

CARBINE RESOURCES LIMITED
ACN 122 976 818

RISK MANAGEMENT GUIDELINES AND POLICY

1 INTRODUCTION – “RECOGNISE AND MANAGE RISK”

These guidelines are to assist Carbine Resources Limited (“**Carbine**”) to establish a sound system of risk oversight and management and internal control¹. The system should be designed to:

- (a) identify, assess, monitor and manage risk; and
- (b) inform investors of material changes to Carbine’s risk profile.

Carbine will need to consider the risk factors applicable to its organisation and industry and draft a policy that addresses these risk factors. At a minimum the following areas of concern will be reviewed and considered by the Board:

Responsibility	Obligation
Accounts	Ensure compliance with the requirements to prepare, dispatch and file annual accounts as laid down by the Corporations Act 2001 (Cth), Listing Rules and the Australian Accounting Standards.
Care, diligence and honesty without conflict	Ensure that the Board can be seen to be acting in a manner that is in the best interests of Carbine and its shareholders. Ensure Carbine is operated in a safe and sound manner in conformity with all applicable regulatory requirements.
Illegally financing dealings by the company in its own shares	Corporations Act section 260A prohibits companies from providing financial assistance to its directors, officers or shareholders to enable them to purchase shares in their own companies.

¹ ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, Recommendation 7.1.

Responsibility	Obligation
Insider trading	The law imposes a number of significant restrictions on directors and employees when they deal in their own company's shares. As fiduciaries they must not use their position for their own gain or for the gain of any person other than the corporation.
Insolvent trading	Serious consequences flow if the company trades while insolvent, including personal liability against directors, uncommercial contracts and employee entitlements. The directors must not permit the company to trade whilst insolvent.
Offering securities	There are positive obligations on directors and officers to ensure that the offer documents and statements made in connection with the sale of securities are not false or misleading or material omissions: Part 6D.3 of the Corporations Act.
Related party transactions	The Corporations Act contains strict limitations on the giving of financial benefits by public companies to related parties and their directors. Contravention of these provisions can attract a civil penalty. Anyone found guilty of inducing, aiding and abetting these prohibitions is also guilty of an offence.
Takeovers	The directors are bound by fiduciary duties to Carbine as a whole and are bound to make full disclosure of relevant facts to all shareholders without regard to any element of favouritism in support of the interests of any party.

2 RISK MANAGEMENT POLICY

The Risk Management Committee is an integral part of Carbine's structure. The Committee ensures that the Board, directors and the management are aware of all actual and potential risks facing the business and that a system to identify, monitor and assess risk is implemented and effective.

2.1 Role and responsibilities of the Committee

The Committee is responsible for identifying the risks that face Carbine as an organisation. These will include both internal and external risks.

The Board is responsible for establishing the Committee and implementing the risk management system.

The Board will be responsible for overseeing the activities of the Committee. At least annually, the Board must also review the effectiveness of the implementation of the risk management system.

2.2 Risk profile

The Committee and the Board have reviewed all internal and external and financial and non-financial risks that face Carbine.

2.3 Risk management

The key function of the Committee is to identify and more importantly prioritise risk arising from business strategies and activities. Risk must be identified to allow Carbine to plan, assess and execute its strategies. Once risk has been identified and assessed, the management and the Board will have the capacity to determine the level of risk that is acceptable to Carbine. This assessment will also allow for the acceptance of risk designed to accomplish Carbine's strategic plans.

Risk monitoring and assessment activities are designed to reduce, or otherwise manage, risk to levels that are acceptable to the management and the Board. Without these controls, decisions regarding the business and its strategies will not be made on a fully informed basis and Carbine will not realise the maximum potential from its business.

A fundamental component of risk management is the development of ongoing monitoring which effectively re-assesses risk and the effectiveness of controls to manage risk. These monitoring activities must be conducted on a regular basis to ensure that the controls in place are functioning properly.

It is critical that the Committee provide periodic reports of the results of the risk management process to the Board and management. The Board and management must be kept fully informed in relation to all risk to ensure that the correct decisions in the best interests of Carbine are made, and that its strategic plans are realised.

In particular the Committee will:

- (a) research and review reference materials and background information relating to risk management in Carbine's industry as a basis to assess whether or not the process used by Carbine is appropriate and represents the best practices for the industry;
- (b) research and review current developments, trends, industry information related to the business conducted by Carbine and other sources of information to determine risk and exposure that may affect Carbine;
- (c) review corporate policies, the Board and Audit Committee members' meeting minutes to determine Carbine's business strategies, risk management philosophy and methodology, appetite for risk and acceptance of risks;
- (d) review previous risk evaluation reports by management, internal and external auditors;
- (e) conduct interviews with management staff to determine company objectives, and related risks and risk litigation and monitoring activities;
- (f) compile information to evaluate the effectiveness of risk litigation monitoring and communication of risks;
- (g) review the adequacy and timeliness of recording of risk management results;

- (h) review the completeness of management's risk analysis and actions taken to remedy issues raised by the risk management process;
- (i) determine the effectiveness of management self-assessment processes;
- (j) review risk related issues that may indicate weakness in risk management practices; and
- (k) formulate a formal Board risk management policy for future use in assessing, monitoring and responding to risk.

2.4 Compliance and control

The Committee is responsible for establishing and implementing a system for identifying, assessing, monitoring and managing material risk throughout Carbine. The system will include Carbine's internal compliance and control systems.

2.5 Risk Management Committee

The identification and proper management of risk within Carbine is an important priority for the Board and management.

The Committee monitors Carbine's exposure to risks and implements and oversees the risk management policy. The principal objectives of the Committee are to ensure there is a clear understanding across Carbine of all relevant obligations, to monitor compliance and, where issues are identified, to take prompt action to ensure compliance.

The Committee is responsible for approving Carbine's overall risk management framework. The Committee monitors risk within Carbine to ensure high standards of operational quality and compliance with Carbine's approved strategies, policies and procedures. It ensures the Board is aware of any material risk issues and assesses the viability of Carbine's operations.

2.6 Risk management statement

The integrity of Carbine's financial reporting relies upon a sound system of risk management and control. Accordingly, the chief executive officer and corporate director, to ensure management accountability, are required to provide the statement in **Annexure 1** stating that the financial reports of Carbine are based upon a sound risk management policy².

2.7 Business risks

The Committee has implemented a system that identifies and manages areas of significant business risk. It receives regular reports from Carbine's business divisions which outline areas of significant business risk and the management of those risks.

The Board receives specific reports from the Committee on all areas of major operational and business risk.

² ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, Recommendation 7.1

2.8 Internal control and risk management

The Committee has overall responsibility for Carbine's internal control environment, and ensures that Carbine has an integrated framework of control, based on formal procedures and appropriate delegation of authority and responsibility.

There is a disciplined approach to identification and management of risk.

ANNEXURE 1

[TO BE PRINTED ON CARBINE LETTERHEAD]

STATEMENT OF CONFIRMATION FINANCIAL REPORT (INCLUDING RISK MANAGEMENT)³

The Directors
Carbine Resources Limited (“**Carbine**”)
ACN 122 976 818

FINANCIAL REPORTS

We submit for your approval the financial report for the [financial year/half year] of Carbine that ended [insert date]. Carbine has prepared the financial report in accordance with [section 295/section 303] of the Corporations Act 2001 (Cth).

As chief executive officer and corporate director respectively of Carbine, we confirm to you that Carbine’s financial report presents a true and fair view in all material respects of Carbine’s financial condition and operational results in accordance with [section 297/section 305] of the Corporations Act and is in accordance with relevant accounting standards as required by [section 296/section 304] of the Corporations Act.

RISK MANAGEMENT, INTERNAL COMPLIANCE AND CONTROL⁴

In the same capacity we confirm that the financial report is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board, and that Carbine’s risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Chief executive officer

Corporate director

Date: _____

Date: _____

³ ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, Recommendation 4.1 and 7.2.

⁴ ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, Recommendation 7.2