



Risk Management Policy and Procedures

White Energy Company Limited (the "Company")

White Energy Company Limited
Suite 206 The Bentleigh, 1 Catherine Street
Chatswood New South Wales 2067
Telephone +61 2 9959 0000
Facsimile: + 61 2 9959 0099
www.whiteenergyco.com

1 Introduction

- 1.1 A sound framework of risk oversight, risk management and internal control is fundamental to good corporate governance. It underpins reliable financial reporting, compliance with relevant laws and regulations, and effective and efficient operations.
- 1.2 Managing material business risks is the responsibility of everyone in the company, however specific accountability is reflected in the company's structure and organisational chart and these accountabilities are clearly defined in this document.
- 1.3 Risk management is something management considers every day as part of their job. By integrating risk management with existing company processes, management can ensure the efficient use of resources and therefore reduce the potential for duplication of effort when working to reduce risk levels. Another key benefit of integration is that it helps ensure that the risk management process itself is appropriately resourced and remains relevant and sustainable.

2 Risk Management Policy

- 2.1 Risk has the potential to impact the health and safety, environment, community, reputation, regulatory, operational, market and financial performance of the Group and, thereby, the achievement of the Company's corporate objectives.
- 2.2 Understanding and managing risk provides greater certainty and confidence for shareholders, employees, customers and suppliers, and for the community in which we operate.
- 2.3 Risk management assists to maximise the value from our business and to assist in encouraging enterprise and innovation.
- 2.4 Risk management is a critical business activity, Risk understanding and our tolerance for risk are key considerations in our decision making.
- 2.5 Risk issues will be identified, analysed and ranked in a consistent manner.
- 2.6 Risk controls will be designed and implemented to reasonably assure the achievement of the Company's corporate objectives. The effectiveness of these controls will be systematically reviewed and, where necessary, improved.
- 2.7 Risk management performance will be monitored, reviewed and reported. Oversight of the effectiveness of our risk management processes will provide assurance to executive management, the Board and shareholders.

3 Risk Management Standards

The risk management standards set the environment by which the Company commits to implementing the risk management policy into its the day to day practices.

3.1 Risk Accountability

Given its responsibility for representing the interests of shareholders, the Board plays a vital role in overseeing management's approach to risk management, including the determination of the company's tolerance for risk.

The risk accountability standards are:

- (a) Risk management processes are applied throughout all aspects of the Company's business.
- (b) Managers demonstrate a commitment to risk management by ensuring risk management is part of the Company's business activities, functions and processes.
- (c) Risk management roles and responsibilities are documented, understood and applied.
- (d) Systems are in place to ensure that risk reporting criteria are established and implemented.
- (e) Risks are considered in decision-making throughout the business.
- (f) Systems are in place to ensure reporting of risks to the appropriate level of management.

For specific material business risks, accountability is assigned to appropriate individuals who will report on the status and management of these risks. These accountabilities are as follows:

- (a) Audit and Risk Committee - responsible for the oversight of all financial and business risks including compliance with financial reporting standards and relevant company legislation. The Committee is also responsible for reporting to the Board on these accountabilities.
- (b) Chief Executive Officer – responsible for all business risks in conjunction with his direct reports and for reporting to the Board.
- (c) General Manager (Operations) – responsible for operations and human resources risks.
- (d) Director Business Development – marketing and customer relationships risks.
- (e) CFO/Company Secretary – responsible for the risk management process, financial, technology and compliance risks. The CFO is also responsible for reporting financial risks to the Audit Committee.

3.2 Risk Identification and Assessment

The aim of this process is to develop a risk register with a list of material business risks based on those events that might enhance, prevent, degrade or delay the achievement of the corporate objectives. It is equally important to identify the risks associated with not pursuing an opportunity.

Material business risks should be identified at the most senior level within the company and be documented in the context of the company's strategy and objectives.

Both the sources of risks and their potential consequences should be identified. Material business risks should be validated with the board to ensure their perspective on business vulnerabilities is taken into account.

The risk identification and assessment standards are:

- (a) Systems are in place to ensure that all risk issues with the potential to impact the achievement of the corporate objectives are identified and analysed.
- (b) Risks are recorded and maintained in the Company's risk register.
- (c) Risk registers include sufficient detail to describe the basis of risk ratings.
- (d) Risks are reviewed and updated at least annually

3.3 Risk Control

The risk control standards are:

- (a) Controls address the key causes and impacts of the risk.
- (b) Controls are designed and implemented consistent with the achievement of the corporate objectives and performance targets.
- (c) Managers review control design and control effectiveness at least annually to ensure that those controls continue to be applicable, relevant and effective in achieving the Corporate Objectives.

The main techniques for controlling the risks are:

- (a) Transfer of the risk, through the use of contracts such as insurance.
- (b) Reduce the risk, by adopting alternative approaches to achieving the same objective.
- (c) Accept the risk, and develop contingency plans to minimise the impact should the risk eventuate. For the risks accepted to be managed, it is necessary to identify an individual responsible for establishing a monitoring process that captures the likelihood of the risk occurring and the treatment strategies to be applied should the risk eventuate. Consideration should be given to continuous disclosure requirements under the ASX Listing Rules.

3.4 Risk Management and Monitoring

Ongoing reporting and discussion of the management of material business risks at the board level is a crucial step in the process.

The risk management standards are:

- (a) Risk management performance is regularly monitored.
- (b) Risks and risk management performance are appropriately communicated to stakeholders.

The Board, with the assistance of the Audit and Risk Committee evaluate the effectiveness of the systems for identifying and managing risks that are material to achieving the corporate objectives.

4 ASX guidelines

Principle 7 requires the Board to report whether they have received an assurance from the Managing Director and the CFO that management has identified and addressed the material business risks effectively. This assessment is done at the individual material business risk level and, in order to support the focus on risk throughout the year (and to ease the workload), this risk reporting to the board occurs throughout the year.

Towards the end of each year management provide the Board a summary report of the risk management activity throughout the year. This report is considered by the Board for its appropriateness and supports the public disclosures that the board needs to make. The items covered in the summary report to the Board include:

- (a) the processes that occurred throughout the year:
- (b) annual review and update of risk management policy
- (c) other appropriate risk management framework information
- (d) identification of material business risks
- (e) a summary of the risk reporting of individual material business risks that occurred throughout the year.
- (f) a suggested corporate governance statement for inclusion in the annual report
- (g) the required CEO and CFO management statements based on the above information;
- (h) that management has designed and implemented an appropriate risk management and internal control system to manage the company's material business risk;
- (i) that management has effectively managed (throughout the year) the material business risks.

The management summary report is supported by appropriate material and completed around the same time as financial statements are being considered by the Board.

