

## AUDIT COMMITTEE CHARTER

The Board is responsible to oversee the establishment of effective systems of internal control in order to provide reasonable assurance that the company's financial and non-financial objectives are achieved. The Board of Directors of CS Energy Ltd (the Board) has established an Audit Committee to assist the Board with the discharge of these duties.

### Role of the Committee

The primary role of the Audit Committee is to:

- Assist the Board in its oversight of the reliability and integrity of accounting policies and financial reporting and disclosure practices.
- Provide advice to the Board on financial statements, financial systems integrity and business financial risks to enable the Board to fulfil its fiduciary and stewardship obligations.
- Ensure that Management has implemented systems and processes to :
  - Comply with all applicable laws, regulations and company policies in regard to company accounts.
  - Provide an adequate system of internal control, (Internal Control Framework) including management of business financial risk and safeguard of assets.
- Appointment or, if necessary, dismiss the head of internal audit.
- The Committee is an advisory committee and not an executive committee. As such it must not perform any management functions or assume any management responsibilities and shall have an objective, independent role.

The Audit Committee shall consider all matters arising during the External and Internal Audits and, where appropriate, refer risk management related matters to the Board Risk Committee for consideration and review. Similarly, the Audit Committee shall work with the Board Risk Committee to ensure that the Audit Committee considers all specific financial matters that arise in the Risk Committee meetings.

### Particular Responsibilities

#### Financial Statements

The Committee shall promote an environment in the Company, which is consistent with best practice financial reporting and appropriately reflects the financial status of the Company to external parties. This will include:

- Review of the annual financial statements prior to finalisation and recommendation for approval by the Board. The review of financial statements will include a discussion with the external auditor on accounting issues, accounting policies adopted and the proposed audit report.
- Review the appropriateness of the Company's accounting policies and principles and discussions with the external auditor regarding the auditor's view of the quality and acceptability of the Company's accounting principles.
- Review and consideration of the processes used by management to monitor and ensure compliance with laws, regulations and other requirements relating to external reporting of financial information.
- Review proposed professional and regulatory pronouncements regarding accounting policies and financial reporting and assess their impact on the Company.

- Monitor the application of “Force of Law” Auditing Standards in regard to the Company's internal audits as applied and referenced in the Auditor-General Act 2009.

#### Internal Control & Risk Management

As part of the Internal Control Framework, the Committee shall review and consider the appropriateness and adequacy of internal processes for determining, monitoring and assessing business risk, specifically financial risk, and the financial risk management policies pertaining thereto.

#### External Auditor

In accordance with the Queensland Government Owned Corporations Act, the external auditor of the Company is the Queensland Auditor-General.

The Queensland Auditor-General is required, by section 40 of the Auditor-General Act 2009, to conduct external, independent audits of public sector entities in accordance with recognised standards and practices.

The Auditor-General also has the power to conduct audits of performance management system, to assess whether stated objectives are being achieved economically, efficiently and effectively. Interim audit reports and year end audit reports are tabled at Audit Committee meetings.

The Audit Committee shall review the work program of both the External Auditor and Internal Auditor including:

- Review the scope of the external audit with the external auditor, including identified risk areas and endorse external audit plans.
- Ensure the external audit is co-ordinated with internal audit activity.
- Review and monitor management's responsiveness to external audit findings.
- At least once per annum, meet with the external auditor without the presence of management.

#### Internal Audit

The Company maintains an independent Risk & Assurance function comprising internal audit and risk monitoring responsibilities, which recognises the linkage of audit to risk and the ongoing cycle of audit and risk.

The Audit Committee shall:

- Review and approve the Risk & Assurance Charter.
- Review and approve the Annual Risk & Assurance Internal Audit Work Plan.
- Review and monitor management's responsiveness to internal audit findings.
- On a regular basis, meet with the Risk & Assurance Manager in the absence of members of the Senior Executive Team.

### **Composition**

The Board shall appoint at least three but no more than four, non-executive Directors to the Audit Committee who, in the opinion of the Board:

- Are independent of the Company management and free from any relationship that, in the business judgment of the Board, would interfere with the exercise of their independent judgment as a member of the Committee; and
- Have sufficient financial knowledge and industry understanding to enable them to discharge their duties.

The Chairman of the Audit Committee shall be a Director other than the Chairman of the Board of Directors. The Chairman may call a specific Audit Committee meeting if requested to do so by the Board or any Director of the Board.

A quorum consists of two Committee members. Where only one Audit Committee member is available, then a Board Director previously nominated by the Board may attend to constitute a quorum.

### **Term of Membership**

The Board shall determine, at its discretion, a member's term of membership of the Committee. The Board shall review membership of the Committee and its performance and effectiveness on an ongoing basis.

Vacancies on, or absences from, the Committee shall be addressed by the Board as required.

### **Meetings**

The Secretary of the Committee, a senior executive of the Corporation, shall be responsible, in conjunction with the Chairman, for drawing up and circulating the agenda to the Chairman and members of the Audit Committee, the Chief Executive and to Internal Audit.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee, and circulating them to Committee members and to other members of the Board of Directors. The Secretary is not a member of the Audit Committee.

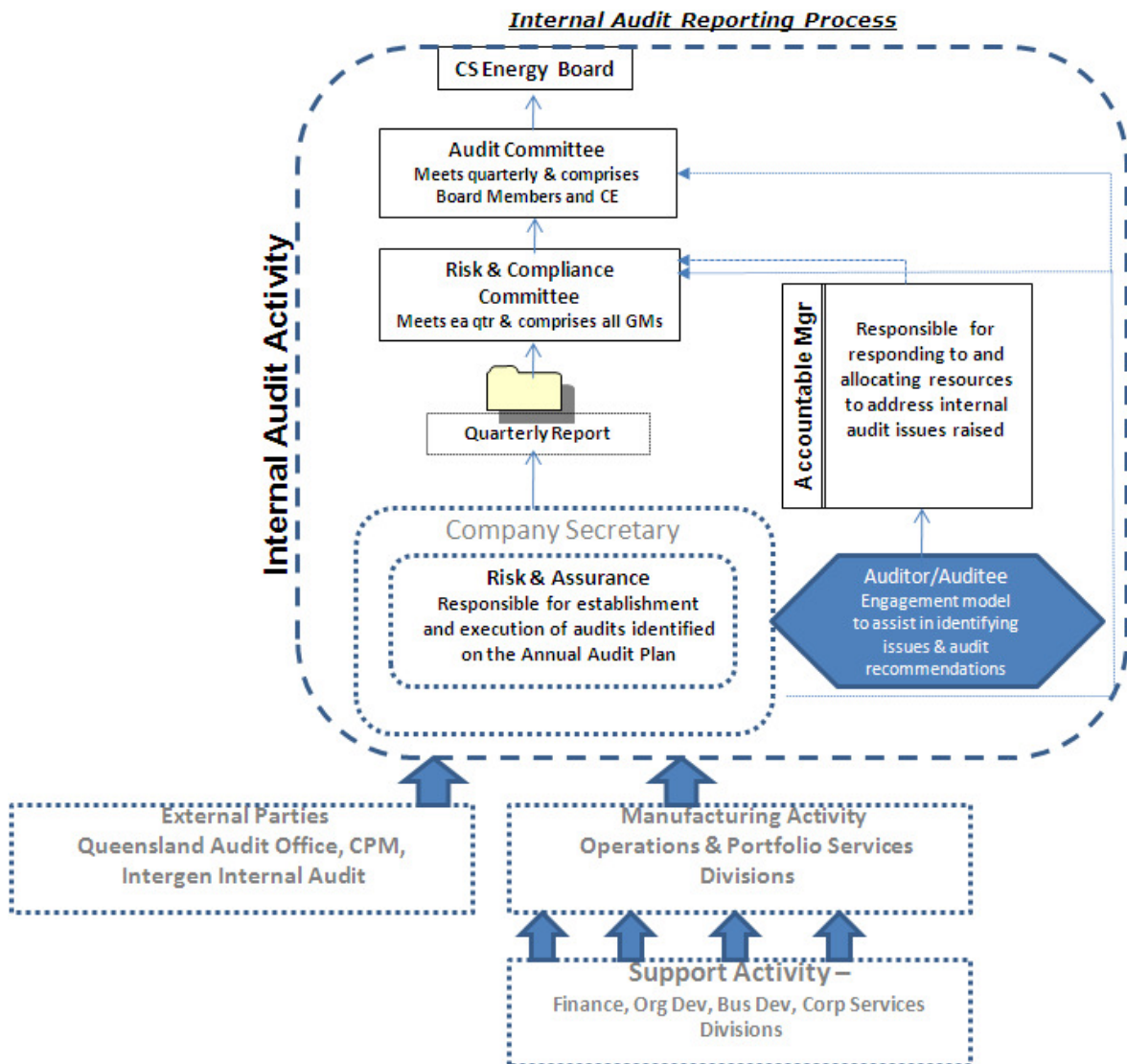
The Committee shall hold at least four meetings per annum and such additional meetings as the Chairman shall decide in order to fulfil its duties. The Audit Committee shall hold meetings at times considered appropriate to fulfil its role and responsibilities.

### **Access**

The Committee has the authority to seek any information it requires from any officer or employee of the Corporation. The Committee may invite or direct any party, including senior executives, internal audit and external audit to attend meetings for particular agenda items of meetings and participate in discussions concerning specific issues. The Committee is authorised to consult independent experts for advice, as it reasonably considers necessary to execute its duties and responsibilities.

## Reporting Relationships

The following diagram illustrates the reporting process:



### CS Energy Audit Reporting Process

The Chairperson of the Audit Committee shall report the findings and recommendations of the Committee to the Board of Directors after each Audit Committee meeting.

### Review of Audit Committee Charter

The Audit Committee shall review its Charter at least annually to ensure it is in keeping with current best practice and consider the actual operational effectiveness of the Audit Committee and its appropriateness to Board requirements.