

Corporate Governance Practices (continued)

6. Risk Assessment and Management Procedures

Introduction

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the Company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, addressed and monitored to enable achievement of the Company's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is a framework with clearly drawn lines of accountability and delegation of authority. Adherence to the Company's Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

The Company's risk management policy is managed by the full Board. The Board assesses material business risks that may impede meeting business objectives. The Board conducts an annual corporate strategy workshop which reviews the Company's strategic direction in detail and includes specific focus on the identification of the key business and financial risks which could prevent the Company from achieving its objectives. The Board is required to ensure that appropriate controls are in place to effectively manage those risks.

Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, information technology security, compliance and other risk management issues.

The Board requires that each major proposal submitted to the Board for decision be accompanied by a comprehensive risk assessment and, where required, management's proposed risk mitigation strategies.

Senior management are responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. The Managing Director and Chief Financial Officer are required to state in writing to the Board on a six monthly basis that the risk management and internal control systems to manage the Company's material business risks have been assessed and found to be operating effectively.

Material Business risk

The Company defines material business risk as any significant event or action with the potential to interfere or prevent the Company from achieving its objectives. Business risk is broadly defined so as to ensure that due consideration is given to all issues with the potential to impact upon the Company's business.

Risk management is the process of identifying where there is a risk to the business, assessing what the consequences of the risk could be, ranking the risks in accordance with the likely impact and developing and implementing a response to the risk and monitoring implementation.

Corporate Governance Practices (continued)

6. Risk Assessment and Management Procedures (continued)

Business risk (continued)

Successful risk management can maximise the opportunities for the Company to achieve meeting its business objectives.

Risk management encompasses all areas of the Company's activity. Sources of risk are varied and a wide view should be taken when considering business risks. Possible risk areas for the Company include:

- Exploration.
- Operations.
- Financial/foreign exchange/interest rate/metal prices.
- Commercial/economic.
- Political.
- Legal/legislative.
- Climatic.
- Engineering.
- Environmental/safety/health.
- Information technology.

Risk management process

In order to properly identify and develop strategies and actions to manage risk, the Company has put in place a business risk management framework based on the following key elements:

- An assessment of the potential impact of identified risks and the likelihood of occurrence.
- A ranking of the risk in accordance with the likely impact on the organisation.
- An assessment of the external environment and the control environment in place to manage the risk.
- The development of an appropriate response to manage the risks. The response may include strategies aimed at eliminating the risk, mitigating the risk, transferring or accepting the risk.
- Monitoring to ensure controls to manage the risk are suitable, have been carried into effect and are periodically reviewed.

Corporate Governance Practices (continued)

6. Risk Assessment and Management Procedures (continued)

Additional risk management policies and practices

In addition to the risk management process described, the Company maintains a number of policies and practices designed to manage specific business risk. These include:

- The Audit Committee Charter.
- An insurance program which is reviewed periodically by the Board.
- Regular budgeting and financial reporting.
- Commitment and expenditure levels exceeding certain levels must be submitted to the Board for approval.
- Procedures/controls to manage financial exposures and operational risks.
- Procedures/controls to manage environmental and occupational health and safety matters.

Environment, health and safety management

The Company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective the Board facilitates the systematic identification of environmental and OH&S issues and ensures they are managed in a structured manner. This allows the Company to:

- Monitor its compliance with all relevant legislation.
- Continually assess and improve the impact of its operations on the environment.
- Encourage employees to actively participate in the management of environmental and OH&S issues.
- Work with trade associations representing the entity's businesses to raise standards.
- Use energy and other resources efficiently.
- Encourage the adoption of similar standards by the entity's principal suppliers, contractors and distributors.

The Board has instituted a "Work Place Health and Safety/Environmental" agenda item for regular Board meetings to ensure that these matters are addressed on an ongoing basis.