

## **IMRICOR MEDICAL SYSTEMS, INC.**

### **AUDIT AND RISK COMMITTEE CHARTER**

#### **1 Purpose**

The Audit and Risk Committee (**Committee**) is established by the Board of Directors (**Board**) of Imricor Medical Systems, Inc. (**Imricor**).

This Charter governs the operations of the Committee and sets out the membership, operation and responsibilities of the Committee.

The purpose of the Committee is to assist the Board in fulfilling its responsibilities in relation to Imricor's:

- (a) financial reports;
- (b) financial reporting processes;
- (c) audit processes;
- (d) risk management systems (financial and non-financial); and
- (e) compliance framework.

However, the Board retains ultimate responsibility for each of these matters, despite the delegations to the Committee.

#### **2 Membership of the Committee**

##### **2.1 Membership**

The Committee should ideally consist of:

- (a) only non-executive directors;
- (b) a majority of independent directors;
- (c) an independent chair, who is not Chairman of the Board; and
- (d) a minimum of three members.

However, as a relatively small (amongst those listed on the ASX) company, Imricor may face particular issues in ensuring that the ideal composition for the Committee (as set out above) is met. While Imricor will aim for the Committee to meet that ideal composition, this may not always be possible, particularly while the operations of Imricor are at an early stage. Notwithstanding the foregoing and subject to the qualifications in ASX Listing Rule 12.7, if Imricor is included in the S&P/ASX 300 index at the beginning of Imricor's financial year, the composition of the Committee must satisfy the requirements above.

The Committee will appoint the Committee Chairman from one of its number.

It is intended that all members of the Committee must have familiarity with financial management and be able to read and understand financial statements. At least one Committee member must be a

qualified accountant or otherwise have expertise in financial accounting and reporting. Between them, the members of the Committee should have a sufficient understanding of the industry in which Imricor operates to be able to discharge the Committee's mandate effectively.

## **2.2 Appointment and term**

The members of the Committee will be determined by the Board having regard to section 2.1 of this Charter. There is no prescribed term for membership. Membership of the Committee ceases when a member ceases to be a director of Imricor.

The Board may appoint additional directors to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.

## **3 Administrative matters**

### **3.1 Meetings**

The Committee will meet as often as necessary to undertake its role effectively, but must meet at least quarterly. The quorum necessary for a meeting of the Committee will be two members.

The Committee will appoint a secretary (which may be the company secretary), who must, on request from any Committee member, convene a meeting of the Committee. Unless all Committee members otherwise agree, at least 24 hours' notice must be given to every Committee member of every Committee meeting. Acknowledgment of receipt of notice by all members is not required before the meeting may be validly held.

Members of management may attend meetings of the Committee at the invitation of the Committee Chairman, but other than executive directors (if applicable), must not be appointed as members of the Committee.

### **3.2 Access and external engagement**

The Committee has rights of access to management and to auditors without management present and rights to seek explanations and additional information.

The Committee may, upon notifying the Chairman of the Board, seek the advice of Imricor's auditors or solicitors (at the cost of Imricor) as to any matter pertaining to the powers or duties of the Committee.

The Committee may, with the prior approval of the Chairman, instruct the Chief Executive Officer to engage such other independent advisers in relation to any matter pertaining to the responsibilities of the Committee, as the Committee may require.

### **3.3 Agenda and minutes**

The secretary of the Committee will:

- (a) attend all Committee meetings as minute secretary;
- (b) in conjunction with the Chairman of the Committee, prepare an agenda to be circulated to each Committee member before each meeting of the Committee; and
- (c) prepare minutes of each Committee meeting.

## **4 Reporting**

Normally, a Committee meeting will be held immediately before a Board meeting. There will be included in the Board papers for the Board meeting following a meeting of the Committee, the minutes of the previous Committee meeting (except to the extent that there is a conflict of interest affected by doing so).

The Committee Chairman will provide a brief oral report at the Board meeting as to any material matters arising out of the immediately preceding Committee meeting, including all material audit, financial reporting, internal control, risk management and compliance matters. All directors will be permitted, within the Board meeting, to request information of the Committee Chairman or members of the Committee.

## **5 Responsibilities**

### **5.1 *Financial reporting***

The Committee is responsible for:

- (a) reviewing the annual and half yearly financial statements and any accompanying reports with management and the external auditor and if considered appropriate, to recommend their approval to the Board;
- (b) assisting the Board in determining the reliability and integrity of accounting policies and financial reporting and disclosure practices;
- (c) monitoring compliance with applicable accounting standards and other requirements relating to the preparation and presentation of financial results;
- (d) reviewing the appropriateness of the accounting principles adopted by management in the preparation of financial reports and to make recommendations to the Board regarding any changes in the accounting principles to be applied in preparing Imricor's financial reports;
- (e) reviewing with management any significant accounting and financial reporting issues raised by the external auditor; and
- (f) discussing with management any significant movements in the financial statements between periods and from budget.

### **5.2 *External auditing***

The Committee is responsible for:

- (a) making recommendations to the Board in relation to:
  - (i) the appointment, reappointment or replacement of the external auditor and the rotation of the audit engagement partner;
  - (ii) the remuneration and other contractual terms of the external auditor; and
  - (iii) the effectiveness and independence of the external auditor;

- (b) discussing with the external auditor the overall scope of the external audit, including materiality levels and identified risk areas and making recommendations to the Board in connection with those matters;
- (c) resolving disagreements between management and the external auditor regarding financial reporting;
- (d) ensuring that any significant findings and recommendations made by the external auditor are received and discussed by the Committee on a timely basis;
- (e) reviewing, agreeing and approving the annual audit plan for Imricor and its subsidiaries (if any) (including a review of the risk management and internal compliance and control procedures);
- (f) assessing any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor;
- (g) providing advice to the Board as to whether the Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence, and if applicable, an explanation of why those non-audit services do not compromise audit independence, in order for the Board to assess whether it is in a position to make the statements required to be included in the financial statements and annual report of Imricor; and
- (h) establishing procedures for the consideration of any complaints received from within Imricor or its subsidiaries (if any) regarding accounting, internal control and auditing matters.

### **5.3 Risk management**

The Committee is responsible for:

- (a) overseeing the establishment, methodology and implementation of the risk management procedures for Imricor and its subsidiaries (if any) and the resourcing of the risk management procedures, including processes to ensure that there is:
  - (i) adequate internal control, containment and management of business risks and safeguarding of assets; and
  - (ii) a review of internal control procedures and the operational effectiveness of the procedures related to risk and control;
- (b) reviewing trends in the risk profile of Imricor and its subsidiaries (if any);
- (c) evaluating the adequacy and effectiveness of the management reporting and control procedures used to monitor adherence to policies and limits approved by the Board for management of balance sheet risks;
- (d) evaluating the adequacy and effectiveness of the financial and operational risk management control procedures of Imricor and its subsidiaries (if any) by reviewing reports from management and external auditors;
- (e) evaluating the structure and adequacy of the insurance policies of Imricor and its subsidiaries (if any) on an annual basis;

- (f) evaluating the exposure to fraud of Imricor and its subsidiaries (if any), and overseeing investigations of allegations of fraud or other breakdowns in internal controls;
- (g) reviewing the risk management framework at least annually to assess whether it continues to be sound;
- (h) monitoring and reviewing management's performance against the risk management framework;
- (i) reviewing and approving all transactions in which Imricor is a participant and in which parties related to Imricor, including executive officers, directors, and other persons whom the board determines may be considered related parties of Imricor (for the purposes of Chapter 2E of the Corporations Act), have or will have a material direct or indirect interest; and
- (j) reporting to the Board on the matters above, including specific material risks identified.

#### **5.4 Compliance**

The Committee's specific function with respect to compliance is to review and report to the Board regarding the appropriateness of the compliance procedures of Imricor and its subsidiaries (if any), including:

- (a) reviewing the procedures in place to ensure compliance with laws and regulations that are material to Imricor and its subsidiaries, including any specific compliance requirements under the terms of any regulatory approvals granted in connection with the business;
- (b) reviewing compliance reports prepared by management in relation to compliance with legal or regulatory requirements;
- (c) obtaining regular updates from management regarding any material litigation involving Imricor or any of its subsidiaries (if any); and
- (d) reviewing any material recommendations by regulatory agencies in relation to compliance with laws or regulations applying to Imricor or any of its subsidiaries (if any).

#### **6 Review of performance**

The Committee will periodically undertake an evaluation of its performance. The Board may evaluate the performance of the Committee as appropriate.

#### **7 Review of this charter**

The Board will at least annually review this Charter to determine its adequacy.

Approved by the Board of Directors of Imricor Medical Systems, Inc.