Risk Management Policy

1. Objective

Management of risk to prevent, mitigate or reduce the effect of unwanted events is a primary objective of Leigh Creek Energy Limited ("the Company") in all its business activities. The Company is committed to ensuring that its culture, processes and structure facilitate realisation of the Company's business objectives, including potential opportunities, through the appropriate management of risk.

In accordance with the relevant standards, the Company is committed to good risk management that seeks to create and protect value, is an integral part of the Company's processes, is part of decision making, explicitly addresses uncertainty, is systematic, structured and timely, is based on the best available information, is tailored, takes into account human and cultural factors, is transparent and inclusive, is dynamic, encourages continual improvement.

Unwanted events, whether it be safety, social, environmental, commercial or corporate will adversely impact the Company's achievement of its objectives and hence must be carefully managed and controlled.

One of the cornerstones of the Company's risk management approach is a well-defined system to Identify, Evaluate, Control, Monitor and Report risks. This Risk Management policy forms the overarching framework for the Risk Management Framework and subsequent Risk Management procedures, systems and reporting.

2. Responsibility

Primary responsibility for managing risk rests with the Company's management, while the Board, through its Audit & Risk Committee, retains ultimate responsibility for risk management.

The Company's risk appetite for different risks needs to align with the Company's objectives and will dictate the management of risks and level of acceptable residual risk.

3. Risk Management Framework

3.1 Risk Identification

Risk Identification is an ongoing process and applies to all of the Company activities. New risks are identified as each new project is considered and progressed. Management conduct regular risk assessments which involve identifying and describing the sources of risks, their causes and their potential consequences. This process generates a comprehensive register of risks based on events that might impact on the achievement of Company objectives.

3.2 Risk Analysis and Evaluation

Each risk is analysed by management considering the following:

1. Impact and consequence of the risk if it did occur;
2. Likelihood of the risk or event occurring;
3. Controls already in place; and
4. The residual risk is evaluated considering the effectiveness of additional controls.

Leigh Creek Energy Limited
PO Box 12
Rundle Mall
Adelaide SA 5000

T: +61 (0)8 8132 9100
F: +61 (0)8 8231 7574
W: www.lcke.com.au
ACN: 107 531 822

This process allows management to consider the tolerability of the risk and if additional controls are necessary.

3.3 Risk Control

A control action plan is implemented to ensure risks are as low as reasonably practical. Methods for treating and mitigating risks include avoiding, transferring, reducing and managing risks following assessment. With regard to risk to health the Company has implemented the following hierarchy of controls to ensure actions are implemented in order of priority:

- Eliminate/Prevent – The complete elimination/prevention of the hazard;
- Substitute/Mitigate – Replacing the material or process with a less hazardous one or reduce the impact of the event;
- Redesign – Redesign the equipment or work process;
- Separate – Isolating the hazard by guarding or enclosing it;
- Administrate – Providing control such as training, procedures, signage etc.; and
- PPE – Use appropriate and properly fitted PPE where other controls are not practical.

4. Risk Management Procedures

4.1 Risk Reporting

Material risks are reported to the Board through the Audit & Risk Committee which subsequently report to the Board. The Board receives regular updates (as required) from management on material aspects of the business of the Company, including material risks. In the case of any particular major risk materialising, relevant members of senior management and the Chief Executive Officer are responsible for ensuring the Board is fully informed of, and for discussing with the Board, the steps taken to address that risk.

The risks identified by the Company separate into the following categories:

1. People & Safety;
2. Environment;
3. Financial & Strategic; and
4. Reputation & Social.

A Corporate risk register is maintained by the Chief Financial Officer and Company Secretary and is reviewed by the Audit and Risk Committee at least twice a year and by the Board at least once a year.

4.2 Risk Monitoring and Review

The management team is responsible for regular controlled self-assessment of the status of each risk and associated actions. Management are required to conduct a formal quarterly review of risk action plans.

Any actions or recommendations arising out of the Audit and Risk Committee or Board reviews are to be implemented by management. Each risk identified will fall into the responsible persons key performance indicators for that year and is monitored and reviewed by that person's direct report on an annual basis.

Approved by the Board on 22 August 2018