

GRUDEN

Risk Management Policy

The Gruden Group Limited

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ABN 56 125 943 240

Approved by the Board on 26 May 2016

1. Purpose

This policy is the basis for Gruden establishing a sound system of risk oversight and management, management of material business risks, and internal controls. The purpose of the risk management system is to identify, assess, manage and monitor risk that might impact upon Gruden's abilities to achieve its business objectives. Changes in risk levels may warrant disclosure to the market in accordance with Gruden's Disclosure Policy.

2. Roles and Responsibilities

The Board determines Gruden's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Board recognises that there is an inherent degree of risk in conducting exploration activities and this must be regularly reviewed and monitored. Other categories of risks (such as those relating to safety of personnel) should be as low as reasonably practical (ALARP). The Board has delegated to the Audit and Risk Committee responsibility for implementing the risk management system. However, as the Audit and Risk Committee does not meet as often as the full Board, consideration of material business risks will be an agenda item at all Board meetings.

The Audit and Risk Committee and/or the Board will:

- a. oversee Gruden's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements;
- b. assist the CEO to determine the key risks to the businesses and prioritise work to manage those risks; and
- c. review reports by the CEO on the efficiency and effectiveness of risk management and associated internal compliance and control procedures.

The CEO is responsible for the day to day implementation of risk management strategies and policies and monitoring internal compliance and internal controls.

3. Material Business Risks

Gruden's material business risks include:

- a. operational risks;
- b. exploration risks;
- c. commercial risks;
- d. contractual risks;
- e. financial risks;
- f. environmental risks; and
- g. regulatory risks (including matters relating to security of tenure and compliance with applicable regulations).

4. Systems and Processes

Gruden's process of risk management and internal compliance and control includes:

- a. identifying and measuring risks that might impact upon the achievement of Gruden's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks.
- b. formulating risk management strategies to manage identified risks (including whether or not to accept a certain degree of risk), and designing and implementing appropriate risk management policies and internal controls.
- c. monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The system is designed to ensure a consistent approach to managing risk across the organisation, regular reporting to the Board and other key stakeholders and , where appropriate, compliance with ISO 31000 – 2009 Risk management and Principles and Guidelines

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

- a. identifying and ranking risks
- b. establishing control and mitigation strategies
- c. compliance with applicable laws and regulations.
- d. preparation of reliable published financial information.
- e. implementation of risk transfer strategies where appropriate e.g. insurance.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to the CEO. The CEO is required to assess risk management and associated internal compliance and control procedures and report to the Board and/or Audit and Risk Committee at each regular meeting.

All personnel are expected to manage and monitor risks within their area of responsibility (to the extent reasonable and practical) and to comply with policies and procedures established by the Company to manage and mitigate risk.

Systems established by Gruden to manage risk include Gruden's internal compliance and control systems which include:

- a. Gruden's Integrated Management System (IMS) incorporating Gruden's Health and Safety Policy,
- b. Environmental Management Policy and Quality Management Policy
- c. Gruden's Health and Safety Standards
- d. Gruden's HSE Procedures, Geology Procedures, Drilling Procedures and HR & Finance Procedures

- e. Corporate insurance risk assessment reports
- f. Gruden's Corporate Governance policies including the Securities Trading Policy, Disclosure Policy and Shareholder Communication Policy

5. Annual Report

For the purposes of Gruden's annual financial reporting, the CEO and the Financial Controller state to the Board in writing that:

The declaration provided in accordance with s295A 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.

The CEO also provides a report to the Board indicating the effectiveness of the Company's risk management and internal control systems in relation to material business risks.

6. Review

The Board will review assessments of the effectiveness of risk management and internal compliance and control on an annual basis. The Board will also review this policy at least annually.