and to the Company's financial and legal advisers; and
- (b) to all Company records,

except in circumstances where there is a conflict of interest.

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4.2 External advisers

The Committee is authorised to obtain, at the Company's expense, outside legal or other independent professional advice on any matter within the Committee's charter.

5 Meetings

5.1 General

Pursuant to rule 77.4 of the Company's Constitution, the provisions of the Constitution applying to meetings and resolutions of Directors, including without limitation apply, so far as they can and with such changes as are necessary, to meetings and resolutions of a committee of Directors.

5.2 Meeting frequency

The Committee will meet at least twice each year and more frequently if it is considered necessary to fulfil the Committee's role.

5.3 Attendance

Directors who are not members of the Committee may attend Committee meetings except in circumstances where there is a conflict of interest.

The Committee may invite any person to attend all or part of a meeting of the Committee. The Managing Director will normally be invited to attend meetings.

5.4 Committee Chair

In the absence of the Committee Chairman, the members shall elect one of their number who is an independent non-executive Director to chair the meeting.

6 Review

The Committee will review this Charter at least annually and any proposed changes will be recommended by the Committee to the Board for approval.

7 Approved and adopted

This version of the Charter was adopted by the Board on 28 March 2019.