

## Gulf Manganese Corporation Limited (the 'Company')

### Introduction

The Board recognises that risk management and internal compliance and control are key elements of good corporate governance and integral to the Company's objectives of creating and maintaining Shareholder value and the successful implementation of the Company's operations.

The Board as a whole is responsible for oversight of the processes by which risk is considered for both ongoing operations and prospective actions.

Management is responsible for establishing procedures which 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 judgement of its people to take risk managed decisions within the policy framework and to communicate openly on all risk related matters.

### 1. Objective

The primary objective of risk management is to ensure that the risks facing the Company and its operations are appropriately identified, monitored and managed. This gives Shareholders and stakeholders the confidence to deal with or invest in the Company.

### 2. Commitment

The Board and its management are committed to managing its risks in order to both minimise uncertainty and to maximise its business opportunities.

### 3. Risk Definition

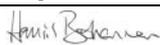
The definition that is applied across the Company of what constitutes a 'risk' is:

*'An event or activity which may have an impact on the achievement of the Company's objectives, strategies and its key business tasks.'*

### 4. Risk Management Framework

#### 4.1 Risk Identification

New risks will be identified by the Board in consultation with management as each new initiative/project is considered and implemented.

Prepared by:	Gulf Manganese	Document Status:	Published	Document No:	GMC-COR-POL-004
		Review Date:	1 August 2019	Revision No:	2
Approved by:	Hamish Bohannon	Approver's Signature:		Issue Date:	10 August 2018
				Page No:	1 of 3

Periodically (as deemed necessary by the Board in consultation with management), existing projects will be reviewed to identify new risks and monitor existing risks to ensure all risks are being effectively managed.

#### 4.2 Risk Analysis

Company risks are analysed by the Board and management by using the following analysis:

- (a) Probability of the risk occurring;
- (b) Impact of the risk if it did occur;
- (c) Ascertaining what level of controls and maintenance are currently being employed; and
- (d) How effective these controls are.

#### 4.3 Risk Evaluation

Management evaluate each risk through a process of allocating an appropriate rating of probability (e.g. high, substantial, medium, low or negligible), impact, risk and effectiveness controls.

This evaluation process determines whether the current management of each risk is within a predetermined acceptable level or whether action needs to be taken to treat the risk. Management further identifies what monitoring is required i.e. active or periodic and whether review by Board or management is required.

#### 4.4 Risk Treatment

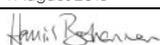
The following risk treatment has been allocated to each risk:

- (a) Tolerate the risk;
- (b) Avoid the risk; or
- (c) Reduce the risk

This treatment is designed to reduce the probability or impact or increase the risk controls. As there will normally be a cost associated with risk reduction, the objective is to reduce the risk to an acceptable level consistent with established risk criteria. Any one of several decision points that may be taken include:-

- (a) A satisfactory solution;
- (b) The most cost effective solution;
- (c) The accepted practice (industry norm, best practice etc.);
- (d) The best achievable result; or
- (e) The absolute minimum to satisfy corporate legislative or project needs.

The risk can be reduced by transferring the risk. This may involve the transfer of risk in part or in full to a contractor, a supplier or to a product buyer for example. Insurance is a common way of transferring risk. Insurance is normally taken for low probability, high impact events.

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				Page No:	2 of 3

When a risk treatment action is undertaken, it may not result in elimination or prevention of a risk, but will often result in reduction of this risk. A residual risk will remain that should be less than the Company's level of tolerable risk.

## 5. Risk Monitoring, Reporting and Review

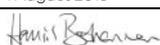
Monitoring the status of each risk and any necessary action plans relating to their treatment takes place on a regular basis by controlled self-assessment as well as by management's regular review of risk action plans, with respect to the effectiveness and suitability of each risk action plan.

The overall results of these assessments are presented to the Board at least annually and updated as necessary.

Any action or recommendations by senior management arising out of these review processes are approved by the Board and implemented by management.

## 6. Policy Review

This Risk Management Policy will be reviewed on an annual basis by the Board.

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				Page No:	3 of 3