



WESTGOLD
RESOURCES LIMITED

COMMODITY RISK MANAGEMENT & HEDGING POLICY

PURPOSE

A comprehensive financial and commodity risk management program supports the achievement of an organisation's objectives by enabling the identification and evaluation of risks, setting acceptable risk thresholds, identifying and mapping controls against these risks and implementing policies and procedures to manage and monitor the risks.

This policy establishes the financial and commodity risk management framework and defines the procedures and controls for the effective management of Westgold Resources Limited's (**Westgold**) risks that arise through the company's operational activities.

A sound policy is essential to ensure all financial and commodity risks are fully recognised and treated in a manner consistent with:

- The Board's management philosophy;
- Requirements of financiers;
- Commonly accepted industry practice and corporate governance; and
- Shareholders expectations of a gold producer.
- Cost control of inputs to mine operations, i.e. fuel oils, parts.

These issues will be addressed through the continuing evolution of this policy, which is to be reviewed annually at a minimum, as financial and commodity risks are likely to change over time.

SCOPE

This policy provides Board delegation and guidance for all activities of management to manage commodity (gold and fuels) and foreign exchange transactional risks faced by Westgold. Hedge strategies are focused primarily on the management of market price risk while the financial risk management policy also covers credit risk that arises from any hedging contracts that are used to manage market price risk, together with other risks such as operational and accounting risks.

SOURCES OF RISK

Westgold is an Australian reporting company headquartered in Perth, Western Australia which, through its wholly owned subsidiaries, hold extensive landholdings in Western Australia and the Northern Territory.

Westgold is listed on the Australian Securities Exchange (ASX). Westgold is exposed to variability in movements in gold, oil and gas prices and foreign exchange rates (in particular AUD/USD) and movements in interest rates. Specifically, Westgold is exposed to falling prices in gold, appreciation of the AUD against the USD and rising oil and gas prices.

RISK MANAGEMENT OBJECTIVES

The overriding objective of Westgold's price risk management program is to accommodate participation in favourable commodity price movements whilst eliminating a proportion of the downside risk at an adequate margin above operating cash costs of site operations.

Management acknowledges that as circumstances change, these risk management objectives may change and hence will be reconsidered and revised as part of the annual review process.

The authorised risk management program must also comply with the hedging requirements of the financing institutions and be thoroughly understood by Westgold's Board and executive officers with specific attention to the full range of financial outcomes of the hedge.

This policy defines the parameters permitted in achieving these objectives, ensuring the program is conducted in a controlled and prudent manner.

STRUCTURE AND RESPONSIBILITIES

To ensure adequate segregation of duties facilitating independent checks, reducing the risk of error, breach of limits and fraud, Westgold's risk management structure and responsibilities can be viewed in three main groups; the Board of Directors, the Audit and Risk Committee and the Execution Team. The authorities and roles of each of these groups are defined below.

The Board of Directors

The Board of Directors will establish the business strategy and objectives for risk management activities, acceptable risk appetite, approve policy and procedures.

This group is responsible for:

1. Determining the extent of corporate exposures through appropriate discussion and analysis that determines these Policy Limits;
2. Delegation of these Policy Limits to the Execution Team; and
3. Minimum Annual review of Policy Limits.

The Audit and Risk Committee

The Audit and Risk Committee will monitor and enforce compliance with the policy and procedures.

This group is responsible for:

1. Oversight of the risk management processes adopted by the company;
2. Ensuring compliance with the terms of this policy; and
3. Minimum Annual review of Policy Limits.

Execution Team

Comprised of the Managing Director, CFO, Company Secretary and Treasury/Financial Accountant (for execution only).

Specific roles of the Execution Team include:

- Implement hedging strategies within these Policy parameters (only the Managing Director, CFO, or Company Secretary can provide final authorisation for a transaction);
- Manage and administer hedging transactions in accordance with the Commodity Risk Management & Hedging Policy;
- Properly record transactions in the books of the Company;
- Keep records of all transactions; and
- Reconcile Company records.

In the absence of Execution Team members authority for execution of a transaction may be delegated to a Non-Executive Director.

The Treasury/Financial Accountant will provide independent confirmation of market transactions and recording of terms, calculation of settlement amounts, monitor and report on compliance with policy and procedures, financial reporting of risk management activity and documentation.

RISK MEASUREMENT AND LIMITS

Westgold's key focus is on ensuring that high production costs in early years are adequately covered by hedging. Westgold will review its position regularly to ensure that given its risk profile, forecast operating cash flows will be reasonably covered by gold sales subject to a range of price forecast alternatives. Given Westgold's risk management objective is to maximise participation to favourable commodity price movements whilst protecting the minimum forecast site operating costs, the company will adopt a medium risk tolerance profile.

Commodity price and foreign exchange risk will be measured by determining the sensitivity of cash flows to changes in gold prices and foreign exchange rates as they relate to the output from Westgold's operations. The volume of risk is determined by the Life of Mine Models.

In order to ensure the effectiveness of the hedging program at Westgold, certain limits will be implemented which will guide all the hedging activities undertaken.

Hedging limits will be calculated on a percentage of the forecast gold produced. Westgold will ensure a sound forecasting process, capable of recasting production forward each year for the life of the Projects.

Limits for Market Risk

Westgold has a medium risk tolerance profile which implies a low to medium percentage of hedging for highly probable exposures. Speculation (as defined as any transaction that increases Westgold's exposure to market risks above scheduled production) is not permitted under any circumstances.

Hedges will be initiated on the basis of ensuring that operating cash costs are covered by future sales based upon forecast price expectations. Determining the total overall level of hedging between the minimum and maximum levels will be decided by the Execution Team, where factors such as current market conditions and consensus views, actual versus forecast production and the existing hedge position will be discussed.

On the basis of the above criteria, the commodity and foreign exchange framework for hedging Westgold's market risk exposures, using hedge ratios (i.e. percentage of notional exposure hedged) are as follows:

Table 1: Commodity Hedging Limits

METAL		CURRENCY		FUEL/ENERGY	
Gold		AUD/USD		Oil/Gas	
MIN ⁺	MAX %	MIN ⁺	MAX %	MIN ⁺	MAX %
0%	60%	0%	60%	0%	60%

+ Minimum hedge levels will be driven by mandatory hedging requirements of banks and beyond that period, reviewed by the Execution Team using financial drivers to determine minimum requirements.

Limits for Hedging Instruments

The hedge program will only be implemented using Over the Counter (OTC) authorised instruments (as outlined in section 6.3) with approved counterparties. Any other product requires the prior approval of the Board of Directors.

Authorised Instruments

The following authorised instruments may be used for hedging:

METALS	FOREIGN EXCHANGE	FUEL/ENERGY
Cash (in A\$ & US\$)	Spot (A\$/US\$)	Cash A\$/US\$
Gold forwards (in A\$ & US\$)	Forward Exchange Contract (A\$/US\$)	Forward Contracts (A\$/US\$)
Bought gold put options (in A\$ & US\$)	Bought US\$ put/ A\$ call options	Put and call options
Collar Instruments (in US\$)	Collar options (A\$/US\$)	Collar options (A\$/US\$)

In addition, hedges are to conform to the following directives:

- Hedges will cover no more than 3 years of production;
- Any hedge beyond these policy limits will require specific approval by the Board of Directors;

- No hedge will extend beyond scheduled production;
- Only instruments set out above will be used;
- Compliance will be reviewed and reported to the Board at the time of any update to the Life of Mine models;
- This policy will be reviewed at the time of any refinancing for compliance to new loan documentation;
- Mark to markets of the hedging portfolio will be produced no less than six monthly;
- The Board and Company's financing institutions will be informed of hedging levels to ensure compliance with any financing facility; and
- Where timing and production differences require, hedge contracts may be rolled at historic rates and adjusted accordingly to the prevailing forward market rate (subject to approval from hedge counterparties) and only within 6 months of restructure date.

Credit Risk

Credit risk is created through Westgold having the risk of financial loss by a counterparty failing to deliver on its obligations. Credit risk will be measured as the net current market value of transactions that Westgold has outstanding with any single credit counterparty, by credit rating. Current market value is an indication of the amount owed by/to the counterparty in the event that either party defaults on their obligations.

Counterparty credit risk will be managed by dealing with an agreed range of suitable financial institutions based on their credit rating. Westgold's will monitor counterparty credit ratings and Westgold's exposure to each and report on these on a regular basis.

Pricing Risk

Pricing risk is the risk that Westgold's counterparties fail to offer fair and reasonable prices in relation to hedging any of the identified market risks as outlined in Section 3 "Sources of Risk".

Westgold will closely monitor pricing provided by approved counterparties and endeavour to introduce alternative dealing counterparties when appropriate to ensure greater flexibility and competitiveness in pricing.

DOCUMENTATION AND CONFIRMATION REQUIREMENTS

All transactions must be executed using standard documentation reviewed and agreed by Westgold. Appropriate documents include International Swaps and Derivatives Association (ISDA) master agreements.

The Treasury/Financial Accountant will confirm all transactions in writing. All confirmations are sent to the Managing Director and/or the CFO as they settle the transaction.

REPORTING REQUIREMENTS

Westgold will maintain an on-going register of all hedges and ensure the percentage hedged is within the policy framework. This will be maintained by the Treasury Accountant, and reported at Westgold's Board Meetings on a regular basis.

Any breaches to this policy will immediately be reported to the Audit & Risk Committee.

AUTHORITIES

Only the Managing Director, Executive Directors, CFO, or Company Secretary can provide final authorisation to implement hedging. Once a transaction is effected, the Treasury Accountant has the authority to manage and settle the transaction.

The Execution Team is responsible for managing the Board approved hedging framework.

POLICY ADMINISTRATION

The Board will review and approve any changes to the main body of the policy. In addition, the Board will review the full policy and related schedules on an annual basis.

COMPLIANCE

The Managing Director and CFO are responsible for ensuring all employees conform to this policy.

Employees are responsible for reporting any breaches as soon as they occur by notifying the Managing Director or CFO in writing.

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