

**The Company**

**Corporate Governance**

**Audit Committee Charter**

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## **1. Definitions**

The Company means Clancy Exploration Limited.

ASX means Australian Stock Exchange Limited.

Board means the Board of Directors of the Company.

Committee means the Audit Committee of the Board.

Constitution means the constitution of Clancy Exploration Limited as amended from time to time.

Directors means the members of the Board.

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## **2. Establishment of the Committee**

This Charter sets out the basis on which the Board has established the Committee and should be read in conjunction with the Board Charter and Statement of Corporate Governance principles.

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## **3. Objective and Purpose**

The objective and purpose of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities relating to financial accounting practices, internal control systems, external reporting and the external audit function.

Specifically, the Committee's role is to report to the Board and provide appropriate advice and recommendations on matters relevant to this charter in order to facilitate decision making by the Board.

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## **4. Duties and Responsibilities**

Without limiting section 3 above, the duties and responsibilities of the Committee include:

### **4.1 Review of Financial Reports**

The Committee's responsibilities include the review of all regular financial reports and other formal announcements relating to the Company's financial performance prepared for release to the ASX, regulators and the public, including half yearly and annual financial reports, before making appropriate recommendations to the Board, in relation to:

- (a) key accounting policies and practices;
- (b) compliance with applicable accounting standards, ASX listing rules and other legal requirements in relation to the financial reports; and
- (c) the extent to which the financial reports are affected by any unusual transactions, and major elements of judgment; significant audit adjustments and audit recommendations that have not been adjusted.

### **4.2 External Auditors**

The Committee's responsibilities include:

- (a) overseeing the process for the appointment, re-appointment and removal of the external auditors;

- (b) assessing the performance and independence of the external auditors;
- (c) requiring, reviewing and monitoring compliance with the audit plan of the external auditors;
- (d) reviewing reports from the external auditors; and
- (e) receiving, reviewing, developing and implementing policy on the engagement of the external auditors to supply non-audit services.

In regard to point (e), the following guidelines have been agreed.

The external auditors shall not provide services which are considered to be in conflict with the role of the statutory auditor. These services include investigations and consulting advice, or sub contracting of activities normally undertaken by management, where the auditor may ultimately be required to express an opinion on its own work. Examples of services that should not be provided by the external auditors include:

- (a) Preparation of accounting records and financial statements
- (b) Design and implementation of new IT systems and financial controls
- (c) Valuation services in relation to amounts which are included in the company's accounts
- (d) Management functions, including senior management secondments

The external auditors will be permitted to provide non-audit services that are not perceived to be in conflict with the role of the auditor. Examples of services that may be provided without Audit Committee approval includes:

- (a) Tax compliance services
- (b) Advice on application of appropriate accounting standards
- (c) Audits or verification of regulatory returns.

The external auditors may be permitted to provide non-audit services where their detailed knowledge of the Company's activities could permit cost and output efficiencies, provided stringent independence requirements are satisfied. These services, based on recommendations from management must be approved by the Chairman of the Audit Committee, who will consult with the other members of the Audit Committee, the external auditors and management, as appropriate. Examples of such services include:

- (a) Strategic tax advice
- (b) Due diligence on potential acquisitions / investments
- (c) Investigating accounting assignments
- (d) Corporate finance advice (deal structuring and execution) including Independent Accountant's Statements.

The Audit Committee will recommend to the Board, on a totally transparent basis, the appropriate disclosure in the Annual Accounts of the full details of fees paid to the external auditors.

### **4.3 Risk management**

The Committee's responsibilities include:

- (a) ensuring the Company has an effective risk management system and processes for identifying, assessing, monitoring and managing key risk areas; and
- (b) reviewing the efficiency and effectiveness of the company's risk management, internal compliance and administrative, operating and accounting control systems by reviewing reports received from management and the external auditors.

#### **4.4 Other duties and responsibilities**

The Committee is required to:

- (a) review disclosures, including a statement in the Annual Report detailing the Committee's activities, the membership of the Committee, the number of Committee meetings and attendance over the course of the year; and the policy, in relation to the provision of non-audit services by the external auditors; and
- (b) in the event of the Board not accepting a recommendation by the Committee on the appointment, re-appointment or removal of the external auditors, make a statement explaining the recommendation and setting out the reason why the Board took a different decision.

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### **5. Membership of the Committee**

#### **5.1 Structure**

- (a) The Committee will consist of no less than three and no more than four members, each of whom will be appointed or removed by the Board, following in each case a review by the Board's Nomination Committee, in consultation with the Chair of the Committee (other than in respect of the Chair's own appointment or removal).
- (b) All members of the Committee must be independent, non-executive Directors or the Company Secretary, as determined by the Board in accordance with the requirements of the ASX and having regard to best practice principles from time to time.
- (c) The Chair of the Committee (including a Chair elected under paragraph 6.4):
  - (i) will be elected by, and hold office for the period determined by, the members of the Committee in accordance with the provisions of the Constitution;
  - (ii) must be a member of the Committee; and
  - (iii) must not also be the Chair of the Board.

#### **5.2 Expertise**

- (a) All members of the Committee shall be financially literate. The Chairman and at least one member of the Committee must have recent accounting or related financial expertise as determined by the Board.
- (b) At least one member of the Committee must have an understanding of the sectors in which the Company operates.

#### **5.3 The Company Secretary**

The Company Secretary shall act as Secretary of the Committee and shall attend all meetings of the Committee.

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## **6. Proceedings of the Committee**

### **6.1 Frequency of meetings**

- (a) The Committee will meet as frequently as required but must not meet less than three times a year. Meetings, where appropriate, should coincide with key dates in the Company's financial reporting cycle.
- (b) The Secretary to the Committee or any member may call a meeting of the Committee.
- (c) In addition, the Chairman is required to call a meeting of the Committee when requested to do so by a Committee member, the Chief Executive Officer, the Chief Financial Officer or the external auditors.

### **6.2 Notice and Committee Papers**

- (a) The dates, times and venues of each meeting of the Committee will be notified by the Secretary to all members of the Committee a reasonable time in advance of the meeting.
- (b) Supporting papers for each meeting of the Committee will be distributed by the Secretary to all members of the Committee and to any other Board member, a reasonable time in advance of the meeting.

### **6.3 Meeting quorum**

A quorum for a meeting of the Committee is two members. A duly convened meeting of the Committee at which a quorum is present is competent to exercise all or any of the authorities powers or discretions vested in, or exercisable by, the Committee.

### **6.4 Chair of the meeting**

- (a) In the absence of the Chair, the remaining members will elect one of their number as Chair of the meeting.
- (b) The Chair of the Committee also has a casting vote, except that the Chair must not exercise a casting vote at any meeting at which there are only two Committee members present.

### **6.5 Minutes of the meeting**

Minutes of meetings of the Committee will be distributed to members for confirmation as soon as practicable and, after confirmation, distributed to all Directors.

### **6.6 Attendance by other persons**

- (a) Only members of the Committee are entitled to be present at a Committee meeting.
- (b) The Committee may extend an invitation to any person to attend all or part of the meeting of the Committee which it considers appropriate. In particular, the Committee may meet with:
  - (i) the external auditors;
  - (ii) external advisers;
  - (iii) any executive or employee; or

- (iv) any other non-executive Director.
  - (c) The Committee must meet with the external auditors at least once a year without executive management being present.
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## **7. Other**

### **7.1 Independent advice**

The Committee is authorised to obtain and secure the services of outside legal or other independent professional advice.

### **7.2 Authority of the Committee**

The Committee is authorised to investigate any activity or function of the Company, its controlled entities and, so far as practicable, its associates, in accordance with this Charter. The Committee is authorised to make recommendations to the Board regarding appropriate actions resulting from such investigations.

### **7.3 Access**

The Committee has unrestricted access to all company records and relevant information and rights to seek explanations and information from all executive management, employees and all tax and other financial advisers, legal advisers, and the external auditors.

The Audit Committee Charter is available, upon request, to all Board Directors and Committee members, management, external auditors, shareholders and other interested parties, as appropriate.

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## **8. Reporting**

Reporting to the Board

The Chair of the Committee (or a person nominated by the Chair of the Committee for that purpose) must:

- (a) report to the Board on the Committee's proceedings following each meeting on all matters relevant to the Committee's duties, responsibilities and authorities; and
  - (b) attend the Board meeting at which the Company's financial statements are approved.
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## **9. Performance Review**

The Committee must conduct an annual review of its performance and effectiveness, inviting comments from all members of the Board. It may recommend to the Board any suggested changes in the duties and responsibilities of the Committee and the terms of this Charter.