

## AUDIT AND RISK COMMITTEE CHARTER

### 1. INTRODUCTION

#### 1.1 Purpose of the Audit & Risk Committee

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

The Board believes that:

- (a) good risk management will produce the best outcomes for shareholders and the Company's wider group of stakeholders; and
- (b) an appropriate balance must be struck between identifying, managing and mitigating material risks and enabling the Company to employ creativity and focus in achieving its business goals and thereby maximise shareholder value.

The Committee will oversee the Company's endeavours to:

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

### 2. ROLE AND RESPONSIBILITIES

#### 2.1 Powers and functions

The Board authorises the 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) regularly assess the need for an internal audit function and implement as required;
- (e) ensure the attendance of Company officers at meetings as appropriate;
- (f) be directly responsible for the appointment, compensation, retention and oversight of the work of the external auditor, including rotation of the external audit engagement partner; and
- (g) approve all external 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 Financial Risk Management and Internal Control

The Committee should:

- (a) lead the Company's strategic direction in the management of material business risks (but excluding operational risks);
- (b) work with the Board and management to determine the Company's risk appetite;
- (c) evaluate whether management is setting the appropriate control culture by communicating the importance of internal control and management of business risk;
- (d) understand the internal control systems implemented by management for the approval of transactions and the recording and processing of financial data; and
- (e) 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 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;
- (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;
- (e) obtain from the Chief Executive Officer and the Chief Financial Officer, a written declaration under s 295A of the Corporations Act that:
  - (i) financial records have been properly maintained in accordance with the Corporations Act;
- (ii) written declarations have been received from senior management within each Karoon jurisdiction confirming tax compliance of financial statements within that jurisdiction;
  - (iii) financial statements present a true and fair view, in all material respects, of the Company's financial condition, operational results and are in accordance with relevant accounting standards; and
  - (iv) there is an effective and efficient operation of the Company's financial risk management and internal compliance and control system;
- (f) review the Directors' Report;
- (g) review the Annual Report; and
- (h) review the Annual Financial Budget to include providing feedback on assumptions, objectives and fulfilling the strategic objectives of the Company.

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

The Committee should:

- (a) be satisfied that all regulatory compliance matters related to the business of the Company have been considered in the preparation of the financial statements;
- (b) review any incident of fraud and other break down of internal controls;
- (c) review any reports of misconduct made in accordance with the Company's Whistleblower Protection Policy.

## 2.5 Working with the External Auditor

The 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

The Committee shall comprise the following membership structure:

- (a) at least 3 non-executive director members;
- (b) a majority of independent non-executive director members; and
- (c) an independent Chairperson appointed by the Board.

#### *Skills*

- (d) at least one member must have accounting or related financial expertise.
- (e) at least one member should have an understanding of the oil and gas industry.
- (f) all members should have skills and experience appropriate to the Company's business.

- (g) all members should be financially literate and be able to read and understand financial statements.

### 3.2 Chairperson

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.

### 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 Company Secretary will circulate the agenda and supporting documentation to the Committee members within a reasonable time before each meeting.
- (c) The Company Secretary will circulate the minutes of meetings to members of the Board, members of the Committee, and the external auditor where appropriate.
- (d) All Board members are entitled to attend meetings.
- (e) External auditors should be invited to make presentations to the 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 or any Committee member.
- (g) The 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 Committee may report to the Board at any time on any matter as the Committee sees fit.
- (c) The 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 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 Committee will not be present or vote on matters that involve a conflict of interest of themselves or involve relatives or friends of the relevant member.

### 3.9 Access to Information

- (a) The 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 Committee.
- (b) The 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 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 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 Committee Charter every two years and seek approval from the board for any recommended changes.
- (c) Any previous Committee Charter is revoked with effect from the date of this Charter.



Bruce Phillips  
Chairman

Effective Date: 31 January, 2020