



Audit and Risk Committee Charter
CG 4.1

Approved by the Board on 14 July 2021

Michael Utsler
Executive Chairman

Otto Energy Limited

Audit & Risk Committee Charter

1. Purpose of Charter

The Audit & Risk Committee (**Committee**) is a committee of the Board of the Company with the specific powers delegated under this charter. This charter sets out the Committee's role and responsibilities, composition, structure and membership requirements.

2. Function

The primary function of the Committee is to assist the Board in fulfilling its responsibilities relating to accounting, reporting and risk management practices of the Company. In addition, the Committee will:

- oversee, co-ordinate and appraise the quality of the audits conducted by the Company's external auditors;
- oversee the appointment of internal auditors, approve internal audit plans and determine the independence and effectiveness of the internal auditors (if and when appointed);
- review the Company's relationship with the external auditors, including independence, the auditor's performance and effectiveness;
- maintain open lines of communications among the Board and the internal and external auditors to exchange views and information, as well as confirm of their respective authority and responsibilities;
- review the adequacy of the reporting and accounting controls of the Company; and
- review the Company's risk management framework at least annually to satisfy itself that the Company is operating within the risk appetite set by the Board and that the risk management framework continues to be sound.

The Committee is not required to personally conduct accounting reviews, audits or develop the Company's risk management framework and is entitled to rely on employees of the Company or professional advisers where appropriate.

3. Membership and composition

The Board shall appoint the members of the Committee and review the composition of the Committee at least annually. The Committee should comprise:

- at least 2 members;
- only non-executive Directors, a majority of whom are independent;
- an independent chairperson appointed by the Board and who is not the chairperson of the Board; and
- where possible, members with sufficient financial skills and experience relevant to the Committee's functions.

All Committee members shall be financially literate (i.e., are able to read and understand financial statements). At least one member shall have accounting and/or related financial management expertise (i.e., is a qualified accountant or other financial professional with experience of financial and accounting matters).

Members will be appointed for an initial term of 2 years and shall be eligible for re-appointment provided that they remain independent Directors of the Board.

The terms of appointment include the following:

- the members may resign upon reasonable notice in writing to the Committee Chairperson;
- a member may from time to time be immediately removed by notice in writing by the Committee Chairperson;
- the appointment as a member of the Committee is automatically terminated upon that member ceasing to be a Director of the Company.

4. Meetings

The Committee will hold at least four regular meetings a year (two are specifically held to review the half year and annual accounts) and such additional meetings as required to undertake its role effectively. The minimum quorum for a Committee meeting is two members.

The secretary of the Committee shall be the Company Secretary, or such other person as nominated by the Board. The Secretary is required to give Committee members reasonable notice of a meeting and shall distribute supporting papers for each meeting as far in advance as practicable using 7 days in advance of the relevant meeting as a general guideline.

The Executive Chairman and the CFO will normally be invited to attend meetings. Other officers of the Company or external persons may be invited to attend Committee meetings by the Chairperson of the Committee. The Chairperson will call a meeting of the Committee if so requested by any Committee member, any Director or the auditors.

The proceedings of all meetings of the Committee will be minuted and these will be included in the papers for the next Board meeting after each Committee meeting. The Chairperson of the Committee shall report the findings and recommendations of the Committee to the Board after each Committee meeting.

5. Authority

In performing its functions in accordance with any applicable law, the Committee:

- has unrestricted access to the external auditors, the internal auditors, senior management and employees of the Company;
- has unrestricted access to information and reports relevant to fulfilling its responsibilities;
- may seek independent external advice on matters brought before the Committee or in relation to the functions and responsibilities of the Committee;
- may conduct investigations into any matters within the Committee's scope of responsibilities or when requested by the Board.

6. Responsibilities

The Committee must promote an environment within the Company which is consistent with best practice financial reporting. In particular, the Committee must:

- ensure that the Committee understands the Company's structure, business and controls in order to adequately assess the significant risks of the Company.

- perform an independent review of financial information prepared by management for external reporting. This will include conducting reviews of the annual report, directors' report, annual financial statements, half yearly financial statements and any other externally reported financial information required by law;
- monitor the integrity and effectiveness of financial reporting processes;
- review the Company's financial statements to determine whether they are accurate and complete and make any necessary recommendations to the Board;
- review and assess the external audit arrangements;
- appoint, review and assess the internal audit arrangements, as applicable, and consider significant internal audit findings and management's responses and related actions;
- review and ensure the implementation of legislated changes to accounting standards;
- ensure that appropriate policies are established by management and that adequate systems are in place to identify and disclose related-party transactions and assess the propriety of any related party transactions;
- ensure that the Board is kept regularly informed on general progress and activities, and is promptly briefed on all significant matters relating to audit, financial reporting, internal control, risk management or compliance which may significantly impact upon the Company in a timely manner; and
- review 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; and
- review the Company's annual insurance plan and maintain oversight of the Company's insurance activities.

7. External audit arrangements

The Committee shall report to the Board on external audit arrangements, including:

- making recommendations to the Board on the appointment, re-appointment, replacement and remuneration of the external audit firm;
- review the terms of engagement for the external auditor including annual fees;
- review the scope of the external audit with the external auditor including identified risk areas;
- meet with the Company's external auditors at least twice each year, once during the audit planning stage and once post audit at the reporting stage, and will ensure that any auditor's management letters and management's responses are reviewed;
- monitor the performance of the external audit including assessment of the quality and rigour of the audit, quality of the service provided;
- monitor the independence of the external auditors and assist with the resolution of disagreements between management and the auditor regarding financial reporting;
- review and assess non-audit services to be provided by the external auditor, with particular consideration to the potential to impair or appear to impair the external auditors' independence;
- review and monitor management's responsiveness to the external audit findings; and

- on a periodic basis, meet with the external auditor without the presence of management.

(a) Appointment of external auditors and scope of external audit

In the event that a change in auditor is considered necessary, a formal tendering process will be undertaken. The Committee will identify the attributes required of an auditor and will ensure the selection process is sufficiently robust so as to ensure selection of an appropriate auditor.

The Committee will ensure that prospective auditors have been provided with a sufficiently detailed understanding of the Company, its operations, its key personnel and any other information, including group structures and financial statements that will have a direct bearing on each firm's ability to develop an appropriate proposal and fee estimate.

The Committee and the Board will consider the appointment in conjunction with senior management.

In selecting an external auditor, particular consideration will be given to determining whether the fee quoted is appropriate for the work required, that the work is to be undertaken by people with an appropriate level of seniority, skill and knowledge and whether the work proposed is sufficient to meet the Company's needs and expectations.

The appointment of a new external audit firm will be placed before shareholders for ratification at the next annual general meeting after the appointment is made.

(b) Auditor independence

The Committee shall pre-approve all audit and non-audit services provided by the external auditors and shall not engage an external auditor to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.

The Committee shall establish clear policies in relation to employees or former employees of the external auditor in order to prevent the impairment or perceived impairment of the external auditor's judgement or independence in respect of the Company.

The Committee shall review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.

8. Risk Management

The Committee shall keep under review the effectiveness of the Company's corporate reporting and internal control policies and its procedures for the identification, assessment, reporting and management of risks and will make recommendations to the Board regarding the Company's risk management framework.

The Committee shall be responsible for reviewing the Company's risk management framework at least annually to ensure that:

- that the Company is operating within the risk appetite set by the Board;
- regular risk reviews are undertaken by management to ensure that any significant breach of, or material deviation from the Company's risk management framework are responded to and that contemporary and emerging risks are adequately dealt with; and
- the risk management framework continues to be sound.



9. Committee performance

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

The Board will evaluate the performance of the Committee as appropriate.

10. Management sign-off procedure

The Committee will ensure that the Executive Chairman and Chief Financial Officer provide a written statement to the Board in respect to the Company's annual financial report in accordance with the requirements of Corporations Act.

Policy History

Last review: July 2021
Review frequency: Annually or as required.