

Overview

In managing risk, it is the Company's practice to take advantage of potential opportunities while managing potential adverse effects. Managing risk is the responsibility of everyone in the Company.

This Policy sets out the Company's approach to risk, including the responsibilities of the Board, management and others within the Company in relation to risk management.

1. Risk Management Procedure

The Company's yearly risk management activities are divided into quarters¹ and allocated to Senior Management and the Board.

(a) Senior Management Activities

Senior Management Activities	Q1	Q2	Q3	Q4
<input type="checkbox"/> Updates amendments to the Company's Risk Management Policy following annual review by the Board in Quarter Four, and disseminate to all relevant staff and publishes on Company's website.	✓			
<input type="checkbox"/> Updates amendments to the Company's Board Charter and role descriptions for management following annual review by the Board in Quarter Four, and distributes to all relevant staff and publishes on Company's website.	✓			
<input type="checkbox"/> Continually reviews or identifies material business risks, develops risk management strategies and reviews/updates the risk profile and/or risk register, and/or completes an individual risk report for critical material business risks and provides the register and/or the report to the Audit Committee and the Board. The form of the risk register is included in Appendix A.	✓			
<input type="checkbox"/> Allocates owners of critical material business risks in the risk register.	✓	✓	✓	✓
<input type="checkbox"/> The Managing Director/Chief Financial Officer provide a certification that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks, in accordance with the requirements of Recommendation 7.3.	✓			
<input type="checkbox"/> The Managing Director provides a summary of the Company's management of its material business risks and report to the Board on the effectiveness of whether those risks are being managed effectively, in accordance with the requirements of Recommendation 7.2.	✓			
<input type="checkbox"/> Prepares the annual report disclosure with respect to Recommendation 7.4 for the Board's approval.	✓			
<input type="checkbox"/> Senior management continually reviews or identifies material business risks, develops risk management strategies and reviews/updates the risk profile and/or risk register, and/or completes an individual risk report for critical material business risks and provides the register and/or the report to the Audit Committee and the Board.	✓	✓	✓	✓
<input type="checkbox"/> Reviews and documents changes required to the Company's Risk Management Policy prior to the annual Corporate Governance review by the Board.				✓
<input type="checkbox"/> Reviews the Company's Board Charter and role descriptions for management to ensure accountability for all risk management is included in the annual Corporate Governance review by the Board.				✓

¹ Quarters are financial year quarters (Q1 = July-September, Q2 = October-December, Q3 = January-March, and Q4 = April-June).

(b) Board Activities

Board Activities	Q1	Q2	Q3	Q4
<input type="checkbox"/> Determines the Company's overall risk tolerance levels, approves senior management's risk management policy and provides input into the Company's risk profile	✓			
<input type="checkbox"/> Notes the updated risk register and/or individual risk reports and questions management if required	✓			
<input type="checkbox"/> Notes the Managing Director/Chief Financial Officer certification for the purposes of Recommendation 7.3	✓			
<input type="checkbox"/> Notes the Managing Director summary regarding the effectiveness of the Company's management of material business risks for the purposes of Recommendation 7.2	✓			
<input type="checkbox"/> Approves the annual report disclosure with respect to Recommendation 7.4.	✓			
<input type="checkbox"/> The Board notes the updated risk register/individual risk reports and questions management as it considers necessary.	✓	✓	✓	✓
<input type="checkbox"/> Conducts annual review of risk management strategies.	✓			

2. Role of the Board and Delegated Responsibility

The Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control. Further details of the Board's responsibility is set out in section 1 of this document.

Implementation of the risk management system and day-to-day management of risk is the responsibility of the Managing Director, with the assistance of senior management, as required.

Audit Committee and Audit Committee Charter

The Company has formed a separate Audit Committee which has the role of, among other things, monitoring and reviewing the integrity of the financial reporting of the Company and any significant financial reporting judgments. It also reviews the Company's internal financial control system and, unless expressly addressed by a separate risk committee or by the Board itself, risk management systems. The role of the Audit Committee is set out in the Company's *Audit Committee Charter*.

3. Role of the Managing Director and Accountabilities

The Managing Director has responsibility for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for identifying any material changes to the Company's risk profile and ensuring, with approval of the Board, the risk profile of the Company listed in this Policy are updated to reflect any material change.

The Managing Director is required to report on the progress of, and on all matters associated with, risk management as a standing item at each Board meeting. The Managing Director is to report to the Board as to the effectiveness of the Company's management of its material business risks, at least annually.

4. Authority of the Managing Director

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

5. Role of Managers and Supervisors

Managers and supervisors must:

- ◀ monitor material business risks for their areas of responsibilities;
- ◀ provide adequate information on implemented risk treatment strategies to senior management to support ongoing reporting to the Board; and
- ◀ ensure staff are adopting the Company's risk management framework as developed and intended.

6. Role of Individual Staff

All staff within the Company should:

- ◀ recognise, communicate and respond to expected, emerging or changing material business risks;
- ◀ contribute to the process of developing the Company's risk profile; and
- ◀ implement risk management strategies within their area of responsibility.

7. Risk Profile

The Company considers that any risk that could have a material impact on its business should be included in its risk profile. The risk profile of the Company as at the date this policy was adopted by the Board can be categorised as follows:

- ◀ Social (ie. Safety, Environment, Stakeholder, Human Resources)
- ◀ Operational (ie. Tenements, Information Management, Feasibility, Premises)
- ◀ Financial
- ◀ Market & External Influences (ie. Equity, Commodity Markets/Exchange Rates, Inflation, Political)
- ◀ Legal & Ethical (ie. Legal & Compliance)
- ◀ Strategy

The individual risks which fall within these categories are included in the Company's risk register.

8. Risk Management Strategies

The Company maintains a number of policies and practices designed to manage specific business risks. These include:

- ◀ Insurance Program

The Company maintains a comprehensive insurance program including policies for assets and liabilities. The program is reviewed annually, and at the time of any corporate activity or acquisition.

- ◀ Regular budgeting and financial reporting

The Company has regular budgeting in place. It is the role of the Audit Committee (or its equivalent) to review the integrity of the financial reporting of the Company. The Audit Committee is to ensure the Board is fully aware of matters which may significantly impact the financial conditions or affairs of the business.

- ◀ Clear limits and authorities for expenditure levels

The Company's Board Charter sets out Materiality Thresholds. These include quantitative and qualitative thresholds as well as triggers for the materiality of contracts.

- ◀ Procedures/controls to manage environmental and occupational health and safety matters

- ◀ Procedures for compliance with continuous disclosure obligations under the ASX Listing Rules and the Corporations Act

The Company's *Compliance Procedures* have been designed for the purpose of ensuring the Company complies with its continuous disclosure obligations.

- ◀ Procedures to assist with establishing and administering corporate governance systems and disclosure requirements

The Company has adopted a Corporate Governance Manual which contains policies and procedures to assist the Company establish and maintain its governance practices.

9. Responsibility to Stakeholders

The Company considers the reasonable expectations of stakeholders particularly with a view to preserving the Company's reputation and success of its business. Factors which affect the Company's continued good standing are included in the Company's Risk Profile.

10. Continuous Improvement

The Company's risk management system is evolving. It is an on-going process and it is recognised that the level and extent of the risk management system will evolve commensurate with the development and growth of the Company's activities.

Summary of Risk Management Policy

The Board has adopted a Risk Management Policy. Under the Policy, the Board delegates day-to-day management of risk to the Managing Director (or equivalent). The Policy sets out the role of the Managing Director (or equivalent) and accountabilities. It also contains the Company's risk profile and describes some of the policies and practices the Company has in place to manage specific business risks.

The Managing Director is required to report on the progress of, and on all matters associated with, risk management as a standing item at each Board meeting. The Managing Director is to report to the Board as to the effectiveness of the Company's management of its material business risks at least annually.

The Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself at least annually that management has developed and implemented a sound system of risk management and internal control.

In May 2011, the Company formalised its approach to risk management by documenting all material business risks in a risk register and allocating ownership for material business risks to the Managing Director, and management of individual material business risks to senior management and individuals within the organisation. The risk register is reviewed by Management and updated on a quarterly basis and presented to the Audit Committee and the Board. All risks identified in the risk register will be reviewed and assessed by management and the Board at least annually.

The Board also receives a written assurance from the Managing Director and the Chief Financial Officer that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

This Policy incorporates some material from "Principle 7: Recognise and Manage Risk – Guide for Small-Mid Market Capitalised Companies" produced by ASX Markets Supervision Pty Ltd, Deloitte Touche Tohmatsu and Blakiston & Crabb.

"Principle 7: Recognise and Manage Risk Guide for small – mid market capitalised companies" was provided as general information only and does not consider specific objectives, situations or needs. The Guide was not intended to be relied upon or disclosed or referred to in any document. ASXMS accepts no duty of care or liability to you or anyone else regarding the application of the Guide in the document and we are not responsible to you or anyone else for any loss suffered in connection with the use of the Guide in this document or any of the content contained in this document.