



RISK MANAGEMENT POLICY

PREAMBLE

Oversight, risk management and internal control are key elements of good corporate governance. This policy describes the manner in which Ausgold Limited and its subsidiaries ("Ausgold") identifies, assesses, monitors and manages risk. This policy embraces the principles contained in the ASX Corporate Governance Council's Principles and Recommendations ("ASX Principles").

POLICY STATEMENT

Ausgold strives to:

- establish clear objectives, identify and evaluate the significant risks to the achievement of those objectives, set boundaries for risk taking and apply fit-for-purpose risk responses including risk mitigation where appropriate;
- incorporate risk responses into a system of internal control which is designed to address opportunities, protect people, the environment and company assets, facilitate effective and efficient operations and help to ensure reliable reporting and compliance with applicable laws and regulations;
- monitor the effectiveness of the system of risk and internal control management;
- follow relevant guidelines and standards which relate to particular types of risk; and
- provide an annual assurance regarding the extent of its compliance with this policy.

Senior management is expected to:

- resource, operate and monitor the system of internal control to manage Ausgold's material business risks;
- ensure that a risk-based approach to internal control is communicated to staff, embedded in business processes and responsive to evolving risks;
- assign accountability for managing risks within agreed boundaries; and
- report the results of balanced assessments regarding the effectiveness of the risk-based internal control system, including identified weaknesses or incidents, to executive management.

The goals of establishing and maintaining risk management procedures are as follows:

- more effective strategic planning;
- better cost control;
- enhancing shareholder value by minimising losses and maximising opportunities;
- increased knowledge and understanding of exposure to risk;
- a systematic, well-informed and thorough method of decision making;
- minimised disruptions; and
- better utilisation of resources.

Although the Board retains responsibility for assessing the effectiveness of Ausgold's systems for management of material business risks, the following committees have been established to assist the Board in internal control and business risk management:

- Audit and Risk Committee;
- Remuneration and Nomination Committee

Audit and Risk Committee

The Board has established an Audit and Risk Committee, which operates under a charter approved by the Board.

It is the Board's responsibility to ensure that an effective oversight, risk management and internal control framework exists within Ausgold. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. It also includes the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information and non-financial considerations.

The Board has delegated the responsibility for the establishment of a framework of oversight, risk management and internal control for the management of Ausgold to the Audit and Risk Committee. The Audit and Risk Committee also provides the Board with additional assurance regarding the reliability of the financial information for the inclusion in the financial reports and reports to the Board as to whether Ausgold's material business risks are being managed effectively.

Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee, which operates under a charter approved by the Board. The Remuneration and Nomination Committee is responsible for determining and reviewing the compensation arrangement for directors, the CFO and the Company Secretary.

POLICY IMPLEMENTATION

This policy is implemented within Ausgold by:

- establishing and implementing across Ausgold a formal oversight, risk management and internal control process;
- identifying from this projects, functions and corporate risks which may impact upon Ausgold;
- regularly monitoring and assessing the performance and effectiveness of the oversight, risk management and internal control process and reporting to the Board as to whether material business risks are being managed effectively;
- ensuring the risk management and internal control process is overseen by the Audit and Risk Committee; and
- requiring the Chief Executive Officer (CEO) and Chief Financial Officer to certify to the Board that Ausgold's risk management and internal control system is operating efficiently and effectively in all material respects and if necessary, to make additional enquiries and request assurances regarding the management of Ausgold's material business risks.

RISK MANAGEMENT PROCESS

The risk management process enables the identification, assessment, monitoring and management of material risk throughout Ausgold. It consists of eight interrelated components:

- *internal environment* - which involves setting the foundation for how risk and control are viewed and addressed by Ausgold employees;

- *objective setting* - which involves ensuring that management has a process in place to set objectives and that the chosen objectives align with Ausgold's mission and vision;
- *event identification* - which includes identifying internal and external factors that influence how potential events may affect strategy implementation and achievement of objectives;
- *risk assessment* - which requires an analysis of identified risks in order to form a basis for determining how they should be managed;
- *risk response* - which requires management to select an approach or set of actions to mitigate risks where appropriate taking into account Ausgold's risk profile;
- *control activities* - which includes the establishment and execution of policies and procedures to help ensure that the risk responses management selected are effectively carried out;
- *information and communication* - which requires relevant information to be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities; and
- *monitoring* - which requires that the risk management process be monitored, and modifications made as necessary, to ensure the system can react dynamically and change as conditions warrant.

PROCESS IMPLEMENTATION

The CEO is responsible for implementing the risk management process in a manner which is appropriate for Ausgold. This process is reviewed and monitored across Ausgold by the Chief Financial Officer in conjunction with Ausgold's auditors.

Responsibilities of the Chief Financial Officer include:

- providing a centralised co-ordinating point for the promotion and facilitation of risk management;
- promoting risk management competence and helping managers align risk definition and responses; and
- reporting to the CEO on the progress and effectiveness of risk management.

RISK PROFILE

The operation of the risk management process results in the identification of a number of industry risks which may impact on Ausgold's business as a gold exploration and production group with international operations. These risks include but are not limited to:

- the availability of gold resources;
- commercialisation of gold resources;
- exposure to gold price and exchange rates;
- technical and project management competencies;
- health, safety, environment and security risk; and
- exposure to debt.

These risks may change over time as the external environment changes and as Ausgold expands its activities. The risk management process is regularly reviewed in light of Ausgold's existing risks, the

identification of any new risks and any material changes to Ausgold's risk profile, including financial and non-financial matters. It also requires the management, including mitigation where appropriate, of these risks.

ACCOUNTABILITY

The Chief Financial Officer and the CEO are required to provide a written declaration to the Board in accordance with section 295A of the *Corporations Act 2001* (Cth), declaring that:

- the financial records of Ausgold Limited for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001* (Cth);
- the financial statements, and the notes referred to in paragraph 295(3)(b) of the *Corporations Act 2001* (Cth) for the financial year comply with the Australian Accounting Standards Board accounting standards;
- the financial statements and notes for the financial year give a true and fair view of the financial position and performance of Ausgold Limited and any of its consolidated entities; and
- any other matters that are prescribed by the regulations for the purposes of section 295A in relation to the financial statements and the notes for the financial year are satisfied.

The Board must disclose:

- whether the Audit and Risk Committee has reported to it on whether Ausgold's material business risks are being managed effectively; and
- whether it receives assurance from the Chief Financial Officer and the CEO that the declaration provided in accordance with section 295A of the *Corporations Act 2001* (Cth) is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

INTERNAL AUDIT FUNCTION

Ausgold also carries out an internal audit function, independent of the external auditor of Ausgold, which provides an analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control system on an ongoing basis. The internal audit function and the Audit and Risk Committee have direct access to each other and to management and Ausgold grants both the right to seek information and explanations from the Board.

AMENDMENT OF THIS POLICY

This policy has been adopted by the Board. Any amendment to this policy can only be approved by the Board.

REVIEW OF THIS POLICY

The Company Secretary will conduct a review of this policy and the effectiveness of Ausgold's standards of conduct with respect to the objects of this policy at least once annually, to ensure compliance with the law and ASX Principles. The Company Secretary will report to the Board with his or her recommendations for consideration by the Board.

DISCLOSURE

Ausgold's annual report must include the following information:

- an explanation of any departures from Recommendations 7.1, 7.2, 7.3 or 7.4 of the ASX Principles;
- whether the Board has received a report from management under Recommendation 7.2 of the ASX Principles as to whether Ausgold's material business risks are being managed effectively; and
- whether the Board has received assurance from the Chief Financial Officer and the CEO under Recommendation 7.3 of the ASX Principles as to whether Ausgold's declaration in accordance with section 295A of the *Corporations Act 2001* (Cth) is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

A copy of this policy should be made available on Ausgold's website and is to be made available to shareholders of Ausgold upon request.