



ABN 88 153 229 086

# AUDIT COMMITTEE CHARTER

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## 1. PURPOSE OF THE CHARTER

The purpose of this Audit Committee Charter is to specify the authority delegated to the Audit Committee (“Committee”) by the Talon Petroleum Limited Board (“Board”) and to set out the role, responsibilities, membership and operation of the Committee.

The Committee is a committee of the Board and is authorized by the Board to assist it in fulfilling its statutory and regulatory responsibilities. It has the authority and power to exercise the responsibilities set out in this Charter and under any separate resolutions of the Board granted to it from time to time.

## 2. ROLE OF THE COMMITTEE

The role of the Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities in respect of Talon Petroleum Limited and its subsidiaries (together “Talon”), including oversight of:

- (a) the integrity of the external financial reporting and financial statements;
- (b) the appointment, remuneration, independence and competence of the external auditors;
- (c) the performance of the external audit functions and review of the audits;
- (d) the co-ordination between the Financial Officers of Talon in Australia and the U.S.A; and

## 3. AUDIT RESPONSIBILITIES

### 3.1 External reporting:

The Committee is responsible for:

- (a) overseeing the preparation of financial reports and reviewing the results of external audits of these reports;
- (b) assessing significant estimates and judgments in financial reports by examining the processes used to derive material estimates and judgments and seeking verification of those estimates from the external auditors;

- (c) assessing information from the external auditors that affects the quality of financial reports;
- (d) asking the external auditor for an independent judgment about the appropriateness of the accounting principles used and the clarity of financial disclosure practices used by Talon;
- (e) assessing solvency and the going concern assumption;
- (f) recommending to the Board whether the financial and non-financial statements should be signed based on the Committee's assessment of them.

In fulfilling its responsibilities, the Committee will receive regular reports from the Financial Officers.

### **3.2 External Audit**

The Committee is responsible for:

- (a) making recommendations to the Board on the appointment and remuneration of the external auditor and, if appropriate, recommending that tenders be called to assist in deciding which external auditor should be recommended;
- (b) agreeing the terms of engagement of the external audit before the start of each audit;
- (c) reviewing the external auditor's fee and being satisfied that an effective, comprehensive and complete audit can be conducted for the external auditor's set fee;
- (d) monitoring the effectiveness and independence of the external auditor and periodically assessing its performance;
- (e) reviewing the external auditor's independence based on the external auditor's relationships and services with Talon and other organizations;
- (f) assessing whether the external auditor's provision of non-audit services impairs or appears to impair its judgment or independence and, if required, developing policies for Board approval to ensure this does not occur;
- (g) making recommendations to the Board on the removal of the external auditor;
- (h) ensuring that any recommendation to replace the external auditor is carefully evaluated before the Board makes a final decision;
- (i) inviting the external auditor to attend Committee meetings to review the audit plan, discuss audit results and consider the implications of external audit findings; and

- (j) meeting with the external auditor without management present at least once a year.

## **4. MEMBERSHIP**

### **4.1 Composition and size**

The Committee comprises two (2) members who are directors of Talon. Membership is reviewed periodically and re-appointment to the Committee is not automatic. Members will be remunerated as decided by the Board. Appointments and resignations are decided by the Board.

### **4.2 Chairperson**

The Chairperson of the Committee is appointed by the Board. If, for a particular Committee meeting, the Committee Chairperson is not present within 10 minutes of the nominated starting time of the meeting, the Committee may elect a Chairperson for the meeting.

### **4.3 Technical expertise**

The Committee must be structured so that:

- (a) all members are financially literate, that is, are able to read and understand financial statements; and
- (b) at least one member has financial expertise, that is, is an accountant or financial professional with experience of financial and accounting matters.

### **4.4 Committee Secretary**

The Company Secretary is Secretary to the Committee and will attend meetings but is not a member of the Committee.

## **5. COMMITTEE MEETINGS AND PROCESSES**

### **5.1 Meetings**

Meetings and proceedings of the Committee are governed by the provisions in the Talon constitution regulating meetings and proceedings of the Board and committees of the Board in so far as they are applicable and not inconsistent with this Charter.

### **5.2 Frequency and calling of meetings**

The committee will meet as frequently as required to undertake its role effectively. The meetings will initially be held at least half yearly and more frequently as required. The Chairperson must call a meeting of the Committee if

requested by any member of the Committee, the external auditor or the chairperson of the Board.

### **5.3 Quorum**

Two members constitute a quorum for meetings of the Committee.

### **5.4 Attendance by management and advisors**

The Financial Officers are expected to attend each scheduled meeting of the Committee, either personally or by telephone, and a standing invitation will be issued to the external auditors.

The Committee Chairperson may also invite directors who are not members of the Committee, other senior managers and external advisors to attend meetings of the Committee. The Committee may request management and/or others to provide such input and advice as required.

### **5.5 Agenda and documents**

The Chairperson of the Committee determines the meeting agenda after appropriate consultation.

The Committee Secretary distributes the agenda and any related documents to all Committee members and other attendees before each proposed meeting.

### **5.6 Access to information and advisors**

The Chairperson of the Committee receives all reports between the external auditor and management.

The Committee has the authority to:

- (a) require management or others to attend meetings and to provide any information or advice that the Committee requires;
- (b) access the Talon documents and records;
- (c) obtain the advice of special or independent counsel, accountants or other experts, without seeking approval of the Board or management; and
- (d) access management and external auditors.

### **5.7 Minutes**

The Secretary will keep minutes to record the proceedings and resolutions of each meeting.

The Chairperson of the Committee, or delegate, will report to the Board after each Committee meeting. Minutes of Committee meetings will be included in the papers for the next Board meeting after each Committee meeting.

## **6. COMMITTEE'S PERFORMANCE EVALUATION**

The Committee will review its performance from time to time.

The performance evaluation will have regard to the extent to which it has met its responsibilities in terms of this Charter.

## **7. REVIEW AND PUBLICATION OF CHARTER**

The Board will review this Charter to ensure it remains relevant to the current needs from time to time of Talon. This Charter may be amended by resolution of the Board.