

1. PURPOSE

- 1.1 The Audit Committee Charter (“the Charter”) sets out the role, responsibilities, composition, authority and membership requirements of the Audit Committee of Galilee Energy Limited (“GLL”).
- 1.2 Key features of the Charter will be outlined in the Annual Report. A copy of the Charter is available on the Company’s website or upon request.

2. DEFINITION AND OBJECTIVES OF THE COMMITTEE

- 2.1 The Audit Committee (“the Committee”) is a Committee of the GLL Board (“the Board”).
- 2.2 The Committee’s primary function is to assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to GLL by:
- (a) monitoring the integrity of the financial statements of Galilee Energy Limited and its subsidiaries (“the Company”);
 - (b) with the selection and application of accounting policies;
 - (c) to review critical accounting estimates and judgements;
 - (d) to 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;
 - (e) to monitor and review the effectiveness of the Company’s internal audit function, if any;
 - (f) to monitor and review the external audit function including matters concerning appointment and remuneration, independence and non-audit services;
 - (g) perform such other functions as assigned by law, the Company’s constitution, or the Board;
 - (h) to review and approve the corporate governance section of the Company’s Annual Report relating to the Committee and its responsibilities; and
 - (i) to review compliance with legal and regulatory requirements.
- 2.3 Membership of the Committee (as outlined at clause 1) will be disclosed in the Annual Report.

3. COMPOSITION

- 3.1 The Committee will consist of, where the size and makeup of the Board allows, at least three (3) members the majority of which are to be independent non-executive directors, including the Committee Chair who shall not be the Chairperson of the Board. Committee members will have a working familiarity with basic finance and accounting practices. It is appropriate that members of the Committee have range of different backgrounds, skills and experiences, having due regard to the operational, financial and strategic risk profile of GLL. At least one member of the Committee should have accounting or related management expertise.



- 3.2 Committee members are appointed by the Board.
- 3.3 The term of appointment as a member is for a period of no more than one year, with Committee members generally being eligible for re-appointments for so long as they remain independent Directors of the Board. The effect of ceasing to be a Director of the Board is the automatic termination of appointment as a member of the Committee.
- 3.4 Membership of the Committee should be confirmed annually by the Board.
- 3.5 Each Director may attend meetings but will have no voting rights unless he/she is a member of the Committee.

4. CHAIR

- 4.1 The Chair of the Committee is selected by the Board. Where the size and makeup of the Board allows the Chair of the Committee will not be one in the same at the Chair of the Board.
- 4.2 Should the Chair be absent from a meeting and no Acting Chair been appointed, the members of the Committee present at the meeting have authority to choose one of their number to be Chair for that particular meeting.

5. MEETINGS

- 5.1 The Committee will meet at such intervals as its business requires and will hold at least three (3) meetings per year, with such additional meetings as the Chair deems appropriate in order to fulfil its responsibilities.
- 5.2 In addition, the Chair is required to call a meeting of the Committee if requested to do so by any Committee member, the Chair of the Board, the external auditors, internal auditors or other Board member.
- 5.3 The Chair will ensure the GLL Company Secretary acts as Secretary to the Committee and he shall be responsible:
 - (a) in conjunction with the Chair, for drawing up the agenda, supported by explanatory documentation, and circulating it to Committee members prior to each meeting; and
 - (b) for keeping the minutes of meeting of the Committee and circulating them to Committee members and to the other members of the Board.
- 5.4 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.
- 5.5 The Committee shall meet with the external auditor without management present, as it deems necessary.

6. ATTENDANCE AT MEETINGS

- 6.1 Other Board Directors (executive and non-executive) have a right of attendance at meetings. However, no Board Director is entitled to attend that part of a meeting at which an act or omission of that Director or a contract, arrangement or undertaking involving or potentially involving that Director or a related party of that Director is being investigated or discussed.

6.2 Notwithstanding clause 6.1, if in the opinion of the Committee, their investigation or discussion will be assisted by hearing from the interested Board Director, the Committee may invite that Board Director to address the Committee. The Committee will give fair consideration to that address. The Board Director will not, however, be invited to take part in the deliberations following that address.

7. ACCESS

7.1 The Committee shall have unlimited access to the external and internal auditors, and to senior management of the Company and any subsidiary. The Committee shall also have the ability and authority to seek any information it requires to carry out its duties from any officer or employee of GLL and such officers or employees shall be instructed by the Board of GLL to cooperate fully in provision of such information.

7.2 The Committee also has the authority to consult independent experts where they consider it necessary to carry out their duties. Any costs incurred as a result of the Committee consulting an independent expert will be borne by GLL.

8. REPORTING

8.1 Proceedings of all meetings are minuted and signed by the Chair.

8.2 The Committee, through its Chair, reports to the Board at the earliest possible Board Meeting after each Committee Meeting. Minutes of all Committee meetings are circulated to Board Directors. The report should include but is not limited to:

- the minutes of the Committee and any formal resolutions;
- information about the Audit process including the results of internal and external audits;
- an assessment of:
 - (a) whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs; and
 - (b) the management processes supporting external reporting;
- procedures for the selection and appointment of the external auditor and for the rotation of external audit partners;
- recommendation for the appointment or removal of an auditor;
- any determination by the Committee relating to the independence of the external auditor and whether the Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
- assessment of the performance and objectivity of the internal audit function;
- results of its review of risk management and internal compliance and control systems;
- any matters that in the opinion of the Committee should be brought to the attention of the Board and any recommendations requiring Board approval and/or action; and
- at least annually, a review of the formal written Charter and its continuing adequacy, and an evaluation of the extent to which the Committee has met the requirements of the Charter.

9. DUTIES AND RESPONSIBILITIES

9.1 The duties and responsibilities of a member of the Committee are in addition to those duties set out for a Director of the Board.

9.2 The Committee has the following specific duties and responsibilities:

- (a) recommend to the Board of Directors the appointment and removal of external and internal auditors. The Committee may make periodic reviews of the external and internal auditor's performance and tenders may be called to assist in deciding which external auditor should be recommended. The Committee will review and assess the independence of the external auditors;
- (b) review, consider and advise the Board on:
 - the external auditor's annual plan;
 - the internal auditor's annual plan (if any); and
 - the fees proposed by the external and internal auditor;
- (c) review periodically the process and outcomes of the continuing business risk program, and enquire of management, and the external auditor about significant risks or exposures and assess the steps management has taken to minimise such risk to the company;
- (d) review if appointed, the internal auditors mission, plan and resources, including oversight of the internal auditing work program and quality control procedures;
- (e) consider and review with the external and internal auditor and management:
 - the adequacy of GLL's internal controls including computerised information system controls and security; and
 - any related significant findings and recommendations of the external and internal auditor on the matter of internal controls together with management's responses thereto;
- (f) review with management and the external auditor at the completion of the annual audit:
 - GLL's annual and half yearly financial statements;
 - the external auditor's audit of the financial statements and any reports thereon; and
 - any matters and issues encountered during the course of the audit by either the auditors or management;
- (g) review the appropriateness of GLL's accounting policies and principles, and more particularly, compliance with Australian and International Accounting Standards;
- (h) review legal and regulatory matters that may have a material impact on the financial statements;
- (i) review related party transactions and the adequacy of their disclosure in the financial statements;

- (j) meet privately with the external and internal auditor, and any member of management in separate session to discuss any matters that any such person believes should be discussed privately with the Committee at least annually;
- (k) establish/review permissible services that the external auditor may perform for the Company and pre-approve all audit/non-audit services;
- (l) provide assurance that GLL adequately complies with applicable laws and regulations, is conducting its affairs ethically and is maintaining appropriate controls against employee conflict of interest and fraud; and
- (m) power to conduct or authorise investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation, subject to prior consultation with the Chair of the Board. Any costs incurred in conducting investigations will be borne by GLL.

10. FEES

Committee members are entitled to receive remuneration as determined from time to time by the GLL Board.

11. REVIEW OF CHARTER

- 11.1 The Charter is reviewed annually by the Committee to ensure it remains consistent with the Committee's authority, objectives and responsibilities.
- 11.2 Significant changes to the Charter are recommended by the Committee and approved by the Board.

Mr Ray Shorrocks
Chairman
Galilee Energy Limited

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