

Arc Exploration Limited

Risk Management Statement

This statement provides an overview of the Company's risk management policies and its compliance and control systems.

Recognising that there are inherent risks associated with exploration and development 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 has implemented a number of management strategies covering areas of business risk relevant to the Company such as:

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

The various policies implemented by the board 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 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

Given that the Company is developing projects in Indonesia which involve significant Capital Expenditure the Company is reviewing the possibility of establishing an internal audit function.

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 has established a Policy 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

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

Management has established and implements a policy to identify, assess, monitor and manage risk by:

- identifying and addressing risks at each Company project, including consideration of environmental concern 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.

Management, staff and contractors of the Company are required to ensure that Environmental matters are addressed at all times in accordance with the highest standards.