

BUSINESS RISK

The Company defines business risk as any event or action with the potential to interfere or prevent the Company from achieving its objectives. Business risk is broadly defined so as to ensure that due consideration is given to all issues with the potential to impact upon the Company's business.

The Board, assisted by the Audit Committee, has oversight of risk management.

Risk management is the process of identifying where there is a risk to the business, assessing what the consequences of the risk could be, ranking the risks in accordance with the likely impact, developing and implementing a response to the risk and monitoring implementation.

Sources of risk are varied and a wide view should be taken when considering business risks. Possible risk areas for Tap include:

- Exploration.
- Operational.
- Financial (including theft/fraud)/foreign exchange/interest rate/oil prices.
- Commercial/economic.
- Political.
- Legal/legislative.
- Climatic.
- Engineering.
- Environmental/safety/health.
- Information technology.

RISK MANAGEMENT PROCESS

In order to properly identify and develop strategies and actions to manage risk, the Company has put in place a business risk management framework based on the following key elements:

- selection of a group of participants drawn from Tap's staff to identify specific business risks. The group should have experience in all of Tap's activities and should be conversant with Tap's business plans, objectives and values;
- an assessment of the potential impact of identified risks and the likelihood of occurrence;
- a ranking of the risk in accordance with the likely impact on the organisation;
- an assessment of the external environment and the control environment in place to manage the risk;
- the development of an appropriate response to manage the risks. The response may include strategies aimed at eliminating the risk, mitigating the risk, transferring or accepting the risk; and
- monitoring to ensure controls to manage the risks are suitable, have been carried into effect and are periodically reviewed.

ADDITIONAL RISK MANAGEMENT POLICIES AND PRACTICES

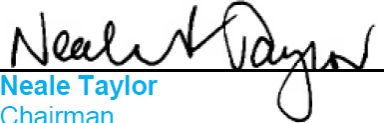
In addition to the specific risk management process described in the Risk Management Process section of this Policy, Tap maintains a number of policies and practices designed to manage specific business risk. These include:

- the Audit Committee Charter and Terms of Reference;
- the Hedging Policy (to manage oil price, exchange rate and interest rate exposure);
- an insurance program which is reviewed by the Board;
- regular budgeting and financial reporting;
- the Company's Business Plan;
- corporate strategy guidelines and procedures to review and approve the Company's strategic plans;
- commitment and expenditure levels exceeding certain levels must be submitted to the Board for approval;
- procedures/controls to manage financial exposures and operational risks; and
- procedures/controls to manage environmental and occupational health and safety matters.

GENERAL

All significant areas of the Company's operations are subject to regular reporting to the Board, including exploration, development, finance, gas and liquids marketing, safety, government, investor relations and environmental matters.

Approved by the Board of Tap Oil Limited.



Neale Taylor
Chairman
for and on behalf of the Board
of Directors



Date