

## PACIFIC BAUXITE LIMITED RISK MANAGEMENT POLICY

### Introduction

Pacific Bauxite Limited does not yet have a formal documented Risk Management Strategy. However, the following information outlines the Company's approach to risk management:

### Policy

- All members of the Board are responsible for risk management and oversight of internal controls. The day to day responsibilities for risk management and internal controls rest with the Managing Director.
- The Managing Director reports on these matters, on an exception reporting basis, to the Board of Directors as part of his monthly written report to directors.

### Strategy

The following is a summary of the current areas of risk and management strategies the Company has in place:

#### 1. FINANCIAL

##### 1.1 Internal Controls

The Company's financial status is not complex. To date, equity funds have been raised and utilised for exploration projects and business development.

The Managing Directors monthly report includes details of monthly spend, compares actual spend to budget and shows month end cash balance.

All major project expenditure must first be approved by the Board.

##### 1.2 Insurance

The Company maintains a comprehensive suite of insurance including the following:

- General insurance, office asset insurance and public liability insurance;
- Worker's compensation;
- Travel insurance;
- Liability insurance.

Insurances are reviewed semi-annually by the Managing Director.

## 1.3 IT

The Company's computer systems are regularly backed up for protection of electronic records.

Each terminal is password protected with access limited to Company employees of Iron Mountain Mining Limited and their specified consultants only.

## 2. OPERATIONAL

2.1 Operational Risk Management is dealt with on a project by project basis and where required external consultants are engaged to report.

2.2 Safety is a standing item addressed by the Managing Director in his monthly report to the Board.

## 3. ORGANISATIONAL

3.1 Given the speculative nature of the Company's business it is subject to general risks and certain specific risks. A summary of the major risk factors were set out in the Company's Prospectus dated 31 March 2005. These risk factors remain relevant to the Company.

### **Review of Risk Management**

This Policy will be formally reviewed by the Board each year.