

Breakaway Resources Limited

Summary of Risk Management Policy



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Introduction

Risk recognition and management are viewed by Breakaway as integral to the Company's objectives of creating and maintaining shareholder value, and the successful execution of the Company's mineral exploration and development.

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 Breakaway 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.

Risk Management Policy

There are a range of specific risks that have the potential to have an adverse impact on Breakaway's business. The Company has developed a framework for a risk management policy and internal compliance and control system which covers organisational, financial and operational aspects of the Company's affairs.

Risk Framework

Key elements of the framework for the management of risk by Breakaway are:

- Oversight of all matters pertaining to risk management by the Board;
- Oversight of the Company's financial affairs by the Audit Committee and ensuring that the management personnel responsible for the day to day financial management have the appropriate skills for the role;

- The formulation of programmes for exploration and development which are in accordance with the Strategic Plan of the Company and assessment of material risks as part of these programmes is in accordance with a “risk matrix”;
- Regular reporting against established targets;
- Approval guidelines for exploration and capital expenditure as set out under the Company’s approval matrix;
- Regulatory compliance programmes and reporting in key areas such as safety and environment;
- Management of capital and financial risk including regular monitoring of the treasury function by the Audit Committee;
- An annual insurance programme which is undertaken by financial management and reviewed by the Audit Committee; and
- Oversight of the conduct of contractors by the management.

Risk Evaluation and Control

Based on reviews of Breakaway’s business, an overall profile of the risks of the Company is established. In assessing and managing identified risks:

- A risk register is maintained by management;
- Risks are assessed and ranked in terms of potential consequences and likelihood in accordance with a risk matrix;
- The acceptability of each identified risk is assessed;
- Proposed actions to eliminate, reduce or manage each material risk are considered and agreed in accordance with the risk matrix; and
- Responsibilities for the management of each risk are assigned.

The overall results of this assessment are by management and presented to the Board at least annually and updated as necessary.

Periodic review is made at least annually in respect of the effectiveness and suitability of the risk management plan.

Internal Compliance and Control

The Board ultimately has responsibility for internal compliance and control. The Audit Committee has responsibility for specific financial risks and ensures that internal control systems are in place to monitor and manage risk.

Breakaway has a number of financial control processes to ensure that the information that is presented to senior management and the Board is both accurate and timely. The control processes include, among other things:

- Annual audit and half year review by the external auditor;
- Internal audit programme to review the quality and effectiveness of internal processes, procedures and controls;
- Management review of the balance sheet and internal control environment;
- Monthly review of financial performance compared to budget and forecast; and
- Analysis of financial performance and significant balance sheet items to comparative periods.