

Risk Oversight and Management Policy

1. Our Risk Oversight and Management Policy

- 1.1 This Risk Oversight and Management Policy (“Policy”) sets out Alliances’ policy in relation to Risk Management.
- 1.2 In this Policy:

“**Alliance**” or “**the Company**” means Alliance Resources Limited ABN 38 063 293 336 and includes, unless the context requires otherwise, all of its Related Bodies Corporate for the time being;

“**Committee**” means the Board Audit & Risk Committee, unless the context suggests otherwise;

“**Related Bodies Corporate**” has the same meaning as in section 50 of the Corporations Act 2001;

“**Risk Management**” means the culture, processes and structures that are directed towards taking advantage of potential opportunities whilst managing potential adverse effects; and

“**Risk**” means the chance of something happening which will have an effect on the operations and/or objectives of Alliance.

2. Purposes of the Policy

- 2.1 The purposes of this Policy are as follows:
- (a) to confirm the commitment of the Board of Alliance and its senior management to the practice of Risk Management in order to both minimise uncertainty and maximise business opportunities;
 - (b) to ensure that Risk is appropriately assessed, monitored, and managed so that stakeholders have confidence to deal with or invest in the Company;
 - (c) to formalise and communicate Alliance’s approach to the oversight and management of Risk;
 - (d) to demonstrate compliance with Principle 7 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations (“the Best Practice Recommendations”); and
 - (e) to provide an effective framework for the identification and management of Risk across Alliance.
- 2.2 The Company views Risk Management as an integral part of good management practice and an essential element of good corporate governance.

3. Culture of the Company

- 3.1 It is acknowledged that, to be most effective, Risk Management should become part of the culture of the organisation, embedded into Alliance’s philosophy, practices and business processes and not either viewed or practised as a separate activity.

3.2 The Board acknowledges its responsibility to “lead from the top” in this connection.

4. Risk Profile

4.1 Alliance faces a range of Risks in its business activities. These include (but are not limited to) strategic, market, operational and financial risks.

4.2 A formal risk profile will be prepared by management to keep the Board (through the Audit & Risk Committee) informed about material Risks facing Alliance. The risk profile will, be regularly reviewed and updated by the Committee and noted by the Board.

5. Risk Management Process

5.1 The Audit & Risk Committee will recommend to the Board for adoption, with such modifications as the Committee sees fit, Risk Management processes and procedures designed and recommended by management, after giving due consideration to various standards and models and/or obtaining such advice as management considers appropriate. In order to avoid unnecessary duplication, management and the Committee will bear in mind the requirements of paragraph 6 below.

5.2 As a matter of good governance, each stage of the Risk Management process must be recorded appropriately.

6. Risk Management Structures

6.1 The Company should make maximum use of its established structures and relevant procedures.

6.2 The Company will adopt systematic processes for the identification, analysis, evaluation, treatment, monitoring and review of the material business risks it faces, which are aligned to the Australian Standard for risk management. The Company is exposed to numerous risks across its business, most of which are common to the mining industry. Generally risk-specific systems will be used, in keeping with best practices in the Mining and Resources sector. These approaches to risk management will generally be embedded into strategic and operational management and business processes.

6.3 New structures and/or procedures should only be created or implemented if, for good reason, a particular Risk Management issue or task is unable to be effectively addressed or handled by an existing Alliance structure or procedure.

7. Roles and accountabilities of participants in Risk Management

Whilst the following describes the roles and accountabilities of certain key participants in relation to Risk Management, it is emphasised that all Alliance personnel have a role to play in Risk Management.

7.1 Board

The Alliance Board is responsible for the oversight of Risk Management including the review of this Policy in accordance with paragraph 10 of this Policy.

The Board should clearly define the “risk appetite” of Alliance so that the strategic direction of the Company can be aligned with this Risk Management policy.

7.2 Audit & Risk Committee

Part of the Committee’s role is to assist the Board to fulfil its business risk management and oversight responsibilities. The functions of the Committee include:

- (a) overseeing the establishment and implementation of Risk Management and internal compliance and control systems and ensuring there is a mechanism for assessing the efficiency and effectiveness of those systems; and
- (b) approving and recommending to the Board for adoption, policies and procedures on Risk oversight and management to establish an effective and efficient system for:
 - (i) identifying, assessing, monitoring and managing Risk; and
 - (ii) disclosing any material change to the risk profile.
- (c) The responsibilities of the Committee include regularly reviewing and updating the Risk profile.

7.3 Managing Director and Manager Finance and Company Secretary

The Managing Director and Manager Finance and Company Secretary are ultimately responsible and accountable to the Board (through the Audit & Risk Committee) for ensuring that appropriate systems, procedures and controls are in place to identify and manage Risks to an acceptable level.

The Chief Executive Officer will highlight areas of significant Risk in the annual strategic plan that is presented to the Board.

Each financial year, the Managing Director and Manager Finance and Company Secretary will state to the Board in writing that the declaration given by them to the Directors in accordance with section 295A of the Corporations Act 2001 (Cth) is founded on a sound system of Risk Management and internal control which implements the policies (including this Policy) adopted by the Board in relation to financial reporting risks and that the system is operating effectively in all material respects.

At the same time, the Managing Director and Manager Finance and Company Secretary will state to the Board in writing that there is a sound system of Risk Management and internal control which implements the policies (including this Policy) adopted by the Board in relation to material business risks other than financial reporting risks and that the system is operating effectively in all material respects.

7.4 Other Management

Other Senior Managers are responsible and accountable to the Managing Director for ensuring that appropriate systems, procedures and controls are in place so that Risks in relation to those parts of the Alliance business or operations for which they have been given responsibility are identified and managed to an acceptable level.

7.5 Auditor

The auditor is responsible for providing an opinion on the truth and fairness of the annual financial report. In doing so, the auditor will, among other things, assess the management of Risk and key internal control systems.

8. Reporting Requirements

- 8.1 All personnel must report all new Risks, and changes to existing Risks, to their superior as soon as they come to their attention.
- 8.2 All managers must report all new Risks, and changes to existing Risks, to the Chief Executive Officer as soon as they come to their attention, having regard to the likelihood and consequences of such risk.
- 8.3 The Managing Director and Manager Finance and Company Secretary will report to the Audit & Risk Committee on a half yearly basis regarding the Risk profile of Alliance including a summary of any major changes since the last report, or as and when required.

9. Access to Policy

- 9.1 This Policy will be made available to each employee of Alliance. The Company Secretary of Alliance will be responsible for its internal and external distribution.
- 9.2 A description of the Company's Risk Management policy will be available for viewing by any person on Alliance's website www.allianceresources.com.au

10. Review of the Policy

- 10.1 This Policy is subject to regular review by the Alliance Board and will be amended (as deemed appropriate) to reflect current best practice and changes to regulatory requirements.

11. Company Contact

- 11.1 Questions about this Policy and its application may be directed to the Manager Finance and Company Secretary of Alliance at the following address:

Suite 3, 51-55 City Road,
Southbank, Victoria 3006

Telephone: (03) 9697 9090
Facsimile: (03) 9697 9091
Email: ianp@allianceresources.com.au

This Risk Oversight and Management Policy was adopted by the Board on 29 November 2007 and last amended on 24 November 2010.