

## **RISK MANAGEMENT STATEMENT**

**KIMBERLEY DIAMONDS LTD**  
**ABN 95 150 737 563**

### **Introduction**

This statement provides an overview of the Company's risk management policies and its compliance and control systems. Recognising that there are inherent risks associated with the mining industry, the Board is responsible for overseeing the risk management activities of the Company.

The management of risk is necessary to protect the Company's personnel, assets and reputation as well as the environment. It is also vital for effective business operation, achievement of objectives, reliable reporting and compliance with laws and regulations.

The implementation of the risk management controls and their effectiveness is the ultimate responsibility of the Board. The Board has implemented a combination of internal policies and procedures and engages external auditors to achieve an appropriate level of risk management and monitor developments in this regard.

### **Internal Policies and Procedures**

The Board has implemented a number of risk management strategies covering areas of business risk relevant to the Company such as:

- occupational health and safety;
- the environment;
- asset protection (insurances);
- continuous disclosure;
- securities trading policies applicable to directors, employees and key contractors; and
- codes of conduct.

The various policies implemented by the Board include mechanisms to ensure compliance, identification and regular reporting to the Board of significant business risks and the management of those risks.

### **Financial Statements**

Management shall ensure transparency and accuracy in all financial information for internal and external use.

Management shall ensure that financial information is timely, complies with statutory requirements and in particular, provides a true and fair view of the Company's financial position and performance.

The integrity of the Company's financial reporting relies upon a sound system of risk management and internal control. Accordingly, the Managing Director is required to provide a statement in

writing to the Board that the Company's financial reports are based upon a sound risk management policy to ensure management accountability.

The Company's financial statements are reviewed/audited by external auditors on an annual and bi-annual basis.

The Board seeks to achieve the purposes of this policy by:

- fostering in management personnel a culture of risk control and management, particularly on internal control and compliance;
- overseeing the planning, implementation, establishment, monitoring, management, assessment and review of risk control management and information systems;
- providing recommendations to the Board on the appointment and replacement or rotation of auditors; and
- meeting and liaising with external auditors.

### **Occupational Health and Safety**

The Board oversees risk control management and review of occupational health and safety issues. Management is to establish and implement the policy by establishing a system to identify, assess, monitor and manage risk by:

- identifying and addressing risks at each Company project and setting up internal control and compliance systems;
- devising and establishing a system for the ongoing review of risk control management and information systems for prompt response;
- reviewing the systems and their compliance as well as their overall effectiveness not only for continuing or evolving risks but also for new risks; and
- reporting periodically on risk control and compliance as well as management information systems to the Board.

Management, staff and contractors of the Company are required to ensure that occupational health and safety practices are of the highest standard.

### **Environment**

The Board oversees risk control management in connection with environmental concerns. Management is to establish and implement the policy by establishing a system to identify, assess, monitor and manage risk by:

- identifying and addressing risks at each Company project, including consideration of environmental concern and setting up procedures for ensuring that appropriate action is taken to ensure compliance with relevant legislative and community expectations;
- devising and establishing a system for the ongoing review of risk control management and information systems and reviewing the systems and their compliance and their overall effectiveness not only for continuing or evolving risks but also for new risks;
- reporting periodically on risk control and compliance as well as management information systems to the Board.

Management, staff and contractors of the Company are required to ensure that environmental matters are addressed at all times in accordance with the highest standards.

### **Guidelines for Risk Management**

The Board will oversee the process that management has in place to identify business opportunities and risks. The Board shall be responsible for overseeing management and holding it to account.

The Board will consider the extent and types of risk that is acceptable for the Company to bear and will monitor management's systems and processes for managing a broad range of business risks.

The Board will, on an ongoing basis, review with management how the strategic environment is changing, what key business risks and opportunities are appearing, how they are being managed and what, if any, modifications in strategic direction should be adopted.

The Board approach to risk management shall be guided by the following criteria:

- **Identification**  
Clarify the Company's core values for the organisation and identify these clearly.
- **Analysis**  
Examine the core values and develop a model for identifying events within the organisation that could adversely impact on the core values.
- **Assessment**  
Allocate priorities to the risk rated items and integrate these items within the existing (and/or contemplated) operational plans and structures including by reference to the following areas of opportunity/risk:
  - **Strategic:** for example, regulatory/political environment, market conditions, peer performance.
  - **Operational:** e.g. business processes, technology, human resources/ succession planning, business interruption, environmental issues, health and safety issues, crisis management.
  - **Leadership:** e.g. ability to innovate and motivate throughout the organisation, choice of Managing Director.
  - **Partnership:** e.g. ability to choose appropriate alliances, partnerships and make them work well.
  - **Reputation:** e.g. management and directors, nature of projects, disclosure of information, public perceptions, illegal or unethical conduct, fraud.