



*Vision, Commitment, Results*

# PANORAMIC RESOURCES LIMITED

ACN 095 792 288

## RISK MANAGEMENT GUIDELINE [SUMMARY]

Approved: December 2007

Version – Sept. 2008 (following change of Company Name)



## 1. Introduction

As with all organisations Panoramic Resources Limited faces risks, which unmanaged or under managed can pose a substantial threat. Well managed risks can become positive opportunities.

Each employee has a shared responsibility to consider risk its and potential consequences as part of their daily work. Consideration of risks needs to be built into business planning and decisions at all levels.

This guideline on managing risk has been prepared to guide Panoramic staff in identifying, analysing and managing risk in the organisation. The information is based on the Australian and New Zealand standard but has been structured to facilitate the risk management process within Panoramic.

I encourage you to utilise this guideline and support the management of risk throughout the organisation.

A handwritten signature in black ink, appearing to be "P. J. Harold". The signature is stylized with a large, sweeping initial "P" and "H".

**Peter J Harold**  
**Managing Director**



## 2. Objectives of the Risk Management Process

Risk Management – is a logical and systematic method of identifying, analysis, assessing, treating, monitoring and communicating risks associated with any activity, function or process in a way that will enable organisations to minimise losses and maximise opportunities.

The Standard (4360) provides guidance to enable the achievement of:

- A more confident and rigorous basis for decision-making and planning.
- Better identification of opportunities and threats.
- Gaining value from uncertainty.
- Pro-active rather than re-active management.
- More effective allocation and use of resources.
- Improved stakeholder confidence and trust.
- Improved incident management and reduction in loss and the cost of risk, including commercial and insurance premiums.
- Improved compliance with relevant legislation, and
- Better corporate governance.

<b>Examples of Benefits of Risk Management</b>	
• Fewer surprises	• Improved information for decision making
• Exploitation of opportunities	• Enhanced reputation
• Improved planning, performance and effectiveness	• Director protection
• Economy and efficiency	• Accountability, assurance and governance
• Improved stakeholder relationships	• Personnel wellbeing

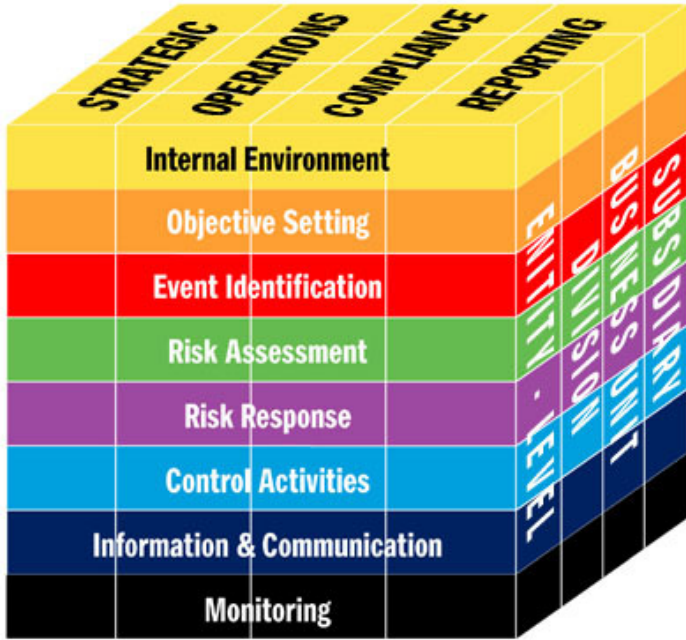


### 3. Risk Policy

<b>RISK MANAGEMENT DEFINITION</b>	
<b>CATEGORY</b>	<b>DETAIL</b>
<b>Introduction</b>	<p>The Panoramic Board of Directors recognises that risk management and internal control are key elements of good corporate governance. This policy describes the manner in which Panoramic identifies, assesses, monitors and manages risk.</p> <p>This policy embraces the principles contained in the ASX Corporate Governance Council’s “Principles of Good Corporate Governance and Best Practice Recommendations” released in March 2003 (ASX Principles).</p>
<b>Definition of Risk</b>	<p>The threat that an event will adversely affect Panoramic’s ability to achieve the business objectives and maximize stakeholder value, including the failure to recognise opportunities or exploit acceptable risks.</p>
<b>Statement of policy</b>	<p>Every project including Perth Office is expected to:</p> <ul style="list-style-type: none"> <li>• Establish clear business objectives, identify and evaluate the critical risks to the achievement of those business objectives, and ensure that there is an adequate risk management strategy in place.</li> <li>• Incorporate risk responses into a system which is designed to address opportunities, protect people, the environment and company assets, which will facilitate effective and efficient operations and help to ensure reliable reporting and compliance with applicable laws and regulations.</li> <li>• Monitor the effectiveness of the risk management process and internal controls established for the business unit.</li> <li>• Follow relevant Panoramic risk management guidelines and standards which relate to particular types of risks.</li> <li>• Perform and formally report on their risk management activities on a monthly basis; and</li> <li>• Provide annual assurance regarding the extent of its compliance with this policy.</li> </ul>
	<p>Within each project, line management is expected to:</p>
	<ul style="list-style-type: none"> <li>• Resource, operate and monitor the system of risk management and internal control.</li> <li>• Ensure that a risk based approach (risk prioritisation) to internal control is communicated to staff, embedded in business processes and responsive to evolving risks.</li> <li>• Assign accountability for managing risks within agreed boundaries; and</li> <li>• Report the results of the effectiveness of the risk based internal</li> </ul>

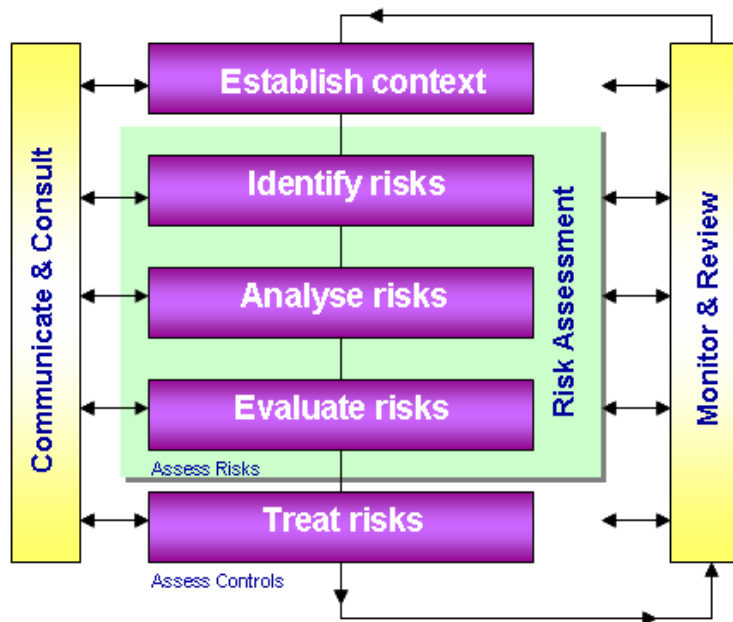


	<p>control system, including identified weaknesses or incidents, to executive management.</p>
<p><b>Implementation of policy</b></p>	<p>This policy is implemented within Panoramic by:</p> <ul style="list-style-type: none"> <li>• Establishing and implementing across all projects a formal risk management and internal control process.</li> <li>• Identifying from this process specific project and corporate risks which may materially impact Panoramic.</li> <li>• Regularly monitoring and assessing the performance and effectiveness of the risk management and internal control processes.</li> <li>• Ensuring the risk management and internal control process is overseen by the Board of Directors.</li> <li>• Requiring the Managing Director and Chief Financial Officer to certify to the Board that Panoramic’s risk management and internal control system is operating efficiently and effectively in all material respects.</li> </ul>
<p><b>Risk Management Process COSO model</b></p>	<p>Panoramic has put in place an embedded risk management and internal control process (Risk Management Process) which is based on the control framework for enterprise risk management prepared by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) in 2001.</p> <p>The Risk Management Process will enable the identification, assessment, monitoring and management of material risk throughout the Panoramic group. It consists of <b>eight</b> interrelated components:</p> <ul style="list-style-type: none"> <li>• <b>Internal environment</b> – which involves setting the foundation for how risk and control are reviewed and addressed by Panoramic people;</li> <li>• <b>Objective setting</b> – which involves ensuring that management has a process in place to set objectives and that the chosen objectives support and align with Panoramic’s mission and vision and are consistent with approved risk appetite;</li> <li>• <b>Event identification</b> – which includes identifying internal and external factors that influence how potential events may affect strategy implementation and achievement of objectives;</li> <li>• <b>Risk assessment</b> – which requires an analysis of identified risks in order to form a basis for determining how they should be managed;</li> <li>• <b>Risk response</b> – which requires management to select an approach or set of actions to mitigate risks where appropriate taking into account Panoramic’s risk profile;</li> <li>• <b>Control activities</b> – which includes the establishment and execution of policies and procedures to help ensure that the risk responses management selected are effectively carried out;</li> <li>• <b>Information and communication</b> – which requires relevant information to be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities; and</li> <li>• <b>Monitoring</b> – 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</li> </ul>

	<p>warrant.</p>
	<p>These components are represented in the following diagram:</p> 
<p><b>Risk Management Process AS/NZS 4360:2004</b></p>	<p>The AS/NZS 4360 Risk Management Process will support the COSO model. It consists of the following main elements:</p> <ul style="list-style-type: none"> <li>• <b>Communicate and consult-</b> 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;</li> <li>• <b>Establish the context-</b> establish the external, internal and risk management context in which the rest of the process will take place. Criteria against which risk will be evaluated should be established and the structure of the analysis defined;</li> <li>• <b>Identify risks-</b> Identify where, when, why and how events could prevent, degrade, delay or enhance the achievement of the objectives;</li> </ul>

- **Analyse risks-** Identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk. This analysis should consider the range of potential consequences and how these could occur;
- **Evaluate risks-** Compare estimated levels of risk against pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities.
- **Treat risks-** Develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs; and
- **Monitor and review-** It is necessary to monitor the effectiveness of all steps of the risk management process. This is important for continuous improvement. Risks and the effectiveness of treatment measures need to be monitored to ensure changing circumstances do not alter priorities.


These main elements are represented in the following diagram:





<p><b>Implementation of risk management process</b></p>	<p>Each project and Perth Office is responsible for implementing the Risk Management Process in a manner which is appropriate for that business unit.</p> <p>This process is reviewed and monitored across the Panoramic group by the Board of Directors, who delegates responsibility to a Business Risk Team.</p>
	<p>Responsibilities of the Environment, Safety &amp; Risk Committee or Business Risk Team include:</p>
	<ul style="list-style-type: none"> <li>• Providing a centralised co-ordinating point for the promotion and facilitation of risk management across the Panoramic group.</li> <li>• Establishing and maintaining a common methodology, recording system and policy.</li> <li>• Promoting risk management competence and helping managers align risk definition and responses within the approved risk tolerance.</li> <li>• Reporting to the Managing Director on the progress and effectiveness of risk management; and</li> <li>• Facilitating the consolidation of the corporate view of risk and management responses.</li> </ul>
<p><b>Risk profile</b></p>	<p>The operation of the Risk Management Process results in the identification of a number of significant risks which may impact on Panoramic’s business as an exploration and production group with national operations. These risks include but are not limited to:</p> <ul style="list-style-type: none"> <li>• The availability and cost of reserves replacement and recovery;</li> <li>• Commercialisation of nickel reserves;</li> <li>• Sovereign risk;</li> <li>• Exposure to commodity prices, exchange rates, interest rates and oil products;</li> <li>• Production availability;</li> <li>• Technical and project management competencies;</li> <li>• Health, safety, environment and security risk;</li> <li>• Exposure to Debt, repayment schedules;</li> <li>• Exposure to credit risk – investment &amp; customer;</li> <li>• Integrity of data and reporting; and</li> <li>• Natural disasters</li> </ul>
	<p>These risks may change over time as the external environment changes and as Panoramic grows and/or diversifies. The Risk Management Process requires regular reviews of the existing risks and the identification of any new and emerging risks facing the group, including financial and non-financial matters.</p> <p>It also requires the management (including mitigation) of these risks.</p>
<p><b>Assessing the effectiveness of the risk management</b></p>	<p>The Risk Management Process and the requirements and expectations described in this policy are examined, evaluated and monitored by Panoramic’s Business Risk Team on behalf of the Board of Directors.</p>



<b>process</b>	
<b>Oversight of the risk management process</b>	<p>Oversight of the Risk Management Process is provided by the Business Risk Team. More specifically, the Business Risk Team is responsible for:</p> <ul style="list-style-type: none"> <li>• keeping under review the effectiveness of Panoramic’s Risk Management Process.</li> <li>• the annual approval of the Risk Management Process.</li> </ul>
	<p>The Business Risk Team report to the Board of Directors on an annual basis on the implementation and developments of the Risk Management Process as well as any significant changes to the current risk profile.</p> <p>Following an annual review of the Risk Management Process the Business Risk Team reports to the Board of Directors its findings on the implementation of the Risk Management Process.</p>
<b>Accountability Section 295 Principle 4</b>	<p>The Managing Director and the Chief Financial Officer are required to state to the Board in writing:</p> <ul style="list-style-type: none"> <li>• a statement relating to the integrity of Panoramic’s financial statements is founded on a sound system of risk management and internal control which implements the policies adopted by the Board; and</li> <li>• Panoramic’s risk management and internal control system, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.</li> </ul>
<b>Policy review</b>	<p>The Board of Directors will review this policy annually to determine whether risk management practices continue to meet shareholder expectations and requirements of the ASX principles.</p>
<b>Approved by</b>	 Chairman 10 December 2007
<b>Revised by</b>	.....Date: .....