

INDOOR SKYDIVE AUSTRALIA GROUP LIMITED
ACN 154 103 607

AUDIT AND RISK COMMITTEE CHARTER

1. Purpose

The Audit and Risk Committee (“**Committee**”) has been established to assist the Board of Indoor Skydive Australia Group Limited (“**Company**”) in fulfilling its corporate governance and oversight responsibilities in relation to the Company’s financial reports and reporting process, internal control structure, risk management systems (financial and non-financial) and the internal and external audit process.

The Committee will provide advice to the Board and report on the status of the business risks to the Company through its risk management process, which is aimed at ensuring risks are identified, assessed and appropriately managed.

2. Committee of the Board

The Committee is a committee of the Board, with the specific powers delegated in accordance with rule 14.7 of the Company’s Constitution and as set out in this Charter.

3. Composition

The Committee will be members of, and appointed by, the Board and will be comprised of:

- at least three non-executive Directors, all of whom shall be able to read and understand financial statements, or be made able to read and understand financial statements within a reasonable time after appointment;
- at least one member will be a qualified accountant or other finance professional with experience of financial and accounting matters as determined by the Board; and
- the Committee Chairperson must be a non-executive Director, who is not the Chairperson of the Board.

The Committee recognises that international practice is moving towards an audit committee comprised of a majority, or only of, independent directors and a Committee Chairperson who is an independent Director and who is not the Chairperson of the Board. As the Company experiences growth and development, it is the intention of the Board that the Committee will, as appropriate and as determined by the Board from time to time, consist of a majority of independent Directors and be chaired by an independent Director, who is not the Chairperson of the Board.

4. Skills Development

A member of the Committee may, with the approval of the Committee Chairperson and at the Company’s expense, attend seminars or training courses in respect to issues related to the functions and responsibilities of the Committee.

5. Meetings

The Committee will meet regularly, at the times determined by the Committee Chairperson, but no less than four scheduled times each year.

A member of the Committee may request that a meeting of the Committee be convened at any other time.

The internal or external auditor may request that a meeting of the Committee be convened.

6. Duties and Responsibilities

The primary responsibility of the Committee is to oversee the Company's financial reporting process and the independence of the external auditors on behalf of the Board and report the results of its activities to the Board. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits. The external auditors are responsible for auditing the Company's financial reports and for reviewing the Company's unaudited financial reports.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions. The Committee will take appropriate actions to set the overall corporate 'tone' for quality financial reporting, sound business practices and ethical behaviour. The following matters also constitute duties and responsibilities of the Committee and these are set forth as a guide with the understanding that the Committee may supplement them as appropriate from time to time.

a. Financial Reporting

The Committee will:

- (i) prior to approval by the Board, review all financial statements and reports which are required to be published and/or signed by Directors. The review should include discussion with the external auditor of accounting issues, accounting policies adopted and the proposed audit report. Subject always to ultimate Board approval of the published financial statements, the Committee has authority to approve accounting issues raised, review and interpret accounting policies adopted and the proposed audit (or review) report;
- (ii) review the annual report, Directors' report (excluding the Remuneration Report), and any other report of management which is required by law to accompany any published financial statements (to the extent that such a report discusses the financial position or operating results) before approval by the Board, including assessing whether the Company's external reporting is consistent with the Committee members' information and knowledge, and is adequate for shareholder needs;
- (iii) review any statements or commentary to be released to the Australian Securities Exchange Limited to accompany the half-year or annual financial statements;
- (iv) review and consider the processes used by management to monitor and ensure compliance with laws, regulations and other requirements relating to external reporting of financial information;
- (v) review proposed professional and regulatory pronouncements regarding accounting policies and financial reporting and assess their impact on the Company;
- (vi) review the process implemented to support the certifications to be provided by the Chief Executive Officer and any other Company officer as to the truth and fairness of the Company's financial reports and that those reports are based on a sound system of risk management and internal compliance and control so far as they relate to financial reports;
- (vii) review and discuss with management and the external auditor any correspondence with regulatory or government bodies which raise material issues regarding the Company's financial statements and review the results of any governmental or regulatory audits involving material findings which have not otherwise been reviewed by the Board; and
- (viii) review and monitor related party transactions and assess their propriety.

b. Risk Management

The Committee is responsible for:

- (i) reviewing, monitoring and reporting to the Board on the Company's risk management system including processes adopted by management to implement any risk management policy approved by the Board from time to time; and
- (ii) reviewing and monitoring financial control, external financial reporting, business conduct, litigation and regulatory risks (excluding those which are included as responsibilities in the Charters of other Board committees).

The Committee has full authority to approve financial risk management policies in relation to credit risk, liquidity risk, guarantees and letters of comfort, policies in relation to country risk, and any other matters delegated to the Committee by the Board from time to time.

c. Appointment of External Auditors

The Committee will review and assess key areas relating to the external audit of the Company. In particular, the Committee will:

- (i) make recommendations to the Board on the appointment, reappointment or removal or replacement of the external auditor;
- (ii) review and agree with the external auditor the terms of engagement for the external auditor, including fees;
- (iii) monitor the effectiveness and independence of the external auditor;
- (iv) review the scope of the external audit with the external auditor including identified risk areas and approve external audit plans;
- (v) review, assess and recommend to the Board the Company's policy on the provision of non-audit services by the external auditor;
- (vi) report to the Board no less than annually with respect to non-audit services (if any) provided by the external auditor during the year, including:
 - amounts paid or payable to the external auditor for those non-audit services;
 - a statement whether the Committee is satisfied that provision of those non-audit services is compatible with the general standard of independence for auditors; and
 - the reasons for the Committee's opinion;
- (vii) ensure the external auditor is coordinated with internal audit programs;
- (viii) review and monitor (and where appropriate be prepared to challenge) management's responsiveness to the external audit findings.

d. Internal Audit

If applicable, the Committee will review the internal auditor's resources and scope of the internal audit process, including the internal audit plan, work program and quality control procedures.

e. Insurance

The Committee will review and approve the Company's insurance programme except for the Directors' and Officers' Liability insurance, which will remain the responsibility of the Board.

f. Legal Proceedings

The Committee will receive and review reports as may be obtained or provided from time to time regarding all material litigation, legal claims or contingencies relating to the Company. The Committee will report to the Board as necessary in relation to any legal risks that could have a material effect on the financial position or operating results of the Company.

7. Committee Performance

The Committee will perform informal reviews of its performance no less than annually with a view to ensuring it continues to function effectively by reference to current best practice.

8. Reporting to the Board

Minutes of each meeting of the Committee will be submitted to the Board and the Committee Chairman, or delegate, must report to the Board after each Committee meeting concerning the proceedings of the Committee and matters relevant to the Committee's role and responsibilities.

9. Limitations

The Committee does not have responsibility for the matters that are set out in the Charters of other Board committees or that are set out in the Board Charter.

The Committee's principal function is one of review, oversight and monitoring. Without limiting the Committee's duties as described in this Charter, neither the Committee, as a committee, nor any member of it by virtue of being a member, has the duty to actively seek out activities occurring within the Company or any of its related bodies corporate that are not compliant with the Company's policies and procedures, although they have a duty to act promptly if such activity comes to their attention.

The Committee's role does not extend to risk management in respect to the responsibilities of the health and safety of employees, environmental impact, efficient use of resources, pollution reduction and prevention and product stewardship.

The Committee is not required to personally conduct accounting reviews or audits, and is entitled to rely on employees of the Company or of any of its related bodies corporate or professional advisers or consultants engaged by the Committee where:

- there are reasonable grounds to believe that the employee, adviser or consultant is reliable and competent; and
- the reliance was made in good faith and after making an independent assessment of the information.