Risk Management Policy

Chalice Gold Mines Limited ACN 116 648 956 (**Company**)

1 Purpose

Recognising and managing risk is fundamental to the Company achieving its strategic objectives, and a crucial part of the role of the Board and management. Sound risk management practices can not only help to protect established value, but also can assist in identifying and capitalising on opportunities to create value.

The Company recognises that a failure by it to recognise or manage risk can adversely impact not only on the Company and its shareholders, but also other stakeholders which may include employees, customers, suppliers, creditors, consumers, taxpayers and the broader community in which the Company operates.

The Board is ultimately responsible for deciding the nature and extent of the risks it is prepared to take to meet its strategic objectives. To enable the Board to do this, the Company must have an appropriate risk management framework to identify and manage risk on an ongoing basis.

This policy sets out the Company's approach to risk management, including its approach to identifying and managing risk, the responsibilities of the Board, management and others within the Company in relation to risk management, and the resources and processes dedicated to risk management. Managing risk is the responsibility of everyone in the Company.

In this policy:

management refers to the senior management team as distinct from the Board, comprising the Company's senior executives, being those who have the opportunity to materially influence the integrity, strategy and operation of the Company and its financial performance.

Recommendation refers to the Corporate Governance Principles and Recommendations 3rd edition as published by the ASX Corporate Governance Council.

risk means effect of uncertainty on objectives[1];

risk management means co-ordinated activities to direct and control the Company with regard to risk[2];

risk management framework is the set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the Company[3].

1 Who does this policy apply to?

All directors, officers and employees of the Company must comply with this policy.

[1] As defined in Australian/New Zealand Standard AS/NZS ISO 31000:2009 *Risk management – Principles and guidelines*

[2] As defined in Australian/New Zealand Standard AS/NZS ISO 31000:2009 *Risk management – Principles and guidelines*

[3] As defined in Australian/New Zealand Standard AS/NZS ISO 31000:2009 *Risk management – Principles and guidelines*

2 Risk appetite

The Board is responsible for deciding the nature and extent of the risks it is prepared to take to meet its objectives (**risk appetite**).

The Company is relatively risk averse and its risk management framework is designed to ensure that risk are understood and avoided or managed.

3 Risk management framework

The framework adopted references the Australian/New Zealand Standard AS/NZS ISO 31000:2009 *Risk management – Principles and guidelines* and involves:

3.1 Risk identification

The risks faced by the Company will be identified and documented in a risk register. Risk identification will be undertaken as part of the Company's strategic planning and budgeting process, and is carried out through a workshop with management and may be facilitated by an external service provider or by a member of management.

The Company's risks will be classified under the following broad categories:

(a) Market-related

(b) Financial reporting

(c) Operational

(d) Environmental

(e) Human capital

(f) Sustainability

(g) Occupational Health & Safety

(h) Political

(i) Strategic

(j) Economic cycle/marketing

(k) Legal and compliance.

The individual risks which fall within these categories will be included in the Company's risk register.

3.2 Risk analysis

Once the list of risks is agreed on by management and reviewed by the Audit and Risk Committee, the risks will be analysed by determining consequences of the risks eventuating and their likelihood. Existing risk controls and their effectiveness (as perceived by management) should be taken into account when considering how likely the risk event is to occur and the impact/consequences it will have on the business.

Risk prioritisation will be undertaken at the same time as risk identification and will be considered in light of a 5x5 risk matrix, as the per the example in Appendix A, or equivalent.

3.3 Risk evaluation

Prioritised risk should be compared with the risk appetite established by the Board. The output of this process will be a prioritised list of risks for further action.

3.4 Risk treatment

Where the level of risk is above the desired level, management will develop and execute an action plan to address the risk by either: transferring the risk; reducing the risk or accepting the risk or a combination of these approaches. When selecting the way a risk will be treated, the Company will consider the values and perceptions of stakeholders and the most appropriate ways to communicate with them.

3.5 Monitoring and review

The risk register will be reviewed, and if required updated, on at least a half yearly basis, or more often if required.

Management reports to the Audit and Risk Committee, who reports to the Board on the Company's Management of its material business risks on a regular basis.

The risk management framework will be monitored and reviewed by management and through the risk activities outlined in section 5. However, the Board may request independent verification in relation to all or some of the risk management framework or individual controls, via internal or external means.

3.6 Documentation

The risk management framework and processes will be documented.

4 Risk management activities

The Company's annual risk management activities are divided into quarters as follows:

4.1 Quarter One commencing 1 July

4.1.1 Management:

(a) the Managing Director and Chief Financial Officer provide the Board with a declaration in accordance with Recommendation 4.2 and section 295A of the Corporations Act 2001 (Cth) (**Corporations Act**);

(b) the Managing Director provides a summary of the Company's risk management effort, including a report to the Audit and Risk Committee whether the Company's material business risks are being managed effectively; and

(c) management prepares the disclosure for inclusion in the Company's corporate governance statement in relation to Recommendations 7.1 to 7.4.

4.1.2 Audit and Risk Committee:

(a) the Audit and Risk Committee review the updated the risk register and/or individual risk reports as prepared by management and questions management if required.

(b) Reviews the disclosure for inclusion in the Company's corporate governance statement in relation to Recommendations 7.1 to 7.4

(c) Reports to the Board the updated risk register and a report regarding the Company's annual risk management efforts is tabled.

(d) Reviews the Company's Risk Committee Charter and Risk Management Policy.

4.1.3 The Board:

(a) notes the updated risk register and/or individual risk reports and questions management if required;

(b) notes the Managing Director and Chief Financial Officer declaration for the purposes of Recommendation 4.2 and section 295A of the Corporations Act;

(c) approves the Risk Management Policy, as reviewed by the Audit and Risk Committee and provides input into the Company's risk profile

(d) notes the Audit and Risk Committees summary regarding the Company's annual risk management effort (including the effectiveness report); and

(e) approves the disclosure for inclusion in the Company's corporate governance statement in relation to Recommendations 7.1 to 7.4.

4.2 Quarter Two commencing 1 October

4.2.1 Management:

(a) the Managing Director and Chief Financial Officer provide the Board with a declaration in accordance with Recommendation 4.2 and section 295A of the Corporations Act ;

4.2.2 The Board:

(a) notes the Managing Director and Chief Financial Officer declaration for the purposes of Recommendation 4.2 and section 295A of the Corporations Act; and

4.3 Quarter Three commencing 1 January

4.3.1 Management:

(a) the Managing Director and Chief Financial Officer provide the Board with a declaration in accordance with Recommendation 4.2 and section 295A of the Corporations Act;

(b) reviews the Risk Management Policy and risk register and makes recommendations to the Audit and Risk Committee about any proposed changes;

4.3.2 Audit and Risk Committee:

(c) reviews the Company's risk management framework to satisfy itself that it continues to be sound;

(d) reviews the Company's Audit Risk Committee Charter and role descriptions for management to ensure accountability for all risk management is included;

(e) reviews the updated risk register and/or an individual risk report and provides the register and/or the report to the Board.

4.3.3 The Board:

(a) determines the Company's overall risk appetite;

(b) notes the Managing Director and Chief Financial Officer declaration for the purposes of Recommendation 4.2 and section 295A of the Corporations Act; and

(c) notes the updated risk register/individual risk reports and questions management if required.

4.4 Quarter Four commencing 1 April

4.4.1 Management:

(a) the Managing Director and Chief Financial Officer provide the Board with a declaration in accordance with Recommendation 4.2 and section 295A of the Corporations Act;

4.4.2 The Board:

(a) notes the Managing Director and Chief Financial Officer declaration for the purposes of Recommendation 4.2 and section 295A of the Corporations Act; and

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5 Risk management roles and responsibilities

5.1 Board

The Board is responsible for setting the Company's risk appetite, for overseeing the risk management framework designed and implemented by management and to satisfy itself that the risk management framework is sound. The Board is also responsible for monitoring and reviewing the Company's risk profile.

5.2 Audit and Risk Committee

The Board has established a separate Audit and Risk Committee, which is responsible for, among other things, the adequacy of the Company's corporate reporting processes and the appropriateness of managements accounting judgements or choices. It also reviews the Company's internal financial control system and overseas the Company's risk management framework. The role of the Audit Committee is set out in the Company' *Audit Committee Charter* and the *Risk Committee Charter*.

However, ultimate responsibility for the Company's risk management framework rests with the Board.

5.3 Managing Director

The Managing Director has responsibility for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for identifying any material changes to the Company's risk profile and ensuring, with approval of the Board, the risk profile of the Company is updated to reflect any material change.

The Managing Director is required to report on the progress of, and on all matters associated with, risk management on a regular basis. The Managing Director is to report to the Board as to the effectiveness of the Company's management of its material business risks, at least annually.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

5.4 Management

Senior executives are responsible for assisting the Managing Director identify, assess, monitor and manage risks.

5.5 Managers and supervisors

Managers and supervisors must:

(a) monitor material business risks for their areas of responsibilities;

(b) provide adequate information on implemented risk treatment strategies to management to support ongoing reporting to the Board; and

(c) ensure staff are adopting the Company's risk management framework as developed and intended.

5.6 Individual staff

All staff within the Company should:

(a) recognise, communicate and respond to expected, emerging or changing material business risks;

(b) contribute to the process of developing the Company's risk profile; and

(c) implement risk management strategies within their area of responsibility.

6 Review

The Company's risk management framework is evolving. It is an on-going process and it is recognised that the level and extent of the risk management framework will evolve commensurate with the development and growth of the Company's activities. This will include an annual review of this policy by the audit committee.

Appendix A – Template Risk Matrix

		Consequence to CHN				
		Minimal	**Minor**	**Moderate**	**Major**	**Catastrophic**
Probability	**Almost Certain**	**Medium**	**High**	**High**	**Extreme**	**Extreme**
	Likely	**Medium**	**Medium**	**High**	**High**	**Extreme**
	Possible	**Low**	**Medium**	**Medium**	**High**	**High**
	Unlikely	**Low**	**Low**	**Medium**	**Medium**	**High**
	Rare	**Low**	**Low**	**Low**	**Medium**	**Medium**

SOURCE: ISO 3100:2009 RISK MANAGEMENT – PRINCIPLES & GUIDELINES

Risk Rating	Action
Extreme	**Detailed action plan required**
High	**Needs senior management attention**
Medium	**Management responsibility must be specified**
Low	**Manage by routine procedures**