

Yancoal Australia Ltd

Audit and Risk Management Committee

Approved on 29 February 2016

The Audit and Risk Management Committee's objectives are to:

- help the Board in relation to the reporting of financial information;
- advise on the appropriate application and amendment of accounting policies;
- make evaluations and recommendations to the shareholders of the Company regarding the external auditor;
- recommend to the Board the remuneration of the external auditor for shareholder approval as required in accordance with the Constitution;
- provide a link between the Board and the external auditor and management;
- ensure that the Board, Directors and management are aware of material risks facing the business;
- ensure the systems in place to identify, monitor and assess risk are appropriate and operating effectively; and
- assess the independence of the external auditor.

The Committee makes recommendations to the Board. It does not have any power to commit the Board or management to these recommendations. The Committee has unrestricted access to executives of the Company, and to the internal and external auditors in order to fulfil its purpose and undertake its duties.

The Committee plays a key role in helping the Board oversee financial reporting, internal control structure, risk management systems and the internal and external audit functions. The Committee is also intended as a mechanism for the auditor to communicate informally and confidentially about these issues and about potentially troublesome matters at a relatively early stage of audit, and to broach sensitive issues in an uninhibited fashion.

The Committee oversees —

- the preparation of, and the integrity of the group's financial statements;
- the risk management framework;
- the adequacy of the accounting system and internal control environment;
- the adequacy of the systems for compliance with relevant laws, regulations, standards and codes;
- the effectiveness of financial controls and systems;
- the process for identification and management of financial risk and any improvements that can or should be made to the Company's internal controls, policies and financial disclosures;
- the Company's relationship with the external and internal auditor as well as the external and internal audit function;
- the Chief Executive Officer's (CEO) compliance with applicable delegation of authority limits;
- the frequency, significance, and propriety of transactions with related parties; and

- the integrity and quality of the Company's financial information including financial information provided to the Majority Shareholders, ASIC, and other regulatory bodies.

Membership

Composition and quorum

The Committee will comprise of a minimum of three non-executive Directors, a majority of whom must be independent. The Board may appoint additional non-executive Directors to the Committee or remove and replace members of the Committee by resolution. The Committee members must be financially literate and have an understanding of the industry in which the Company operates and at least one member must have accounting or associated financial management expertise.

The Board will appoint the Chair of the Committee. The Chair must be an independent non-executive Director and must not be the Chair of the Board.

A Committee quorum will comprise a majority of the Members of the Committee.

Removal or resignation

Members of the Committee may withdraw from membership by written notification to the Board. The Board may appoint additional Directors to the Committee or remove and replace members of the Committee by resolution. If a member of the Committee retires, is removed or resigns from the Board, that member ceases to be a member of the Committee. The Board will appoint the successor.

Secretary

The Company Secretary will be the secretary of the Committee.

New candidates

Having regard to the skills required and the skills currently represented on the Committee, the Committee, through the Nomination and Remuneration Committee will implement a process for the identification of suitable Director candidates for appointment to the Committee. In determining the process for the identification of suitable candidates, the Committee will ordinarily ensure that a search is undertaken by an appropriately qualified independent third party acting on a brief prepared by the Committee which identifies the skills sought.

The Committee, in consultation with the Nomination and Remuneration Committee, will make recommendations to the Board on candidates it considers appropriate for appointment.

Induction of new members

New Committee members must be given a copy of this Charter, together with sufficient information about the Company and its:

- business operations and industry in which it operates;
- financial performance;
- risk management system;
- internal control system;
- financial reporting policies including related-party issues;
- legal and regulatory requirements including external reporting and compliance responsibilities;
- Code of Conduct; and
- unusual transactions.

All material previously provided to Committee members on matters still before the Committee must also be given to new members.

Meetings

Frequency and calling meetings

The Committee will meet with the level of frequency required to ensure it can undertake its role effectively. The chair will convene at least four meetings of the Committee each year and any additional meetings that the chair considers necessary or appropriate to carry out the Committee's responsibilities. In addition, the Company Secretary must call a meeting of the Committee if requested by any Committee member, the Board, or the external auditor.

Calling meeting and notice

Any Committee member or, at the request of a Committee member the Company Secretary, may call a meeting of the Committee. A notice of each meeting confirming the date, time, venue and agenda will be forwarded to each Committee member (with a copy to all Board members) together with relevant supporting documents.

Advice

The Committee will have access to employees of the Company and to external advisers. A request for external advice must be made through the Company Secretary.

Report to Board

The Chair of the Committee must prepare a report of the findings and recommendations of the Committee to the Board after each Committee meeting. The report must contain all matters relevant to the Committee's responsibilities.

Minutes

Minutes of proceedings and resolutions of Committee meetings will be kept by the Company Secretary. The minutes of the Committee should be confirmed at the following meeting of the Committee and tabled as soon as practicable at a meeting of the Board. All minutes of the Committee must be entered into a minute book maintained for that purpose. Minutes, agenda

and supporting papers, will be made available to any Director upon request to the secretary, providing no conflict of interest exists.

Invitational attendance

The Committee, if considered appropriate, may invite the Chair of the Executive Committee, the CEO, any senior executive officers or other individuals to attend meetings of the Committee and provide information as necessary.

Any non-executive Directors of the Company who are not members of the Committee may attend meetings of the Committee.

Duties and responsibilities

Audit

The duties and responsibilities of the Committee include the following:

(a) Engage in the pro-active oversight of the Company's financial reporting and disclosure process and the outputs of that process (including review of the Company's financial statements for accuracy and to ensure they reflect a true and fair view, as a basis for recommendation to and adoption by the Board);

(b) Review, oversee and report to the Board in relation to:

- the preparation of, and the integrity of the group's financial statements, including reviewing financial statements for adherence to accounting standards and policies and other requirements relating to the preparation and presentation of financial results;
- the external audit of the Company's financial reports, including the scope and adequacy of the external audit and the results of the external audit;
- the appropriateness of the accounting policies adopted by management in the composition and presentation of financial reports (or any changes made or contemplated in relation to the Company's accounting policies) and assess the management processes supporting external reporting;
- the results and effectiveness of the internal audit programs and the performance and objectivity of the internal audit function, including whether the internal auditors are adequately resourced and co-ordinated with the external auditor.
- outcomes and approve of the internal audit program;
- the Company's relationship with the external and internal auditor as well as the external and internal audit function;
- the independence (based on the information received from the external auditor and management) and appointment, reappointment or replacement and remuneration of the external auditor and rotation of external audit engagement partners;
- the frequency, significance, and propriety of transactions with related parties; and
- the integrity and quality of the Company's financial information including financial information provided to the Majority Shareholders, ASIC, and other regulatory bodies.

(c) Provide advice to the Board as to whether the Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence, and an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the statements required by the *Corporations Act 2001* (Cth) to be included in the Company's Annual Report.

(d) Review and consider all the Company's publicly released material concerning financial information.

(e) Ensure that the Company's external auditor attends the AGM and is available to answer questions from shareholders relevant to the audit.

Risk

The Committee will review the Company's risk management framework at least annually to satisfy itself that it continues to be sound and report on this review to the Board. In fulfilling this responsibility, the Committee will review and report to the Board that:

- the Company's ongoing risk management program effectively identifies all areas of potential risk;
- adequate policies and procedures have been designed and implemented to manage identified risks;
- a regular program 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.

The duties and responsibilities of the Committee include reviewing and evaluating:

- the effectiveness of financial controls and systems;
- the process for identification and management of financial risk and any improvements that can or should be made to the Company's internal controls, policies and financial disclosures;
- the adequacy of the systems for compliance with relevant laws, regulations, standards and codes;
- the CEO's compliance with applicable delegation of authority limits;
- the structure and adequacy of the Company's business continuity plans;
- the structure and adequacy of the Company's insurances on an annual basis;
- overseeing the establishment and maintenance of processes to ensure that there is:
 - an adequate system of internal control, management of business risks and safeguard of assets; and
 - a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control;
- the Company's exposure to fraud and overseeing investigations of allegations of fraud or malfeasance;
- the Company's policies and culture with respect to the establishment and observance of appropriate ethical standards;
- compliance with the Company's policies regarding managing conflicts of interest and related party transactions, and whether any amendments to these policies are required;

- the Company’s main corporate governance practices for completeness and accuracy; and
- whether the Company has any material exposure to economic sustainability risks and, if so, how the Company is managing those risks. In this context:
 - 'economic sustainability' refers to the ability of the Company to continue operating at a particular level of economic production over the long term; and
 - 'material exposure' means a real possibility that the risk in question could substantively impact the listed entity's ability to create or preserve value for security holders over the short, medium or long term.

Disclosure

In order to maintain transparency the role of the Committee is to be fully and fairly reported to the Board. Consistent with the disclosure policy the Committee will, to the extent reasonably practical, review all public disclosures and statements concerning the matter the subject of this policy including disclosures in:

- the annual report; and
- press releases.

Resources

Where the Committee considers it necessary or appropriate in order to fulfil its responsibilities, the Committee will be entitled to:

- access management and internal and external auditors, with the right to seek explanations and additional information from both management and auditors. Whilst the internal audit function reports to senior executive officers, it is acknowledged that the internal auditors also report directly to the Committee;
- access all books and records of the Company;
- draw on the expertise and resources of any employee of the Company, the internal auditors and external auditors;
- select and engage an external adviser or external service provider involving, where appropriate, advisers that are ‘independent’ in the sense that they are not usual service providers to the Company; and
- receive appropriate representations and attestations from the CEO and Chief Financial Officer as required.

In this context “independent” refers to the restrictions on relationships between the advisers providing the advice and management and/or third parties that might affect the adviser’s capacity to provide appropriate representation and advice to the Committee and should be determined in a way that is consistent with the Committee’s approach to audit independence.

Review

The Committee will review its performance and compliance with this Charter annually.

The Committee will be subject to a periodic comprehensive review that includes surveys of Directors, committee members, the internal and external auditors, senior financial and other management. The Committee will conduct an annual review of this Charter and recommend amendments to the Board if necessary. The Board must approve any amendments to this Charter that stem from the review.

This Charter was approved on 29 February 2016.

Publication of the Charter

A copy of this Charter will be available to all Directors and staff of the Company on request from the Company Secretary, in the Yancoal Management System and on the Company's website.