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# Audit Committee Charter

**ELK PETROLEUM Limited (ACN 112 566 499)**

**18 September 2014**

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## **1. Purpose**

### **1.1 Scope of this document**

This document sets out a framework designed to safeguard the integrity of the financial reporting of Elk Petroleum Limited (ACN 112 566 499) (the “**Company**”). The document describes the structure of review and authorisation which the Company will establish in order to ensure the truthful and factual presentation of the Company's financial position and the independence and competence of the Company's external auditors.

### **1.2 Who does this charter apply to?**

The Company's Board of Directors (the “**Board**”) has established an Audit Committee (the “**Committee**”) to which this charter applies.

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## **2. Audit Committee**

### **2.1 Composition of the Committee**

The Committee will be composed of at least three members, a majority of whom must be both independent (where possible) and all non-executive Directors (where possible) of the Company. The Committee will also have an independent chairman who is not the Chairman of the Board. The Board will appoint the members of the Committee.

The Committee will include members who are financially literate, including:

- (a) at least one member who has financial expertise (i.e. is a qualified accountant or other financial professional with experience in financial and accounting matters); and
- (b) some members who have an understanding of the particular industry in which the Company operates.

Unless otherwise determined by the Committee, the Company Secretary of the Company will act as the Secretary of the Committee.

### **2.2 Role of the Committee**

The role of the Committee is to provide advice and assistance to the Board to allow the Board to:

- (a) fulfil its audit, accounting and reporting obligations;
- (b) monitor the performance of external auditors (including assessing the independence of external auditors);
- (c) comply with legal and regulatory financial obligations;

- (d) monitor compliance with applicable accounting standards and other requirements relating to the preparation and presentation of financial statements and results; and
- (e) fulfil its responsibilities relating to financial statements, internal accounting and financial control systems.

### 2.3 **Responsibilities of the Committee**

The Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors of the Company.

The responsibilities of the Committee are to:

#### Financial Reporting

- (a) keep itself apprised of the latest developments, policies and trends in relation to financial matters, rules and regulations, to the extent that they may affect the Company or the market(s) in which the Company operates;
- (b) provide advice to the Board on financial matters generally and identify and retain advisers and consultants in respect of financial matters as the Committee considers necessary;
- (c) monitor the integrity of the financial statements of the Company and review the Company's external reporting procedures, including the financial reporting processes and financial statements, preliminary accounts, interim reporting, analysts' briefings and continuous disclosure;
- (d) assess the suitability of the Company's financial accounting policies, practices and procedures;
- (e) assess whether the external audit report is consistent with the reports and information available to the Committee;
- (f) monitor and review the performance of the Company's external auditors including their qualifications, expertise and resources;
- (g) assess whether the Committee is satisfied that the independence of the external audit function has been maintained;
- (h) inform the Board and make recommendations to the Board about the Committee's policies and procedures for selection and appointment of the external auditor and the rotation of external audit engagement partners;
- (i) make recommendations to the Board in relation to the appointment, removal and remuneration of the external auditor;

- (j) commission and review the annual audit report and respond to any issues raised by the external auditor;
- (k) discuss with management and the external auditor any correspondence with regulatory or governmental bodies and any published reports which raise material issues regarding the Company's financial statements or accounting policies;
- (l) consider the establishment of the Company's internal audit function and:
  - (i) monitor and review the performance of the Company's internal auditors including their qualifications, expertise and resources,
  - (ii) assess whether the Committee is satisfied that the independence of the internal audit function has been maintained,
  - (iii) ratify the engagement and dismissal by management of any chief internal audit executive and ensure that the internal auditor does not provide external audit services and is independent of the external audit function and the Committee; and
  - (iv) review the reports to management prepared by the internal auditor and review management responses to those reports;
- (m) review the Company's internal financial control mechanisms and financial risk management policies;
- (n) monitor the compliance by the Company with legal and regulatory financial requirements;
- (o) review and advise on the form of the letter to be received by the Board from the Chief Financial Officer (“**CFO**”) or the Managing Director/Chief Executive Officer as to the financial statements of the Company and the systems behind them; and

#### Risks and Controls

- (p) Review and assess the Company's financial risk management process, including the adequacy of the control environment and controls in selected areas representing significant risk.
- (q) Review and assess the Company's system of internal controls for detecting accounting and financial reporting errors, fraud and defalcations, legal violations, and non-compliance with the corporate code of conduct. In that regard, review the related findings and recommendations of the external auditors, together with management's responses and make recommendations in relation to any incident involving fraud or other break down of the entity's internal controls.

- (r) Review with legal counsel any regulatory matters that may have a material impact on the financial statements.
- (s) Ensure Managing Director/ Chief Executive Officer reviews Directors' and officers' expense accounts and management perquisites prepared by the auditors.

#### Other

- (t) Annually review and update the Committee's charter, and ensure that a copy of this Audit Committee charter is made publicly available.
- (u) Review significant conflicts of interest and, if appropriate, approve proposed related party transactions.
- (v) Conduct or authorise investigations into any matters within the Committee's scope of responsibilities. The Committee is empowered to retain independent counsel and other professionals to assist in conducting any investigation.
- (w) Establish procedures for receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls, and auditing matters.
- (x) Establish procedures for confidential, anonymous submission of concerns in relation to questionable accounting and auditing matters by employees of the company.
- (y) Review and recommend to the Board the corporate governance policy of the Company and ensure that an effective system is in place to monitor compliance.
- (z) Ensure that a Code of Conduct that includes the ethics and behaviour of employees and Directors is established, suitably communicated and a system for monitoring compliance is in place.

#### 2.4 **Authority and resources of the Committee**

The Board authorises the Committee to:

- (a) investigate any matter brought to its attention;
- (b) obtain any information that it requires from any employee of the Company in order to perform its responsibilities;
- (c) have direct access to any employee or contractor of the Company and seek any information it requires from any employee of the Company in order to perform its responsibilities;

- (d) obtain or retain independent, professional legal, accounting or other advice in order to perform its responsibilities including setting the terms of reference of such appointments; and
- (e) have direct access to independent auditors, company tax and other financial advisers, and company papers and lawyers.

## 2.5 **Meetings of the Committee**

### *Number and notice of meetings*

The Committee will meet not less than 2 times each year and at such other times as any member of the Committee shall require.

Unless otherwise agreed by all of the members of the Committee, a notice of each meeting confirming the venue, time and date of the meeting together with an agenda of items to be discussed at the meeting will be sent to each member of the Committee and any other person required to attend, no less than 5 business days prior to the date of the meeting.

### *Attendance at meetings*

Subject to reasonable prior commitments, members of the Committee must be present at all Committee meetings. The CFO and Managing Director/Chief Executive Officer are each expected to attend meetings of the Committee. All Directors are invited to attend the meetings of the Committee. Members of the Committee may invite any employee or contractor of the Company or any other person who has information that the Committee requires, in order to perform its responsibilities, to attend a Committee meeting. The external and internal auditor may also be invited by the Chairman of the Committee to attend Committee meetings.

### *Administrative procedures at meetings*

The Company Secretary will take minutes of the proceedings and resolutions of all Committee meetings, including the names of those in attendance. Minutes of the Committee meetings will be circulated to all members of the Committee. The Committee will approve the minutes and distribute the approved minutes to the Committee members and the Board for consideration at the next Board meeting.

Other procedural matters regarding meetings of the Committee will be governed by the constitution of the Company to the extent that it is applicable.

## 2.6 **Quorum**

The quorum required for the transaction of business by the Committee will be 2 members. A duly convened meeting of the Committee at which a quorum is present will be competent to exercise all or any of the authorities, powers and discretions exercisable by the Committee.

## 2.7 Reporting

The Committee will report to the Board of the Company regularly. These reports will contain all matters relevant to the responsibilities of the Committee including:

- (a) assessment of whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
- (b) assessment of the management processes supporting external reporting;
- (c) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- (d) recommendations for the appointment or removal of an internal or external auditor; and
- (e) assessment of the performance and independence of the external auditors and whether the Committee is satisfied that the independence of this function has been maintained having regard to the provision of non-audit services.

## 2.8 Review of performance

The Committee will periodically review its functions, roles, responsibilities and work to assess whether it is operating effectively by reference to this charter and prevailing market practices. As part of that review, the Committee will review and assess the terms of this charter and make any recommendations for changes to the Board of the Company.

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## 3. External auditors

### 3.1 Independence of external auditors

It is the policy of the Company that the external auditing firm must be independent of the Company and the Directors and senior executives of the Company. In order to ensure the independence of the external auditing firm, the Company will require a formal confirmation of independence from its external auditor on an annual basis.

It is also the policy of the Company that the external auditor may not provide services to the Company that are, or could be perceived to be, materially in conflict with the role of the external auditor. The external auditor will not be permitted to act in a managerial or decision making capacity or process or originate transactions of the Company.

However, the external auditor may, with the prior approval of the Chairman of the Committee (or in the Chairman's absence another member of the Committee), be permitted to provide additional services which are not, or are

not perceived to be, materially in conflict with the role of the external auditor. Such additional services may include financial audits, audits or reviews undertaken for regulatory purposes, completion audits, tax compliance audits and advice on accounting standards.