

EAST ENERGY RESOURCES LIMITED

ACN: 126 371 828

AUDIT COMMITTEE CHARTER

1. PURPOSE

1.1 Committee of the Board

The Audit Committee (**Committee**) is a committee of the board of directors of East Energy Resources Limited (**Board**), with the specific powers delegated as set out in this charter.

1.2 Purpose of the Committee

The purpose of the Committee is to assist the Board in the effective discharge of its responsibilities for financial reporting, internal controls and internal and external audit.

1.3 Functions of Committee

The Committee:

- (a) is not required to personally conduct accounting reviews or audits; and
- (b) is entitled to rely on employees of the Company or professional advisers or consultants engaged by the Committee or the Company, where:
 - (i) there are reasonable grounds to believe that the employee, adviser or consultant is reliable and competent; and
 - (ii) the reliance was made in good faith and after making an independent assessment of the information.

2. STRUCTURE

2.1 Membership

The Committee must consist of:

- (a) At least one non-executive director;
- (b) A non-executive chairperson, who is not chairperson of the Board; and
- (c) at least 2 members.

2.2 Expertise

- (a) All members of the Committee must have an understanding of financial statements and general accounting principles.
- (b) In appointing Directors to the Committee, the Board will have regard to the following composition requirements:
 - (i) at least 1 member having accounting or financial management experience; and
 - (ii) at least 1 member having experience of the industry in which the Company operates.

- (c) A member of the Committee may, with the approval of the Committee chairman and at the Company's expense, attend seminars or training courses in respect to legislative, accounting and financial issues related to the functions and responsibilities of the Committee.

2.3 **Chairman**

The members of the Committee may elect a chairman, provided that the Chairman of the Board (if a member of the Committee) cannot be the chairman of the Committee.

3. **POWERS OF THE COMMITTEE**

3.1 **Powers**

Unless expressly stated, the Committee does not have executive power to bind the Company or enter into transactions with third parties.

3.2 **Access to management**

The Committee, in performing its functions and in accordance with any applicable law, may:

- (a) require the attendance at a meeting of the Committee of:
 - (i) the external auditor;
 - (ii) the internal auditor (if any);
 - (iii) any employee of the Company; and
 - (iv) any Director who is not a member of the Committee;
- (b) access any document, report, material or information in the possession of an employee or external adviser of the Company.

3.3 **Special investigations**

The Committee may initiate special investigations as it sees fit, or as directed by the Board, in relation to its responsibilities.

3.4 **Access to independent advice**

The Committee may obtain independent professional advice to assist it in the proper exercise of its powers and responsibilities, with the cost to be borne by the Company.

4. **COMMITTEE RESPONSIBILITIES**

4.1 **External Reporting**

The Committee must promote an environment in the Company which is consistent with best practice financial reporting and appropriately reflects the financial status of the Company to users of the financial statements. In particular, the Committee must:

- (a) review all published financial statements which are required to be signed by, or on behalf of, the Directors. The review of financial statements should include a discussion with the external auditor of accounting issues, accounting policies adopted and the proposed audit report;

- (b) review the annual report, directors' report and any report of management which is required by law to accompany any published financial statements (to the extent that such a report discusses the financial position or operating results) before approval by the Board;
- (c) review and assess the appropriateness of the Company's accounting policies. The Committee should discuss with the external auditor their view of the appropriateness of the Company's accounting principles;
- (d) review and consider the processes used by management to monitor and ensure compliance with laws, regulations and other requirements relating to external reporting of financial information; and
- (e) review proposed professional and regulatory pronouncements regarding accounting policies and financial reporting and assess their impact on the Company.

4.2 External Audit

The Committee must review and assess key areas relating to the external audit of the Company. In particular the Committee must:

- (a) make recommendations to the Board on the appointment, reappointment or replacement and remuneration of the external auditor;
- (b) review the terms of engagement for the external auditor, and agree the terms with external auditor;
- (c) monitor the effectiveness and independence of the external auditor;
- (d) review the scope of the external audit with the external auditor including identified risk areas;
- (e) 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 auditor's judgment or independence in respect of the Company;
- (f) ensure the external auditor is co-ordinated with any internal audit programs;
- (g) review and monitor management's responsiveness to the external audit findings; and
- (h) meet independently with the external auditor at least twice a year and review any significant disagreement between the auditor and management

Internal Audit

The Committee must review and assess key areas relating to the internal audit of the Company (if any). In particular the Committee must:

- (i) approve the appointment of any internal auditor, where the internal auditor is an executive of the Company or, where the internal auditor is an external contractor, approve the appointment and the internal auditor's terms of engagement;
- (j) review and assess the scope of any internal audit and any internal audit plan, work program and resources;

- (k) review and monitor management's responsiveness to any internal audit findings, including implementing any changes recommended by any internal auditor; and
- (l) on a regular basis, meet with any internal auditor without the presence of management.

4.3 **Related Party Transactions**

The Committee must review and monitor related party transactions and assess their propriety.

5. **MEETINGS**

5.1 **Holding of meetings**

- (a) Subject to paragraph (b), the Committee will meet regularly, at the times determined by the Committee chairman, but must meet at least two times a year.
- (b) A member of the Committee may convene a meeting of the Committee at any time.
- (c) A meeting of the Committee may be held using any means of audio or audio-visual communication by which each Committee member participating can hear and be heard by each other Committee member participating.

5.2 **Quorum**

The number of members whose presence is necessary to constitute a quorum for a meeting of the Committee is 2.

6. **REPORTING TO THE BOARD**

6.1 **Regular reporting**

The Committee chairman must report to the Board after each Committee meeting.

The Committee chairman must review and report to the Board on the annual and half yearly financial reports, the financial section of quarterly reports and other financial information published by the company.

Adopted: November 2007