

# HILLGROVE RESOURCES LIMITED

## RISK MANAGEMENT POLICY

### 1. Overview and Objectives

Hillgrove Resources Limited (“the Company”) is committed to the identification, monitoring and management of operational, financial and other business risk.

The risk management policy forms part of the internal controls and corporate governance arrangement of the Company.

The objective of the risk management policy is to support the objectives of the Company by:

- Identifying unmitigated risks and formulating actions for mitigation of these risks;
- Promoting a more risk aware culture throughout the Company; and
- Protection of the Company’s assets and the Company’s image.

### 2. Types of Risk

The types of risk which may be faced by the Company include:

- Financial risk – the risk and losses associated with inaccurate financial reporting;
- Strategic risk – the risk arising from concentration of resources or dependence on a narrow range of resources, markets, customers or suppliers;
- Market risk – the risk associated with financial losses arising from the Company’s activities in its core business areas;
- Credit risk – the risk associated with financial losses arising from the failure of a counterparty to fulfil its financial obligations to the Company;
- Operational risk – the risk arising from inadequate or failed processes and systems, or from external events; and
- Insurance Risk – the risk that a claim on an insurance policy is not met by an insurer.

### 3. Hillgrove Risk Management System Overview

Hillgrove’s risk management system (“the Policy”) focuses on:

- Identifying risk;
- Analysing risk;
- Evaluating risk; and
- Treating risk.

The risks are documented in a risk management register that is reported to the Board.

#### ***Identifying Risk***

Risk identification sets out to identify the Company’s exposure to uncertainty. As noted above, the Company classifies risk under the following categories:

- *Financial, strategic, market, credit, operational and insurance.*

### ***Analysing Risk***

Risk analysis involves the consideration by the Company of the **sources** of risk, the likely **consequences** and the **likelihood of the recurrence** of the risk.

### ***Evaluating Risk***

The evaluation of risk involves consideration and comparison of the level of risk found from the analysis process against the risk thresholds of the Company:

- Low risk – managed by routine procedures, unlikely to need specific application of resources;
- Medium risk – managed by specific monitoring or response procedures, with management responsibility specified;
- High risk – senior executive management attention needed, action plans and management responsibility specified;
- Very high risk – Board attention needed, action plans and management responsibility specified.

### ***Treatment of Risk***

The treatment of risk by the Company involves identifying the range of options for treating risk, assessing the options, preparing risk treatment plans and implementing them.

Risks are continuously monitored and reviewed and the effectiveness of the controls in place and the risk action plans are assessed to ensure changing circumstances do not alter risk priorities.

## **4. Roles and Responsibilities**

The Board is responsible for the overall oversight of risk management of the Company and reviews the risk register half-yearly, or as required upon escalation of high priority risks.

Each identified risk is assigned an owner, a role responsible for the management of risk.

### ***Communication and documentation of risk***

The appointed Company business unit risk management delegate is responsible for ensuring effective communication of the risk management process.

The risk management delegate must also ensure that the risk management register of the Company is maintained and reported appropriately and in a timely fashion according to the procedures documented in this policy.

### ***Role of the Audit Committee***

The Audit Committee assists the Board in relation to risk management and shall stay apprised of the risk profile of the Company. The Audit Committee shall also review the adequacy and effectiveness of the risk management framework.

## **5. Review of Risk Management Policy**

This Policy shall be reviewed annually or as required.