

# AuDAX Resources Limited

## ABN 50 009 058 646

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### ASX Principles of Good Corporate Governance and Best Practice Recommendations

#### **Principle #7: Recognise and Manage Risk**

*Recommendation 7.1: The Board or appropriate Board Committee should establish policies on risk oversight and management.*

*Recommendation 7.2: The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that:*

*7.2.1. the statement given in accordance with best practice recommendation 4.1 (integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and*

*7.2.2. the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.*

*Recommendation 7.3: Provide the information indicated in ASX Guide to Reporting on Principle 7 in the annual report.*

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Taking and managing risk are central to AuDAX's business and to building shareholder value. Our risk approach links our vision and values, objectives and strategies, and procedures and training.

The mining exploration industry has additional risks to those of other businesses.

The Board recognises the following main types of risk:

(i) **Market Risk**

Market risk is the risk to earnings from changes in market factors such as interest and foreign exchange rates, commodity prices, or our liquidity and funding profiles. A change in the market can impact the price at which the Company's shares may trade.

(ii) **Managing Growth**

Growth of the Company will require preparedness for the deployment of management systems relating to financial monitoring and controls, human resources, corporate compliance, marketing, technical and changes in the competitive landscape. The Company recognises the need to employ qualified people to fill roles within the organisation and believes that such individuals can be attracted to the Company although in the exploration phase of the Company's operations, its size may be a limiting factor in being able to attract suitable candidates.

(iii) **Risks Associated with Future Acquisitions**

The Company intends to investigate and consider selective acquisitions of investments or businesses in accordance with the Constitution, the business need and strategic direction of the Company. There are no assurances that the Company will be able to identify suitable acquisition candidates available for sale at reasonable prices, complete any acquisitions or successfully integrate any acquired business into the Company's operations.

(iv) **Further Capital**

To expand its operations the Company will require additional capital from time to time. The ability of the Company to raise this capital will be affected by, amongst other things, the state of the market, the performance of the Company, the preparedness of investors to invest into the Company and the quality of the opportunity.

(v) **Exploration and Mining Risk**

Mineral exploration and mining are speculative activities that may be hampered by circumstances beyond the control of AuDAX. Profitability depends on successful exploration and/or acquisition of mineral reserves, design and construction of efficient processing facilities, and proficient financial management.

Many of the mining tenements in which AuDAX has an interest are at the exploration stage only. There can be no assurance that exploration of these tenements, or any other tenements in which AuDAX may acquire an interest in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that the deposit can be profitably exploited.

The business of mining and mineral exploration, development and production may be affected by various factors, including failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

(vi) **Native Title Risk**

Native title claims have been made in respect of AuDAX's tenements and tenement applications in Western Australia. This may affect AuDAX's operations by way of delays in the granting of tenement applications and AuDAX experiencing delays or incurring additional expenses in relation to gaining access to its tenements. It is possible that if agreements are not reached with relevant native title claimants, affected applications for mining tenements may not be granted or, if granted, may be subject to conditions.

(vii) **Environmental Risk**

The mineral operations and proposed activities of AuDAX are environmentally sensitive and cannot be carried out without prior approval from and compliance with all requirements of the relevant environmental authorities. AuDAX intends to conduct all its activities in a manner that is environmentally responsible and in accordance with all relevant laws.

(viii) **Legislative Risk**

Changes in Government regulations and policies may adversely affect the financial performance of AuDAX. New regulations or policy may restrict AuDAX from carrying out some of its existing and proposed activities.

(ix) **Competitive Risk**

AuDAX is subject to normal competition risks from other parties who are presently in, or in the future will enter, the mining exploration sector in which AuDAX currently operates. There is also the potential for increased competition in this market sector. If this was to occur, it may have a material adverse effect on the operating and financial performance of AuDAX.

**Managing Risk**

The Company employs executives and retains consultants, each with the requisite experience and qualification to enable the Company to manage the risks to the Company.

Risks to the Company are reviewed on an ongoing basis as necessary and during any reviews of operating and strategic plans.

**Internal Control Framework**

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described under two headings:

- Financial Reporting –The Company reports to shareholders quarterly, half-yearly and annually.
- Continuous disclosure – the Company has a policy that all shareholders and investors have equal access to the Company’s information and has procedures to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules. All information provided to the ASX is immediately posted to the Company’s website. The Directors and/or the Company Secretary are responsible for all communications with ASX.