

TALi®

DIGITAL LIMITED

Audit & Risk Committee Charter

TALi Digital Limited

ABN 53 108 150 750

AUDIT & RISK COMMITTEE CHARTER

Introduction

The Board of Directors (the “Board”) resolved on 18 August 2004 to establish a committee of the Board to be known as the Audit Committee (the “Committee”) and to formalise its charter (the “Charter”).

Membership

- The Committee will comprise the full Board of Directors except for the CEO who shall attend meetings of the Committee in an ex-officio capacity only. The Committee shall consequently comprise a majority of independent directors having regard to the ASX Guidelines on independence (Refer Appendix A).
- A quorum will be two members.
- The Chairman of the Committee and members of the Committee will be appointed by the Board. The Chairman of the Committee is to be an independent chairperson who is not Chairperson of the Board.
- Members of the Committee shall be appointed for an initial three year term of office after which their appointment may be subject to annual rotation. The term of office for any non-director appointments will be determined by the Board.

Secretarial Procedures and Meeting

- The Company Secretary shall be appointed secretary (“Secretary”) of the Committee.
- The Secretary, in conjunction with the Chairman of the Committee, shall draw up an agenda for each meeting and supply papers which shall normally be circulated at least 3 working days prior to each meeting to the members of the Committee, to directors and to the Chief Executive Officer (“CEO”). Papers will also be circulated to the external auditors when the Committee is meeting regarding interim and full year reporting.
- The Chairman of the Committee will call a meeting of the Committee if so requested by any committee member or director, the CEO or external auditors.
- The Chairman, CEO and the external auditors (when applicable) shall be given notice of all meetings and have the right to attend and speak. Other members of the Board and Company management may be invited to meetings, as appropriate, to present reports or to take part in discussions of specific issues.
- Meetings of the Committee shall be held at least four times a year although the number of meetings held will vary with the range of complexity of its activities. The timing and content of meetings is to follow the annual accounts and the internal and external audit programmes:
 - at the planning stage of the internal and external audits;
 - after completion of the internal audit and at the completion of the interim transaction verification by the external auditors;
 - review of half yearly audit/audit review of financial statements; and
 - prior to the Board meeting to receive the report of the external auditors and to approve the annual statutory financial statements.
- Periodically, the Committee will meet the external auditors without Executive Managers present for the purpose of discussing any pertinent matters and to determine if any

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restrictions have been placed by management on the scope of their examination or if there are any other matters that should be discussed with the Committee.

- Periodically, the Committee will meet with Company management without the external auditors being present.

Responsibilities

The Committee shall consider any matters relating to the assets and financial affairs of the Company and to the Company's external and internal audit that it determines to be desirable. In addition, the Committee shall examine any other matters referred to it by the Board including;

- Specific responsibilities include but are not restricted to the following matters:
- Compliance with statutory responsibilities relating to financial reporting
- Monitoring systems of internal control
- Review and assessment of external audit matters
- Oversee the independence of the external auditors
- Review of Risk Management processes
- Other Matters

Compliance with Statutory Responsibilities Relating to Financial Reporting

The responsibility of the Committee in the area of financial reporting is to provide assurance to the Board that financial disclosures made by management portray the Company's financial position, results of operations and plans and long-term commitments. In addition, the Committee is to ensure that the financial statements comply with the Corporations Act, Australian Securities Exchange requirements (including the ASX Corporate Governance Principles and Recommendations) and accounting standards (including consideration of the impact of any changes in accounting standards and statutory or Australian Securities Exchange disclosure requirements). To accomplish this, the Committee will review the half year and year-end financial statements and results of the external audit with management and the external auditors. The review will cover:

- the adequacy of financial statement disclosures;
- the nature and impact of any changes in accounting policies and standards during the period;
- accounting policies adopted in respect of major transactions;
- consistent application of accounting standards;
- significant or unusual accounting issues; and
- compliance with the Corporations Act and other regulatory requirements.

Monitoring Systems of Internal Control

The Committee will review internal control structures and internal control evaluations performed by management, internal audit and external audit.

The Committee will meet periodically throughout the year with internal and external auditors to review their plans for carrying out internal control reviews. Once reviews are completed, the Committee will be issued with reports on their findings. The Committee will consider the

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comments made in the auditors' reports, particularly in respect of material weaknesses in internal controls and management's responses thereto.

Review and Assessment of External Audit Matters

The external auditors will normally attend the meetings of the Committee. This will allow the committee to review and assess matters concerning the planning, conduct and results of audits performed during the year.

The Committee will consider:

(i) Appointments of External Auditors

- the process to select the external auditors and management's recommendation for their appointment;
- the recommendation of the annual appointment of external auditors to the Board;
- the annual assessment of overall external auditor effectiveness, objectivity and independence and review of the assessment with the CEO;
- the nature of all services performed by external auditors and the potential impact, if any, on the independence of the external auditors; and
- the external audit fee arrangements, while gaining assurance of a complete audit.

(ii) Planning and Conduct of External Audit

- the overall scope and focus of the half year reviews and year end audits;
- the general outline of the extent and timing of the proposed coverage of various business units;
- the auditors' assessment of financial statement materiality;
- any significant accounting and auditing problems that the auditors can foresee;
- the impact on the financial statements of any new or proposed changes in accounting standards or regulatory requirements; and
- the effect on the audit of significant management information systems and the planned extent of review and testing of the system controls.

(iii) Results of the External Audit

The Committee will focus on areas such as:

- significant audit issues encountered during the audit;
- any significant adjustments, reclassifications or additional disclosures proposed by the auditors;
- significant changes to the audit scope that arose during the audit;
- the general outline of the extent and timing of the auditors' proposed coverage of various business units;
- conformance with disclosure requirements and accounting standards;
- the disclosure of significant commitments and contingent liabilities; and
- issues arising from the Directors' Questionnaire to Management.

Furthermore, the Committee will review a summary of the matters raised in the external auditors' management letters and management's responses thereto.

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Review of Risk Management Processes

The Committee will review and assess the Company's business risk management practices and consider the overall scope and effectiveness of the Company's risk management processes, including the identification of key risks and implementation of related actions.

Other Matters

Other matters to be considered by the Committee are:

- review of all financial information distributed externally and related press releases
- (including notifications to the Australian Securities Exchange);
- review of reports from management, internal and external auditors on frauds and other irregularities; and
- approval of Company policy introduction and amendment.

The Committee may arrange for period reports from management and the external auditors to assess the impact of significant regulatory changes and accounting or reporting developments imposed by the Corporations Act and/or other regulatory bodies or any other significant matters that may affect the Company.

Authority & Powers

Primary responsibility for the Company's financial reporting and internal operating controls is vested in senior operating management as overseen by the Board. The Committee is a standing committee of the Board established to assist it in fulfilling its statutory and fiduciary responsibilities.

- The Committee shall have the authority to seek any pertinent information it requires from any officer or employee of the Company or its subsidiary companies and such officers or employees shall be instructed by the Board employing them to respond to such enquiries.
- The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise for those matters which are within its authority.
- The Committee shall have no executive powers with regard to its findings and recommendations.
- Charter alterations/amendments shall be determined solely by the Board.

Reporting

- The Chairman of the Committee shall report all matters of significance to the Board after each Committee meeting.
- Minutes of the meetings of the Committee will be prepared by the Secretary, approved by the Chairman of the Committee and circulated to all members of the Committee. In addition, the minutes will be circulated to all directors with the papers for the next meeting of the Board of Directors.

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- The Chairman of the Committee shall submit an annual report to the Board summarising the Committee's activities during the year and the related significant results, findings and recommendations.

Written Consent

Any action required or permitted to be taken at any meeting of the Committee may be taken without a meeting, if a written consent thereto is signed by all the members of the Committee, provided that such written consent is filed with the minutes of the proceedings of the Committee.

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Appendix A: Independent Director

Under ASX Guidelines an Independent Director is a Non-Executive Director (i.e. not a member of management) and:

- Is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company.
- Within the last three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment.
- Within the last three years has not been a principal of a material professional advisor or a material consultant to the Company or another group member, or an employee materially associated with the service provided.
- Is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Has no material contractual relationship with the Company or another group member other than as a director of the Company.
- Has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.