



EMPIRE OIL & GAS NL

Audit and Risk Committee Charter



Empire Oil & Gas NL

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Purpose

The purpose of the Audit and Risk Committee Charter is to set out the role, responsibilities, membership and operation of the Audit and Risk Committee (**Committee**).

The primary function of the Committee is to assist the Board in fulfilling its responsibilities to provide Shareholders with timely and reliable financial reports and to protect the interests of Shareholders, customers, employees and the broader community through the effective identification, assessment, monitoring and management of risks.

Authority

The Committee is a Committee of the Board, established pursuant to Article 57 of the Empire Oil & Gas NL (**Empire**) Constitution.

The Committee may adopt such rules and regulations as it deems appropriate for the conduct of its affairs, provided only that they are not inconsistent with Empire's Constitution, this Charter, ASX Listing Rules, the Corporations Act or any resolution of the Board.

The Committee is accountable to the Board for its performance and shall have no authority independent of the functions delegated to it by the Board.

Role of the Committee

The Committee makes recommendations and assists the Board to fulfil its responsibilities in relation to:

Audit and Compliance

The integrity of reporting to shareholders and the market so that financial reports present a true and fair view of Empire's financial performance and position by:

- reviewing the quality and integrity of Empire's financial statements and other financial information distributed externally;
- monitoring the internal control framework, ensuring that appropriate processes are in place to support the framework and periodically assessing its effectiveness;
- monitoring procedures in place to ensure compliance with statutory responsibilities and other external reporting requirements;
- overseeing matters relating to the appointment, performance, independence and tenure of Empire's external auditor, including approving the terms of engagement of the external auditor;
- liaising with external auditors; and
- undertaking such other tasks as nominated by the Board.

Risk Management

Empire's system of risk management, including:

- maintaining and overseeing a sound system of internal controls based on the adoption by the Board of the risk-based approach to identification, assessment, monitoring and management of risks that are significant to the fulfilment of the Empire's business objectives; and
- reviewing the effectiveness of the Empire's risk management and internal compliance and control system at least on an annual basis.

Responsibilities of the Committee

Financial Reporting

The Committee's duties with respect to financial reporting (and without limiting its scope), are to:

- oversee the preparation of financial reports and the results of the external audits of those reports;
- assess whether external reporting is adequate for shareholder needs;
- assess management processes supporting external reporting;
- establish procedures for treatment of accounting complaints;
- receive from Management and the external auditor a timely analysis of significant financial reporting issues and practices and review such analyses and understand their impact on the financial statements;
- evaluate, review and recommend to the Board for approval the draft financial statements and other related information proposed to be released through the ASX to shareholders and to the financial community in accordance with the quarterly, half-yearly and annual reporting cycle;
- where required by the Board, review financial information, press releases, analyst presentations, disclosure releases to the ASX and the process by which Management controls the release of such information to the ASX;
- review any significant matters arising from the audit, Management judgments and accounting estimates, significant changes to Empire's auditing and accounting principles, controls, procedures and practices with Management and the external auditor;
- assess significant estimates and judgments in financial reports by asking Management about the process used in making material estimates and then ask the internal and external auditors for the basis of their conclusions on the reasonableness of Management's estimates;
- review with the external auditor and Management the appropriateness of critical accounting policies and practices adopted, and any changes to them;
- ensure that, before the Board approves Empire's financial statements for a financial period, the Chief Executive Officer/Managing Director and Chief Financial Officer (or, if none, the person(s) fulfilling those functions) have declared that, in their opinion, the financial records of Empire have been properly maintained and that the financial statements comply with the appropriate accounting standards and give true and fair view of the financial position and performance of Empire and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively;
- ensure the financial statements include disclosure covering governance issues in accordance with the requirements of the regulators;
- assist with ensuring appropriate corporate governance practices are in place;
- review and monitor related party transactions for propriety and consider the adequacy of disclosure of those transactions in the financial reports; and
- review the form of the opinion that the external auditor proposes to render.

Risk Management and Internal Control

The Committee's duties with respect to risk management (and without limiting its scope) are to:

- oversee and ensure that appropriate processes are in place regarding:
 - Empire's risk management framework (by reviewing the risk management framework, including the risk management policy, at least annually);
 - the identification and assessment of the material risks, including business, economic, environmental and social sustainability risks (if applicable), facing Empire considered against Empire's risk appetite and to ensure that any significant or material risks are reported to the Board;
 - the effectiveness of the Empire's internal control systems, including IT security and control;
 - the systems and procedures for compliance with applicable legal and regulatory requirements;
 - the appropriate level of reporting on the performance and application of the risk management system and associated internal compliance and control procedures throughout Empire; and
 - Empire's environmental risk management and occupational health and safety processes;
- oversee and monitor the whistle blowing policy, including any matters relating to fraud and corruption;

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- review regular reports on all litigation and claims and advise the Board in respect of any material legal risks; and
- review Empire's insurance program at least annually, having regard to Empire's business and the insurable risk associated with Empire business, including assessing litigation and claims, fraud and theft, and any other risks not dealt with by other Board committees.

External Auditor

The Committee's duties with respect to the external auditor are to:

- manage, on behalf of the Board, the relationship between Empire and the external auditor including resolving any disagreements between the external auditor and Management and, if deemed appropriate, meeting privately with the external auditor;
- evaluate the expertise and experience of potential auditors;
- determine the terms of engagement, remuneration (including the fees charged for audit and review services), and re-tendering parameters for the external audit engagement and make recommendations to the Board;
- in accordance with established guidelines, undertake the annual review and evaluation of the external auditor's independence, objectivity, effectiveness, and performance and the extent of compliance with the agreed annual audit plan and report to the Board thereon;
- in accordance with established guidelines, and with respect to non-audit services that may be provided by the external auditor:
 - determine categories of non-audit services that may be provided by the external auditor in the context of all consulting services bought by Empire; and
 - review and ensure disclosure to shareholders with the Committee's approval of all non-audit services provided by the external auditor;
- review and provide oversight of audit reports prepared and issued by the external auditor on Empire's financial statements and activities;
- consider and review reports prepared by the external auditor on, amongst other things, critical accounting policies and alternative accounting treatment, other relevant written communication between the external auditor and Management and ensure that any significant findings and recommendations are received, discussed and acted upon prior to the filing of the audit report in compliance with the Corporations Act;
- monitor and review any restrictions on audit scope, access to Management or access to information being placed on the external auditor;
- monitor and review the rotational arrangements of the external auditor's engagement and review partners;
- ensure that the lead auditor attends Empire's Annual General Meeting and participates at such Annual General Meeting as necessary;
- review the adequacy of accounting and financial controls together with the implementation of any recommendations of the external auditor in relation thereto; and
- meet with the external auditors at least twice in each financial year and at any other time the Committee considers appropriate.

Other

- As contemplated by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, and to the extent that such deviation or waiver does not result in any breach of the law, the Committee may approve any deviation or waiver from the "Corporate code of conduct". Any such waiver or deviation will be promptly disclosed where required by applicable law.
- The Committee must brief the Board promptly on all urgent and significant matters.

Composition of the Committee

Membership

The Committee is to consist of at least two members. The members may only be Non-Executive Directors, a majority of whom are independent, Non-Executive Directors.

Members will be determined by the Board and changed at the discretion of the Board by resolution.

Chairman

The Board shall appoint one of the members of the Committee (other than the Chairman of the Board) to be the Chairman of the Committee. Should the Chairman of the Committee be absent from any meeting of the Committee, the members of the Committee present at that meeting shall appoint one of their number to be Chairman of that meeting.

Secretary

The Company Secretary is the secretary of the Committee.

Technical Expertise

- The Committee must be structured so that all members of the Committee are financially literate and some members have an understanding of the industry in which Empire operates.
- The Chairman of the Committee shall have leadership experience and relevant qualification and experience (e.g. a qualified accountant or financial professional with experience of financial and accounting matters).

Skills Development

If the Board Chairman pre-approves, a Committee member may attend seminars or training related to the functions and responsibilities of the Committee at the Empire's expense.

Committee Meetings & Process

Meetings

Meetings and proceedings of the Committee are governed by the provisions of Empire's Constitution.

Meetings of the Committee may be held face-to-face or through any technological means by which members can participate in a discussion.

Frequency

The Committee shall meet at least twice in each financial year to undertake its role and responsibilities effectively.

The Secretary of the Committee as directed by the Board or at the request of the Chairman of the Committee may call a meeting of the Committee.

Quorum and Voting

A quorum will comprise any two Committee members.

Each member shall have one vote.

The Chairman of the Committee shall not have a second or casting vote.

Agenda

The Committee shall develop and agree an annual program capable of fulfilling its responsibilities.

The Chairman of the Committee, with the assistance of the Secretary of the Committee, will develop the agenda for each meeting on the basis of the annual program and any other matters deemed to be relevant to the particular meeting.

Attendance

In addition to the members of the Committee, such Executives and/or external parties as the Chairman and members of that Committee think fit may be invited to attend Committee Meetings.

The Chief Executive Officer/Managing Director and Chief Financial Officer shall normally be invited to attend Committee meetings. Other Directors of the Board are also entitled to attend Committee meetings.

The Committee may also meet with:

- the external auditor;
- external advisors;
- any Executive or employee including any Executive Director; or
- any Non-Executive Director who is a member of any Committee performing functions which are relevant to the duties and responsibilities of the Committee.

The Committee may meet as a Committee on its own and with the internal auditor and the external auditor at least once a year without Management being present.

Access to Information and Advisers

The Committee has the authority to do the following to enable them to discharge their duties as Committee members:

- require Management or others to attend meetings and to provide any information or advice that the Committee requires;
- access Empire's documents and records;
- obtain the advice of special or independent counsel, accountants or other experts;
- access internal and external auditors without Management being present; and
- require the internal auditor to undertake specific activities and report back to the Committee.

Any costs incurred as a result of the Committee consulting an independent expert will be borne by Empire.

Reliance on Information or Professional or Expert Advice

Each member of the Committee is entitled to rely on information, or professional or expert advice, to the extent permitted by law, given or prepared by:

- an Empire Employee whom the Committee member believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
- professional adviser or expert in relation to matters that the member believes on reasonable grounds to be within the person's professional or expert competence; or
- another Director or officer of Empire in relation to matters within the Director's or officer's authority.

Report to the Board

The Committee will regularly update the Board about Committee activities and make appropriate recommendations. The Chairman of the Committee (or delegate) will report to the Board, at the Board meeting next following a meeting of the Committee, on any matters under consideration by it.

Minutes

The Committee Secretary shall prepare and keep minutes of proceedings and resolutions of the Committee.

Minutes shall be distributed to all Committee members by the Committee Secretary after the preliminary approval has been given by the Chairman of the Committee.

Minutes of meetings shall be submitted to the next full Board meeting after each Committee meeting.

Resolutions

Apart from passing resolutions at actual Committee meetings, the Committee may also pass resolutions in accordance with Article 59 of Empire's Constitution.

Selection, Appointment and Rotation of External Auditors

Selection of External Auditors

Should there be a vacancy for the position of external auditor, the Board, through the Committee, will conduct a formal process, either general or selective, to select which audit firm will fill the vacancy.

Audit firms are evaluated in accordance with criteria, as appropriate from time to time, and are not assessed solely on the basis of who is cheapest, but on a number of issues such as:

- skills and knowledge of the team proposed to do the work;
- quality of work;
- independence of the audit firm;
- lead signing partner and independent review partner rotation and succession planning policy;
- value for money; and
- ethical behaviour and fair dealing.

Appointment of External Auditors

The Committee identifies and recommends an appropriate external audit partner for appointment by the Board and/or Empire in a General Meeting. The appointment is made in writing.

Rotation of External Audit Partners

The external auditor is required to rotate its audit partners so that no partner of the external auditor is in a position of responsibility in relation to Empire's accounts for a period of more than five consecutive years. Further, once rotated off Empire's accounts no partner of the external auditor may assume any responsibility in relation to Empire's accounts for a period of three consecutive years. This requires succession planning on the part of the external auditor, a process in which the Committee is involved.

Review of the Charter

The Board will conduct an annual review of the membership to ensure that the Committee has carried out its functions in an effective manner, and will update this Charter as required or as a result of new laws or regulations.

This Charter may be amended by resolution of the Board.

Who to Contact

Any questions relating to the interpretation of this Charter should be forwarded to the Company Secretary.

Publication of Charter

A copy of this Charter is available at www.empireoil.com.au.

Glossary

Term	Definition
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).

Audit and Risk Committee Charter

Term	Definition
Board	means Empire's board of directors.
Chairman	means the person appointed as the chairman of the Board from time to time.
Charter	means this document or any amending or replacement document.
Chief Executive Officer	means the person appointed as Chief Executive Officer of Empire from time to time.
Chief Financial Offer	means the person appointed as Chief Financial Officer of Empire from time to time.
Committee	means the Audit and Risk Committee.
Company Secretary	means the person appointed as the company secretary of Empire from time to time.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Director	means the persons appointed as directors of Empire from time to time.
Empire	means Empire Oil & Gas NL ABN 55 063 613 730.
Employee	means any person employed by Empire or who otherwise acts as an agent of Empire or performs work for Empire as an independent contractor, including the Chief Executive Officer/Managing Director and other Senior Executives.
Management	means the senior management team (excluding Board members but including the Managing Director) of Empire, being those who have the opportunity to materially influence the integrity, strategy and operation of Empire and its financial performance.
Managing Director	means the person appointed as Managing Director of Empire from time to time.