

SeaDragon Limited

Audit and Risk Committee Charter

Adopted on: 30 May 2018



Purpose and Objectives

The Board of Directors (the “**Board**”) of SeaDragon Limited (“**SeaDragon**”) has established a committee known as the Audit and Risk Committee (the “**Committee**”).

The primary purpose of the Committee is to assist the Board in fulfilling its responsibilities relating to SeaDragon’s management systems, accounting and reporting, external and internal audit and risk management activities, legislative and the listing rules of NZX Limited (the “**Listing Rules**”) compliance, internal policies and industry standards, tax management, treasury management, and includes, among other things:

- promoting a culture of compliance;
- providing a forum for communication between the Board and the senior management of SeaDragon (“**Senior Management**”) in relation to audit and compliance matters affecting SeaDragon; and
- reviewing and commenting on Senior Management’s plans for managing the material business risks (financial and non-financial) faced by SeaDragon.

The Committee will also be responsible for the following:

- serve as an independent and objective party to review the financial information presented by Senior Management for shareholders;
- oversee and appraise the audits conducted by SeaDragon’s external and internal auditors;
- maintain open lines of communication between the Board, external and internal auditors and Senior Management to exchange views and information, as well as confirm their respective authorities and responsibilities; and
- review SeaDragon’s risk management policy and monitor SeaDragon’s risk management against that policy.

To perform their role effectively, each Committee member must develop and maintain their skills and knowledge, including an understanding of the Committee’s responsibilities and of SeaDragon’s business, operations and risks.

Authority

The Committee is authorised by the Board to:

- seek any information or investigate any activity it requires from any officer or employee of SeaDragon and from any adviser or consultant to SeaDragon (subject to confidentiality considerations);
- discuss any matters with the internal auditor, external auditor, or other external parties (subject to confidentiality considerations);
- request the attendance of any employee, including the Chief Executive Officer (“**CEO**”) and Chief Financial Officer/Commercial Manager (“**CFO**”) at Committee meetings as appropriate;
- obtain independent legal or other professional advice as it considers necessary to meet its responsibilities, at SeaDragon’s expense (subject to the approval of the chair of the Committee (the “**Chair**”));
- establish procedures for dealing with concerns of employees regarding accounting, internal controls or auditing matters;
- establish procedures for the receipt, retention and treatment of complaints received by SeaDragon regarding accounting, internal accounting controls or auditing matters;
- be directly responsible for the appointment, compensation, retention and oversight of the work of the external auditor; and
- approve all audit engagement fees and terms, as well as reviewing policies for the provision of non-audit services by the external auditor (including the framework for pre-approval of any such services).

Notwithstanding the existence of the Committee, the external and internal auditors have direct access to the Chair and Board if required.

Unless otherwise directed by the Board, or identified in this Charter, the Committee will have no executive powers in regard to its findings and recommendations.

Composition and tenure

The Committee will be appointed by the Board from amongst the non-executive Directors of SeaDragon and shall consist of not less than three members, the majority of which will be Independent Directors. The Chair will be appointed by the Board and must be an Independent Director, who is not the chair of the Board. In considering appropriate members for the Committee, at least one member shall have an accounting or financial background.

The secretary of the Committee will be appointed by the Board.

The other Directors will not be members of the Committee but may attend meetings as observers.

Meetings

A quorum of any meeting will consist of a majority of Committee members, meaning at least half of the total number of Committee members must be present at the meeting.

External and internal auditors should be invited to make presentations to the Committee as appropriate.

The Committee will meet not less than four times a year, and this should correspond with SeaDragon's financial reporting cycle. In addition, the Committee will hold such additional meetings as the Chair deems necessary in order to fulfil its duties. Members of the Committee are expected to attend every meeting of the Committee.

The secretary of the Committee will be responsible for drafting and circulating the agenda and explanatory papers within a reasonable time before each meeting. The secretary of the Committee will also circulate the minutes of the meetings to the Board, members of the Committee, and the external auditor where appropriate based on advice provided by the Chair.

The Chair (or other Committee member) must attend the Board meeting at which the financial statements are approved.

The Committee should meet regularly with legal advisers if considered necessary.

The Committee will meet with the external auditor at least once a year without Senior Management present.

Meetings of the Committee may be held in person, by telephone, or by video conference.

Role and responsibilities

The Committee does not remove from the full Board any of its responsibilities and legal obligations. Rather it is a Committee established to assist the Board in the conduct of its responsibilities and will report back to the full Board on all material matters and issues requiring decisions in principle.

Risk management and internal control

The Committee's responsibilities are to:

- ensure that Senior Management has appropriate processes for identifying, assessing and responding to risks, and that those processes are operating effectively;
- understand the internal control systems implemented by Senior Management for the approval of transactions and the recording and processing of financial data;
- understand the controls and processes implemented by Senior Management and ensure that the financial statements of SeaDragon comply with relevant standards and requirements, and are subject to appropriate Senior Management review;
- evaluate the overall effectiveness of the internal control and risk management frameworks, including the risk of fraud, and consider whether Senior Management has implemented recommendations made by internal and external auditors;
- ensure Senior Management promote and monitor the culture of risk management within SeaDragon and compliance with internal risk systems and processes by employees.
- ensure that SeaDragon discloses whether, and if so how, it manages economic, environmental and social sustainability risks; and

- consider how Senior Management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a system breakdown or to protect against computer fraud or misuse.

Risk reporting

The Committee's responsibilities are to ensure Senior Management report at each board meeting on risk management and this reporting must identify SeaDragon's material risks and the extent to which:

- SeaDragon's ongoing risk management programme effectively identifies all areas of potential risk, including with respect to licensing and regulatory issues, legal, compliance, financial, operational, technological, health and safety and environmental risks;
- adequate policies and procedures have been designed and implemented to manage identified risks;
- a regular programme of audits is undertaken to test the adequacy of, and compliance with, prescribed policies; and
- proper remedial action is undertaken to redress areas of weakness.

Financial reporting

The Committee's responsibilities are to:

- ensure that processes are in place and monitor those processes so that the Board is properly and regularly informed and updated on corporate financial matters;
- review the financial reports and advise all Directors whether they comply with the appropriate laws and regulations;
- gain an understanding of the current areas of greatest financial risk and how these are being managed;
- review significant accounting and reporting issues, including recent professional and regulatory announcements, and understand their impact on financial reports;
- oversee the periodic financial reporting process implemented by Senior Management and review the interim financial statements, annual financial statements and preliminary announcements before their release;
- review Senior Management's process to require that information contained in analyst briefings and press announcements is consistent with published financial information, and is balanced and transparent, particularly regarding GAAP vs. non-GAAP data;
- meet with Senior Management and the external auditor to review financial statements, key accounting policies and decisions, related party transactions and the results of the audit;
- see that significant adjustments, unadjusted differences, disagreements with Senior Management and critical accounting policies and practice are discussed with external auditors;
- assess the appropriateness of any significant accounting estimates; and
- review the other sections of the annual report before its release and consider whether the information is understandable and consistent with Committee members' knowledge about SeaDragon and its operations, and lacks bias.

Legislative and Listing Rule compliance, internal policies and industry standards

The Committee's responsibilities are to:

- review the effectiveness of the system for monitoring SeaDragon's compliance with relevant laws, regulations, the Listing Rules, NZX policies and guidelines, internal policies and industry standards, and the results of any Senior Management investigations or follow-ups (including disciplinary action) or fraudulent acts or non-compliance;
- obtain regular updates from Senior Management about compliance matters that may have a material impact on SeaDragon's financial statements, strategy, operations or reputation;
- be satisfied that all regulatory compliance matters related to the business of SeaDragon have been considered in the preparation of the financial statements;
- review the findings of any examinations by regulators;

- approve and review policies, processes and frameworks for identifying, analysing and addressing complaints (including whistleblowing) and review material complaints and their resolution; and
- review SeaDragon's financial risk management procedures to assist SeaDragon to comply with its legal obligations.

External audit

The Committee's responsibilities are to:

- recommend the appointment and removal of the independent auditor;
- meet regularly to monitor and review the independent auditing practices;
- have direct communication with and unrestricted access to the independent auditors or accountants;
- ensure that the external auditor or lead audit partner is changed at least every five years;
- review the professional qualification of the external auditor and ensure the external auditor and audit partner hold current auditor licences with the Financial Markets Authority (including background and experience of partner and auditing personnel);
- consider the independence of the external auditor and any potential conflicts of interest;
- review the external auditor's proposed audit scope and approach for the current year in light of SeaDragon's circumstances and changes in regulatory and other requirements;
- discuss with the external auditor any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information;
- ensure that significant findings and recommendations made by the external auditor and Senior Management's proposed response are received, discussed and acted on appropriately;
- discuss with the external auditor the appropriateness of the accounting policies applied in SeaDragon's financial reports and whether they are considered to be aggressive, balanced or conservative;
- meet separately with the external auditor, without management present, at least once a year to discuss any matters that the Committee or auditor believes should be discussed privately;
- ensure that the external auditor has access to the Chair of the Committee when required;
- review policies for the provision of non-audit services by the external auditor and, where applicable, the framework for pre-approval of audit and non-audit services;
- handle any complaints which arise between Senior Management and the auditor;
- require that the external auditor attends the annual meeting of SeaDragon and is available to answer questions from shareholders of SeaDragon relevant to the audit; and
- see that SeaDragon has appropriate policies for hiring audit firm personnel for senior positions.

Internal audit

The Committee's responsibilities are to:

- meet regularly to monitor and review the internal auditing practices;
- have direct communication with and unrestricted access to any internal auditors or accountants;
- review the activities, resources and organisational structure of the internal audit function, ensure that there are no unjustified restrictions or limitations and review the role it performs;
- participate in the appointment, promotion or dismissal of the internal audit head, if applicable, and discuss with the external auditor the standard of work of internal audit staff;
- meet separately with the head of internal audit, if applicable, to discuss matters that the Committee or internal auditor believes should be discussed privately. Ensure that a direct reporting line between the head of internal audit and the Committee is established;
- ensure that significant findings and recommendations made by the internal audits and Senior Management's proposed response are received, discussed and appropriately acted on; and
- review the proposed internal audit plan for the coming year and ensure that it addresses key areas of risk and that there is appropriate co-ordination with the external auditor.

Tax management

The Committee's responsibilities are to:

- ensure that Senior Management has in place and is implementing an effective tax strategy, which consists of a tax policy and tax management plan;
- ensure that SeaDragon pays the correct amount of tax;
- ensure that SeaDragon has in place and operates systems to ensure it meets all tax compliance responsibilities, and observes all applicable laws and regulations;
- ensure that SeaDragon accurately reports tax matters and their impact within the financial statements and internal Senior Management reports of SeaDragon;
- aim to achieve an optimal and efficient legal structure for SeaDragon and its related entities from a tax perspective; and
- confirm any material tax matters, issues, questions or concerns with external advisers or government representatives as required.

Treasury management

The Committee's responsibilities are to:

- ensure that Senior Management has in place and is implementing an effective treasury management policy that effectively minimises and manages treasury risk;
- ensure that SeaDragon is operating within its banking covenants (if any), and manages and monitors any exceptions (and the applicable consenting process with the banks); and
- ensure that SeaDragon has in place systems to regularly monitor, manage and report on all material treasury aspects to the Committee.

Reporting

The Committee will regularly update the Board on its operation and activities during the year and make appropriate recommendations. The Committee will ensure the Board is aware of matters that may significantly affect the financial condition or affairs of SeaDragon.

The Committee will prepare any reports required by law or regulations, the Listing Rules or requested by the Board, such as a report on the Committee's activities and duties to be included in the section on corporate governance in the annual report.

Administrative arrangements

Conflicts of interest:

- Committee members must declare to the chair of the Board any conflicts of interest that would preclude them from being members of the Committee.
- Committee members must also declare any conflicts of interest at the start of each Committee meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately recorded in the minutes.
- Where any member is deemed to have a real, or perceived, conflict of interest at a Committee meeting, it may be appropriate that they are excused from Committee deliberations on the issue where the conflict of interest exists. Please refer to the Conflict of Interests section in the Board Charter.

Assessment arrangements: The Committee will evaluate its own performance and that of individual members and collectively, on a regular basis. The assessment will focus on the achievement of the duties set out in this Charter, and the Committee will report the findings to the Board.

Application of Charter

The Board has approved this Charter. The Board may approve updates, amendments to and exemptions to this Charter from time to time.

To the extent of any inconsistency with any previous Charter relating to this subject matter, this Charter prevails over them.

Authorisation

This Audit and Risk Committee Charter has been approved by the Board on 30 May 2018.