RISK MANAGEMENT

1. INTRODUCTION AND PURPOSE

The board of directors (**the Board**) of Redstone Resources Limited (**Redstone**) and its subsidiaries (**the Company or Group**) is responsible for overseeing the Company's risk management and control framework.

Risk management is a complex and critical component of the Company’s corporate governance. The Board adopts an active approach to risk management which recognises that the Company is engaged in activities, which necessarily demand that the Company take certain usual business, entrepreneurial and operational risks. Accordingly, and in the interests of the enhanced performance of the Company, the Board embraces a responsible approach to risk management, as a risk-aware Company, and not a risk-averse one.

2. ROLES AND RESPONSIBILITIES

Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director (or equivalent) having ultimate responsibility to the Board for the risk management and control framework.

Arrangements put in place by the Board to monitor risk management include:

(i) reporting to the Board in respect of operations and the financial position of the Company;

(ii) budgetary expenditure controls;

(iii) review of insurance requirements annually and as needed; and

(iv) regular reporting on:

- adherence to environmental policies and environmental risks
- adherence to health and safety guidelines and policies;
- compliance and/or litigation matters and associated risks.

Specifically, in managing risk, the Board and Management are to adhere to the following principles:

(i) When considering new strategies or projects, management is to analyse the major risks of those opportunities being secured or being lost, and will consider appropriate strategies for minimising those risks where they are identified.

(ii) The Company will, where thought prudent by the Managing Director (or equivalent) or the Board, take appropriate external advice to determine the best way to manage a particular risk.

(iii) Financial risk will be managed by the whole of the Board working closely with the Managing Director (or equivalent) and the Chief Financial Officer (or equivalent), to ensure that the financial statements and other financial reporting are rigorously tested prior to submission for audit.

(iv) To complement risk management by the Company, appropriate insurances are to be in place, and advice taken from the Company’s brokers or insurers where necessary, to cover the usual risks for businesses such as that of the Company, and where practicable, to cover any particular extraordinary risks which arise in the circumstances of the Company.

3. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board has processes in place to monitor and manage risks whereby:

- risks are reported on at regular board meetings;
- the Company's financial position and operations are regularly reviewed; and
- each major transaction executed by the Company is accompanied by assessment of its risks.

Management reports to the board regularly as to the effectiveness of the Company's management of its material business risks.

Further, in this regard, the Company's Managing Director (or equivalent), or Chairman and Chief Financial Officer (or equivalent) will report in writing to the Board that:

(i) the financial statements of the Company for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;

(ii) the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and

(iii) the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

4. SELECTION, APPOINTMENT AND ROTATION OF EXTERNAL AUDITORS

Selection of External Auditors

In the event of a vacancy for the position of external auditor, the Company through the Board, will conduct a selective formal tender process to select which audit firm will fill the vacancy.

Potential audit firms selected will be evaluated in accordance with set criteria from time to time including but not limited to:

(a) skills and knowledge of the proposed audit team;
(b) quality of work;
(c) independence of the audit firm;
(d) lead signing partner, independent review and partner rotation
(e) value for money;
(f) succession planning; and
(g) ethical behaviour and fair dealing.

Above all, candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period.

Appointment of External Auditors

The Board identifies and recommends an appropriate external audit firm and audit partner for appointment by the Board and/or the Company in general meeting of shareholders. The appointment is made in writing.

Rotation of External Auditors

The external is required to rotate its audit partners so that no partner of the external auditor is in a position of responsibility in relation to the Company's accounts for a period of no more than five consecutive years.

5. REVIEW AND ASSESSMENT OF EXPOSURE TO MATERIAL RISKS

The Board has reviewed the Company's exposure to economic, environmental and social sustainability risks and has and determined as follows:

Economic Risk

Given the nature of the Company's activities and the fact that the Company is reliant on raising funds for continued activities from shareholders or other investors, this represents a material economic risk. The Company financial position is monitored on a regular basis and processes put into place to ensure that fund raising activities will be conducted in a timely manner to ensure the Company has sufficient funds to conduct its activities.

Environmental Risk

Mineral exploration and resource activities can be environmentally sensitive and can give rise to substantial costs for environmental rehabilitation, damage control and losses. Although, not considered a material risk to the Company at this stage, Redstone believes that responsible environmental management and sound environmental performance is in the best interests of its business, contractors, shareholders and the communities in which it operates. This will be achieved through leadership and diligently applying innovative management systems and controls.

To enable environmental objectives to be achieved the Company will:

- implement and continuously improve environmental policies, procedures and management plans that identifies, assesses and effectively controls environmental risks to the business and community;
- Integrate environmental considerations into all aspects of the Company's activities;
- Communication, education and promotion of the key environmental issues and management controls to Redstone employees and contractors;
- Manage all processes and equipment to avoid or mitigate adverse environmental impact, minimise associated liability, prevent pollution and enhance social benefit;
- Require high environmental standards and compliance from all contractors and service providers;
- Initial regular audit and assessment programs and embrace recommendations for improvement; and
- Comply with all applicable legal and other requirements as a minimum standard.