ENTERPRISE RISK MANAGEMENT

POLICY

TABLE OF CONTENTS

1.   PURPOSE

PanAust's vision is to be a growth-oriented mining company determined to excel and outperform its competitors through growth, optimisation of returns on capital and adherence to core values. In striving to achieve this vision, PanAust Limited recognises that risk is inherent in all of its activities.

The purpose of this policy is to document the system and procedure to be applied by PanAust Limited in the oversight and management of material business risks.

2.   SCOPE

This policy applies to all of the activities of PanAust Limited and each of its related entities (collectively referred to as "PanAust").

3.   POLICY

PanAust will develop, implement and maintain an effective enterprise risk management system for identifying and managing all material business risks.

PanAust will apply its risk management system uniformly across all of its activities. In relation to investment and business decisions to support the growth of the business, PanAust will not be risk averse but will assess and manage investment and financial risks in the context of potential returns and through the enterprise risk management system. In relation to a particular project, this policy applies through the entire life of the project: its acquisition, evaluation and assessment, development and construction, operation and closure. PanAust will have a detailed understanding of its risk profile at any given time, including the current status of each material risk and its priority for appropriate risk treatment. PanAust will proactively consider risks (and opportunities) in the making of every material business decision.

PanAust will comply with all applicable laws, regulations, internal policies and contractual obligations as a minimum standard.

The responsibilities under this policy of the Board, each Committee of the Board, each Executive Committee, each manager and employee will be specified clearly and simply.

This policy is to be appropriately communicated throughout the PanAust Group. Adequate resources will be deployed to educate and train PanAust Group managers and employees so that they understand their obligations and responsibilities under this policy.

4.   PROCEDURE

A summary of PanAust's enterprise risk management procedure is provided in this section of the policy. Further detail is provided in the PanAust Enterprise Risk Management Procedure.

PanAust deploys an enterprise risk management system using the ISO31000 standard that integrates risk management principles into PanAust's policies, organisational culture, governance, management and reporting processes.

Risk assessments are used to inform decision making processes at both the corporate and operational level, through a consistent and systematic approach to identification of material risks, analysis, prioritisation and appropriate treatment.

PanAust utilises the ALARP ("as low as reasonably practical") method for appropriately treating risk.

PanAust has risk registers in place across the business, developed utilising common tools that can be applied to strategic, operational, financial reporting and regulatory compliance activities. Risk issues are assessed utilising an - evaluation process which incorporates the application of a common consequence and likelihood table and evaluation matrix.

The management of identified risks includes the development of proposed actions and timelines, identification and allocation of resources and the setting of performance measures.

A process of internal review is periodically undertaken to ensure all risks are considered, analysed and managed at the appropriate level of the organisation with changing internal and external conditions given appropriate and timely consideration.

PanAust's risk management procedure will be reviewed at least annually to ensure that it remains appropriate for PanAust.

5.   RESPONSIBILITY AND AUTHORITY

The Board of Directors is responsible for reviewing, ratifying and monitoring PanAust's systems of risk management and internal control. Whilst overall responsibility in this regard rests with the Board of Directors, both the Audit Committee and the Sustainability Committee have been delegated particular responsibilities under their respective Charters.

The Audit Committee has the responsibility to satisfy itself that effective measures, systems and controls are in place in relation to financial control and financial reporting (including the independent audit process).

The Sustainability Committee has particular responsibility to satisfy itself that effective measures, systems and controls are in place in relation to managing environmental, community, occupational health and safety, human resources and other sustainability issues.

Both the Audit Committee and the Sustainability Committee are required to report regularly to the Board in relation to the discharge of their respective responsibilities.

The PanAust Group Executive Committee guides corporate risk strategy and provides senior management oversight of strategic issues. It has responsibility for a high level risk register that identifies key material business risks relevant at a PanAust Group level. The PanAust Group Executive Committee reviews the risks identified and progress in managing such risks on an annual basis or more frequently if a significant change occurs.

Each of PanAust's three business units; namely, PanAust Asia, PanAust South America and PanAust Project Development, has responsibility for a high level risk register relevant to the business unit. All of these risk registers are subject to six monthly reviews. In addition, each Manager has responsibility for department

or project risk registers and is required to have in place a plan for significant risks to be reduced to ALARP. The department risk registers are initially reviewed on a quarterly basis. After establishment and operation for an appropriate period, the risk registers are subject to six monthly reviews.

The PanAust Group Executive Committee will report to the Board of Directors at least annually as to the effectiveness of PanAust's management of its material business risks.

6.   REVIEW OF POLICY

This policy will be reviewed by the Board of Directors at least annually to ensure that it remains appropriate for PanAust.

7.   AVAILABILITY OF POLICY

This policy will be made available on PanAust's website.

This Enterprise Risk Management Policy was approved by the Board of PanAust Limited on 17 May 2013.