



RISK MANAGEMENT AND COMPLIANCE POLICY

Introduction

The Board of Peninsula Energy Limited ("Peninsula Energy or the Company") has delegated to the Audit & Risk Management Committee ("the Committee") the primary responsibility for ensuring that risks are identified and monitored. The discharge of this responsibility is assisted by

- The adoption of a comprehensive Risk Management Policy that has been disseminated to all staff, and
- The implementation of a sound system of internal controls and procedures, as overseen by the Committee.

The Risk Management Policy was initially formulated following guidelines published by Standards Australia:

- AS/NZS 4360:1999- Risk Management
- HB 141:1999- Risk Financing;
- HB 231:2000- Information Security Risk Management Guidelines;
- HB 221:2003- Business Continuity Management

Principles

The Risk Management Policy provides the guiding principle for management in the identification of risks across the organisation as a whole, and within individual business units. The analysis and evaluation criteria are used to continually assess the impact of risks upon the Company's business objectives.

Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. The annual business planning process includes careful consideration of internal and external risk profile of the company. Senior executives report monthly to the board on the areas they are responsible for, including key business risks.

The Company's business risk management process provides a comprehensive, integrated approach for carrying out risk management activities. This process should allow senior executives to identify the potential impact of business risks in achieving objectives to create and protect shareholder value.

All risks are categorised as one of either: -

- Regulatory risk
- System/IT process risk
- Financial Management Risk
- Business and Operational Risk

This model provides a framework for systematically understanding and identifying the types of business risks threatening the Company as a whole or specific business activities within the Company.

Responsibilities

Managing Director/Chief Executive Officer

The MD/CEO is accountable to the Board, through the Committee for ensuring that the risk management system is implemented and maintained in accord with the Risk Management Policy. Assignment of responsibilities in relation to risk management is the prerogative of the MD/CEO.

Senior Executives

Senior Executives are accountable for strategic risk management within areas under their control including the dissemination of the risk management process to operational managers.

Collectively the Senior Executive is responsible for:

- The formal identification of material risks that impact upon PEN's business
- Allocation of priorities
- The development of material risk management plans

The Senior Executives review progress against agreed risk management plans.

Chief Financial Officer (or the Company Secretary where there is no CFO)

In conjunction with the MD/CEO the CFO is accountable for the implementation of the Risk Policy and for maintaining a programme of risk reassessment. The CFO also provides advice to the relevant Senior Executives on risk management matters relevant to their responsibilities.

The CFO/CS is to assist senior management and the Board in the effective discharge of their responsibilities with regard to the Company'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/CS 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 Company objectives.