

Risk Management Policy

This Policy is in accordance with Kathmandu Corporate Governance Standards and outlines ethical values and principals, which are essential to Kathmandu's continued success and reflects the direction and approach in the conduct of our business activities.

1.0 Purpose

Risk recognition and management are viewed by the Kathmandu Group as integral to its objectives of creating and maintaining shareholder value, and to the successful execution of the Group's strategies.

The purpose of the risk management policy is to seek to ensure that:

- (a) appropriate systems are in place to identify to the extent reasonably practicable all material risks that may impact on Kathmandu's business;
- (b) the financial impact of identified risks is understood, and appropriate internal control systems are in place to limit Kathmandu's exposure to such risks;
- (c) appropriate responsibilities are delegated to control the identified risks effectively; and
- (d) any material changes to Kathmandu's risk profile are disclosed in accordance with the Company's Continuous Disclosure Policy where required.

2.0 Scope

This Policy applies to all Kathmandu business activities including each of the Company's subsidiaries. All Kathmandu employees, and to the extent relevant, contractors, have a responsibility to manage risk in accordance with this Risk Management Policy and the risk management framework.

3.0 Definition of "Risk"

For the purpose of this Policy, risk is defined as possible outcomes that could materially adversely impact on the Group's financial performance, assets, reputation, people or the environment.

4.0 Responsibilities

The Board is responsible for risk oversight and the management and internal control of the processes by which risk is considered for both ongoing operations and prospective actions. As a minimum, the Board is required to:

- (a) oversee the establishment and implementation of the risk management framework; and
- (b) review the effectiveness of the Company's risk management framework,

in relation to the processes, structures and culture established to identify, assess, treat and monitor risk to support the achievement of the Group's objectives.

In specific areas, the Board is assisted by the Audit and Risk Committee. The Audit and

Risk Committee is responsible for establishing procedures which seek to provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

Not all aspects of risk management can be formalised, and the Company places considerable reliance on the skill, experience and judgment of its people to take risk managed decisions within the Policy framework and to communicate openly on all risk related matters.

All Employees are obligated to advise their Executive line manager of any situation or circumstance they reasonably believe may be defined under the “Risk” definition.

5.0 Policy

5.1 Identified Business Risks

There are a number of risks which are inherent to the business activities which the Kathmandu Group undertakes. Kathmandu accepts some degree of commercial risk in order to attain its strategic objectives.

These risks may change over time as the external environment changes and as the Company expands its operations. The risk management process requires the Board to conduct regular reviews of the Group’s existing risks and the identification of any new and emerging risks facing the Group, including financial and non- financial matters and including enterprise risk and matters in relation to occupational health and safety. It also requires the management, including mitigation where appropriate, of these risks.

5.2 Business Risk Management Policies and Practices

In order to properly identify and develop strategies and actions to manage business risks, the Company has put in place a business risk management framework. This is based on the following key elements:

- (a) an Audit and Risk Committee which meets periodically to review the processes for the identification of and assessment of specific risks. The Audit and Risk Committee should have experience in all of the Company’s activities and should be conversant with the Group’s business plans, objectives and values;
 - (b) an assessment of the potential impact of identified business risks and the likelihood of occurrence;
 - (c) a ranking of the business risk in accordance with the likely impact on the Company;
 - (d) an assessment of the acceptability of each identified risk in line with acceptable risk tolerances;
 - (e) a consideration and decision on the proposed actions to eliminate, reduce or manage each material risk; and
-

- (f) an assignment of the responsibilities for the management of each risk.

Risk management encompasses all areas of the Company's activities. Once a business risk is identified, the risk management processes and systems implemented by the Company are aimed at providing the necessary framework to enable the business risk to be managed.

The overall results of this assessment are presented to the Board, in oral and written form, at every Board meeting by the Chair of the Audit and Risk Committee, and updated as needed.

The Board reviews the Company's risk management at every Board meeting, and where required, makes improvements to its risk management and internal compliance and control systems.

5.3 Additional Risk Management Policies and Practices

In addition to the specific risk management process described in this Policy, the Company has the following procedures and practices which are designed to manage specific business risks:

- (a) an insurance program which is reviewed by the Board;
- (b) regular budgeting and financial reporting;
- (c) the Group's business plan;
- (d) corporate strategy guidelines and procedures to review and approve the Company's strategic plans;
- (e) legal commitment and expenditure exceeding certain levels must be submitted to the Board for approval;
- (f) procedures/controls to manage financial exposures and operational risks;
- (g) procedures/controls to manage environmental and occupational health and safety matters;
- (h) oversight of the Group's financial affairs by the Audit and Risk Committee;
- (i) regular performance reporting enabling the identification of performance against targets and evaluation of trends;
- (j) a health and safety policy and management standards which seek to ensure that the Group complies with its obligations and responsibilities in relation to health and safety, environmental issues, and the communities in which it operates; and
- (k) ongoing training and development programmes.

Additionally, all other significant areas of the Group's operations are subject to regular reporting to the Board, including exploration, development, finance, legal, safety, environment, government and investor relations.

This Risk Management Policy is reviewed annually by the Audit and Risk Committee.

Effective Date: This policy is effective from 31 July 2018.
