



BMG Resources Limited

ACN 107 118 678

Risk Management and Internal Compliance and Control

Risk profile

The Company's risk profile contains both financial and non-financial factors including material risk arising from pricing, competitive position, currency movements, operational efficiency, inherent mineral exploration risks [ore reserve replacement, fuel prices, ground water flows, product quality], [JMCD note: BMG should consider whether or not these risks are applicable, especially in view of the changes to the Company's operations away from mining] and investments in new projects.

To mitigate these risks, the Company has in place a broad range of risk management policies and procedures including specialised sales contracts, competent management in all disciplines, a comprehensive management information system, an Audit and Risk Committee, an experienced Board, regular Board meetings, financial and internal audits, rigorous appraisal of new investments, engagement of suitably qualified and experienced external advisers familiar with the Company and its operations, and an internal audit function.

Risk management

The Company's process of risk management and internal compliance and control is directed at achieving effectiveness and efficiency in the use of the Company's resources, compliance with applicable laws and regulations, and preparation of reliable published financial information.

The Company's process of risk management and internal compliance and control includes:

- (a) establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- (b) continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- (c) formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and
- (d) monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

Responsibilities

The Company's risk management and internal compliance and control is conducted by the Company's management, the Audit and Risk Committee and the Board, working in concert.

Day to day oversight of risk management strategy and policies, and internal compliance and control, is conducted by the Company's management. Management assesses the effectiveness of the Company's risk management and internal controls and makes comparisons with industry standards.

Management has periodic discussions with the Audit and Risk Committee at which it reports on the efficiency and effectiveness of the Company's risk management and internal controls.

The Audit and Risk Committee then reports its findings and recommendations to the Board, which has ultimate responsibility for overseeing the risk management framework of the Company.

Review

This policy is reviewed every **two years**.