

CAPITAL MINING LIMITED

ABN 69 104 551 171



CORPORATE GOVERNANCE POLICIES

RISK MANAGEMENT STRATEGY

Identification of Risk

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director and Chief Financial Officer having ultimate responsibility to the Board for the risk management and control framework. The primary objectives of the risk management system at the Company are to ensure:

- all major sources of potential opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
- business decisions throughout the Company appropriately balance the risk and reward trade off;
- regulatory compliance and integrity in reporting is achieved; and
- senior management, the Board and investors understand the risk profile of the Company.

In line with these objectives the risk management system covers:

- Operations risk;
- Financial reporting; and
- Compliance / regulations
- system/IT process risk

Arrangements put in place by the Board to monitor risk management include:

- monthly reporting to the Board in respect of operations and the financial position of the Company;
- quarterly rolling forecasts prepared; and
- circulate minutes of and relevant Committees to the Board and the Chairman of each respective committee and provide a report to the Board on an annual basis.

A risk management model is also being developed and will provide a framework for systematically understanding and identifying the types of business risks threatening Capital Mining Limited ("CMY") as a whole or specific business activities within the Company.

Integrity of Financial Reporting

The Company's Managing Director and Chief Financial Officer (or equivalent) report in writing to the Board that:

CAPITAL MINING LIMITED



ABN 69 104 551 171

- the financial statements of the Company and its controlled entities (where appropriate) for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Role of Auditor

The Company's practice is to invite the auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Review of Risk Management Policy

Given the speculative nature of the Company's business it is subject to general risks and certain specific risks.

The analysis and evaluation criteria are used to continually assess the impact of risks upon CMY's business objectives. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. The annual business planning process includes careful consideration of internal and external risk profile of the company. Managers will report monthly to the board on the areas they are responsible for, including key business risks. CMY's business risk management process provides a comprehensive, integrated approach for carrying out risk management activities. This process will allow management to minimise the potential impact of business risks in achieving objectives to create and protect shareholder value.

Responsibilities

Executive Director

The Executive Chairman is accountable to the Board, for ensuring that the risk management system is implemented and maintained in accordance with the Risk Management Policy. Assignment of responsibilities in relation to risk management is the prerogative of the Board.

Senior Executives

Senior Executives are accountable for strategic risk management within areas under their control including the dissemination of the risk management process to operational managers. Collectively the Senior Executive is responsible for:

- The formal identification of strategic risks that impact upon CMY's business;
- Allocation of priorities;
- The development of strategic risk management plans;
- The Senior Executive review progress against agreed risk management plans.

CAPITAL MINING LIMITED



ABN 69 104 551 171

Chief Financial Officer

In conjunction with the Chair the Chief Financial Officer or equivalent ('CFO') is accountable for the implementation of the Risk Policy and for maintaining a programme of risk reassessment. The CFO also provides advice to the relevant Senior Executives on risk management matters relevant to their responsibilities. The CFO is to assist senior management and the Board in the effective discharge of their responsibilities with regard to CMY's internal control environment by ensuring the efficiency and effectiveness of Company processes and identifying opportunities to improve operating performances. At appropriate intervals, the CFO shall determine the adequacy and effectiveness of the Company's system of internal accounting and operating controls and determine if the business unit/function are managing risks, in accordance with management instruction, policies and procedures, in a manner consistent with Company objectives.

Review

This Policy will be formally reviewed by the Board each year.