



TREASURY FUNDS POLICY

Melbana Energy Limited

ACN 066 447 952

Approved	January 2023
Next Review Date	February 2025

1 Purpose

The purpose of this policy is to establish guidelines and internal controls to ensure funds are managed appropriately by Melbana Energy Limited (“Melbana” or “the Company”) and its controlled entities (“the Group”).

2 Policy Statement

Melbana Energy faces a wide range of financial and commercial risks. This policy outlines those risks which are to be managed by Audit and Risk Committee and how they are to be managed. This policy has been prepared based on the following philosophies:

- Cash is a corporate asset to be used for maximum value across Melbana Energy and managed by the Audit and Risk Committee.
- Speculative transactions are not permitted.
- Treasury operates as a service centre, not a profit centre.
- Melbana’s treasury function will centrally manage all financial funding for Melbana Group.

The operating activities of treasury will include the following:

- ensuring there is sufficient liquidity for day-to-day requirements as well as unexpected business disruptions;
 - central management of the Group’s liquidity including surplus cash and short-term facilities;
 - central management of interest rates associated with any borrowing and investment of surplus funds;
 - central management of foreign currency funding associated with transactional cash flows and translation of overseas net assets;
 - management of credit and operational risks arising from treasury activities; and
 - management of bank relationships and the credit process.
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3 Scope

The Finance function within Melbana is responsible for the management and recommendations to the Audit and Risk Committee of the following risks:

- liquidity and funding
 - interest rates & deposit maturity
 - counterparty credit risk
 - operational risk
 - foreign currency mix recommendations.
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4 Recognition of Liquidity Requirements and Risk

Liquidity requirements and risk management is associated with ensuring that there are sufficient funds available to meet Melbana's financial commitments in a timely manner. It is also associated with planning for unforeseen opportunities and events which are advantageous and those which may curtail cash flows and cause pressure on liquidity. The possible causes of a liquidity crisis include:

- fraudulent activities
 - business disruption
 - unplanned capital expenditure.
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5 Treasury Operating Objectives

The objectives relating to the management of financial risks are as follows:

Liquidity and Funding

- Ensure that at all times Melbana has access to sufficient cash resources and funding arrangements to meet its financial obligations as they fall due including taxes, funds for approved capital expenditure and investment opportunities as they arise.
- Ensure that Melbana has sufficient excess liquidity to meet its non-discretionary financial obligations in the event of unexpected business disruption.
- Ensure compliance with any borrowing facilities covenants and undertakings.

Interest Rate

- Ensure compliance with interest cover covenants, where applicable if any, under Melbana's borrowing facilities.
- Manage the net interest rate exposure to assist in protecting Melbana's solvency.

Counterparty Credit Risk

The purpose of establishing acceptable counterparties is to ensure that Melbana deals with creditworthy counterparties and term risk is addressed. Credit risk is defined as the risk of sustaining a loss as a result of the default by a counterparty including banks that has:

- issued, accepted or endorsed a security in which Melbana has invested;
- accepted a deposit from Melbana; and
- entered into a hedging transaction with Melbana related to the management of financial risks.

Authorised counterparties and counterparty term limits are to be established within the parameters described in this section. The current list of authorised counterparties is contained in Appendix A. The Company can commit to investment and derivative transactions with approved creditworthy counterparties and in accordance with approved terms (see Appendix A).

Operational Risks

- Ensure that the treasury function is operating in a controlled manner.
 - Dual authorisation in accordance with delegation of authority to ensure sufficient control over payments and transfers.
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6 Boundaries / Guiding Principles

- Melbana's presentation currency is AUD. Functional currency for all Melbana Group entities is AUD, except for Melbana Operations Pty Ltd which is EUR.
 - Melbana will retain sufficient cash in USD and Euro to cover forecasted costs as appropriate for overseas operations.
 - Melbana can commit up to \$5M per transaction in term deposits of up to three months, or a period approved by the Board within the big four banking sector in Australia (Westpac, ANZ, CBA and NAB). For all other institutions this amount will be reduced to \$1m for periods up to one month.
 - Subject to Board approval, funds in Term deposit may invest for longer period than three months in the above-named institutions in order to maximise return for the company.
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7 Record-keeping

A Treasury register will be maintained and updated when treasury transaction occurs, and a Treasury summary is to be provided at every scheduled Board meeting.

8 Who is responsible for the policy?

The board of directors has overall responsibility for ensuring this policy is appropriate and that all those under our control comply with it.

The Chief Financial Officer has primary and day-to-day responsibility for implementing this policy, and for monitoring its use and effectiveness and dealing with any queries on its interpretation. Management at all levels are responsible for ensuring those reporting to them are made aware of and understand this policy and are given adequate and regular training on it.

The responsibilities of each party are set out below.

The Board

- Authorisation of new financial accommodation and arrangements.
- Approval of any new financial instruments.
- Delegation of the authority to undertake financial risk management activities (within the constraints of this Policy) to the Executive Chairman / Chief Executive Officer and the Chief Financial Officer.
- Monthly review of financial and commodity risk management activities.
- Annual review and approval of the Treasury Policy.
- Review of any policy breaches.

The Executive Chairman / Chief Executive Officer

- Oversight of Treasury activities and overall financial risk managements activities.
- Review of policy breaches and supervision of rectification.
- Delegation of authority to the Chief Financial Officer.

The Chief Financial Officer

- Implement all financial accommodation and capital management objectives approved by the Board.
- Negotiate (as delegated by the Board) borrowing, transactions in accordance with the Policy.
- Recommend to the Executive Chairman / Chief Executive Officer and Board, risk management strategies.
- Recommend to the Executive Chairman / Chief Executive Officer and Board Treasury performance benchmarks.
- Ensure that the Board is informed, through regular reporting of the impact of financial exposures, on the risks and profitability of the Melbana.
- Report any material policy breaches to the Executive Chairman / Chief Executive Officer and to the Board.

9 Code of Professional Conduct

Melbana staff and management must comply with the Company's Code of Conduct Policy.

10 Monitoring and review

The Chief Financial Officer will monitor the effectiveness and review the implementation of this policy, regularly considering its suitability, adequacy and effectiveness. Any improvements identified will be made as soon as possible. Internal control systems and procedures will be subject to regular audits to provide assurance that they are effective.

This policy does not form part of any employee's contract of employment and it may be amended at any time.

11 Breach of Policy

Where a breach has occurred, the Executive Chairman / Chief Executive Officer and Chief Financial Officer are to be advised immediately and the Board is to be advised on a monthly basis of the number and nature of the breaches. Advice of breaches to the relevant party will outline what will be done to rectify the breach or will seek approval for the breach. Approval provided in the first instance by the Executive Chairman / Chief Executive Officer and Chief Financial Officer will be ratified by the Board. A register of breaches will be maintained.

12 Accounting Policy

The recognition and measurement of all financial instruments will comply with the Group Accounting Policy (which is a separate document) and Australian Accounting Standard AASB 9 Financial Instruments.

13 Approved and Adopted

This Policy was approved and adopted by the Board in January 2023.

APPENDIX A: COUNTERPARTY CREDIT EXPOSURE LIMITS

Limits for counterparties will be set by reference to long-term credit rating for each counterparty. Those approved by the Board are set out in the table below.

Counterparty	Credit Rating	Term Limit
ANZ	AA-	1 month or a period approved by the Board
Westpac	AA-	1 month or a period approved by the Board
NAB	AA-	1 month or a period approved by the Board
CBA	AA-	1 month or a period approved by the Board