

**MELBANA ENERGY LIMITED****AUDIT & RISK COMMITTEE CHARTER****APPROVED BY THE BOARD – 9 AUGUST 2018****Introduction**

The purpose of the Audit & Risk Committee is to provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the company's financial reporting, internal control structure, risk management systems, and the internal and external audit functions.

The aims of the Charter are to:

- Define the role and responsibilities of the Audit & Risk Committee.
- Ensure the Audit & Risk Committee fulfils an effective function as part of the Board's overall corporate governance objectives.
- Provide a framework for maintaining efficient and appropriate controls in key business processes.
- Establish a regular process for reviewing the activities and terms of reference of the Audit & Risk Committee to ensure they remain aligned with best practice and the Board's responsibilities.
- Ensure the Audit & Risk Committee retains adequate flexibility in the conduct of its activities to react to changing conditions and circumstances.

**Principles***Charter Review*

- This Audit & Risk Committee Charter is to be reviewed and assessed annually by the full Board of Directors.

*Committee Members*

- The Committee should have a minimum membership of three Directors where possible and should be small enough so that all members are active participants.
- All members of the Committee, to the extent possible, should be non-executive directors. All members must be financially literate and, if possible, one member of the Committee should have accounting or related financial management expertise.

- Committee members' terms of appointment should coincide with the terms of appointment of other Board Committees, and should provide for both continuity of membership and the contribution of fresh perspectives.
- Each director and member of the Audit & Risk Committee will each year formally acknowledge their familiarity with the current Charter.

#### *Meeting Frequency and Reporting*

- The Committee should meet on a regular basis as required, but at least twice a year. Special meetings should be authorised at the request of any Committee member or of the Auditor. The Auditor should have the right to attend all meetings of the Committee.
- The Chairperson and the Chief Executive Officer are invited to attend all meetings of the Committee.  
Other Board members are free to attend meetings at their discretion.
- At any meeting there should be an opportunity to discuss matters separately with management, with the Auditor or with other advisors.
- The full Board should be kept informed of the Committee's activities by a report following each Committee meeting.

#### *General Activities*

- The Committee should review all published financial statements prior to approval by the Board. The review should include a discussion with the Auditors of any major transactions, accounting issues, accounting policies adopted and the proposed Audit report.
- The Committee should review any report of management which accompanies published financial statements for consistency of disclosure with the financial statements, before approval by the Board.
- The Committee should regularly review the ongoing solvency of the Company.
- The Committee will review and monitor the propriety of related party transactions.
- The Committee will consider additional matters as requested by the Board.
- The Committee will review and approve the external auditor half year and annual audit fee proposals.
- The Committee should review the Audit plan of the Auditor, to ascertain the extent to which the planned Audit scope can be relied upon to detect weaknesses in internal control, fraud or other illegal acts. Another duty of the Committee is to review any significant recommendations by the Auditor to strengthen internal controls.
- The Committee should review the results of the Audit, any changes in accounting practices or policies and subsequent effects on the financial statements. In addition, the Committee should review any accruals, provisions or estimates which significantly affect the financial statements as well as other sensitive matters, such as disclosure of related party transactions.

#### *Litigation, Claim & Contingency Issues*

- The Committee should review jointly with management, the Auditors and, if necessary, legal counsel, any litigation, claim or other contingency, including tax assessments, which could have a material effect upon the financial position or operating results of the Company, and the manner in which these matters have been disclosed in the financial statements.

#### *Governance and other policy reviews*

- The Committee should review the entity's corporate governance practices and seek assurance that the policies and practices are being observed. Until other Committees are established and given responsibility the Audit & Risk Committee will monitor compliance with all key Company policies. The Committee should also discuss the proposed contents and format of the corporate governance statement required by the Australian Stock Exchange.
- The Committee should periodically review management's programmes and policies which deal with the adequacy and effectiveness of internal controls over the Company's business processes including financial and information technology processes.
- The Committee should monitor the standard of corporate conduct in transactions with related parties. Committee members should be aware of actual or potential conflicts of interest including transactions which are not at arm's length.

#### *Risk management*

The Committee is responsible for:-

- reviewing the adequacy and effectiveness of the Melbana's risk management framework, and
- assisting the Board with oversight of Melbana's risk management by gaining assurance that all major identified risks are being adequately managed and that mitigation practices are appropriate.

#### *Auditors*

- The Auditor is accountable to the Board of Directors and the Audit & Risk Committee.

The Board of Directors, as shareholder representatives, have the ultimate authority and responsibility to select, evaluate and where appropriate, replace the Auditor or nominate the Auditor for shareholder approval.

- The Committee should review performance, fees and appointment processes for the Auditor from time to time and report their findings to the Board for consideration.
- If a change in Auditor is proposed, the Committee should inquire about the reasons for such change (including the response of the incumbent Auditor), and the qualifications of the proposed new Auditor, before making its recommendation to the Board of Directors.

#### *Communication of responsibilities*

- A summary of the Audit Committee's responsibilities and the actions it has taken to fulfil those responsibilities should be included in the Company's annual report.