

Risk Analysis - March 2011

Consequence classifications

	Severe	Very High	High	Low	Negligible
Capital	>\$50M	>\$5M	>\$500k	>\$50k	>\$5k
Project Delay	5 years	2 years	1 year	6 months	1 month
Strategic	Major impact on company's strategic ambition	Unaligned with strategic plan	May adversely affect strategic plan	Non-core activity	Indirectly aligned with the strategic plan
Safety	Fatality	Permanent disability	Lost time injury	Medical treatment	Safety incident
Environmental	Permanent ecological damage	Major incident repairable	Minor incident permanent	Minor incident repairable	No environmental impact
Stakeholders	Prevented from undertaking all operations	Prevented from undertaking some operations	Pressure from regulators or community groups to take remedial action	Adverse publicity requiring some action	Adverse publicity requiring no action
Commercial	Action by a third party causing company to collapse	Action by a third party causing significant company devaluation	Action by a third party requiring significant management effort to rectify	Action by a third party recoverable with some effort	Action by a third party recoverable with little effort

Likelihood categories

Very unlikely	The event would only occur in exceptional circumstances.
Unlikely	The event is unlikely to occur but may occur from time to time.
Possible	The event may occur at some time.
Likely	The event would probably occur in most circumstances.
Very likely	The event is already occurring or is certain to occur.

Risk Estimate Matrix

		Consequence				
		Negligible 1	Low 2	High 3	Very High 4	Severe 5
Likelihood						
Very unlikely	1	Negligible	Negligible	Low	Low	Moderate
Unlikely	2	Negligible	Negligible	Low	Moderate	Moderate
Possible	3	Negligible	Low	Moderate	Moderate	High
Likely	4	Low	Low	Moderate	High	High
Very likely	5	Low	Low	High	High	High

<u>Rank</u> (All items >= 15)	<u>Risk Score</u> (Consequence x Likelihood)	<u>Consequence</u>	<u>Likelihood</u>	<u>Risk Factors</u>	<u>Controls / Comments</u>
				11.2 Share Market <i>Share market conditions may affect the listed Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:</i> Economic conditions and general economic outlook. Changes in Australian and international stock markets. Interest rates and inflation rates. Currency fluctuations. Commodity price fluctuation. Changes in investor sentiment towards particular market sectors. Taxation, government and monetary policies. Demand and supply of capital. War, terrorism and other hostilities.	Economic conditions in terms of their affect on the share market are considered outside of the Company's control. Changes in domestic and international share markets are considered outside of the Company's control. Interest rates and inflation rates in terms of their affect on the share market are considered outside of the Company's control. Currency fluctuations in terms of their affect on the share market are considered outside of the Company's control. Commodity price fluctuations in terms of their affect on the share market are considered outside of the Company's control. Investor sentiment and its affect on the share market are considered outside of the Company's control. Government policy and its affect on the share market are considered outside of the Company's control. Demand and supply of capital and its affect on the share market are considered outside of the Company's control. War and other related hostilities and their affect on the share market are considered outside of the Company's control.
				11.3 Commodity and Currency price volatility <i>Centrex's current exposure to commodity and currency volatility:</i> Commodity price - given the company is not presently in production, commodity price volatility is considered a strategic risk only at this stage.	Commodity price volatility is considered outside of the Company's control. Conservative price and cost projections are used in project financial analysis.
2	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Moderate (10)</div> <div style="border: 1px solid black; padding: 5px; background-color: #f8d7da;">High (16)</div>	Severe (5) Very high (4)	Unlikely (2) Likely (4)	Currency - the Company is beginning to be exposed to contracts denominated in foreign currency (JV study costs). It may also be in a position to consider imported infrastructure in the next year. From a capital perspective, a \$0.02 fx movement on USD 10m of capital has an AUD 400k impact.	The Company is in the early stages of considering an appropriate foreign exchange exposure policy. In the meantime management will review foreign currency exposure embedded in contracts and take out a foreign currency deposit at the time of signing, for the value of the contract.
	<div style="border: 1px solid black; padding: 5px;">Moderate (10)</div>	Severe (5)	Unlikely (2)	11.4 Economic Factors <i>The following economic factors can impact on operating and capital costs:</i> Interest rates. Given the Company's current cash position of approximately \$60m, the downside risk of missing a 1% movement in interest rates for two months (which is the current average period of the Company's term deposits) is AUD 100k. Inflation rates.	Recent history suggests that Australian interest rates are not likely to be a significant risk to the Company. Inflation rates and affect on the share market are considered outside of the Company's control.
	<div style="border: 1px solid black; padding: 5px;">Low (3)</div>	High (3)	Very unlikely (1)	Industrial action.	Given the Company's current small workforce, it is considered unlikely that it would be adversely affected by industrial action.

<u>Rank</u> (All items >= 15)	<u>Risk Score</u> (Consequence x Likelihood)	<u>Consequence</u>	<u>Likelihood</u>	<u>Risk Factors</u>	<u>Controls / Comments</u>
	Moderate (10)	Severe (5)	Unlikely (2)	11.5 Government Policy <i>Changes in the following factors within government control can impact the Company:</i> Monetary policy. Taxation. The proposed MRRT raises uncertainty and creates sovereign risk.	Recent history suggests that Australian interest rates are not likely to be a significant risk to the company. Government taxation policy is outside of the company's control. Nevertheless the Company is actively participating in any relevant discussion on the matter.
	Low (4)	Very high (4)	Very unlikely (1)	Other laws and actions (i.e. access to lands and permitting processes). Delays in the permitting process (or outright refusal) could have an extremely deleterious effect on the Company.	Generally the government process is outside the control of the Company, although it can assist its cause through the presentation of high quality submissions to government and through engagement of regulators.
	Moderate (8)	Very high (4)	Unlikely (2)	11.6 Exploration Exploration by its nature, contains elements of significant risk. There can be no assurance that the Company's exploration activities will result in a significant mineral resource.	Drilling programs are currently approved as part of the annual budget process. Significant time is invested in determining the most appropriate location to target given the scarce resources the Company has at its disposal.
1	Moderate (9)	High (3)	Possible (3)	11.7 Operational Risk Exploration activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment.	The company believes it has sufficient internal resources to manage any operational risk.
	High (20)	Severe (5)	Likely (4)	From a safety perspective the Company has its greatest exposure during drilling campaigns and at the core shed facility. The physical activities required and use of chemicals in completing these tasks is considered a safety risk.	The Company believes it has sufficient internal resources to manage any safety risks associated with all current operations. It is in the process of instituting a Safety Management Plan (prepared by a safety professional) and now has access to dedicated Safety personnel.
	Moderate (5)	Severe (5)	Very unlikely (1)	11.8 Tenure and access There is no guarantee that current or future applications, conversions or renewals of the mineral tenements in which the Company has an interest or potential interest will be approved.	As listed above at item 11.5, the company's position is greatly assisted by high quality submissions and proper tenement management (reporting). The Company believes it has sufficient internal resources to manage the risk.
	Moderate (8)	Very high (4)	Unlikely (2)	11.9 Environmental The company's projects are subject to South Australian and Commonwealth laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. Currently the Company only has exposure to this risk at its core shed and on any drilling programs.	The Company believes it has sufficient internal resources to manage the limited environmental risk it has at present.
	Low (6)	High (3)	Unlikely (2)	11.10 Native Title and Aboriginal Heritage The Company's projects may be subject to Native Title, Aboriginal heritage and Sacred Site issues.	The Company has determined all necessary clearances and developed a working relationship with the relevant native title claimants.
3	High (15)	Severe (5)	Possible (3)	11.11 Financing An inability to obtain additional funding would have a material adverse affect on the Company. Given the current debt and equity markets are extremely tight, the risk is considered very high for the Company.	The Company has endeavoured to remove some of the project financing risk by stipulating in the WISCO transaction documents that WISCO assists the Company in arranging finance.

11.12 Insurance

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	Low (6)	High (3)	Unlikely (2)	The Company will have insurance in place where it is considered appropriate and the costs of obtaining the insurance are not prohibitive. Notwithstanding this point, it is not possible or cost effective to insure for every possible risk. The current business profile of the Company suggests that the severity of any uncovered risk is likely to be low.	The Company conducts half yearly desktop reviews with its insurers to ensure that any risks for the Company's assets is properly identified and insured if considered necessary. There is also a detailed yearly review covering the entirety of the Company's operations.
3	High (15)	Severe (5)	Possible (3)	11.13 Reliance on Strategic Partners The Company may over the course of its life develop relationships with a range of strategic partners. Should the relationships deteriorate, or further suitable partners not be identified there is a risk that the Company's future prospects will be affected.	The Company believes that the attention given to such matters at both management and board level is sufficient to meet this risk.
	Moderate (10)	Severe (5)	Unlikely (2)	11.14 Resource Estimates Resource estimates are by their nature imprecise and to an extent depend on interpretation, which may result in inaccuracies. This may result in changes to exploration, development and mining plans which may adversely affect the Company's operations.	The Company believes that its use of independent experts and the qualifications of its internal resources is sufficient to meet this risk.
3	High (15)	Severe (5)	Possible (3)	11.15 Regulatory Approvals The Company will require government regulatory approvals for its operations and must comply with those approvals and other applicable laws, regulations and policies. This may from time to time affect timing and scope of work to be undertaken and the cost of undertaking that work.	Correct engagement of the relevant departments is an ongoing process. Achieving "Major Project" status mitigates some of the risks associated with having to coordinate approvals with several government departments.
	Low (6)	High (3)	Unlikely (2)	11.16 Reliance on Key Executives The success of the company is dependent upon retaining its current experienced personnel. Although key executives have fixed term employment contracts (subject to contractual or statutory termination rights), the continued involvement of certain key Directors, employees and consultants cannot be assured.	Key executive salaries include a retention bonus. The Remuneration Committee is presented annually with performance reviews of staff such that rewarding and retaining key staff is given due consideration.
	Moderate (8)	Very high (4)	Unlikely (2)	11.17 Community Major developments can arouse concerns from local community groups and non government organisations. Developments could be delayed or compromised as a consequence of not sufficiently engaging these groups.	Active community engagement during the early stages of planning will be undertaken and regular forums and updates will be conducted.