



PPK GROUP LIMITED

RISK OVERSIGHT & MANAGEMENT FRAMEWORK

1. STATEMENT OF BOARD COMMITMENT

- 1.1 The Board of PPK Group Limited (“PPK”) recognise that effective management of risk is an integral part of good management and vital to the continued growth and success of PPK.

2. RESPONSIBILITY FOR RISK OVERSIGHT & MANAGEMENT

- 2.1 The PPK Board is responsible for the oversight of the group’s risk management and control framework.

- 2.2 The Board has implemented a policy framework designed to ensure that the group’s risks are identified, analysed, evaluated, monitored, and communicated within the organisation on an on-going basis, and that adequate controls are in place and functioning effectively.

- 2.3 The PPK Risk Oversight & Management Framework:

2.3.1 incorporates the maintenance of appropriate policies, procedures and guidelines which address the unique operating environment of PPK; and

2.3.2 is utilised by the Board as a means of identifying the:

(a) strengths, weaknesses, opportunities and threats influencing, or having the potential to influence, the PPK business; and

(b) appropriate oversight strategies to implement in respect of the key risk and opportunity factors confronting the PPK business.

- 2.4 The Audit Committee assists the Board in this role by reviewing the financial and reporting aspects of the group’s risk management and control practices.

- 2.5 The full Board are responsible for overseeing management’s risk management and control processes including the development of risk profiles as a part of the overall business and strategic planning process.

- 2.6 The Managing Director has ultimate responsibility for control and management of operational risk and the implementation of avoidance or mitigation measures within the group and may delegate control of these risks to the appropriate level of management at each site.

3. IDENTIFIED AREAS OF SIGNIFICANT RISK TO PPK

- 3.1 Areas of significant business risk identified by PPK in its risk profiling include:

3.1.1 domestic and international economic conditions;



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- 3.1.2 material and sustained interest rate and foreign exchange fluctuations;
- 3.1.3 sustainability of the resources sector;
- 3.1.4 changes in the commercial and industrial property market;
- 3.1.5 investments;
- 3.1.6 insurance;
- 3.1.7 industrial relations;
- 3.1.8 information and computer systems;
- 3.1.9 regulatory and legal compliance;
- 3.1.10 financial reporting and controls;
- 3.1.11 retention of technical and management skill and up to date technology;
- 3.1.12 asset protection including intellectual property.

4. MONITORING RISK MANAGEMENT

- 4.1 The Board considers the significant business risks applicable to PPK and its on-going operations annually.
- 4.2 Risk profiles are considered an integral part of any strategic review and business planning process.
- 4.3 Arrangements put in place by the Board to monitor risk management include:
 - 4.3.1 a report is regularly presented to the Board by the Managing Director which encompasses matters including sales, costs and profitability against budget and other key performance measures together with information relating to industry developments, the progress of investments or proposals regarding major customers;
 - 4.3.2 reports are regularly prepared and submitted to the Board in relation to the overall financial position of PPK, together with statements regarding workplace safety, compliance with tax and superannuation legislation and environmental conformance;
 - 4.3.3 presentations made to the Board or Committees of the Board throughout the year by appropriate members of the group's management team (and/or independent adviser, where necessary) on the nature of particular risks and details of measures which are either in place or can be adopted to manage or mitigate the risk;

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- 4.3.4 regular briefings by the Managing Director and senior management on market and operational factors which may impact on the performance of PPK;
- 4.3.5 reports and advice on areas of operational and financial risk from management and the Audit Committee are provided to the Board for review and strategies are developed, in conjunction with management, to manage and mitigate those risks;
- 4.3.6 reports by the Chairman of the Audit Committee and circulation to the Board of the minutes of each meeting held by the Audit Committee;
- 4.3.7 the Managing Director and Group Financial Controller report in writing to the Board that the:
 - (a) statement given in accordance with the ASX Corporate Governance Council's Best Practice Recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
 - (b) Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.
- 4.3.8 the Board, or Audit Committee, may request the Managing Director, Group Financial Controller, Group General Manager and/or Group Company Secretary to undertake an internal audit of risk management controls, systems and practices regarding operational, financial, legal and governance risk at any time and request a report on, and seek clarification of, the audit findings;
- 4.3.9 the implementation of internal control systems designed to promote effective financial risk control mechanisms by the delegation of certain responsibilities to key senior management executives, and a requirement for monthly reporting of action taken within these approved areas, including:
 - (a) hedging of foreign currency exposure;
 - (b) signing of cheques;
 - (c) execution of contracts, finance agreements and other legally binding arrangements;
 - (d) imposition of capital expenditure limits for designated senior management and established approval processes.
- 4.4 The Board has also adopted reporting and other procedures which allow it to monitor:
 - 4.4.1 compliance by PPK with the continuous disclosure requirements of the Listing Rules and with laws relating to the trading in company securities;

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4.4.2 the maintenance of ethical practices within PPK including compliance with applicable laws and regulations;

4.4.3 assess the effectiveness of its risk management and control framework.

5. COMPLIANCE, CONTROL & ASSESSMENT OF EFFECTIVENESS

5.1 The PPK Board will review the effectiveness of the group's risk management systems and strategies.

5.2 In doing so, the Board:

5.2.1 oversees management's processes with a view to identifying, assessing and monitoring risks associated with PPK business operations and consults with management regarding the implementation and maintenance of policies and control procedures to give adequate protection against risks;

5.2.2 considers and assesses the appropriateness and effectiveness of management information and other systems of internal control including a review of the external (and/or internal) auditor's reports to management on internal controls (including information technology controls) and action taken or proposed resulting from such reports;

5.2.3 may in its discretion appoint internal auditors to undertake an assessment of the risk management systems and strategies employed by PPK and to provide a report, or seek clarification, on the findings of such a review.

5.3 The Board and Audit Committee has:

5.3.1 full, free and unrestricted access to all company records, documentation and physical property of PPK as may be required to fulfil its responsibilities; and

5.3.2 authority to seek any information it requires to fulfil its responsibilities from any officer, employee, consultant or contractor of PPK and any related company of PPK.

5.4 The policies, processes, practices and procedures established by management and/or the Board which comprise PPK risk management and internal control systems provide reasonable assurance that:

5.4.1 risk exposure is identified and adequately monitored and managed;

5.4.2 resources are acquired economically, adequately protected and managed efficiently and effectively in the conduct of PPK business;

5.4.3 significant financial, managerial and operating information is accurate, relevant, timely and reliable;

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- 5.4.4 there is an adequate level of compliance with policies, standards, procedures and applicable laws and regulations; and
- 5.4.5 established corporate and business strategies and objectives are achieved.



Colin Ryan

Chairman



David Hoff

Managing Director

CURRENT VERSION B ■ DATE MODIFIED: 1 SEPTEMBER 2006

APPROVED BY: BOARD OF DIRECTORS

PREVIOUS VERSION: A ■ DATED: 20 APRIL 2004