



## Risk Management Policy

### 1. Introduction

ROC is committed to best practice corporate governance in relation to risk management. This requires that ROC establish a sound system of risk oversight and management and internal control. To achieve this, the Board recognises the need to have a policy which ensures that:

- appropriate systems are in place to identify to the extent that is reasonably practicable all material risks that the Company faces in conducting its business;
- the financial impact of the identified risks is understood and appropriate limits set to control exposures to those risks;
- appropriate responsibilities are delegated to control the identified risks effectively; and
- any material changes to the Company's risk profile are disclosed in accordance with the Company's Continuous Disclosure Policy.

### 2. Purpose of the Risk Management Policy

The Board has adopted this policy to provide guidelines in relation to:

- Responsibility for risk management
- ROC's risk management systems
- ROC's risk profile
- Monitoring risk management performance
- Disclosure of material change to risk profile
- Risk management reporting
- Reporting on risk management in the Annual Report

### 3. Responsibility for Risk Management

The Board is responsible for the oversight and integrity of ROC's risk management systems.

The Board has established an Audit and Risk Committee to assist the Board in fulfilling its obligations in relation to the Company's risk management systems.

The Board has also established a Health Safety and Environment Committee to assist the Board in fulfilling its obligations in relation to the overseeing of the Company's work health, safety and environment obligations and risks.

Management is responsible for designing, implementing, reviewing and providing assurance as to the effectiveness of ROC's risk management systems and this policy.

For the purpose of this policy risk is defined as possible outcomes that could materially adversely impact on the Company's financial performance, assets, reputation, people and the environment.

#### **4. ROC's Risk Management Systems**

To assist in discharging its responsibility for risk management, the Board has established an Enterprise Risk Management Framework which outlines the Company's risk profile and various controls, policies and procedures that exist.

The Board has established the following policies and practices around risk management:

- The Company reviews regularly and at least annually, and where required, makes improvements to its risk management and internal control systems.
- All business units and employees are required to follow relevant ROC Group policies, guidelines and standards in relation to financial reporting.
- Each business unit and manager is required to monitor the effectiveness of the risk management process.
- Prior to the end of each financial year end a detailed financial budget is put forward to the Board by management and is approved and adopted as the annual budget.
- Monthly management accounts are prepared to compare actual results against budget.
- Forecasts are prepared and revised on a regular basis.
- Hedging activities are regularly reported to the Board.
- The Audit and Risk Committee reports on its activities to the Board.
- The Health, Safety and Environment Committee reports on its activities to the Board.
- The Company has policies and practices in place specifying delegated authority and limits of authority in all areas of the business.
- The Board receives regular reports on the Company's main operations including production, development, exploration, appraisal, new ventures and corporate support activities.
- The Company has practices in place to review new corporate opportunities. They include, in the case of new acquisitions, detailed due diligence exercises and budgeting.

#### **5. Risk Profile**

The operation of ROC's risk management process results in the identification of a number of industry risks which may impact on ROC's business. These risks include, but are not limited to:

- human resources;
- environment, health and safety risks;

- reservoir risk and associated uncertainty;
- sovereign risk;
- market risk, including commodity prices, interest rate and foreign exchange rates;
- technical and project management competencies;
- costs and scheduling risks, particularly relating to major exploration and development project;
- risks relating to acquisitions and divestments;
- risks to the operation of production facilities and infrastructure;
- replacement of reserves (cost & volume);
- legal and contractual risks; and
- liquidity and capital management related risks.

The risk management system is designed to regularly review, update and manage these and other identified business risks.

## **6. Monitoring Risk Management Performance**

The Board and the Audit and Risk Committee, along with senior management, are responsible for reviewing risk registers and risk profiles of the business on an annual basis. Senior Managers are responsible for ensuring that each functional area they oversee has identified, assessed and is proactively managing risks appropriately. Audit plays a key role in verifying that the risk management policy is appropriately applied across the organisation. The risk registers developed by the business provide information to determine where risk based audits are to be undertaken and focus attention on areas of significant risk to the organisation. Regular monitoring and reporting of action items that relate to identified risks are also performed to ensure that management is constantly mitigating the chance of significant risks occurring in the organisation.

## **7. Disclosure of Material Changes to Risk Profile**

As a company listed on the Australian Securities Exchange ("ASX") ROC is required to comply with continuous disclosure obligations under the ASX Listing Rules.

Under these rules ROC must inform the ASX immediately it becomes aware of any information which would reasonably be expected to have a material effect on the price or value of any securities issued by ROC. If a material change to ROC's risk profile occurs which could reasonably be expected to have a material effect on ROC's share price this material change will be disclosed in accordance with ROC's Continuous Disclosure Policy.

## **8. Risk Management Reporting**

At least annually management are required to report to the Board as to the effectiveness of the Company's management of its material risks.

In accordance with the obligations under s.295A of the Corporations Act the Chief Executive Officer and Chief Financial Officer are required to provide a declaration to

the Board to the effect that the financial statements are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

**9. Reporting on Risk Management in the Annual Report**

The Board will make appropriate disclosure regarding this Risk Management Policy in ROC's Annual Report in accordance with the ASX Corporate Governance Principles and Recommendations.

This Risk Management Policy is available on ROC's website [www.rocoil.com.au](http://www.rocoil.com.au)

**Adopted by the Board in August 2010. Updated on 25 January 2012**