

**Contango Income Generator Limited**  
**ABN 40 160 959 991**

# **AUDIT COMMITTEE CHARTER**

**August 2015**

## **1. INTRODUCTION**

This Audit Committee (“AC”) Charter has been established by the Contango Income Generator Limited (“CIE or Company”) Board to satisfy the requirements of the Australian Stock Exchange’s (“ASX”) Corporate Governance Principles and Recommendations in relation to listed companies.

## **2. FUNCTIONS OF THE COMMITTEE**

The Committee shall assist the CIE Board to discharge its responsibilities.

With respect to the CIE’s financial statements and financial reporting, it will monitor:

- (a) the audit of CIE;
- (b) CIE’s annual insurance program;
- (c) CIE’s Risk Management Systems; and
- (d) compliance with legal and regulatory obligations for CIE.

## **3. SELECTION AND APPOINTMENT OF MEMBERS**

### **3.1 Membership**

- (a) In selecting and appointing members of the Committee, the Board of CIE shall consider the skills, experience, qualifications, good fame and character and such other determinants as it considers necessary for the membership and proper functioning of the Committee.
- (b) The AC will comprise at least two members and the majority of members must be independent. Members may comprise either non-executive Directors, executive Directors or independent specialist committee professionals.
- (c) At least one member should have accounting or associated financial management expertise and/or experience.
- (d) The CIE Board will appoint an independent non-executive Director as Chairman of the AC (other than the Chairman of the CIE Board).who is not considered independent.
- (e) The company secretary of CIE or other staff member approved by the Chairman of the Committee, will be the secretary of the Committee.

### **3.2 Retirement of Members**

A Committee member may retire by giving written notice.

### **3.3 Removal of members**

The Board, or a delegate authorised by the Board, may remove a Committee member by giving notice to them in writing.

### **3.4 Indemnifying members**

A Committee member may be indemnified, subject to the approval of the Board.

### **3.5 Assessment**

- (a) The Chairman shall conduct an annual assessment of the performance, duties and responsibilities of the Committee members and shall provide a report of the findings to the Board, or a delegate authorised by the Board.
- (b) An independent Director of the CIE Board will conduct the annual performance assessment of the Committee’s Chairman.

## **4. COMMITTEE MEETINGS**

### **4.1 Frequency of meetings**

- (a) The AC will meet on a quarterly basis or more frequently if required. Meetings can be conducted by AC members in person, via telephone or internet conferencing from any location.

#### 4.2 Who may attend meetings

- (a) The Committee may invite any Director, the Compliance Officer, the external auditor of CIE, or other individuals to attend any meeting of the AC.
- (b) At its discretion, the Committee may consult with the external auditor or other professional advisers outside the presence of management.

#### 4.3 Quorum

Meetings will be convened when a quorum of two AC members is present. The business of the AC may be conducted by the passing of either ordinary or circular resolutions.

#### 4.4 Agenda

The agenda for the AC is prepared by the Secretary of the AC in consultation with the CFO and, if required, other members of management. The Chairman of the AC approves the agenda.

### 5. DUTIES AND RESPONSIBILITIES

#### 5.1 Conduct

All members of the Committee must:

- (a) act honestly; and
- (b) exercise the degree of care and diligence that a reasonable person would exercise if they were in the member's position; and
- (c) not make use of information acquired through being a member of the Committee in order to:
  - (i) gain an improper advantage for the member or another person; or
  - (ii) cause detriment to the members of CIE; and
  - (iii) the Board, or a delegate authorised by the Board, may request that a Committee member provide complete information where the Board suspects that the member is in breach of their duties as a Committee member; and
  - (iv) must disclose to the Committee a direct or indirect pecuniary interest that they have in a matter being considered, or about to be considered by the Committee, if their interest could conflict with the proper performance of their duties in relation to the consideration of the matter. This interest must be disclosed at the first meeting of the Committee after the interest and relevant facts become known to the member. The minutes of the meeting must record this event.

#### 5.2 In relation to the CIE's financial statements and financial reporting

The AC shall:

- (a) review the accounting, tax, policies and principles applied throughout CIE and be satisfied with their appropriateness;
- (b) review the integrity of the CIE's financial reports and statements, including the ASX Appendix 4D/4E's produced for the full and half-year and the full year/half year Investor Reports) with management and the external auditors.
- (c) consider whether the CIE's financial reports and statements are consistent with the AC's knowledge and adequate for shareholder needs, in order to recommend their approval by the CIE Board;
- (d) in consultation with management, review the effectiveness of CIE's financial reporting systems and processes with external auditors;
- (e) review with management any significant accounting and financial reporting issues identified by management or the external auditors;
- (f) assess any changes in financial reporting requirements and professional accounting requirements and standards, and advise and/or make recommendations to the Board;
- (g) review management representation letters to the external auditor for completeness and appropriateness; and
- (h) review the CEO and CFO declarations regarding the financial reports and statements, prepared in accordance with the requirements of the Corporations Act 2001 and the ASX Corporate Governance Principles and Recommendations.

#### 5.3 External Auditor for the CIE

The duties of the AC include:

- (a) to monitor the activities of the auditor including:
  - (i) reviewing the half year and annual audit plan, terms of engagement and proposed fee with the auditor;
  - (ii) auditor's findings in respect of weaknesses in controls or disagreement with management;
  - (iii) ensuring the provision of non- audit services are consistent with the role of an auditor; and

- (iv) annual assessment of the performance of the auditor.
- (b) review the independence of the external auditor and timing of rotation of audit engagement partner having regard to requirements set out in the Corporations Act.
- (c) recommend to the Board the selection or replacement of the external auditor. The selection process includes the following steps:
  - (i) the Committee will determine whether a formal tender or other process is appropriate. If requested to do so by the Committee, the CEO and or company secretary will assist the Committee in establishing an appropriate process for selection and will provide a written recommendation; and
  - (ii) the Committee will ensure the proposed auditor has appropriate processes in accordance with the Corporations Act to maintain independence, to rotate audit engagement partners and to manage provision of non- audit services.

#### **5.4 Risk Management**

- (a) review the effectiveness of the CIE's risk management systems, including key risk management and compliance policies by reviewing them and recommending them to the Board for approval;
- (b) to periodically review the risk management practices in relation to CIE;
- (c) agree with management and keep the Board informed of material business risks; and
- (d) oversee and monitor the company's effectiveness in managing its key risks and internal controls.

#### **5.5 Insurance**

Recommend to the CIE Board for approval of the scope, cover and cost of the insurance program for CIE.

#### **5.6 Other matters**

- (a) receive copies of key correspondence and key reports from regulators; and
- (b) be satisfied as to the effectiveness of CIE's processes to receive and manage complaints regarding accounting, internal controls or auditing matters from employees.

### **6. ROLE OF MANAGEMENT**

Management is responsible for:

- (a) the preparation, presentation and integrity of the CIE's financial reports and statements;
- (b) implementing, managing and maintaining appropriate accounting, financial reporting and risk management strategies; and
- (c) maintaining sufficient knowledge, skills and expertise within CIE's finance, risk and compliance functions.
- (d) It is the responsibility of the Chief Financial Officer, (and other members of senior management, as appropriate), to ensure that all financial and accounting matters are appropriately communicated to the AC.
- (e) AC members may rely on the accuracy of information provided by management, unless members are aware of any reasonable grounds on which such reliance or assumption may not be appropriate.

### **7. ACCESS**

The AC members will at all times have:

- (a) free and unfettered access to the external auditors, senior management, external auditors and any staff members at any time; and
- (b) unrestricted access to explanations and additional information the AC considers relevant to its responsibilities.

The AC must meet with the external auditors in separate sessions at least once a year without management being present.

### **8. REPORTING**

The AC will make a copy of its minutes available to the CIE Board. The Chairman of the AC has authority to approve and sign minutes. Minutes of each meeting will be kept by the Secretary. Minutes will be distributed to all AC members and will be included in the Board papers for the subsequent CIE Board meeting.

- (a) through its Chairman, regularly update and make recommendations to the CIE Board on matters falling within the scope of its role and responsibilities; and
- (b) ensure the Board is aware of matters before the AC that may materially impact the financial conditions of the business.

## **8.2 External reporting**

Management is responsible for the preparation of all financial statements for all entities within CIE that are required to be prepared in accordance with generally accepted accounting principles and applicable rules and regulations.

The external auditor is responsible for planning and conducting audits and applicable rules and regulations.

It is the responsibility of the AC in consultation with the external auditor and management to exercise a high level of due diligence in relation to the accuracy and completeness of all financial reports.

This due diligence will include:

- (a) requesting management to prepare a report on the proposed accounting treatment for each reporting period outlining any significant matters or accounting standards impacting on the financial statements and any proposed changes in accounting policy.
- (b) review and discuss with management and the external auditor the appropriateness of the accounting policies, compliance with accounting standards and relevant legislation and any significant change to those policies.
- (c) requesting management to complete a checklist/representation letters in relation to the half year and annual financial report and internal control procedures.
- (d) review of the external auditor Board Reports; and
- (e) providing a recommendation to the Board concerning approval and release of the financial reports and Directors' reports.

## **8.3 Internal Compliance Reporting**

The AC has the responsibility of monitoring and reporting regarding all compliance matters that pertain to CIE.

## **9. ANNUAL REVIEW**

This Charter shall be reviewed by the Chairman of the Committee (or a nominated delegate) no less frequently than annually. Any amendments must be approved by the CIE Board.