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## AUDIT COMMITTEE CHARTER

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### **1. INTRODUCTION**

#### **1.1 Purpose of the Audit Committee**

The Audit Committee has been established by resolution of the Board of Karoon Gas Australia Ltd (**Karoon** or **Company**). The purpose of the Audit Committee is to assist the Board in discharging its oversight responsibilities. The Audit Committee will oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information. The Committee will also ensure:

- (a) the effectiveness of the Company's internal controls;
- (b) an effective independent audit process, including approving the appointment and assessing the performance of the external auditor;
- (c) reliable and timely financial management and corporate reporting; and
- (d) maintenance of effective systems of internal monitoring and accounting, financial and operational control.

### **2. ROLE AND RESPONSIBILITIES**

#### **2.1 Powers and Functions**

The Board authorises the Audit Committee, within the scope of its responsibilities to:

- (a) improve the credibility and objectivity of the Company's accountability processes (including financial reporting);
- (b) perform activities within the scope of this Charter;
- (c) engage independent counsel and other advisers it deems necessary to carry out its duties;
- (d) ensure the attendance of Company officers at meetings as appropriate;
- (e) be directly responsible for the appointment, compensation, retention and oversight of the work of the external auditor, including rotation of the audit engagement partner; and
- (f) approve all audit and review engagement fees and terms as well as reviewing policies for the provision of non-audit services by the external auditor (and, when required, the framework for the pre-approval of such services).

#### **2.2 Risk Management and Internal Control**

The Audit Committee should:

- (a) evaluate whether management is setting the appropriate control culture by communicating the importance of internal control and management of financial risk;
- (b) understand the internal control systems implemented by management for the approval of transactions and the recording and processing of financial data; and

- (c) understand the controls and processes implemented by management to ensure that the financial statements derived from the underlying financial systems, comply with relevant Australian Accounting Standards and requirements, and are subject to appropriate management review.

### **2.3 Financial Reporting**

The Audit Committee should:

- (a) gain an understanding of the current areas of greatest financial risk and how these are being managed;
- (b) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial reports;
- (c) meet with management and the external auditor to review financial statements, key accounting policies, judgements and decisions, and the results of the audit; and
- (d) provide a recommendation to the Board as to whether the Company's financial statements reflect the understanding of the committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Company.

### **2.4 Compliance with Laws, Regulations, Internal Policies and Industry Standards**

The Audit Committee should be satisfied that all regulatory compliance matters related to the business of the Company have been considered in the preparation of the financial statements.

### **2.5 Working with the External Auditor**

The Audit Committee should:

- (a) review the professional qualification of the external auditor (including background and experience of partner and auditing personnel);
- (b) consider the independence of the external auditor and any potential conflicts of interest;
- (c) review on an annual basis the performance of the external auditor and make recommendations to the Board for the appointment, reappointment or termination of the appointment of the external auditor;
- (d) review the external auditor's proposed audit scope and approach for the current year in light of the Company's circumstances and changes in regulatory and other requirements;
- (e) discuss with the external auditor any audit problems encountered in the normal course of audit work, including any restrictions on audit scope or access to information;
- (f) ensure that significant findings and recommendations made by the external auditor and management's proposed response are received, discussed and acted on appropriately;
- (g) discuss with the external auditor the appropriateness of the accounting policies applied in the Company's financial reports and whether they are considered to be aggressive, balanced or conservative; and
- (h) review policies for the provision of non-audit services by the external auditor and, where applicable, the framework for pre-approval of audit and non-audit services.

## **3. ADMINISTRATION**

### **3.1 Membership**

- (a) *Structure of the Committee*

The Audit Committee shall comprise the following membership structure:

- (i) at least 3 non-executive director members;

- (ii) a majority of independent non-executive director members;
- (iii) annual nomination and confirmation by the Board of all members; and
- (iv) an independent Chairperson appointed by the Board.

(b) *Skills*

- (i) Each member must be financially literate; at least one member must have accounting or related financial expertise.
- (ii) At least one member should have an understanding of the oil and gas exploration industry.
- (iii) All members should have skills and experience appropriate to the Company's business.
- (iv) All members should be able to read and understand financial statements.

**3.2 Chairperson**

- (a) A member of the Committee who is an independent Director and who is not the chair of the Board shall be elected by the Board as Chairperson of the Committee.
- (b) The Chairperson shall be re-elected annually by the Board.

**3.3 Secretary**

The Company Secretary will be the secretary of the Audit Committee.

**3.4 Quorum**

A quorum shall be at least two thirds of the members of the Committee.

**3.5 Voting**

A resolution of the Committee requires the agreement of a majority of members present.

**3.6 Meetings**

- (a) The Committee shall meet at least three times annually.
- (b) The secretary will circulate the agenda and supporting documentation to the Audit Committee members within reasonable time before each meeting.
- (c) The secretary will circulate the minutes of meetings to members of the Board, members of the Committee, and the external auditor where appropriate.
- (d) Only Audit Committee members are entitled to attend meetings. The Audit Committee may however invite other people to its meetings as it considers necessary.
- (e) External auditors should be invited to make presentations to the Audit Committee as appropriate.
- (f) Special meetings may be convened as required. The secretary will convene a meeting on receipt of a request by the external auditor.
- (g) The Audit Committee will meet with the external auditor at least once a year, without management present.

**3.7 Records and Reporting**

- (a) The Committee shall establish and maintain files, which will contain the following:
  - (i) this Charter document (which shall also be available on the Company's website);
  - (ii) copies of the confirmed minutes of all meetings of the Committee;

- (iii) copies of all written submissions to the Board by the Committee and copies of the confirmed Board minutes relating to such submissions; and
- (iv) details of any changes to the composition of the Committee or its Charter.
- (b) The Audit Committee may report to the Board at any time on any matter as the Committee sees fit.
- (c) The Audit Committee must ensure the Board is aware of matters that may significantly affect the financial condition or affairs of the business
- (d) Minutes of the Committee meetings will be kept and provided to the Board at the next meeting following the Committee meeting to which the minutes relate.
- (e) As a minimum, the Chairperson of the Audit Committee (or other Committee member) will attend the Board meeting at which the financial statements are approved.

### **3.8 Conflicts of Interest**

Members of the Audit Committee will not be present or vote on matters that involve a conflict of interest or involve relatives of the relevant member.

### **3.9 Access to Information**

- (a) The Audit Committee is authorised by the Board to investigate any activity within this Charter. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Audit Committee.
- (b) The Audit 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 at its meetings if it considers this necessary.
- (c) The Audit Committee has the right of access to auditors (both internal and external) and all levels of management and to seek explanations and any information, records or documents of the Company it requires to perform its duties.

### **3.10 Authority**

The Audit Committee has no decision making power but is required to make recommendations to the Board on all matters within this Charter.

### **3.11 Review and Revocation**

- (a) The performance of the Committee will be reviewed annually by the Board;
- (b) The Committee will review the Audit Committee Charter annually and discuss required changes with the Board.
- (c) The Committee will ensure that the Charter is approved or re-approved by the Board if required.
- (d) Any previous Audit Committee Charter is revoked with effect from the date of this Charter.



Chairman

Date: 27<sup>th</sup> November 2015