



## **TLOU ENERGY LIMITED**

### **AUDIT COMMITTEE CHARTER**

#### **1. Purpose**

This charter governs the operation of the Audit Committee (“the Committee”) and sets out the Committee’s role and responsibilities, composition, structure and membership requirements.

#### **2. Composition of Audit Committee**

Members, including the Chair, of the Committee are to be appointed by the Board.

The Committee is to include at least three (3) members, the majority of which are to be all Non-executive Directors, including the Committee Chair who shall not be the Chairperson of the Board.

At least one member is to have significant, recent and relevant financial management experience.

At this stage it is not possible for the majority of Committee members to be independent as defined by the ASX Corporate Governance Guidelines as there are currently no independent directors appointed to the Board.

#### **3. Role of Audit Committee**

The role of the Audit Committee is to:-

- (a) monitor the integrity of the financial statements of Tlou Energy Limited and its subsidiaries (“the Company”), by reviewing significant financial reporting judgements;
- (b) review the effectiveness of the Company’s internal financial control system and, unless expressly addressed by a separate Risk Committee or by the Board itself, risk management systems;
- (c) monitor and review the effectiveness of the Company’s internal audit function;
- (d) monitor and review the external audit function including matters concerning appointment and remuneration, independence and non-audit services;
- (e) perform such other functions as assigned by law, the Company’s constitution, or the Board;

- (f) approve the corporate governance section of the Company's Annual Report relating to the Committee and its responsibilities; *and*
- (g) review compliance with legal and regulatory requirements.

#### **4. Meetings and Attendance**

The Committee will meet at least twice per year with further meetings to be convened as required or as requested by the Chair of the Committee or the Board.

Agenda for the Committee meetings will be prepared in consultation between the Committee Chair (with input from Committee members) Finance management and the external auditor.

Minutes of all meetings of the Committee are to be kept and the Minutes and a report of Actions taken, or recommended, are to be given at each subsequent Meeting of the full Board.

Committee Meetings will be convened by the same rules as set out in the Company constitution as they apply to the Meetings of the Board.

At the discretion of the Chair, having regard to the nature of the Agenda, relevant members of management and the external Auditor maybe required to attend meetings.

The Committee shall meet with the external Auditor without management present, as it deems necessary.

#### **5. Authority and Resources**

The Company is to provide the Committee with sufficient resources to undertake its duties and responsibilities, including the provision of educational information on accounting policies and other financial topics relevant to the Company, and such other relevant materials requested by the Committee.

The Committee has the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The committee will have the authority, as it deems necessary or appropriate, to retain independent external accounting, legal or other advisors.

#### **6. Reporting**

The Committee Chair shall report any significant issues arising from the Committee Meetings at the next meeting of the Board.

The Directors report contained in the Company's annual report to shareholders is to contain a dedicated section that describes the role of the Audit Committee and what action it has taken.

The Chairperson of the Audit Committee is to be present at the annual general meeting of the Company to answer any questions, through the Chairperson of the Board.

**7. Responsibilities of the Committee**

The annual responsibilities of the Committee are as set out in the Audit Committee Action Points attached herewith.

**This charter was adopted by the Board on 12 October 2010**



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**Chairman**

**Date of 1<sup>st</sup> Review:   /   /**

## **Audit Committee Charter – Annual Action Points**

### **Financial Reporting and Financial Controls**

- Review half-year and annual financial statements
- Consider management's selection of accounting practices and principles and understand the material alternatives.
- Consider the external audit of the financial statements and the external auditors report thereon.
- Consider internal controls including the Company's policies and procedures to assess, monitor and manage financial risk (and other business risks if authorised).
- Review complex and unusual transactions and their effect on the financial statements.
- Review related party transactions and the adequacy of their disclosure in the financial statements.

### **Annual meeting with External Auditor**

- Meet with the independent auditor in executive session to discuss any matters that the Committee or the independent auditor believes should be discussed separately from the management.
- Discuss the Company's choice of accounting policies and methods, and any recommended changes.
- Discuss the adequacy and effectiveness of the Company's internal controls.
- Discuss any significant findings and recommendations of the external auditor and management's responses thereto.
- Discuss any difficulties or disputes with management encountered during the course of the audit including any restrictions or access to required information.
- Discuss significant estimates and judgements used in the preparation of the financial statements.

### **External Auditor Engagement**

- Establish/review criteria for the selection, appointment and rotation of external auditor.
- Recommend to the Board to appoint and replace the external auditor and approve the terms on which the external auditor is engaged.
- Establish/review permissible services that the external auditor may perform for the company and pre-approve all audit/non-audit services.
- Confirm the independence of the external auditor, including reviewing the external auditor's non-audit services and related fees.
- Ensure that the external auditor is requested to attend the AGM of the Company and is available to answer questions from shareholders.

### **Internal Communications and Reporting**

- Provide copies of all minutes of meetings to the full Board.

- Regularly update the Board about Committee activities and make appropriate recommendations.
- Ensure that the full Board is fully aware of matters which may significantly impact the financial conditions or affairs of the Company.

**Other**

- Verify the membership of the Committee is in accordance with the Audit Committee Charter.
- Review the independence of each committee member based on ASX Corporate Governance Guidelines.
- Review and update the Audit Committee Charter and Action Points.
- Develop and oversee procedures for treating complaints or employee concerns received by the Company regarding accounting, internal accounting controls and audit matters.

Annual Action Points Adopted 12 / 10 / 2010

1<sup>st</sup> Revision of Action Points / /