
CIRCADIAN TECHNOLOGIES LIMITED

AUDIT & RISK COMMITTEE CHARTER

Role

The Committee's role is to advise the Board of Directors (Board) in discharging responsibilities in relation to:

- financial reporting including accounting standards, and internal control integrity and compliance;
- external audit activities including auditor appointment, independence, terms of engagement and fees;
- business risk management including risk plans, processes and profile and insurance adequacy; and
- any other matters referred to it by the Board.

Duties and Responsibilities

Financial Reporting

1. The Committee will be responsible for the review of accounting standards and half year and end of year financial statements prior to referral to the Board.
2. The Committee will monitor developments likely to affect financial reporting including legislative pronouncements or disclosure requirements, as they affect both current and future years.
3. The Committee will review any unusual transactions, pending litigation, outstanding claims or contingencies which the management, auditors or legal counsel believe may have a material effect on the financial position or operations of the Company and the manner in which these matters are disclosed in financial statements.
4. The Committee will be responsible for ensuring that internal control policies and procedures are in place for safeguarding assets and the integrity of financial reporting and that compliance is audited at least annually.

External Audit Activities

1. The Committee will make recommendations to the Board on the appointment, reappointment or replacement of the external auditors (subject, if applicable, to shareholder ratification). The Committee will annually review the audit plans and fees of the external auditors and satisfy itself that they are appropriate and justified. The Committee will ensure rotation of the external auditor's engagement partner every five year period or such other period of time as may be deemed fit.

2. The Committee will evaluate the independence and the effectiveness of the external auditors. The Committee shall pre-approve all audit and material non-audit services provided by the external auditors and shall not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgment or independence in respect of the Company.

3. The Committee will review the results of the external audit and assess remedial action taken or proposed in the reports. The Committee will review and satisfy itself that management's responses to audit recommendations are adequate. This may include seeking functional audits if, in the Committee's opinion, this will assist the overall performance of the Company.

4. The Committee will review all representation letters signed by management to ensure that the information provided is complete and appropriate.

Business Risk Management

1. The Committee will establish a documented risk management policy and plan and recommend it to the Board.

2. The Committee will monitor risks by making inquiries of management and the auditors about risks or exposures and will assess the steps taken by management to minimise risk.

3. The Committee will review the schedule of insurances annually and make inquiries of management and the insurer as required.

Committee Membership and Procedures

Membership

The Committee will consist of:

- only non-executive directors;
- a majority of independent directors;
- an independent chairperson, who is not chairperson of the Board; and
- at least three members.

All Committee members will be financially literate. Furthermore, at least one member will have accounting and/or related financial management expertise as determined by the Board.

Care should be exercised to avoid any potential conflict of interest in the assessment of proposals and matters brought before the Committee. Members of the Committee will be considered to be independent so long as they do not have any perceived relationship or conflict which may interfere with the exercise of independent judgement.

Quorum and Resolutions

A quorum will comprise greater than 50% of Committee members. Should the Chairperson be absent from any meeting, and there are at least two members still

present, the members of the Committee present will appoint one of their number to be Chairperson of that meeting.

The Committee may pass resolutions by circular resolution.

Meetings

The Committee will hold at least two regular meetings per year and such other meetings as will be requested by the Chairperson of the Committee. Committee members may meet independently of management and/or the auditors as they will decide.

In addition, the Chairperson is required to call a meeting of the Committee when requested to do so by a Committee member, the Chief Executive Officer the Company Secretary or the Board.

Minutes

The Secretary of the Committee is the Company Secretary. The Secretary of the Committee will be responsible, in conjunction with the Chair of the Committee, for determining the agenda for each meeting.

The Company Secretary will be responsible for keeping and circulating the minutes of Committee meetings. Minutes, agenda and supporting papers will be made available to any Director upon request to the Secretary, providing no conflict of interest exists. Copies of the minutes of each Committee meeting will be included in the papers for the next Board meeting after each meeting of the Committee.

Accountability and Powers

Charter

The Committee shall review its Charter annually, when it is required to do so by the Board, or when it sees fit to do so. If the Committee considers that changes are required it will make appropriate recommendations to the Board.

Evaluation

A performance evaluation of the Committee against the requirements of the Committee Charter will be conducted regularly. The Board will evaluate annually the effectiveness of the Committee.

Access to Resources

The Committee has the necessary power and access to resources to meet its charter and is empowered to investigate any matter brought to its attention. The Committee has unrestricted access to the Company's executive management, employees and records, and its legal and financial advisers. The Committee can engage independent counsel and other advisers at the Company's expense as it determines necessary to carry out its duties.