

# **XS Resources Limited**

ACN 624 766 114

## **Risk Management Policy**

April 2018

## 1 Introduction

- 1.1 The primary objective of risk management is to ensure that the risks facing the business are appropriately managed.
- 1.2 XS is committed to ensuring the adequacy of its risk management systems and that risks are adequately and appropriately addressed in a timely manner. XS recognises that risk management is a fundamental driver of effective Corporate Governance, and views it as continuous process.
- 1.3 This Policy is intended to provide a framework for the risk management policies and procedures that are to be adopted by XS and is designed to assist XS personnel to identify, assess, monitor and manage risk with the objective of minimising loss and maximising shareholder value.

## 2. Explanation of Terms

- 2.1 In this Policy:

**ASX** means Australian Securities Exchange;

**Board** means the board of directors of XS Commodities Limited;

**Company Secretary** means the company secretary of XS;

**Director** means a director of XS;

**Group** means XS and its controlled entities;

**MD** means the Managing Director or Chief Executive Officer (or equivalent);

**Personnel** means XS's directors, executive, employees and contractors.

**Policy** means this Risk Management Policy;

**Senior Executive** means the employees of XS who manage XS pursuant to the directions and delegations of the Board; and

**XS** means XS Resources Limited.

## 3. Benefits of Risk Management

- 3.1 Some of the benefits identified in establishing and maintaining risk management procedures are as follows:
  - (a) more effective strategic planning;
  - (b) increased knowledge and understanding of risk;
  - (c) a systematic, well informed and thorough method of decision making;
  - (d) better utilisation of resources;
  - (e) a strengthening of culture for continued improvement; and
  - (f) creation of best practices to improve the quality of the organisation.

## 4. Definitions

4.1 XS has adopted the following definitions from the Australia/New Zealand Standard 4360:1999 on 'Risk Management':

<b>Consequence</b>	The outcome of an event expressed either in financial terms or qualitatively being a loss, injury, disadvantage or gain.
<b>Likelihood</b>	The possibility of an event happening.
<b>Risk</b>	The chance of something happening that will have an impact upon objectives.
<b>Risk Assessment</b>	The overall process of risk analysis and risk evaluation.
<b>Risk Analysis</b>	A systematic use of available information to determine how often specified events may occur and the magnitude of their consequences.
<b>Risk Evaluation</b>	The process used to determine risk management priorities by comparing the level of risk against target risk levels or other criteria.
<b>Risk Management</b>	The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects.

## 5. Risk Management

5.1 Risk management is an integral part of XS's business operation, strategic planning, business planning and investment/project investment appraisal procedures.

5.2 The focus of risk management is the identification and treatment of risks with the objective to add maximum sustainable value to all of the activities of the organisation.

## 6. Risk Management Framework

6.1 The framework XS has adopted is based on the Australia/New Zealand Standard 4360:1999 on 'Risk Management'.

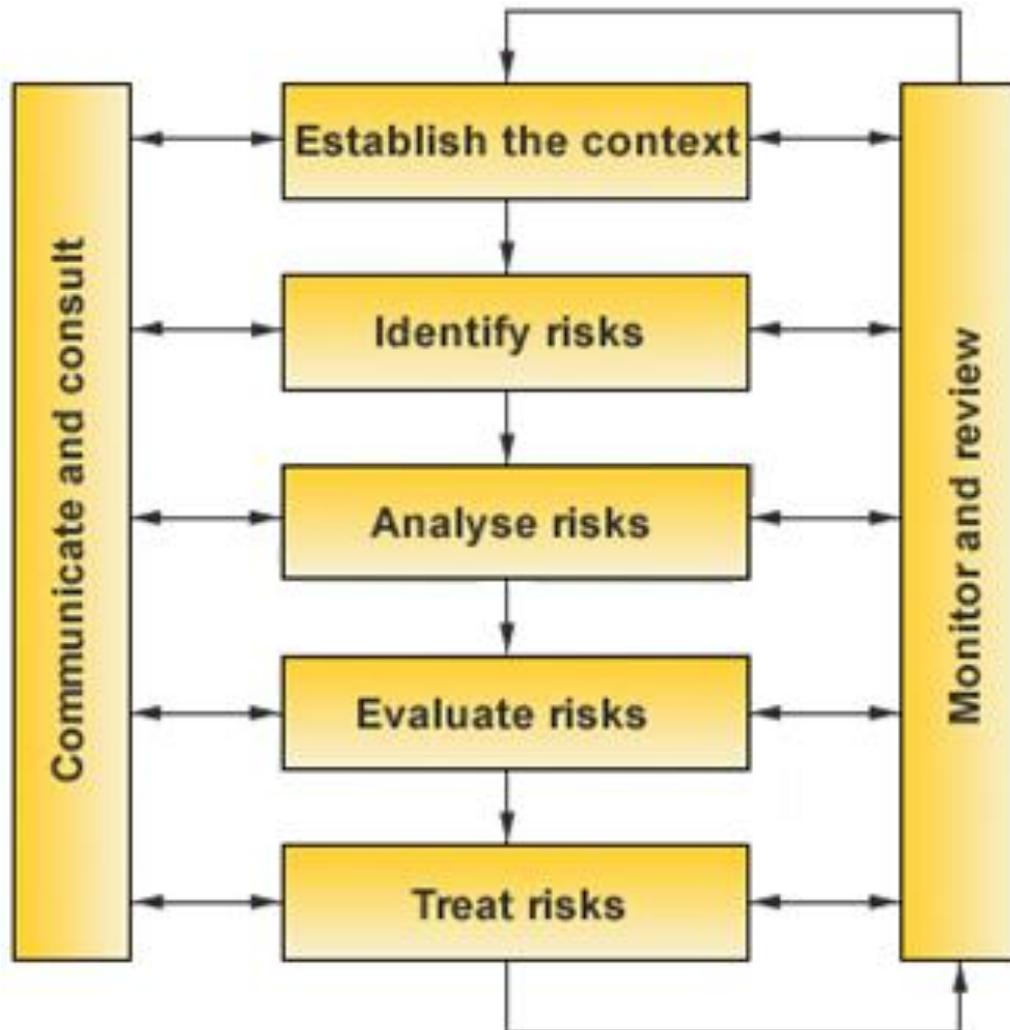


Figure: Risk management framework

6.2 The framework involves the following processes:

- (a) **Establish the context**  
establish the strategic, organisational and risk management context in which the risk identification process will take place.
- (b) **Identify risks**  
prepare a comprehensive list of risks based on events that might prevent, degrade, damage, or delay achievement of objectives.
- (c) **Analyse risks**

for each of risks identified consider their source, the consequences and the likelihood that those consequences may occur; and determine the consequence rating using the Risk Matrix below.

Rating		Consequence					
		Insignificant	Minor	Moderate	Major	Catastrophic	
Likelihood		1	2	3	4	5	
	Almost Certain	5	H	H	E	E	E
	Likely	4	M	H	H	E	E
	Possible	3	L	M	H	E	E
	Unlikely	2	L	L	M	H	E
	Rare	1	L	L	M	H	H

- (d) **Evaluate risks**  
compare the estimated levels of risk against the pre-established risk thresholds so as to identify which risks require treatment and management’s priority. If the levels of risk established are low, then risks may fall into an acceptable category and treatment may not be required.
- (e) **Treat risks**  
identify the range of options for treating the risks identified, assessing those options, preparing risk treatment plans and implementing them. Options include avoiding the risk, reducing the likelihood of the occurrence, reducing the consequences, transferring the risk, and retaining the risk.
- (f) **Monitor and review**  
monitor and review the performance of the risk management system and changes which might affect it.
- (g) **Communicate and consult**  
communicate and consult with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole.

## 7. Risk Governance Structure and Responsibilities

7.1 XS's risk governance is structured as follows:



7.2 The responsibilities of each tier of management are broadly described in the following:

- (a) **Board**  
The Board is ultimately responsible for the risk management policy and framework of XS, the risk management process and the identification of all material risks. The Board has delegated some of its responsibilities to the Audit and Risk Committee, however, maintains the overall responsibility for the process.
- (b) **Managing Director**  
The Managing Director is accountable to the Board for ensuring that the risk management system is implemented and maintained in accordance with this Policy.
- (c) **Chief Financial Officer (or equivalent)**  
The Chief Financial Officer (CFO) is accountable for the implementation of this Policy and for maintaining a programme of risk re-assessment. The CFO also provides advice to the relevant Senior Executives on risk management matters relevant to their responsibilities. The CFO is to assist senior management and the Board in the effective discharge of their responsibilities with regard to XS's internal control environment by ensuring the efficiency and effectiveness of Company processes and identifying opportunities to improve operating performances. At appropriate intervals, the CFO shall determine the adequacy

and effectiveness of the Company's system of internal accounting and operating controls and determine if the business unit/function are managing risks, in accordance with management instruction, policies and procedures, in a manner consistent with XS's objectives.

(d) **Executives**

Executives are accountable for strategic risk management within areas under their control including the dissemination of the risk management process to employees under their control and responsibility. Collectively the Senior Executive is responsible for: (i) the formal identification of strategic risks that impact upon XS's business; (ii) allocation of priorities; (iii) the development of strategic risk management plans; and (iv) the review of progress against agreed risk management plans and risk mitigation measures.

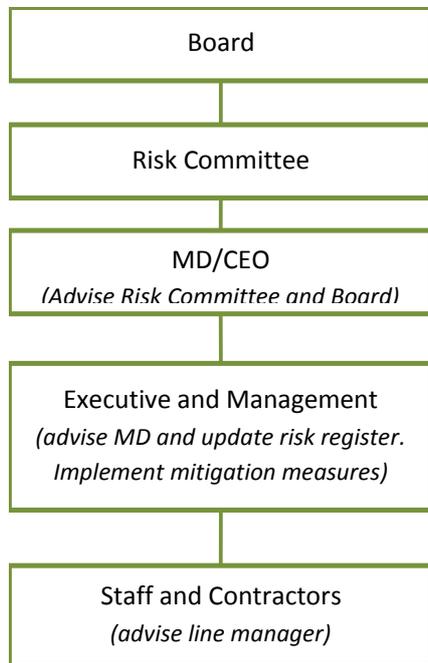
(e) **General Staff and Contractors**

General staff and contractors to XS are to identify hazards or risks in their work area and report them to their line manager. Additionally, both staff and contractors are expected to comply with risk management procedures.risk management within areas under their control including the dissemination of the risk management process

7.3 The table below denotes the risk owners for the key risk divisions within XS. The risk owner is responsible for the everyday management of their risk area, maintaining an up-to-date risk register and escalating risk evaluation and mitigation decisions for risks that may potentially have a marked effect on the company to their line manager or the Board

<b>Risk Division (description)</b>	<b>Responsible Person(s)</b>
Overall responsibility for risk management process	MD and Board of Directors
Overall responsibility for all material business risks	MD and Board of Directors
Occupational Health and Safety	MD
Compliance, Finance, Human Resources, Technology	CFO
Exploration Risk, resource/reserve statements	Technical Manager
Operations	Project/Resident Manager
Technical, engineering and project development	Project/Resident Manager
Insurance	CFO

7.4 XS's risk reporting structure is depicted as follows:



## 8. Risk registers

8.1 A series of risk registers that cover the key business risks are to be prepared, maintained and formally reviewed either periodically or when new business risks are presented.

8.2 The following risk registers are considered appropriate and necessary at this time:

- Safety and Environment;
- Financial and Compliance;
- Projects – Mt Adrah Gold Project; and
- Projects – Halls Peak Base Metals Project.

## 9. More Information

9.1 Any XS employee who has queries about this Policy should contact the Company Secretary.

## 10. Policy Review

10.1 This Policy is to be reviewed by the Board on a periodic basis.