

AUDIT AND RISK COMMITTEE CHARTER

PURPOSE

The role of the Leigh Creek Energy Limited (“the Company”) Audit and Risk Committee is to ensure that adequate controls, systems, processes and procedures are in place and adhered to. The Committee will assist the Board in discharging its corporate governance responsibilities and to exercise due care, diligence and skill in relation to:

- The integrity of the Company’s financial reporting;
- The independence of the external auditor and reporting to the Board on this;
- Internal financial controls and financial risk management (including debt and hedging as applicable);
- Risk management and internal controls;
- Company systems and processes.

The Committee will review and assess the adequacy of controls, systems and processes based on enquiries of management. The Committee’s role is to review and make recommendations to the Board. It has no executive power or management function. However, the Committee will have access to Company resources and information, including access to management as required, to enable it to carry out its role. The Committee may consult with auditors without management being present.

RESPONSIBILITIES

The responsibilities of the Committee are as follows:

External Audit

- Review and recommend to the Board the appointment and selection of external auditors, following a commercial tender, if deemed necessary, and to recommend removal of any external auditor if necessary;
 - Review the external audit plan to ensure it is consistent with the scope of the external audit engagement;
 - Review all external auditors’ findings and recommendations and management’s proposed response;
 - Oversee the Company’s relationship with the external auditor and to meet as needed with the external auditor. The committee shall meet the external auditor at least once a year to discuss the external auditors’ report and any issues arising from the audit;
 - Periodically review the performance of the external auditors and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
 - Review and approve the fees and other remuneration paid to the external auditors for audit and non-audit services;
 - Review and approve the engagement of the external auditors to provide other non-audit services on a case by case basis;
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- Ensure that the external auditors submit a written statement outlining all its professional relationships with the Company including the provision of non-audit services that may affect their objectivity or independence;
 - Review with the external auditors all significant relationships they have with the Company and verify their independence.

Financial management and Reporting

- Review half year and full year financial reports that will be provided to the market prior to the release, to ensure the integrity and compliance with statutory and contractual requirements, and in doing so ensure:
 - The appropriateness of accounting policies adopted;
 - If reports have been prepared in accordance with relevant accounting principles and standards;
 - Significant estimates and judgements made in the financial reports; and
 - The appropriateness of material disclosures.
- Review procedures in place to ensure that the Company is in compliance with the Corporations Act, ASX Listing Rules, applicable Accounting Standards and other reporting requirements;
- Review the propriety of related party transactions and considering the adequacy of disclosure of such transactions;
- Review the reporting of corporate governance practices as required by the ASX Listing Rules;
- Review written assurances provided by management to the Board prior to the Board approval of the financial statements, including the assurances provided by the Chief Executive and Chief Financial Officers in accordance with s295A of the Corporations Act;
- To review the systems of financial risk management that have been established by management including:
 - Monitoring the ability of the Company to fund activities, having regard to current funding arrangements and the Company's outlook as to solvency;
 - Compliance with bank covenants under lending facilities; and
 - Credit risk in regard to placement of available funds on deposit.

Internal Controls

- Review the systems of internal controls that management have established including those relating to financial risk management;
 - Review and monitor the Company's system of internal delegation and authorisation and make recommendations to the Board as required;
 - Evaluate the process in place for assessing and continuously improving internal controls, particularly those related to areas of material risk;
 - Review and discuss fraud prevention and monitoring strategies as developed and reported by management; and
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- Receive reports on any detected fraud or theft, discuss findings and monitor agreed actions.

Risk & Compliance

- Ensure that controls are in place to identify risk and develop risk mitigation and monitoring strategies as part of the risk management policy;
- Review policies for risk management and evaluate the internal processes for determining and managing material risks;
- Ensure that risks are managed in a strategic and systematic manner;
- Ensure that management promote an awareness of risk management and risk minimisation throughout the Company;
- Review the adequacy of insurance coverage;
- Provide guidance on business continuity ensuring recognised best practices are followed, including addressing risks of disruption such as cyber risks and key management personnel risks;
- Review the compliance with policies, plans, procedures, laws, standards and regulations that apply to the operations, maintenance and associated activities of the Company;
- Ensure that financial and other internal control processes are appropriate for the level of risk and meets accepted standards and comply with legislative and reporting requirements;
- Ensure that controls around people and safety risks, environment risks, financial risks, and reputational risks are appropriate for the level of risk and meets accepted standards and comply with legislative and reporting requirements; and
- Review and recommend the approval, where appropriate, of the statements to be included in the annual report concerning internal controls and risk management.

Other Matters

- The Committee may also consider other matters referred to it by other committees of the Company and external audit, including but not limited to:
- Review of the Company's tax planning and compliance; and
- Review of the Company's whistle blowing program.

MEETINGS

The Committee shall meet not less than three times per year. The Managing Director, Chief Financial Officer, other senior financial management and external auditors are able to attend all meetings as ex-officio members. Company executives and advisers may be invited to attend meetings as the Committee Chair sees fit.

REPORTING

The Committee reports and is accountable to the Board. Minutes of each meeting will be recorded, endorsed and signed by the Chair of the Committee. Minutes of the Committee meetings will be provided to the Board.

**COMMITTEE
COMPOSITION**

The Committee shall comprise two or more directors, all of whom will be, where practical, non-executive directors.

All members of the Committee shall have a working knowledge of basic finance and accounting practices. At least one member of the Committee will have accounting or related financial management experience, as determined by the Board.

The Audit and Risk Committee Chair is appointed by the Board and independent from the Chair of the Board of the Company.

The Audit and Risk Committee Chair and the Board will review the makeup of the Committee on an ongoing basis.

**ANNUAL CHARTER
REVIEW**

The Committee shall review, and if appropriate, update this Charter at least annually.

**POLICY
AMENDMENT**

This Policy cannot be amended without approval of the LCK Board. It will be reviewed from time to time to ensure that it remains effective and meets best practice standards and the needs of LCK.

APPROVED

August 2018
