

Tavernier Resources Limited

Risk Management Policy

1. Preamble

This document lays down the process for Risk Management at the Company and defines the guidelines for the same. It seeks to identify probable risks inherent in the Company and provides guidelines to define, measure, monitor report and control all the identified risks. This document shall be under the authority of the Audit Committee of the Company set up by the Board.

2. Need

With the advent of Companies Act, 2013 (hereinafter known as the "Act"), there has been emphasis on having a robust and defensive risk management system within the Companies. Some of the related provisions of the said Act highlighted below find the reference of risk management systems in the companies:

- a. Section 177 of the Act entrusts the power on every Audit Committee of the Company to evaluate internal financial controls and risk management systems implemented in the Company;
- b. Section 134(3)(n) of the Act requires that the disclosures in the Boards' Report to include a statement indicating development and implementation of a risk management policy of the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company;
- c. Code of Conduct of the Independent Directors provides that the Independent Directors of the Company shall help the Board in bringing independent judgment to bear on the Board's deliberation especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct. Further, they need to satisfy themselves on the integrity of financials information and that financial controls and the systems of risk management are robust and defensible;
- d. Section 26 of the Act provides that every prospectus issued by or on behalf of a public company either with reference to its formation or subsequently, or by or on behalf of any person who is or has been engaged or interested in the formation of a public company, shall be dated and signed and shall state particulars relating to management's perception of risk factors specific to the project.

3. Definition of Risk

The term, "Risk" does not find any specific definition under the Act. However, as per Business Dictionary (www.busesdictionary.com), risk can be defined as a probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action.

4. Type of Risks for Company

Risks are categorized mainly of three types: High, Medium & Low which are further classified as foreseen risks and hidden risks. The areas from where many inherent risks associated with the Company can probably arise are: business operations, capital, credit, market, forex, investors, human, regulatory, environment, natural calamity etc.

5. Risk identification

Risk identification is the first step towards management of the respective risk. Apparently foreseen risks are easy to identify and categorize and would not require much efforts. However, hidden risks are difficult to identify as they would not prompt before coming and if they are not met vigorously by the Company, they can result in causing drastic harm or threaten the existence of the Company. They can be identified by implementing a robust mechanism by the Company.

6. Risk Management mechanism

Once risk is identified, it is vital to have a proper mechanism for management / mitigation of such risk. This process shall involve set of individuals who shall form Risk Management Committee (RMC). The RMC shall report their concerns periodically to the Audit Committee of the Company for reporting the concerns to the Board.

Risk Management mechanism for mitigating the risk shall involve following reporting methodologies:

- i) Reporting of Prompt risks: The risks that requires immediate attention for its mitigation / redressal and if delayed could result in huge harm, damage or threaten existence to the Company, would be reported as prompt risks;
- ii) Reporting of Quarterly risks: Other risks would be reported on quarterly basis to the Audit Committee for reviews and reporting to the Board.

7. Constitution of Risk Management Committee

The Risk Management Committee (RMC) shall be constituted / reconstituted by the Audit Committee from time to time.

8. Process:

The process for management / mitigation of any risk at the Company shall involve the following mechanism:

- i). An individual or Departments of the Company who foresees or identifies any risk shall report such risk to the RMC in the format for risk reporting given at Annexure I;
- ii). The RMC shall evaluate the risk, suggest steps for mitigating the risk and give its recommendations in the form of Report (along with format for Risk Reporting) for submission to the Audit Committee and forward the same to the Chief Financial Officer (CFO) / Company Secretary (CS) of the Company for placing it before the Audit Committee;

