

LEO

LITHIUM LTD



LEO LITHIUM LIMITED
ACN 638 065 068

AUDIT AND RISK COMMITTEE CHARTER

DATE	ACTION	CHANGE	REVISION
28.04.2022	Adoption of Charter	N/A	
27.11.2023	Review by ARC		
6.12.2023	Adoption by Board		

1 INTRODUCTION

The Board of Directors (the **Board**) of Leo Lithium Limited (**Leo Lithium** or **Company**) has resolved to establish an Audit and Risk Committee of the Board (the **Committee**).

2 PURPOSE

The Board has approved this Charter, which prescribes the roles and responsibilities, composition, structure and membership requirements for the Committee.

3 ROLE AND RESPONSIBILITIES

While the Committee has the responsibilities and powers set forth in this Charter, the role of the Committee is oversight of Management. Accordingly, the responsibilities of the Committee are to assist the Board by overseeing:

- (a) reporting of financial information to users of the Company's financial reports;
- (b) systems of internal controls;
- (c) risk management systems and the management of material business risks;
- (d) application of accounting policies and improving financial management;
- (e) the internal and external audit process;
- (f) compliance with applicable laws, regulations, standards and relevant best practice guidelines;
- (g) maintenance of effective relationships with external audit functions and being a forum for communication between the Board and the external auditor;
- (h) maintenance of the quality of internal and external reporting of financial information; and
- (i) maintenance of the credibility and objectivity of the accounting process (including financial reporting).

4 COMPOSITION

Committee members are appointed by the Board for a term considered appropriate by the Board. The Board may appoint additional directors to the Committee and may remove or replace members of the Committee by ordinary resolution. The membership of the Committee shall include at least 3 members:

- (a) all of whom must be non-executive Directors and a majority of whom are independent Directors;
- (b) its members between them should have accounting and financial expertise, be conversant with risk management principles and standards, have a sound understanding of the business, operations and affairs of the Company and have sufficient understanding of the mining industry.

The Chair of the Committee must be an independent Director and must not be Chair of the Board (the latter may, however, be a member of the Committee).

The Company Secretary or another person approved by the Committee is the secretary to the Committee.

Members of the Committee may withdraw from the Committee by notifying the Board in writing.

5 MEETINGS

The Committee shall meet at least four times per annum, with two meetings designed to coincide with the Company's reporting of its half-year and annual results. The Committee shall hold additional Committee meetings as and when the Committee may otherwise deem appropriate. A notice of meeting, agenda and relevant supporting documents where practicable be provided seven days before each meeting.

A quorum consists of the lesser of two members or a majority of members of the Committee.

The Company Secretary or another person approved by the Committee will attend all Committee meetings as minute secretary. All minutes of the Committee will be entered into a minute book maintained for that purpose and will be open at all times for inspection by any Director.

Non-members may attend meetings by invitation of the Committee, including the:

- (a) Chief Executive Officer;
- (b) Chief Financial Officer;
- (c) Company Secretary;
- (d) Chief Operating Officer; and
- (e) Other person charged with compliance assurance.

These people may take part in the business of, and discussions at, the meeting but have no voting rights.

6 SPECIFIC DUTIES

In carrying out its oversight responsibilities, the Committee will:

6.1 Financial reporting

- (a) Review and make recommendations to the Board in relation to the adequacy and integrity of the Company's corporate reporting processes.
- (b) Review and monitor the Company's compliance with relevant statutory and regulatory requirements in relation to the Company's Financial Statements.
- (c) Review the Half-Year and Annual Financial Statements to determine whether the Company's Financial Statements reflect the understanding of the Committee members, and otherwise provide a true and fair view of, the financial position and performance of the Company.
- (d) Consider the external audit of the Financial Statements and the external auditor's report on the Financial Statements.
- (e) Review the appropriateness of the accounting judgments or choices exercised by management in preparing the Company's Financial Statements.
- (f) Review complex and unusual transactions and their effect on the Financial Statements.
- (g) Review related party transactions and the adequacy of their disclosure in the Financial Statements.

- (h) Review the Company's tax affairs, including significant transactions or actions, tax strategy, policy and tax risks.
- (i) Ensure that the declaration referred to in Recommendation 4.2 of the ASX Corporate Governance Council Corporate Governance Principles and Recommendations is given before the Board approves the Company's Financial Statements for each half-year and full year.
- (j) Monitor changes in the legal and regulatory framework in relation to financial reporting.

6.2 Internal control

- (a) Assess the internal processes for determining and managing key financial risk areas, particularly:
 - (i) compliance with laws, regulations, standards, and best practice guidelines, including industrial relations laws;
 - (ii) important judgments and accounting estimates;
 - (iii) litigation and claims; and
 - (iv) fraud and theft.
- (b) Make recommendations to the Board for improvements (if any) in relation to the internal financial management and financial controls of the Company.
- (c) Obtain and assess management reports on any suspected or actual fraud, theft, or breaches of law, and recommend appropriate actions by the Board.
- (d) Address the effectiveness of the internal control, financial risk management and performance management systems with management and the external audit providers.
- (e) Evaluate the processes the Company has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk.
- (f) Review, with reasonable frequency, whether the Company's whistleblower program and the compliance and anti-bribery and corruption systems and processes for managing compliance and anti-bribery and corruption risks are appropriate and effective.
- (g) Meet periodically with key management and external auditors to understand and discuss the control environment.

6.3 External auditor

- (a) Meet with the external auditor at least twice each year, and any other time considered appropriate.
- (b) Review the Company's Procedure for the Selection, Appointment and Rotation of External Auditor set out in the Appendix to this Committee Charter.
- (c) Carry out the functions ascribed to the Committee in the Procedure for the Selection, Appointment and Rotation of the External Auditor.
- (d) Assess the scope and adequacy of the external audit.
- (e) Review the independence and performance of the external auditor.
- (f) Review the fees payable to the external auditor for audit and non-audit work.
- (g) Review any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor.

- (h) Ensure that the external auditor is given notice of all general meetings and attends the Company's annual general meeting.

6.4 Internal Audit

If the Company has an internal audit function, the Committee is responsible for:

- (a) Making recommendations to the Board on the appointment and removal of the head of the internal audit function.
- (b) Making recommendations to the Board on the scope and adequacy of the internal audit work plan.
- (c) Reviewing and assessing the independence, objectivity and performance of the internal audit function.
- (d) Approving and ensuring the resourcing of the internal audit function, as appropriate, including budgetary allocation for staffing and external consulting support (as necessary).

6.5 Risk management

- (a) Oversee the establishment of and approving the Company's risk management framework (which includes the Company's Risk Policy and the Risk Management Standard) for both financial and non-financial risks, including its strategy, procedures and system.
- (b) Review at least annually, and monitor the effectiveness of, the Company's risk management framework to satisfy and ensure it continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board.
- (c) Make recommendations to the Board as to approval of new policies, or amendments to existing policies for:
 - (i) identifying and managing/mitigating/transferring risk in accordance with the risk management framework; and
 - (ii) business continuity and crisis planning risk management.
- (d) Monitor management's performance against the Company's risk management framework, including whether it is operating within the risk appetite set by the Board.
- (e) Oversight of management's maintenance of the risk register.
- (f) Review any material incident involving fraud or a breakdown of the Company's risk controls and the "lessons learned".
- (g) Receive reports from internal audit, or other qualified party, on its reviews of the adequacy of the Company's processes for managing risk.
- (h) Receive reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks.
- (i) Make recommendations to the Board in relation to changes that should be made to the Company's risk management framework or to the risk appetite set by the Board.
- (j) Oversee the entity's insurance program, having regard to the Company's business and the insurable risks associated with its business.

- (k) Monitor changes in the legal and regulatory framework in relation to risk management and risk management reporting.

6.6 Compliance

Review and oversee compliance with the Company's:

- (a) Code of Conduct;
- (b) Anti Bribery and Corruption (**ABC**) Policy;
- (c) Whistleblower Policy;
- (d) Delegation of Authority;
- (e) Financial Risk Management Policy;
- (f) Taxation Policy; and
- (g) Other policies or standards approved by this Committee.

6.7 Other

Perform such other functions as assigned by law or the Company's constitution.

7 OPERATIONS

When matters within the responsibility of the Committee are considered, they are marked as separate agenda items at meetings of the Board. The Board deals with any conflicts of interest that may occur by ensuring that the director with a conflicting interest is not party to the relevant discussions.

8 AUTHORITY AND RESOURCES

The Company will provide the Committee with sufficient resources to undertake its duties, including providing educational information on accounting policies and other financial topics relevant to the Company, to assist the Committee in fulfilling its duties.

The Committee is authorised to:

- (a) seek any information it requires to perform its duties, from any employee of the Company;
- (b) seek explanations and additional information from the Company's external auditors, without management present, when required; and
- (c) obtain, at the Company's expense, external legal or other professional advice on any matter within its responsibilities as set out in this Committee Charter.

The Committee has the power to conduct or authorise investigations into any matter within its scope of responsibilities.

9 REVIEW

The Board will, at least once per year, review the membership, performance and Charter of the Committee to ensure it remains consistent with the Board's objectives and responsibilities.

10 REPORTING TO THE BOARD

The Committee is to report to the Board, at least once per year, on the following matters:

- (a) assessment of whether external financial reporting is consistent with the Committee members' information and knowledge and is adequate for shareholder needs;
- (b) assessment of the management processes supporting financial reporting;
- (c) recommendations for amending the Company's Procedure for the Selection, Appointment and Rotation of the External Auditor;
- (d) recommendations for the appointment or, if necessary, the removal of the external auditor;
- (e) assessment of the performance and independence of the external auditors. Where the external auditor provides non-audit services, the report should state whether the Committee is satisfied that the provision of those services has not compromised the auditor's independence;
- (f) if the Company has an internal audit function, assess the performance and objectivity of the internal audit function;
- (g) the results of the Committee's review of the Company's risk management framework, risk appetite and internal control systems;
- (h) key taxation matters;
- (i) the results of the Committee's review of this Charter; and
- (j) comment on the Committee's operation and composition.

Appendix to Audit and Risk Committee Charter

Procedure for the Selection, Appointment and Rotation of External Auditor

- 1 The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as per the recommendations of the Committee (or its equivalent). Any appointment made by the Board is subject to confirmation by shareholders at the next Annual General Meeting of the Company. In recommending the appointment of an auditor to members, the Board may consider the matters outlined in Australian Securities and Investments Commission Information Sheet 196 *Audit quality: The role of directors and audit committees* under the headings "Recommending the appointment of an auditor" and "Assessing potential and continuing auditors".
- 2 Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company, and an ability to maintain independence through the engagement period. Further, the successful candidate must have arrangements in place for the rotation of the audit engagement partner in accordance with professional standards as current from time to time, including part 2M.4 Division 5 of the *Corporations Act 2001* (Cth).
- 3 Other than the mandatory criteria set out in paragraph 2 above, the Board may select an external auditor based on criteria relevant to the business of the Company such as experience in the industry in which the Company operates, references, cost, internal governance processes and any other matters deemed relevant by the Board. The Board may consider the matters outlined in the Australian Securities and Investments Commission Information Sheet 196 *Audit quality: The role of directors and audit committees* under the heading "Assessing potential and continuing auditors".
- 4 The Committee (or its equivalent) will review the performance of the external auditor on an annual basis and make any recommendations to the Board. The Committee (or its equivalent) may refer to the matters outlined in the Australian Securities and Investments Commission Information Sheet 196 *Audit quality: The role of directors and audit committees* under the heading "Assessing potential and continuing auditors" when reviewing the performance of the external auditor.
- 5 The Board is responsible for ensuring that the external audit engagement partner is rotated at least every five years with at least two years expiring before that partner can again be involved in the audit of Leo Lithium unless there are compelling reasons to extend the engagement of that partner for not more than an additional two successive years and otherwise in accordance with the requirements of the *Corporations Act 2001* (Cth).