

Audit and Financial Risk Committee Charter

1 Overview

The Board of NuCoal Resources Ltd (the **Company**) has established an Audit and Financial Risk Committee (the **Committee**) to assist the Board in discharging its responsibilities to oversee corporate reporting processes, including the financial reporting process, risk management and internal control, external audit and compliance with laws, regulations, internal policies and industry standards of the Company and its subsidiaries (the **Group**).

This Charter sets out the roles, responsibilities, composition and structure of the Committee.

2 Roles and Responsibilities

2.1 Roles of the Committee

The primary role of the Committee is to assist the Board discharge its responsibilities, with regard to the following areas:

(a) **Financial Reporting**

Ensuring the quality and accuracy of published financial reports so they present a true and fair view of the Group's financial position and comply with relevant statutory and regulatory requirements.

(b) **External Audit**

- facilitating the independence of the external audit process; and
- addressing issues arising from the external audit process.

(c) **Internal Control and Risk Management**

- ensuring the Group adopts, maintains and applies appropriate accounting and business policies and procedures;
- ensuring the Group maintains effective internal control; and
- a risk management framework in order to safeguard the Group's financial and physical resources.

(d) **Compliance with laws, regulations, ethical requirements, internal policies and industry standards**

Ensuring that the Company meets its obligations to regulatory agencies.

2.2 Responsibilities of the Committee

The responsibilities of the Committee are outlined below:

(a) **Financial Reporting**

- gain an understanding of the current areas of greatest financial risk and how they are being managed;

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- review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- review and assess the appropriateness of the Group’s accounting policies and principles and any significant changes to those policies and principles;
- review annual and interim financial statements, note disclosures and other information and:
 - (1) determine whether they are complete and consistent with the information known to the committee members and reflect appropriate accounting principles;
 - (2) consider whether the information is understandable and consistent with members’ knowledge about the entity and its operations, and lacks bias; and
 - (3) recommend adoption and approval of financial reports by the Board;
- meet with management and the external auditor to review the financial statements, key accounting policies and decisions, and the results of the audit, including significant adjustments, unadjusted differences and any difficulties encountered or unresolved disagreements with management;
- review all representation letters signed by management and assess for completeness and appropriateness;
- review the declarations made by the Managing Director and Chief Financial Officer, in respect of the financial report and financial records, prepared in accordance with the requirements of the *Corporations Act 2001 (Cth)* and the ASX Listing Rules; and
- review management’s process for ensuring that information contained in ASX announcements is consistent with published financial information, and is balanced and transparent.

2.3 External Audit

(a) Appointment

- recommend to the Board on the appointment, reappointment or termination of the appointment of the external audit firm; and
- where appropriate, recommend to the Board on extending the external audit engagement partner rotation period from 5 years up to a maximum of 7 years.

(b) Engagement

- review and agree the terms of engagement of the external auditor at the commencement of each audit;
- review the scope of the external audit with the auditor, including identified areas of risk, and additional procedures, if required; and
- review the external auditor’s fee, ensuring that a comprehensive and complete audit can be conducted for the agreed fee.

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(c) Independence

- Assessment of the auditor’s independence, taking into account factors which may impair the auditor’s judgement in audit matters related to the company, including but not limited to:
 - (1) the provision of non-audit services by the auditor (if any);
 - (2) the number of former employees of the auditor in senior positions in the company;
 - (3) the overall economic importance of the company to the auditor; and
 - (4) any other relationships with the company or any other party.

(d) Performance

- Evaluate the performance of the external auditors, including:
 - (1) review the auditor’s findings and management’s responsiveness thereto, discussing with the auditor any matters involving disagreement whether resolved or otherwise;
 - (2) ensure significant findings and recommendations made by the external auditors are received, discussed and responded to on a timely basis;
 - (3) discuss any difficulties encountered in the audit, including any restriction on audit scope or access to information;
 - (4) discuss with the external auditor the appropriateness of the accounting policies applied by management in the entity’s financial reports;
 - (5) discuss with the external auditor, and assess the appropriateness of, management’s responses to significant findings and recommendations made by the external auditor; and
 - (6) meet separately with the external auditor at least once a year, to discuss matters that the audit committee or auditor believes should be discussed privately. Ensure the external auditor has access to the chair of the Committee when required.

2.4 Internal Control and Risk Management

- review and assess the adequacy of the company’s systems of risk management, internal compliance and control;
- review and assess the effectiveness and efficiency of the company’s risk management, internal compliance and controlsystems in all material aspects in relation to financial reporting risks; and
- ensure that material financial business risks are appropriately reflected and reported at least annually to the Board.

2.5 Compliance with laws, regulations, ethical requirements, internal policies and industry standards

- review the effectiveness of the entity’s systems for monitoring compliance with laws, regulations, internal policies and industry standards, and the results of management’s

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investigation and follow-up (including disciplinary action) of any instances of non-compliance;

- obtain regular updates from management about compliance matters that may have a material impact on the entity’s financial statements, strategy, operations or reputation, including material breaches of laws, regulations, standards and company policies; and
- discuss with management whether all regulatory compliance matters of the entity have been considered in the preparation of the financial statements.

2.6 Fraud

- review and assess that management systems provide for and support as appropriate the reporting of all actual and suspected breaches of laws, including fraud and theft;
- ascertain whether fraud risks have been included in the assessment of the risk profile of the entity;
- enquire of management and the external auditor regarding their assessments of the risk of material misstatement in the financial report due to fraud, including the nature, extent and frequency of such assessments;
- obtain representations from management that all known instances of actual, suspected or alleged fraud have been disclosed to the Committee; and
- ensure the entity has fulfilled its fraud reporting obligations, if any.

2.7 Other responsibilities

- undertake assignments, special projects and investigations, as directed by the Board;
- report regularly to the Board about Committee activities and make appropriate recommendations; and
- ensure the Board is aware of matters that may significantly affect the financial condition or affairs of the Company.

3 Committee Composition

3.1 Membership

The ASX Corporate Governance Council recommends that the Committee be structured as follows:

- (a) the committee must have a minimum of three members;
- (b) all members should be non executive directors;
- (c) the majority of directors are to be independent; and
- (d) the Committee chair is to be independent and not the Chairman of the Board.

As the current Board comprises a majority of non-independent directors, the Committee composition does not currently adhere to the ASX guideline (c) above. The Board will continue to assess the composition of the Committee with respect to any changes to the composition of the Board.

The secretary of the Committee will be the Company Secretary, or such other person as nominated by the Board or the Committee from time to time.

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If a Committee member retires, is removed or resigns from the Board, that member ceases to be a member of the Committee. The Board will appoint any successor.

3.2 Qualifications

Each Committee member should have appropriate skills, knowledge and experience of the Group's business.

The Committee, as a whole, should have an appropriate mix and balance of relevant skills, knowledge and experience.

Each Committee member must be financially literate. At least one member must have accounting or related financial expertise.

3.3 Meetings

The Committee will meet as frequently as required in order to undertake its role effectively but must, at a minimum, meet twice a year. Special meetings may be convened as required.

Proceedings of all meetings will be minuted and kept by the Company Secretary. The minutes shall be signed by the Committee chair, and distributed to all Committee members and tabled at the next Board meeting for noting.

The Committee may invite other persons to its meetings as it deems necessary (eg the Chairman and other Board members, Managing Director, external auditor).

4 Access to information

4.1 Company Information and Personnel

The Committee is granted unrestricted access to all information of the Group and shall have right of access to:

- all levels of management; and
- the external auditors.

4.2 Independent Professional Advice

If a director wishes to seek independent professional advice at the Company's expense, he or she must obtain the permission of the Chairman. When doing so, the director should provide the Chairman with:

- the reason for seeking the advice;
- the name of the person from whom the advice will be sought; and
- a quote from that person for the provision of the advice contemplated.

Upon receipt of the required information, the Chairman:

- must not unreasonably withhold permission to obtain the advice; and
- must inform the Board of the request as soon as possible.

Advice obtained at the Company's expense under these provisions must be made available to the Company.

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5 Review

The Company Secretary, in conjunction with the Committee, will conduct an annual review of the Charter to ensure that it continues to reflect the current processes and guidance utilised when assessing the integrity of the Group's financial reporting.

The Board will approve any amendments to this Charter.

6 Publication of the Charter

This Charter is made available to all directors and staff of the Group and published on the Group's website www.nucoal.com.au.

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