



Risk Management Policy

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INTRODUCTION

Risk arises in all aspects of operations of Mirabela Nickel Limited (**Company**). Identification, analysis and evaluation of risk are key to ensuring that the Company and its subsidiaries (**Group**) meet its objectives and goals. The board of directors of the Company (**Board**) is committed to utilising a structured approach to risk management to enable the Group to take advantage of potential opportunities arising while managing potential adverse effects encountered.

This Risk Management Policy (**Policy**) will ensure that the Group makes informed decisions in its activities by adequately considering material business risk which the Board considers important to enhancing shareholder value.

RISK OVERSIGHT

RESPONSIBILITY

The Board is responsible for identifying the principal risks of the Group's business and ensuring the implementation of appropriate systems to manage those risks (including in relation to internal control and management information systems, codes of conduct and legal compliance).

The Board, as part of the Company's risk management process:

- (a) oversees this Policy and risk management; and
- (b) reviews and approves procedures for the maintenance and monitoring of the Group's risk profile.

IDENTIFICATION OF RISKS

In establishing the Group's risk profile, the Board considers the material business risks applicable to the Group including, but not limited to:

- (a) **credit risk**: the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations;
- (b) **liquidity risk**: the risk that the Group will not be able to meet its financial obligations as they fall due;
- (c) **health and safety risk**: the risk of a severe or fatal accident at any of the Group's operations;
- (d) **environmental risk**: the risk of environmental harm at any of the Group's operations;



- (e) **social and community risk:** the risk of social and local community discontent in response to the any of the Group's operations;
- (f) **operational risk:** the risk of significant delays or shut-downs at the Group's mining operations causing material effect to the Group's production schedules;
- (g) **unethical conduct risk:** the risk that a Group member or employee will engage in unethical behaviour;
- (h) **market risk:** the risk that changes in market conditions, such as commodity prices, fluctuations in exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments;
- (i) **human capital risk:** the risk that directors, management and key employees leave employment or engagement with the Group; and
- (j) **regulatory risk:** the risk that the Group does not meet its obligations under the *Corporations Act 2001* (Cth), and with the requirements of the Australian Securities Exchange (**ASX**).

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

RISK MANAGEMENT RESPONSIBILITIES

INTERNAL AUDIT

The Audit Committee, as created under the Audit Charter, is responsible for:

- (a) oversight of the Group's system of risk management and internal control;
- (b) review of the operational effectiveness of the policies and procedures relating to risk and the Group's control environment;
- (c) monitoring management's design and implementation of a risk management and internal control system to manage the Group's material business risks;
- (d) reviewing:
 - (i) reports from management on whether material business risks are being managed effectively;
 - (ii) treasury policy and procedures; and
 - (iii) the adequacy of insurances; and
- (e) reviewing and approving hedging strategies.

The Audit Committee is empowered to recommend to the Board risk management policies, procedures and strategies. However, issues of material importance will be referred to the Board with the Audit Committee's recommendation.

KEY MANAGEMENT PERSONNEL (KMP)

The Company's Managing Director and Chief Executive Officer (**CEO**) together with the Company's Chief Financial Officer (**CFO**), Chief Operations Officer, Mine General Manager and Company Secretary (together **KMP's**) are responsible for:

- (a) developing appropriate systems and assessment procedures for the identification, assessment, reporting and management of risks;

- (b) ensuring that appropriate systems and processes for the identification, assessment, reporting and management of risks (including internal control and management information systems) are implemented;
- (c) assisting senior management and the Board in the effective discharge of their responsibilities with regard to the Group's risk management and internal control environment;
- (d) at appropriate intervals, determining the efficiency and effectiveness of the Group's risk management processes including its system of internal accounting and operating controls and identifying opportunities to improve operating performance;
- (e) at appropriate intervals, determining if the Group is managing risks in a manner consistent with the Group's objectives; and
- (f) ensuring that regular reports are presented to the Board and/or audit committee as to the performance of the Group's risk control processes.

SENIOR MANAGEMENT

Other senior personnel are responsible for managing risk within those areas under their control, including dissemination of the risk management process to operational personnel.

Collectively, senior management is responsible for:

- (a) identifying strategic risks in their area of control that impact upon the Group's business;
- (b) assessing and prioritising the risks identified;
- (c) developing, implementing and maintaining strategic risk (including internal control and management information systems) and management plans;
- (d) reviewing the effectiveness of procedures implemented for the identification, assessment, reporting and management of risks and the system of internal accounting and operating controls; and
- (e) reporting to KMP's on the management of their department's material business risk.

INTERNAL CONTROL SYSTEMS

The Board recognises that a cost effective internal control system will not preclude all errors and irregularities. As a result, the Company has established internal control systems by applying a risk management system throughout the Group which establishes a common risk management understanding. Reference is also made to the Company's Code of Conduct and Ethics.

FINANCIAL REPORTING

The Company has established internal financial control systems to provide reasonable assurance regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial reporting.

The CEO and the CFO will provide assurance annually to the Board that the required declaration made under section 295A of the *Corporations Act 2001* (Cth) is founded on a sound system of risk management and internal control which is operating effectively in all material respects in relation to financial reporting risks (**Reporting Assurance**). All risk assessments cover the whole financial period



and the period up until the signing of the annual financial report for all material operations of the Group.

EXTERNAL ADVISORS

The Board may invite the Company's external auditors, professional advisors and management, where considered appropriate, to advise the Board on relevant issues to ensure compliance with all corporate financial and accounting standards.

REPORTING

The CEO and CFO will report to the Board:

- (a) as to whether the material business risks are being managed effectively (**Management Report**);
- (b) that they have reasonable assurance that all material information is known for filing purposes;
- (c) the internal control of financial reporting is reliable for purposes of external reporting in accordance with the relevant accounting standards; and
- (d) that no changes in the controls have occurred that may materially affect their effectiveness.

REVIEW

The Board will regularly review this Policy and the internal risk management control systems to assess its effectiveness in managing material business risks.

DISCLOSURE

The Board will disclose that:

- (a) the KMP's have reported to it on the effectiveness of the Group's management of material business risks; and
- (b) it has received the Reporting Assurances from the CEO and CFO.

The Company, being listed on the ASX, seeks to comply with Principle 7 of the ASX's Corporate Governance Principles and Recommendations (**ASX Principles**). The Company will disclose in its Corporate Governance Statement (as contained in the annual report):

- (a) departures, if any, from the recommendations set out in ASX Principles - Principle 7; and
- (b) whether the Board has received:
 - (i) the Management Report; and
 - (ii) the Reporting Assurance.

APPROVAL AND ADOPTION

This Risk Management Policy was updated and approved by the Board on 25 August 2014. Any amendments to this Risk Management Policy are subject to approval by the Board.