

# XANADU MINES LTD

## RISK MANAGEMENT POLICY

## 1 Introduction

- 1.1 Xanadu Mines Ltd (**Xanadu** or the **Company**) considers ongoing risk management to be a core component of the management of the Company, and understands that the Company's ability to identify and address risk is central to achieving its corporate objectives.
- 1.2 Risk management is a complex and critical component of the Company's governance and the Audit and Risk Committee will oversee and guide the detail of risk management. The Chief Executive Officer is charged with implementing appropriate risk systems within the Company and aspects of this process may be delegated. Risk management is considered a key governance and management process and it is not an exercise merely to ensure regulatory compliance
- 1.3 The Company's Risk Management Policy (**Policy**) outlines the program implemented by the Company to ensure appropriate risk management within its systems and culture.

## 2 Primary objectives of the risk management system

- 2.1 The primary objectives of the risk management system at the Company are to ensure:
  - (a) all major sources of potential opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
  - (b) business decisions throughout the Company appropriately balance the risk and reward trade off;
  - (c) regulatory compliance and integrity in reporting are achieved; and
  - (d) senior management, the Board and investors understand the risk profile of the Company.
- 2.2 In line with these objectives, the Company's risk management system covers:
  - (a) operations;
  - (b) financial reporting; and
  - (c) compliance.

## 3 Risk management program - overview

- 3.1 The Company's risk management program comprises a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its business risks, including any material changes to its risk profile.
- 3.2 To achieve this, the Company's board of directors (**Board**) has clearly defined the responsibility and authority of the Audit and Risk Committee to oversee and manage the risk management program.
- 3.3 Regular communication and review of risk management practice provides the Company with important checks and balances to ensure the efficacy of its risk management program.

## 4 Risk management program - risk identification

- 4.1 In order to identify and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk. The Company regularly reviews its risk profiles to ensure currency.

## 5 Oversight and management

### *Board*

- 5.1 The Board acknowledges that it is responsible for the overall system of internal control but recognises that no cost effective internal control system will preclude all errors and irregularities.

5.2 The Board has delegated responsibility for reviewing the risk profile including material business risks and reporting on the operation of the internal control system to the Audit and Risk Committee. However, the Audit and Risk Committee may also refer particular risk management issues to the Board for final consideration and direction.

5.3 The Board will review the effectiveness of the Company's risk management and internal control system annually.

#### *Audit and Risk Committee*

5.4 The oversight of the Company's risk management program has been conferred upon the Audit and Risk Committee. The Audit and Risk Committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes and provides regular reports to the Board on the effectiveness of the risk management program in identifying and addressing material business risks.

5.5 To achieve this, in addition to the risk management responsibilities in the Audit and Risk Committee Charter, the Audit and Risk Committee is responsible for:

- a) monitoring the establishment of an appropriate internal control framework, including information systems, and its operation and considering enhancements;
- b) assessing corporate risk and compliance with internal controls;
- c) overseeing business continuity planning and risk mitigation arrangements;
- d) reviewing reports from management on any material misappropriation, frauds and thefts;
- e) reviewing reports on the adequacy of insurance coverage;
- f) monitoring compliance with relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by the Company Secretary in relation to those requirements;
- g) reviewing material transactions which are not a normal part of the Company's business;
- h) reviewing the nomination, performance and independence of the external auditors, including recommendations to the Board for the appointment or removal of any external auditor;
- i) liaising with the external auditors and monitoring the conduct of the annual audit;
- j) overseeing the processes of management that support external reporting;
- k) reviewing financial statements and other financial information distributed externally; and
- l) reviewing external audit reports and monitoring, where major deficiencies or breakdowns in controls or procedures have been identified, remedial action taken by management.

5.6 In fulfilling its role outlined above, the Audit and Risk Committee shall ensure that:

- a) it communicates any material changes to the Board as to the management of risk, the risk profile, and the associated internal controls of the Company;
- b) risks are identified and monitored through a systematic review of the Company and its operations;
- c) a risk register is maintained which describes the risks, the likelihood of occurrence, mitigating strategies and consequential risk. These must be updated regularly and reviewed by the Audit and Risk Committee every six months;
- d) adequate policies and procedures have been designed and implemented to manage risks identified;
- e) proper remedial action is undertaken to redress areas of weakness identified by the system of risk management and/or the Audit and Risk Committee;

- f) a system of reporting and investigating incidents, breaches or excessive risks operates effectively;
- g) when requested to do so by the Board or when the Audit and Risk Committee considers it appropriate, an investigation is undertaken and its findings reported to the Board;
- h) there is a system whereby the Managing Director / Chief Executive Officer and the Board are immediately notified of any information which might have a material effect on the price or value of the Company's securities, and that such information is publicly released in accordance with the requirements of the Company's Continuous Disclosure Policy and the applicable securities laws and rules;
- i) it obtains, each year, a statement from the Managing Director / Chief Executive Officer and Chief Financial Officer or any of their equivalents, to the Board that the Company's risk management and internal compliance and control system is operating effectively in all material respects;
- j) the Audit and Risk Committee Charter is made publicly available on the website; and
- k) the Company's Annual Report / Corporate Governance Statement, explains any departures by the Company from the Audit and Risk Committee Charter.

5.7 Outlined below are some specific operational and compliance risks, inter alia, which are the responsibility of the Audit and Risk Committee. The Audit and Risk Committee is responsible for:

- a) promoting and supporting an organisational culture that is committed to risk management through open communication and effective risk management leadership;
- b) implementing a structured risk management training program to educate management and staff in the awareness of corporate risks and best practices in the management of corporate risks;
- c) reviewing the Company's main corporate governance practices as required under the applicable securities laws and rules for completeness and accuracy;
- d) ensuring appropriate policies, procedures, controls and monitoring and reporting mechanisms have been adopted by the Company to prevent breaches of and ensure compliance with all relevant legislation and regulations, including but not limited to matters relating to workplace health and safety, industrial relations, environmental and trade practices;
- e) ensuring there is adequate employee education and support to facilitate safety, security and good health in the workplace and monitoring of workplace safety;
- f) ensuring that the Company operates in accordance with the terms of all licences and permits issued to it by any government body or any other authority;
- g) ensuring that the management of the Company pays due attention to ethical considerations in implementing the Company's policies and practices;
- h) adopting procedures and policies for the improvement and preservation of the reputation of the Company; and
- i) ensuring that the Company has put appropriate insurance in place

## **6 Review of risk management program**

- 6.1 The Company regularly evaluates the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis and may disclose the results of such review in its annual reports.
- 6.2 The division of responsibility between the Board, management and the Audit and Risk Committee aims to ensure that specific responsibilities for risk management are clearly communicated and understood. The reporting obligations of the Audit and Risk Committee ensure that the Board is regularly informed of material risk management issues and actions. This is supplemented by ongoing evaluation of the performance of the risk management program by management and the Board.

## **7 Review**

- 7.1 This Policy will be reviewed periodically (and at least every 2 years) by the Audit and Risk Committee and will be updated as necessary. Any amendments to this Policy must be approved by the Board.

## **8 Authority**

This policy was approved by the Board on 30 July 2020.