

## **CORPORATE GOVERNANCE POLICIES**

### **RISK MANAGEMENT AND INTERNAL COMPLIANCE AND CONTROL**

The Board of Directors of Red 5 Limited (Company) recognises the importance of identifying and managing business risks as a means of protecting and enhancing shareholder value and safeguarding assets.

Benefits of establishing and maintaining risk management and internal control systems include:

- more effective strategic planning;
- better cost control;
- enhancing shareholder value by minimising losses and maximising opportunities;
- increased knowledge and understanding of exposure to risk;
- a systematic, well-informed and thorough method of decision making;
- increased preparedness for outside review;
- minimised disruptions;
- better utilisation of resources;
- strengthening culture for continued improvement;
- creating a best practice and quality organisation.

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and control framework. The Company does not currently have a separate risk management committee as responsibility for risk oversight is retained by the Board. Should the scale or complexity of the Company's operations change in the future, the Board will consider establishing a separate risk committee at that time.

The Board, in conjunction with the Managing Director, determines the Company's risk profile and is responsible for overseeing and approving risk management strategies and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:

- establishing the Company's objectives and implementing and monitoring strategies and policies to achieve those objectives;
- continuously identifying and measuring risks that might impact upon the achievement of the Company's objectives and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

To this end, practices are in place that are directed towards achieving the following objectives:

- effectiveness and efficiency in the use of the Company's resources.
- compliance with applicable laws and regulations.
- preparation of reliable published financial information.

The Managing Director is required to formally report to the Board regarding material business risks and whether those risks are being managed effectively. Changes to key risk factors and mitigation actions are required to be reported at each board meeting. All existing and potential new risk factors are reviewed on a periodic basis.

The risk profile of the Company contains both financial and non-financial factors including material risks arising from mineral production and exploration activities, commodity price and currency movements, environmental management, employee health and safety, local community relations, sovereign risk, operational efficiency and investments in new projects.

To mitigate these risks, the Company has in place a range of risk management policies and procedures including competent management in all disciplines, a management information system, active mining and exploration operations, an experienced Board, regular Board meetings, occupational health and safety policies and procedures, annual financial audits, comprehensive insurance programmes, treasury investment policy guidelines and rigorous appraisal of new investments.

Management is responsible for the ongoing management of risk with standing instructions to apprise the Board of changing circumstances within the Company and within the international business environment.