



Risk Management Policy

This policy provides an overview of the risk management policies of Larus Energy Ltd (“**Company**”) and its compliance and control systems.

The identification and proper management of the Company’s risks are an important priority of the Board.

The Board’s approach to risk management is to initially focus on the risks most relevant to the Company’s operations, which can be grouped into three areas:

- risks that relate to capital acquisition for a program of petroleum exploration;
- risks that relate to management of a program of petroleum exploration; and
- risks that relate to the location of PPL 326 and the regulatory and community issues arising.

The Audit and Risk Committee is responsible for identifying specific issues under each heading. It is then responsible for seeing that Management establishes procedures and maintains a system of risk management and internal controls that is focussed on the most material issues.

The Board is aware of the evolving nature of the issues the Company will face and has allowed for this in its risk management policy.

Recognising that there are inherent risks associated with oil and gas exploration the Board is responsible for overseeing the risk management activities of the Company.

The management of risk is necessary to protect the Company’s personnel, assets and reputation as well as the environment. It is also vital for effective business operation, achievement of objectives, reliable reporting and compliance with laws and regulations.

The implementation of the risk management controls and their effectiveness is the ultimate responsibility of the Board. The Board has implemented a combination of internal policies and procedures and engages external auditors to achieve an appropriate level of risk management and monitor developments in this regard.

Internal Policies and Procedures

The Board shall review and, where appropriate, establish risk management strategies covering areas of business risk relevant to the Company such as:

- Occupational health & safety;
- The environment and the interests of local communities;
- Asset protection (insurances);
- Continuous disclosure;
- Securities trading policies applicable to directors, employees and key contractors;
- Codes of conduct for directors and employees.



The policies to be implemented by the Board shall include mechanisms to ensure compliance, identification and regular reporting to the Board of significant business risks and the management of those risks.

Financial Statements

Management shall ensure transparency and accuracy in all financial information for internal and external use.

Management shall ensure that financial information is timely, complies with statutory requirements and in particular, provides a true and fair view of the Company's financial status and performance.

The integrity of the Company's financial reporting relies upon a sound system of risk management and control. Accordingly, the Managing Director is required to provide a statement in writing to the Board that the Company's financial reports are based upon a sound risk management policy to ensure management accountability.

The Company's Financial Statements are audited/reviewed by external auditors on an annual and semi-annual basis.

The Audit and Risk Committee assists the Board in this Policy by:

- fostering in management personnel a culture of risk control and management, particularly on internal control and compliance;
- overseeing the planning, implementation, establishment, monitoring, management, assessment and review of risk control management and information systems;
- providing recommendations to the Board on the appointment and replacement or rotation of auditors;
- meeting and liaising with external auditors;
- consideration of an internal audit issues in the context of the risk management process.

Occupational Health and Safety

The Board oversees the planning, implementation, establishment, monitoring, management, assessment and review of risk control management and information systems in connection with occupational health and safety issues.

Management is to establish and implement the Policy by establishing a system to identify, assess, monitor and manage risk by:

- identifying and addressing risks at each Company project and setting up internal control and compliance systems;
- devising and establishing a system for the ongoing review of risk control management and information systems for prompt response;

- reviewing the systems and their compliance as well as their overall effectiveness not only for continuing or evolving risks but also for new risks;
- reporting periodically on risk control and compliance as well as management information systems to the Board.

Management, staff and contractors of the Company are required to ensure that Occupational Health and Safety practices are of the highest standard.

Environment, Cultural Heritage and Community

The Board oversees the planning, implementation, establishment, monitoring, management, assessment and review of risk control management and information systems in connection with environmental, cultural heritage and community concerns.

Management is to establish and implement the policy by establishing a system to identify, assess, monitor and manage risk by:

- identifying and addressing risks at each Company project, including consideration of environmental, land holder, cultural heritage and other community concerns and setting up procedures for ensuring that appropriate action is taken to ensure compliance with relevant legislative and community expectations;
- devising and establishing a system for the ongoing review of risk control management and information systems and reviewing the systems and their compliance and their overall effectiveness not only for continuing or evolving risks but also for new risks;
- reporting periodically on risk control and compliance as well as management information systems to the Board.

K Philip
Chairman
27 March 2010