

Risk Management Policy

1. INTRODUCTION

1.1 Objective

The primary objective of risk management is to ensure that the risks facing the business are appropriately managed. This gives stakeholders confidence to deal with or invest in the business.

1.2 Commitment

The Board of Bannerman Resources Limited (“**Bannerman**” or the “**Company**”) and its senior management are committed to managing Bannerman’s risks in order to both minimise uncertainty and to maximise its business opportunities. Pursuant to this commitment, the Board has approved and adopted this Policy.

1.3 Risk Definition

The definition that is applied across the Company of what constitutes “risk” is:

“An event or activity which may have an impact on the achievement of the Company’s objectives, strategies and its key business tasks.”

2. RISK MANAGEMENT FRAMEWORK

The framework upon which the Company’s approach to risk management is based is the International Standard *AS/NZS ISO 31000:2009 Risk Management - Principles and Guidelines*.

2.1 Risk Identification

Bannerman’s risks shall be periodically identified at departmental levels through a series of workshops and/or other meetings that consider what the risks are, why they happen and how they occur.

2.2 Risk Analysis

Each risk shall be analysed by management based on the following factors:

- (a) probability of the risk occurring;
- (b) impact of the risk if it did occur;
- (c) ascertaining what level of controls and maintenance are currently being employed; and
- (d) monitoring how effective these controls are.

2.3 Risk Evaluation

Management shall evaluate each identified risk through a process of allocating an appropriate rating of probability impact, risk and effectiveness controls.

This evaluation process determines whether the current management of each risk is within a predetermined acceptable level or whether action needs to be taken to treat the risk. It further identifies the required level of monitoring , i.e. active or periodic and whether by the management team, Audit Committee or Board.

2.4 Risk Treatment

Each identified risk shall be allocated one of the following risk treatments:

- (a) Tolerate the risk;
- (b) Avoid the risk; or
- (c) Reduce the risk.

The treatment is designed to reduce the probability or impact of the risk or increase the risk controls. As there will normally be a cost associated with risk reduction, the objective is to reduce the risk to an acceptable level consistent with established risk criteria. Any one of several decision points that may be taken include:

- (a) a satisfactory solution;
- (b) the most cost-effective solution;
- (c) the accepted practice (industry norm, best practice etc.);
- (d) the best achievable result; and
- (e) the absolute minimum to satisfy corporate, legislative or project needs.

The risk can be reduced by transferring the risk. This may involve the transfer of risk in part or in full to a contractor, a supplier or to a product buyer for example. Insurance is a common way of transferring risk but is normally taken for low probability, high impact events.

When a risk treatment action is undertaken, it may not result in elimination or prevention of a risk, but will often result in reduction of the risk. The remaining residual risk should ideally be less than the Company's level of tolerable risk.

3. RISK REPORTING

The identified risks shall be separated into Strategic, Operational and New Initiative risks. Each risk shall then be rated according to inherent risk (probability and impact of the risk) and control rating (risk controls present and the evaluation of those controls).

Risk evaluation forms shall be completed for each of the strategic and operational risks which are reviewed by the Board and/or Audit Committee in accordance with the level of reporting identified on the evaluation form.

4. RISK MONITORING AND REVIEW

Monitoring the status of each risk and any necessary action plans relating to the treatment thereof shall take place on a regular basis by controlled self-assessment as well as by management's half yearly review of risk action plans.

The risks and risk evaluation forms shall also be reviewed by the Audit Committee annually.

High level strategic and new initiative risks shall be reviewed annually by the Board. Identification of any new initiative risks or new strategic risks shall also take place at this meeting.

Any action or recommendations arising out of these review processes shall be implemented by management and reported in the half yearly risk review.

Risk management shall be incorporated into the manager's key performance indicators for that year, monitored by that manager and reviewed by the manager's direct report on an annual basis.

5. RATINGS

5.1 Risk Matrix

RISK MATRIX					
LIKELIHOOD	Consequence				
	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Severe
5 Almost Certain	M	H	H	VH	VH
4 Likely	M	M	H	H	VH
3 Possible	L	M	H	H	H
2 Unlikely	L	L	M	M	H
1 Rare	L	L	M	M	H

5.2 Risk Levels and Actions

LEVELS OF RISK		
VH	Very high risk	CEO/Board attention needed, action plans and management responsibility specified.
H	High risk	Senior executive management attention needed, action plans and management responsibility specified.
M	Medium risk	Manage by specific monitoring or response procedures, with management responsibility specified.
L	Low risk	Manage by routine procedures, unlikely to need specific application of resources.

5.3 Risk Assessment Criteria

Severity level	Consequence					
	Financial	Health and safety	Natural environment	Community/govt./ reputation/media	Legal	Variance from Business Performance
Severe:	>\$10M	Single fatality, or significant irreversible effects to >10 persons.	Very serious, long-term environmental impairment of ecosystem functions.	Irreversible impact to local tourism. Significant impact to local community. Serious public outcry (international coverage).	Revocation of licences, significant prosecution and fines. Very serious litigation including class action.	>30% variance from business objectives.
Major:	\$1M - \$10M	Severe irreversible disability (>30%) to one or more persons.		Significant impact to local tourism. Public outcry/major media coverage. Censured by uranium institute.	Suspension of licence. Major breach of regulation. Major litigation.	10% - 30% variance from business objectives.
Moderate:	\$100,000 - \$1M	Moderate irreversible disability or impairment (>30%) to one or more persons.	Serious medium term environmental effects.	Adverse impact to local community. Disruption to local tourism industry. Adverse media/public/NGO attention.	Breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible.	5% - 10% variance from business objectives.
Minor	\$10,000 - \$100,000	Objective but reversible disability.	Moderate, short-term effects but not affecting ecosystem functions.	Minor impact to local community. Minor disruption to tourism industry. Heightened concern by local community. Criticism by NGO's.	Minor legal issues, non-compliances and breaches of regulations.	2% - 5% variance from business objectives.
Insignificant:	<\$10,000	Minor medical treatment required.	Minor effects on biological or physical environment.	Minor adverse local public or media attention or complaints		<2% variance from business objectives.

5.4 Risk Controls

Control Rating	Description
5	Very low level of internal controls and maintenance
4	Below average level of internal controls and maintenance
3	Average level of controls and maintenance
2	Above average level of controls and maintenance
1	Excellent controls maintained in all areas at all times

5.5 Risk Treatment

Risk Rating	Description
1	Tolerate the risk
2	Avoid the risk
3	Reduce/Manage the risk