Audit and Risk Committee Charter

Melbana Energy Limited

ACN 066 447 952

1. Introduction

1.1 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.

1.2 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.

2. Principles

2.1 Charter Review

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

2.2 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.

2.3 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.

2.4 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.

2.5 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.

2.6 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 and will ensure that decision making in relation to risk is integrated into delegated authorities, responsibilities and accountabilities.

- 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.

2.7 Risk Management

The Committee is responsible for:

- Risk Management and internal compliance and control systems:

  - overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring there is a mechanism for assessing the efficiency and effectiveness of those systems and that appropriate mitigation measures to manage those risks are established and regularly reviewed and updated; and

  - approving and recommending to the board for adoption policies and procedures on risk oversight and management to establish an effective and efficient system for:

    - identifying existing, new and emerging risks;
    - assessing, monitoring and managing risk;
    - ensuring the Company effectively meets its sustainability reporting obligations, ensuring the integrity of that reporting and identifying the impact of sustainability information on financial risk and reporting; and
    - disclosing any material change to the risk profile;

  - regularly reviewing and updating the risk profile;

  - assessing the adequacy of the internal risk control system with management and internal and external auditors;

  - monitoring the effectiveness of the internal risk control system;

  - ensuring the risk management system takes into account all material risks, including risks arising from:

    - implementing strategies (strategic risk);

    - operations or external events (operational risk);

    - legal and regulatory compliance (legal risk);

    - changes in community expectation of corporate behavior (reputation risk);

    - a counterparty's financial obligations within a contract (credit risk);

    - changes in financial and physical market prices (market risk);

    - being unable to fund operations or convert assets into cash (liquidity risk);

    - fraud, cyber-security, privacy and data breaches (non- financial risk); and

    - identifying business relevant environmental, social and governance (**ESG**) risks and how those risks impact the Company’s operations, resilience and viability

  - assessing the Company’s exposure to ESG risks and their likelihood and impact (short, medium and long term);

  - assessing if management has controls in place for unusual transactions and any potential transactions that may carry more than an acceptable degree of risk.

- Key Financial Risk:

  - assessing and prioritising the areas of greatest potential financial risk, including:

    - safeguarding assets;

    - litigation and claims;

    - non-compliance with laws, regulations, standards and best practice guidelines that may result in significant financial loss; and

    - maintenance of proper accounting records;

- assessing the internal process for determining areas of greatest potential financial risk;
- assessing and monitoring the management of areas of greatest potential financial risk;
- reporting to the board on the adequacy of the financial risk management;

- Legal and regulatory risk:
  - assessing and prioritising the areas of greatest legal and regulatory risk;
  - assessing the internal process for determining, monitoring and managing areas of greatest legal and regulatory risk;
  - receiving reports from management of any actual or suspected fraud, theft or other breach of the law;
  - monitoring compliance with legal and regulatory obligations;
  - reporting and making recommendations to the Board regarding:
    - the management of areas of greatest legal and regulatory risk (including fraud and theft); and
    - compliance with legal and regulatory obligations;
  - receiving and reviewing reports from management;

- Disclosure and Reporting:
  - ensuring management establishes a comprehensive process to capture information that must be disclosed to ASX;
  - reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the external reporting of financial and non-financial information (including, among other things, preliminary announcements, interim reporting, open or one-on-one briefings and continuous disclosure);
  - assessing management's processes for ensuring non-financial information in documents (both public and internal) does not conflict inappropriately with financial reports and other documents;
  - assessing internal control systems relating to the release of potentially adverse information; and
  - reviewing for completeness and accuracy the reporting of corporate governance practices in accordance with the ASX Listing Rules.

Notwithstanding the above risks, whilst the Committee cannot foresee every possible risk the Company may be faced with, the Committee will assist the Board with oversight of the Company's risk management by gaining assurance that all major risks are identified and adequately managed and that mitigation practices are appropriate.

2.8 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.

2.9 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.

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3. Approved and Adopted

This Charter was approved and adopted by the Board on 1 October 2020.

It has been reviewed and approved by the Board on 9 March 2023.