

RISK MANAGEMENT POLICY

INTRODUCTION

Objective

The primary objective of risk management is to ensure that the risks facing the business are appropriately identified and managed. This gives stakeholders confidence to deal with or invest in the business.

Commitment

The Board of Archer Exploration Limited and its senior management is committed to identifying and managing its risks in order to both minimise uncertainty and to maximise its business opportunities. Pursuant to this commitment, the Board has approved and adopted this document.

Risk Definition

The definition that is applied across Archer Exploration Limited of what constitutes "risk" is: -
"An event or activity which may have an impact on the achievement of Archer Exploration Limited objectives, strategies and its key business tasks."

RISK MANAGEMENT FRAMEWORK

Risk Identification

The risks have been identified through a series of workshops that have considered how to characterise risk, why they happen and the likely consequences.

New risks will be identified as each new initiative/project is considered as well as on an ongoing basis by all employees when engaging in day to day operational activities. New risks will also be identified by the Board during discussions when they meet each month.

The employees, Board and the Audit & Risk Committee contribute to the ongoing review of all existing risks and the identification of any new risks.

Risk Analysis

Each risk has been analysed by management by using the following ratings:

1. Probability of the risk occurring;
2. Impact of the risk if it did occur;
3. Ascertaining what level of controls and maintenance are currently being employed;
and
4. the effectiveness of the risk mitigation and management controls.

Risk Evaluation

Management have evaluated each risk through a process of allocating an appropriate rating of probability of the event happening and the likely consequences of such an event.

This evaluation process determines whether the current management of each risk is within a predetermined acceptable level or whether action needs to be taken to manage or eliminate the risk. It further identifies the level of ongoing monitoring that is required to address the risk.

Risk Treatment

The following risk treatment has been allocated to each risk:

1. Manage the risk
2. Avoid the risk
3. Reduce the risk

This treatment is designed to reduce the probability or impact or increase the risk controls. The objective is to reduce the risk to an acceptable level consistent with established risk criteria and good industry practice.

RISK REPORTING

The risks identified by the Company have been separated into the following categories:

- Statutory/Regulatory
- Financial
- IT Management
- Tenement Management
- Community
- Asset Management & Protection
- Corporate & Strategic
- Environmental
- Personal & Safety

Each risk has then been rated according to inherent risk (probability and impact of the risk) and control rating (risk controls present and the evaluation of those controls).

A corporate risk register is maintained by the Managing Director and Company Secretary and is formally reviewed by the Audit & Risk Committee at least bi-annually and by the Board at least annually or more frequent, as required.

Risk is addressed at each monthly meeting of the Board and any material changes to the Company's risks or risk mitigation procedures are discussed and an update made to the Corporate Risk Register as appropriate.

RISK MONITORING AND REVIEW

Monitoring the status of each risk and any necessary action plans relating to their treatment takes place on a regular basis by controlled self-assessment as well as by management's quarterly review of risk action plans.

The Corporate Risk Register is formally reviewed by the Audit & Risk Committee at least bi-annually and by the Board at least annually or more frequent, as required.

Any action or recommendations arising out of these review processes are implemented by management and then checked by the reporting system to the Company Secretary.

Each risk identified within each manager's area of responsibility and expertise is incorporated into the manager's key performance indicators for that year and is monitored by that manager and reviewed by the manager's direct report on an annual basis.

ADOPTED BY THE BOARD ON 21 SEPTEMBER 2015

Archer Exploration Limited

A Level 1, 28 Greenhill Rd Wayville SA 5034 | T (08) 8272 3288 | E info@archerexploration.com.au

www.archerexploration.com.au