

## **1. Introduction**

- 1.1 Risk recognition and management are viewed by the Company as integral to its objectives of creating and maintaining shareholder value, and to the successful execution of the Company's strategies. The purpose of the Risk Management Policy (the **Policy**) is to ensure that:
- (a) appropriate systems are in place to identify to the extent reasonably practicable all material risks that may impact on the Company's business;
  - (b) the financial impact of identified risks is understood, and appropriate internal control systems are in place to limit the Company's exposure to such risks;
  - (c) appropriate responsibilities are delegated to control the identified risks effectively; and
  - (d) any material changes to the Company's risk profile are disclosed in accordance with the Company's Continuous Disclosure Policy.
- 1.2 For the purpose of this Policy, "risk" is defined as possible outcomes that could materially adversely impact on the Company's financial performance, assets, reputation, people or the environment.
- 1.3 The Board is responsible for risk oversight and the management and internal control of the processes by which risk is considered for both ongoing operations and prospective actions. As a minimum, the Board is required to:
- (a) oversee the establishment and implementation of the risk management and internal control system;
  - (b) review the effectiveness of and compliance with the Company's risk management and internal control system; and
  - (c) in relation to the processes, structures and culture established to identify, assess, treat and monitor risk to support the achievement of the Company's objectives.
- 1.4 In specific areas, the Board is assisted by the Risk Committee. The Risk Committee is responsible for establishing procedures which provide assurance that material business risks are identified, consistently assessed and appropriately addressed.
- 1.5 Not all aspects of risk management can be formalised, and the Company places considerable reliance on the skill, experience and judgment of its people to take risk managed decisions within the Policy framework and to communicate openly on all risk related matters.

## **2. Identified Business Risks**

- 2.1 There are a number of risks which are inherent to the business activities which the Company undertakes.

- 2.2 These risks may change over time as the external environment changes and as the Company expands its operations. The risk management process requires the Board to conduct regular reviews of the Company's existing risks and the identification of any new and emerging risk facing the Company, including financial and non-financial matters (such as operational, environmental, sustainability, compliance, reputation or brand, project, technological, product or service quality, human capital and market-related risks). It also requires the management, including mitigation where appropriate, of these risks.

### **3. Business Risk Management Policies and Practices**

- 3.1 In order to properly identify and develop strategies and actions to manage business risks, the Company has put in place a business risk management framework based on the following key elements:
- (a) a Risk Committee which meets periodically to identify and assess specific risks. The Risk Committee should have a thorough understanding of the Company's activities and should be conversant with the Company's business plans, objectives and values;
  - (b) an assessment of the potential impact of identified business risks and the likelihood of occurrence;
  - (c) a ranking of the business risk in accordance with the likely impact on the Company;
  - (d) an assessment of the acceptability of each identified risk;
  - (e) a consideration and decision on the proposed actions to eliminate, reduce or manage each material risk; and
  - (f) an assignment of the responsibilities for the management of each risk.
- 3.2 Risk management encompasses all areas of the Company's activities. Once a business risk is identified, the risk management processes and systems implemented by the Company are aimed at providing the necessary framework to enable the business risk to be managed.
- 3.3 The overall results of this assessment are presented to the Board, in oral and written form, at every Board meeting following a Risk Committee meeting by the Chair of the Risk Committee, and updated as needed.
- 3.4 The Board reviews the Company's risk management at every Board meeting, and where required, makes improvements to its risk management and internal compliance and control systems.

### **4. Additional Risk Management Policies and Practices**

- 4.1 In addition to the specific risk management process described in this Policy, the Company has the following procedures and practices are designed to manage specific business risks:
- (a) an insurance program which is reviewed by the Board;

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- (b) regular budgeting and financial reporting;
  - (c) corporate strategy guidelines and procedures to review and approve the Company's strategic plans;
  - (d) legal commitment and expenditure exceeding certain levels must be submitted to the Board for approval;
  - (e) procedures/controls to manage financial exposures and operational risks;
  - (f) procedures/controls to manage environmental and occupational health and safety matters;
  - (g) oversight of the Company's financial affairs by the Audit Committee;
  - (h) regular performance reporting enabling the identification of performance against targets and evaluation of trends;
  - (i) a health and safety policy and management standards to ensure that the Company complies with its obligations and responsibilities in relation to health and safety, environmental issues, and the communities in which it operates; and
  - (j) ongoing training and development programs.

4.2 Additionally, all other significant areas of the Company's operations are subject to regular reporting to the Board, including exploration, development, finance, legal, safety, environment, government and investor relations.

## **5. General**

- 5.1 Any reference in this Policy to the "**Company**" is a reference to Tlou Energy Limited ACN 136 739 967 and any reference to the "**Group**" is a reference to the Company and its subsidiaries.
  - 5.2 Any reference to the "**Board of Directors**" is a reference to the Board of the Company and any reference to "**Directors**" is a reference to the Directors of the Board of the Company.
  - 5.3 All Directors, senior executives, employees, consultants, contractors and professional advisors must familiarise themselves with and comply with this Policy.
  - 5.4 The Company will review this Policy regularly to take into account any legislative changes and best practices relating to the Policy. Any amendment to this Policy must be authorised by the Board of Directors. The Company Secretary will communicate any amendments to all relevant parties.
  - 5.5 Any queries regarding the application of this Policy should be referred to the Company Secretary.
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**Tlou Energy Limited (the Company)**  
**RISK MANAGEMENT POLICY**

**APPROVAL**

**This Policy was adopted by the board on 5 June 2012**

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**Chair of Tlou Energy Limited**