

PILOT ENERGY LIMITED

AUDIT COMMITTEE CHARTER

1 Purpose

- 1.1 This charter sets out the composition, role, responsibilities and administration of the Audit Committee (“Committee”) of Pilot Energy Limited (“Pilot” or “Company”) within the governance structure of Pilot and its wholly owned entities (“the Group”).
- 1.2 The Committee has been established by the board of directors (“Board”) of Pilot in accordance with clause 8 of the Company’s Board Charter.
- 1.3 The Committee plays a key role in the overview of responsibilities of the Board relating to financial reporting, corporate governance and the external audit process.
- 1.4 The chair of the audit committee shall not be the chair of the Company.

2 Membership

- 2.1 The Board has determined that the Committee shall comprise at least three members. All members of the Committee shall be appointed by the Board from amongst the non-executive independent directors.
- 2.2 The Committee members shall possess the appropriate skills and experience to enable the Committee to meet its purpose.
- 2.3 The Committee shall have a chairperson appointed by the Board. The chairperson shall not be the chairperson of the Board and shall be a non-executive independent director.
- 2.4 The appointment of new members of the Committee shall be approved by the Board.
- 2.5 The chief executive officer, the chief financial officer and any other executive or any other individual may attend meetings of the Committee at the invitation of the Committee chairperson, but are not members of the Committee.
- 2.6 The chairman of the Board may attend meetings, ex officio.
- 2.7 It is intended that all members of the Committee shall have familiarity with financial management and at least one Committee member shall have expertise in financial accounting and reporting.
- 2.8 If a member is unable to act for any reason, the chairperson may appoint another non-executive director as an additional member, provided, where practicable, that the majority of members of the Committee shall be independent.

3 Secretary

The secretary of the Committee shall be the Company Secretary or such other person as the Committee may appoint.

4 Voting Arrangements

- 4.1 Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.
- 4.2 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 4.3 Save where he or she has a personal interest, the chairperson will have a casting vote.
- 4.4 All decisions of the Committee shall be formally reported to the Board by the chairperson. The committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed and shall compile a report on its activities to be included in the Company's annual report.

5 Responsibilities and Functions

5.1 Financial reporting

- (a) to assist the Board in determining the reliability, integrity and appropriateness of accounting policies, financial reporting and disclosure practices
- (b) to monitor compliance with applicable accounting standards and other requirements relating to the preparation and presentation of financial results
- (c) to assess the adequacy and clarity of presentation of financial information to shareholders
- (d) to review financial reports and to recommend to the Board their adoption, taking into account a declaration from the CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained and that the statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group and that the opinion has been formed on the basis of sound systems of internal control and risk management, which are operating effectively. The statement by the CEO/CFO relates to financial statements for any reporting period.
- (e) to assess, review and challenge, where reasonable, the appropriateness of significant accounting policies, on a year on year basis for the Company
- (f) to review and challenge where necessary, compliance with accounting standards and assess whether the Company has made appropriate estimates and judgments, taking into account the views of the Company's external auditors
- (g) to review and challenge, where necessary, methods used to account for significant or unusual transactions, where different approaches are possible
- (h) to review management's process for ensuring and monitoring compliance with laws, regulations and other requirements relating to the external reporting by the Company of financial and non-financial information
- (i) to consider all significant accounting policy, valuation and reporting changes before consideration by the Board

- (j) review and challenge, where necessary, the clarity of disclosure in the Company's financial reports and the content in which statements are made
- (k) review and challenge, where necessary, all information presented in the Company's financial statements, such as operating and financial review and the corporate governance statements (insofar as it relates to the audit)

5.2 **External auditors**

- (a) to nominate the external auditor to the Board and to approve the terms of the contract with the external auditor including the audit fees and the nature and quantum of non-audit services provided by the external auditor
- (b) to evaluate and assess the performance and independence of the Company's external auditors and objectively, taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services
- (c) to review and approve the annual audit plan
- (d) to ensure the independence, authority and effectiveness of the external auditor and to maintain open lines of communication between the auditor and the Board
- (e) to ensure the Committee has unfettered access to the external auditor and is entitled to meet with the auditor without management present
- (f) to require the external auditor to:
 - (i) submit a formal written statement delineating all responsibilities and work completed by the auditor
 - (ii) report to the Committee on any significant issue raised with management
 - (iii) prepare any report or other disclosures to be included in Pilot's annual report or other communications with shareholders on the relationship between the external auditors and the Company.
 - (iv) Attend the AGM and be available to answer questions from shareholders relevant to the auditor.

(g) **Other**

- (i) to consider such other topics, as may be requested by the Board
 - (ii) to receive appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members, and have access to sufficient resources in order to carry out its duties
 - (iii) to give due consideration to laws and regulations, including the provisions of the Corporations Act and the requirements of the ASX Listing Rules, the Prospectus and Disclosure Rules, as appropriate
 - (iv) to oversee any investigation of activities which are within its terms of reference
 - (v) to conduct an annual review of the Committee's own work, performance and these terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- (h) to review the adequacy of existing policies such as the Market Disclosure Policy and the Securities Dealing Policy and to comply with these policies and to identify areas which require policy development
- (i) to review the Company's procedures for detecting fraud
- (j) to review the Company's arrangements for its employees to review concerns in confidence about possible wrongdoing in financial reporting or other matters.
- (k) to allow and oversee proportionate and independent investigation of allegations of employee conflict of interest, fraud, whistleblower protection or malfeasance.

6 Administration and Reporting

6.1 The Committee shall meet at least four times a year as follows:

- (a) immediately prior to the release of the full-year financial statements
- (b) immediately prior to the release of the half-yearly financial statements
- (c) on at least two other occasions during the year.

6.2 A notice of each meeting confirming the date, time and venue together with the agenda and Committee papers shall be forwarded to each member of the Committee at least three working days prior to the date of the meeting, although any such notice period may be waived or shortened with the written consent of all members of the Committee for the time being.

6.3 The Committee shall appoint a secretary who shall attend all Committee meetings and record minutes as minute secretary. All minutes of the Committee, when approved and signed by the Committee chairperson shall be circulated to all members of the Board (unless a conflict of interest exists) and to the external auditors and then shall be entered into a minute book maintained for that purpose and shall be open at all times for inspection by any director.

6.4 A quorum shall comprise any two Committee members. In the absence of the Committee chairperson or appointed delegate, the members shall elect one of their number as chairperson for that meeting.

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- 6.5 The Committee may, with the prior approval of the Board, instruct the chief executive officer to engage independent advisors in relation to any matter pertaining to the responsibilities of the Committee.
- 6.6 The Committee shall report to the Board annually, in writing, on all matters relevant to the performance of its role and the discharge of its duties during the period.
- 6.7 The chair of the Committee should attend the Company's annual general meeting for the purpose of handling any questions or enquiries of the meeting about the latest audit.

7 Review of Charter

- 7.1 This charter shall be reviewed by the Committee every 3 years and a report shall be provided to the Board, if required, recommending any necessary amendment or additional duties and responsibilities.