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# **BASS STRAIT OIL COMPANY LTD**

## **AUDIT COMMITTEE CHARTER**

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### **Organisation**

This charter governs the operations of the audit committee. The committee shall review and reassess the charter annually and obtain approval for changes from the board of directors.

### **Membership**

The committee shall be members of, and appointed by, the board of directors and shall comprise at least two directors that have diverse, complementary backgrounds, and are independent of management and the Company. In addition, the committee chair shall have leadership experience and a strong finance, accounting and/or business background. All committee members shall be financially literate, or become financially literate within a reasonable period of time after appointment. Furthermore, at least one member shall have accounting and/or related financial management expertise as determined by the board of directors.

Members of the committee shall be considered independent so long as they do not have any relationship with the company that may interfere with the exercise of independent judgment. This means they shall not accept any material consulting, advisory, or other compensatory fee from the company and are not an affiliated person of the company or its related entities.

### **Meetings**

The committee shall meet as necessary for the following purposes:

1. Review and approve audit plans.
2. Review and approve the half-year financial report.
3. Review and approve the annual financial report.
4. Monitor corporate governance functions.
5. Deal with any matters referred by the Board.

Furthermore, the committee shall meet in private session at least annually to assess management's effectiveness.

### **Purpose**

The audit committee shall provide assistance to the board of directors in fulfilling its corporate governance and oversight responsibilities in relation to the company's financial reporting, internal control structure, risk management systems, and audit functions. In doing so, it is the responsibility of the committee to maintain free and open communication between the committee, auditors, and management of the Company.

In discharging its oversight role, the committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company. The committee shall request board authority to engage independent counsel and other advisers it determines necessary to carry out its duties.

## **Duties and Responsibilities**

### **Understanding the business**

The committee shall ensure it understands the company's structure, controls, and types of transactions in order to adequately assess the significant risks faced by the company in the current environment.

### **Financial reporting**

The primary responsibility of the audit committee is to oversee the company's financial reporting process on behalf of the board and report the results of its activities to the board. While the audit committee has the responsibilities and powers set forth in this Charter, it is not the duty of the audit committee to plan or conduct audits.

The board of directors is responsible for the company's financial reports including the appropriateness of the accounting policies and principles that are used by the Company. The auditor is responsible for auditing the Company's financial reports and for reviewing the Company's unaudited interim financial reports.

The committee's policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The committee will take appropriate actions to set the overall corporate 'tone' for quality financial reporting, sound business risk practices, and ethical behaviour. The following shall be the principal duties and responsibilities of the audit committee. These are set forth as a guide with the understanding that the committee may supplement them as appropriate.

### **Assessment of accounting, financial and internal controls**

The committee shall discuss with management and the auditor, the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs (including the Company's Code of Conduct). Any opinion obtained from the auditor on the company's choice of accounting policies or methods should include an opinion on the appropriateness and not just the acceptability of that choice or method.

The committee shall meet separately periodically with management and the auditor to discuss issues and concerns warranting committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement. The committee shall provide sufficient opportunity for the auditor to meet privately with the members of the committee. The committee shall review with the auditor any audit problems or difficulties and management's response.

The committee shall receive regular reports from the auditor on the critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

## **Appointment of external auditors**

The committee shall be directly responsible for making recommendations to the board of directors on the appointment, reappointment or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of the effectiveness, and independence of the auditor, including resolution of disagreements between management and the auditor regarding financial reporting. The committee shall pre-approve all audit and nonaudit services provided by the auditor and shall not engage the auditor to perform any nonaudit / assurance services that may impair or appear to impair the auditor's judgment or independence in respect of the Company. The committee may delegate pre-approval authority to a member of the audit committee. The decisions of any audit committee member to whom pre-approval authority is delegated must be presented to the full audit committee at its next scheduled meeting.

## **Assessment of the audit**

The committee, at least on an annual basis, shall obtain and review a report by the auditor describing (or meet, discuss and document the following with them):

- The audit firm's internal quality control procedures.
- Any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
- All relationships between the auditor and the Company (to assess the auditor's independence).

In addition, the committee shall set clear hiring policies for employees or former employees of the auditor in order to prevent the impairment or perceived impairment of the auditor's judgment or independence in respect of the Company.

## **Independence of the auditor**

The Committee shall review and assess the independence of the auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the auditor's judgment or independence in respect of the Company. Furthermore, the Committee shall draft an annual statement for inclusion in the Company's annual report of whether the Committee is satisfied the provision of non-audit services is compatible with auditor independence.

## **Scope of the audit**

The committee shall discuss with the auditors the overall scope of the audit, including identified risk areas and any additional agreed-upon procedures. In addition, the Committee shall also review the auditor's compensation to ensure that an effective, comprehensive and complete audit can be conducted for the agreed compensation level.

## **Communications with stakeholders**

The committee shall review and discuss ASX press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

The committee shall review the half-year financial report prior to filing with the ASX. Also, the committee shall discuss the results of the half-year review and any other matters required to be communicated to the committee by the auditor under generally accepted auditing standards. The chair of the committee may represent the entire committee for the purposes of this review.

The committee shall review all representation letters signed by management to ensure that the information provided is complete and appropriate. Also, the committee shall discuss the results of the annual audit and any other matters required to be communicated to the committee by the auditors under generally accepted auditing standards.

The committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. The committee shall receive corporate legal reports of evidence of a material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duty.

### **Committee performance**

The committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively by reference to current best practice.