RISK MANAGEMENT POLICY

1. PREAMBLE

1.1. The identification and effective management of risk, including calculated risk-taking is an essential part of the Company's approach to creating long-term shareholder value. The full Board carries out the duties that would normally fall to the Risk Committee. The Board's collective experience will generally enable identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings. The Committee may invite attendance from any staff of the company and seek external advice to assist in its duties

1.2. The following is the Company's framework for:

1.2.1. risk management; and

1.2.2. internal compliance and control systems.

It covers the organisational, financial and operational aspects of the Company's affairs. Each Designated Officer is responsible for monitoring the managing director in the discharge of his responsibility to ensure the maintenance of, and compliance with, appropriate systems and raising any concerns in that regard with the Chairman.

2. RISK FACTORS

A schedule of risk factors that the Board considers to be particularly relevant appears at the end, and comprises a part, of this Policy.

3. GENERAL APPROACH

All key management personnel are responsible for using a common sense approach to foreshadowing and identifying risks and promptly alerting the Board to the same.

4. DESIGN OF RISK MANAGEMENT SYSTEMS

The Board requires management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively.

The managing director is responsible for designing, implementing and reporting on the adequacy of the company's risk management and internal control system. Management reports to the Audit and Risk Committee on the Company's key risks and the extent to which he believes these risks are being managed. This is to be performed on a six monthly basis or more frequently as required by the Board or any relevant committee.

5. ASSURANCE

5.1. The Board will disclose that it has received assurance from the chief executive officer (or equivalent) and/or the chief financial officer (or equivalent) 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.

5.2. The managing director is responsible for ensuring that the Board is satisfied (at least annually) that:

5.2.1. management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated and the managing director shall seek approval as to the identity of the delegates;

5.2.2. strategic and operational risks have been reviewed in all operational spheres as part of the annual strategic planning, business planning, forecasting and budgeting process.

5.3. Detailed internal control questionnaires are to be completed by the managing director in relation to financial and other reporting on a six monthly basis and provided to the Board to achieve compliance with section 295A of the Corporations Act. Due to its nature, an internal control assurance given for the purpose of section 295A can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

6. FINANCIAL

The Company's financial situation is not complex. It relies on equity funds for exploration and administration purposes.

Quarterly cash flow reports and management accounts will be prepared and circulated to the Directors for review and consideration.

The Board must approve all material project expenditure.

The Company must maintain appropriate insurance cover. This includes cover in respect of workers' compensation, public liability, motor vehicles and property insurance. The Company may maintain travel insurance for the benefit of the traveller/traveller's next of kin.

The Company may obtain cover for Directors' and officers' liability, to the extent permitted by the Corporations Act.

The managing director must ensure that the Company implements appropriate procedures to back-up its financial and other electronic data and that the Company's physical records are held adequately safeguarded.

SCHEDULE OF RISKS

1. PREAMBLE

This is the schedule of risk factors referred to in the Risk Management Policy.

It is divided into two sections: specific risks and general risks. Together they outline the principal risks involved in investing in the Company but they are not, by any means, exhaustive.

2. SPECIFIC RISKS

2.1. Reliance on Key Personnel

The Company's success could be influenced by the core competencies of its directors and management, their familiarisation with, and ability to operate in, the metals and mining industry and the Company's projects. The Company relies heavily upon the services of Mr Clark and Mr Russell-Croucher.

The loss (or restricted access to availability) of either of Mr Clark and Mr Russell-Croucher, or other key persons or consultants, could have a materially adverse affect on the Company.

2.2. Conflicts

Where companies have common boards of directors (or even some directors in common) conflicts of interest can easily arise between such companies. This is especially important where the Company is in joint venture (or other contractual relationship) with such other companies. Reference should be made to the Company's most recent Annual Report together with subsequent dated ASX disclosure for details of such contracts.

2.3. Expenditure Commitments

Reference should be made to the Company's most recent Annual Report together with subsequent dated ASX disclosure for details of expenditure commitments (both statutory and contractual). Such commitments may not be met for many reasons (including: results not justifying the same within the relevant time constraint (or at all); and the prevailing market conditions) with the consequence that the Company's assets may be jeopardised.

2.4. Tenement Interests & Access

Where the Company's interest in tenements is contractual only (eg a joint venture), there is a risk that one or more of the Company's co joint venturers may be unwilling or unable to comply with the terms of a joint venture agreement. If this occurs, the Company may not be able to recover adequate damages or other amounts, which may have a material effect on the value of the Company and its shares.

The transfer of an interest in some tenements to the Company will often require consent under relevant legislation and there can be no guarantee that the necessary consent will be forthcoming.

Tenement holdings are continually evaluated (especially) following receipt of exploration results. It is to be expected that the Company will cease to maintain an interest in some or all of tenements in whole or in part from time to time.

2.5. Valuation of tenements & shares

The Company's policy regarding the value at which it reflects it tenements holdings in its balance sheet does not rely on an independent valuation of the same and it is not the practice of the Company to commission a valuation of the any tenement in which it has or is earning an interest and no representation is made in that regard.

The Company does not provide a valuation of its shares (or other securities) and no representation is made in that regard.

Investors and their advisers should invest only on the basis that tenements have an unknown value and must make their own assessment as to the value of shares in the Company.

2.6. Exemption Applications

As part of normal operational practice, a number of applications for exemption from compliance with the minimum expenditure conditions prescribed by law in respect of some of tenements may be made from time to time. No assurance is given that any or all of these applications will be granted or, failing such grant, that tenements will not be forfeited for want of compliance with such expenditure conditions or, alternatively, that the holder will not be fined in lieu.

2.7. Exploration

Exploration, by its very nature, is an inherently risky business. This is especially so of grass root exploration tenements which have had little or no on-ground prospecting or exploration activity undertaken on them. They are generally acquired on the basis of a hypothesis involving conceptual interpretation, often of remote sensing geophysical data or first pass geochemical surveys. The probability of a significant discovery being made is statistically low. Even where mineralisation has been identified, the probability of demonstrating an economic deposit is statistically remote. The potential rewards reflect these very high risks.

Ultimate success potentially depends on many factors including the establishment of an efficient exploratory operation, obtaining necessary access agreements, government, statutory and other approvals and discovery and delineation of economically recoverable mineral resources. The exploration activities of the Company may be affected by a number of factors including, but not limited to, obstruction to ground access, objections to the grant of tenements, geological conditions, seasonal weather patterns, technical difficulties and failures, availability of the necessary technical equipment and appropriately skilled and experienced technicians, adverse changes in government policy or legislation and access to the required level of funding.

There can be no assurances that the Company's current or future exploration activities will result in the discovery of mineral resources. Even if a mineral resource is identified, there can be no guarantee that it can be exploited.

On-ground access to tenements frequently requires agreement with Aboriginals and freehold landowners. There can be no guarantee that agreements will be obtained.

3. GENERAL RISKS

3.1. Introduction

This section expands upon the above risks. Nevertheless, these two sections do not exhaustively list the risks that may have a material effect on the financial position and performance of the Company and the value of its securities, the Company's exploration, (and any future) development and mining activities, or ability to fund those activities.

An investment in the Company is speculative due to the nature of the Company's business. The Board recommends that potential shareholders consider the risks described below and information contained elsewhere in this manual, as well as consult with their professional advisors, before deciding whether or not to invest in the Company.

The value of any investment can go down as well as up and shareholders may lose their entire investment in the Company.

No representation is or can be made as to the future performance of the Company and there is no assurance that the Company will realise its aims.

3.2. General, Economic and Political Conditions

The value of the Company's securities is likely to fluctuate depending on various factors including, but not limited to: (a) inflation, (b) interest rates, (c) domestic and international economic growth, (d) changes to taxation legislation, interpretation and policies, (e) legislative change, (f) political stability, (g) disasters, (h) industrial disputes, (i) social unrest, (j) war on a local or global scale, (k) mining industry conditions, (l) stock market conditions in Australia and elsewhere, (m) changes in investor sentiment towards particular market sectors, (n) acts of God, and (o) acts of terrorism.

3.3. Cultural Heritage

The Company intends to be active in a number of jurisdictions throughout the world and is sensitive to the impact of the Company's activities on cultural heritage as well as the need to be aware of the legislative regime in each jurisdiction dealing specifically with the rights of indigenous peoples, cultural heritage and indigenous land rights.

3.4. Tenements and Government Imposts

Tenements are subject to legislative and regulatory requirements with respect to the processes for application, grant, conversion and renewal. Tenements are also subject to the payment of annual rent and the meeting of minimum annual expenditure or work commitments. There is no guarantee that any applications, conversions or renewals will be granted. Any inability of the Company to meet rent and expenditure requirements may adversely affect the standing of its tenements.

3.5. Commodity and Currency Price Volatility

Commodity prices inherently fluctuate and are affected by numerous factors beyond the control of the Company, including global and regional demand for, and supply of, a particular commodity, forward selling by producers and the level of production costs in major commodity-producing regions. Commodity prices are also affected by macroeconomic factors such as expectations regarding inflation and interest rates. Commodities are principally sold throughout the world in US dollars.

As a result, any significant and/or sustained fluctuations in the exchange rate between the Australian and US dollars, and/or adverse movements in commodity prices could have a materially adverse affect on the Company's financial position and performance. The Company may undertake measures deemed necessary by the Board to mitigate such risks.

3.6. Development and Mining

Possible future development of a mining operation at any of the Company's projects is dependent on a number of factors including, but not limited to, the acquisition and/or delineation of economically recoverable mineral resources, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, unexpected shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services.

In the event that the Company commences production:

- its operations may be disrupted by a variety of risks and hazards which are beyond its control, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions and fires, explosions and other accidents;

- assumptions in the mining models may prove to be wrong including because of changes in economic circumstances or fluctuations in the unitary parameters referred to above;

- accordingly, for these and other reasons, no assurances can be given that the Company will achieve commercial viability through the development and/or mining of its projects.

3.7. Environment

The Company's projects are subject to the laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all exploration and mining projects, the Company's projects are expected to have a variety of environmental impacts. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws and regulations.

3.8. Shortage of Capital

The Company will require capital to fund its activities including potentially exploration, the undertaking of feasibility studies, developing mining operations, meeting its future obligations and/or acquiring new projects. The Company's ability to raise further capital, either equity or debt, within an acceptable time, of sufficient quantum and on terms acceptable to the Company will vary according to a number of factors, including:

(a) prospectivity of projects (existing and/or future);

(b) the results of exploration, subsequent feasibility studies, development and mining;

(c) stock market and industry conditions; and

(d) the price of relevant commodities and exchange rates.

No assurance can be given that future funding will be available to the Company on favourable terms, or at all. If adequate funds are not available on acceptable terms the Company may not be able to further develop its projects or assume further obligations in the future.

3.9. Liquidity and Realisation Risks

There can be no guarantee that an active market in the Company's shares will develop or that the price of shares will increase. Moreover, there may be relatively few buyers or a relatively high number of sellers of the shares on the ASX at any given time, which may increase not only the volatility of the market price of the shares but also depress the prevailing market price at which shareholders can sell their shares. This may result in shareholders receiving a market price for their shares that is less than the price paid for their shares.