

North Australian Diamonds Ltd Corporate Governance Policies

Risk Management Policy

1. Introduction

- 1.1 The Company considers risk to be any event or action with the potential to interfere with or prevent the Company from achieving its goals and objectives.
- 1.2 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.
- 1.3 The Board considers it important to establish a system of risk management and internal compliance and control in order to:
 - (a) achieve the Company's objectives and goals;
 - (b) safeguard the assets and interests of the Company and its stakeholders; and
 - (c) ensure the accuracy and integrity of external reporting.

2. Responsibility

- 2.1 The Board is responsible for overseeing the establishment and implementation of an effective risk management system and reviewing and monitoring the Company's application of that system.
- 2.2 Implementation of the risk management system and day-to-day management of risk is the responsibility of the Executive Director, with the assistance of senior management as required. The Executive Director is responsible for reporting directly to the Board on all matters associated with risk management.

3. Procedures

- 3.1 The Executive Director has responsibility for identifying, assessing, treating and monitoring risks.
- 3.2 The Executive Director is required to report on the progress of risk management at each Board meeting.
- 3.3 In fulfilling his duties of risk management, the Managing Director may have unrestricted access to company employees, contractors and records and may obtain independent expert advice on any matter he believes appropriate, with the approval of the Board.
- 3.4 Risks will be analysed by having regard to the:
 - (a) probability of the risk occurring;
 - (b) impact of the risk if it did occur;
 - (c) level of controls and maintenance are currently being employed; and
 - (d) how effective controls are.

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4. Risk Categories

The risks of the Company can be categorised as follows:

- (a) Financial;
- (b) Operational;
- (c) Human;
- (d) Political;
- (e) Economic cycle/marketing; and
- (f) Legal and compliance.

5. Additional Risk Management Policies and Practices

The Company will monitor and consider the following practices to manage specific business risks. These include:

- (a) Audit Committee and Audit Committee Charter;
- (b) insurance policies;
- (c) regular budgeting and financial reporting;
- (d) limits and authorities for expenditure levels;
- (e) procedures/controls to manage environmental and occupational health and safety matters;
- (f) procedures for compliance continuous disclosure obligations under the ASX listing rules; and
- (g) procedures to assist with establishing and administering corporate governance systems and disclosure requirements.

6. Continuous Improvement

The Company's risk management system is evolving. This is an on-going process and it is recognised that the level and extent of the risk management system will evolve commensurate with the evolution and growth of the Company's activities.

Adopted: 5 November 2007