

RISK MANAGEMENT POLICY

AS AT SEPTEMBER 2020

1. INTRODUCTION

1.1 Objective

The primary objective of risk management is to ensure that the risks facing the business are appropriately managed. This gives stakeholders confidence to deal with or invest in the business.

1.2 Commitment

The Board of Bannerman Energy Limited (“**Bannerman**” or “**the Company**”) and its senior management is committed to managing its risks in order to both minimise uncertainty and to maximise its business opportunities. Pursuant to this commitment the Board has approved and adopted this document.

The Board determines the Company’s “risk appetite” and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. Management is responsible for ensuring effective risk management is being undertaken within the Company.

1.3 Risk Definition

The definition that is applied across the Company of what constitutes “risk” is:-

“An event or activity which may have an impact on the achievement of the Company’s objectives, strategies and its key business tasks.”

2. RISK MANAGEMENT FRAMEWORK

The framework upon which the Company’s approach to risk management is based is Australian Standard AS/NSS4360:2004

2.1 Risk Identification

The risks have been identified through a series of workshops that have considered what risks are, why they happen and how they occur.

New risks will be identified as each new initiative/project is considered and also at an annual review workshop with managers, which will review all existing risks and identify any new risks.

2.2 Risk Analysis

Each risk has been analysed by management by using the following ratings:-

- (a) probability of the risk occurring;
- (b) impact of the risk if it did occur;
- (c) ascertaining what level of controls and maintenance are currently being employed; and
- (d) how effective these controls are.

2.3 Risk Evaluation

Management have evaluated each risk through a process of allocating an appropriate rating of probability impact, risk and effectiveness controls.

This evaluation process determines whether the current management of each risk is within a predetermined acceptable level or whether action needs to be taken to treat the risk. It further identifies what monitoring is required i.e. active or periodic and whether review by Board, Audit Committee or management.

2.4 Risk Treatment

The risk treatment is designed to reduce the probability or impact or increase the risk controls. As there will normally be a cost associated with risk reduction, the objective is to reduce the risk to an acceptable level consistent with established risk criteria. Any one of several decision points that may be taken include:-

- (a) a satisfactory solution;
- (b) the most cost effective solution;
- (c) the accepted practice (industry norm, best practice etc.);
- (d) the best achievable result; and
- (e) the absolute minimum to satisfy corporate legislative or project needs.

The risk can be reduced by transferring the risk. This may involve the transfer of risk in part or in full to a contractor, a supplier or to a product buyer for example. Insurance is a common way of transferring risk. Insurance is normally taken for low probability, high impact events.

When a risk treatment action is undertaken, it may not result in elimination or prevention of a risk, but will often result in reduction of the risk. A residual risk will remain that should be less than the Company's level of tolerable risk.

3. RISK REPORTING

The identified risks have been separated into various categories and rated according to inherent risk (probability and impact of the risk), and control rating (risk controls present and the evaluation of those controls).

4. RISK MONITORING AND REVIEW

Monitoring the status of each risk and any necessary action plans relating to their treatment takes place on a regular basis by controlled self assessment as well as by management’s quarterly review of risk action plans.

The risks are reviewed by the Audit Committee bi-annually.

The high level strategic and new initiative risks are reviewed annually by the Board. Identification of any new initiative risks or new strategic risks takes place as and when required.

Any action or recommendations arising out of these review processes are implemented by management and then checked by the reporting system to the Company Secretary.

Each risk identified for each manager is incorporated into the manager’s key performance indicators for that year and is monitored by that manager and reviewed by the manager’s direct report on an annual basis.

5. RATINGS

5.1 Probability Parameters

Factor	Rating	Probability
1	Rare Improbable	Possible but very unlikely that it will occur. Casual events have not occurred but risk is easy to control.
2	Low Unlikely	Could occur, but not expected. Casual events have occurred but effect has been controlled so that the defined consequence has not resulted.
3	Medium Possible	Could occur in the next 5 years. Would not be surprised if this occurred.
4	Substantial Likely	Expected to occur within 1 - 2 years. Could occur more than once in the next 10 years. Can be difficult to control due to some external influences. Has a history of occurrence.
5	High Almost Certain	Expected to occur within next year. High likelihood of it happening several times in the next 10 years. Chronic risk with history of occurrence.

5.2 Impact Measures

	1	2	3	4	5
	Negligible Insignificant	Low Minor	Medium Moderate	Substantial Major	High Catastrophic
	No significant impact on BMN; issues are routinely dealt with by management.	No significant impact on BMN; issues are dealt with internally.	No threat to the effective operation of BMN but would have unacceptable current year consequences.	Would threaten the effective operation of BMN and/or will have a significant impact on how BMN will operate in the future.	Would threaten the survival of BMN.

RISK MANAGEMENT POLICY (CONTINUED)

People	Minor injury. First aid treatment	Medically treated injury. Restricted work injury.	Serious injury. Lost time injury.	Permanent disabling injury. Multiple LTIs.	Single death.
Environment	Little or no environmental harm. Not required to inform regulator. No threat to tenure.	Minor transient environmental harm. Eg, transient release of pollutants, etc. Required to inform regulator. No threat to tenure.	Short term measurable but recoverable impact within 6 months. Eg, significant release of pollutants, etc. Required to inform regulator. No threat to tenure.	Long term environmental harm. Eg, major contamination, unapproved clearance of vegetation, damage to heritage site, etc. Required to inform regulator. Threat to tenure.	Serious impacts, long term environmental damage. Eg, dislocation of people, significant breach of tailings impoundment, contamination of potable water, etc. Threatened lawsuits and land tenure.
Community & Business Reputation	Single community complaint. No measurable impact. No press coverage.	Repeated or multiple community complaints. Minor or moderate impact. Local media coverage.	Extended negative local media articles or internet activity and capital city media coverage. Short (3 month) term measurable but recoverable impact.	Extended negative national media coverage or internet activity resulting in a material change in public and or influential stakeholder perceptions.	Serious or irrecoverable impact and/or damage to international reputation.
Financial	Less than A\$10,000	Up to A\$100,000	Up to A\$1 million.	Above A\$1 million	Unable to pay debts.