

MEDIBIO LIMITED

RISK MANAGEMENT POLICY

1. PURPOSE

1.1 The purpose of this policy is to identify risks that arise from the operations of Medibio Limited ("**Company**"), quantify the impact and likelihood of that risk event occurring and manage the risk in accordance with the Company's level of risk tolerance.

1.2 The objectives of the policy are to:

(a) ensure that the Company establishes a culture that encourages risk identification, assessment and management; (b) ensure that the Company complies with all relevant laws, regulations and contractual obligations;

(c) ensure that the Company has in place a structured and effective approach to risk management, taking into account the business environment in which the Company operates and the Company's assessed level of risk tolerance; and

(d) ensure that effective monitoring and regular reporting of risk, under the new risk management program is conducted.

2. SCOPE

2.1 This policy sets out the broad principles, responsibilities and practices that are used to manage the Company risk exposure and the risk management systems and internal controls that the Company uses to respond to those risks.

2.2 Given the size of the Company there will be no separately constituted Risk Management Committee. The roles and responsibilities of the Board and the Executive are set out below.

3. POLICY

Risk Strategy and Risk Tolerance

3.1 The Company is committed to building a sound foundation of quality control systems and a culture that identifies and manages the risks associated with the level of risk tolerance set by the Board.

3.2 Risk is an inherent part of the current operations of the Company which includes developing and commercialising natural products and technology and investing in oil and gas exploration.

Risk Management Requirements

3.3 The Company will need to consider the risk factors applicable to its operations and industries in which it operates and draft a policy that addresses these risk factors. In addition to specific operational risks, the following areas of concern will be reviewed and considered by the Board:

Responsibility	Obligation
Accounts	Ensure compliance with the requirements to prepare, dispatch and file annual accounts as laid down by the Corporations Act 2001 (Cth), ASX Listing Rules and the Australian Accounting Standards.
Care, diligence and honesty without conflict	<p>Ensure that the Board can be seen to be acting in a manner that is in the best interests of the Company and its shareholders.</p> <p>Ensure the Company is operated in a safe and sound manner in conformity with all applicable regulatory requirements.</p>
Insider trading	The law imposes a number of significant restrictions on directors and employees when they deal in their own company's shares. As fiduciaries they must not use their position for their own gain or for the gain of any person other than the corporation.
Insolvent trading	The directors must not permit the Company to trade whilst insolvent.
Offering securities	There are positive obligations on directors and officers to ensure that the offer documents and statements made in connection with the sale of securities are not false or misleading or material omissions.
Related party transactions	The Corporations Act contains strict limitations on the giving of financial benefits by public companies to related parties and their directors. Contravention of these provisions can attract a civil penalty. Anyone found guilty of inducing, aiding and abetting these prohibitions is also guilty of an offence.
Takeovers	The directors are bound by fiduciary duties to the Company as a whole and are bound to make full disclosure of relevant facts to all shareholders without regard to any element of favouritism in support of the interests of any party.

3.4 The Company recognises that risk management is an ongoing process that requires the Board and executive to provide a framework that encourages regular and timely reporting on the Company's risk profile and mitigation strategies that are in place and allows these changes to be identified and managed in a timely fashion.

Assurance

3.5 The Managing Director or the Chief Executive Officer and Chief Financial Officer (or equivalent) are required to report to the Board annually as to the effectiveness of the Company's management of its material business risks.

3.6 In accordance with recommendation 7.3 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the Managing Director or the

Chief Executive Officer and Chief Financial Officer (or equivalent) are required to state in writing to the Board, amongst other things, that:

(a) the Company's financial reports present a true and fair view, in all material respects, of the company's financial condition and performance;

(b) the integrity of the financial reports are founded on a sound system of risk management and internal control that implements the risk management policies adopted by the Board; and

(c) the risk management and internal controls system is operating effectively.

4. RISK MANAGEMENT ROLES AND RESPONSIBILITIES

Board of Directors

4.1 The Board is ultimately responsible for overseeing the establishment and implementation of effective risk management systems and the monitoring of internal controls and compliance.

The Board will review the effectiveness of the Company's risk management systems.

Executive

4.2 The Managing Director or the Chief Executive Officer, with the support of the executive (including the Chief Financial Officer or equivalent), is responsible for the implementation of risk management systems and ongoing management of risk on a day to day basis. It is management's responsibility to assess risk and where appropriate, devise strategies to eliminate, mitigate or transfer the risk. Where such strategies are required in relation to material risks, regard will be had to finding the most cost effective way to reduce those risks to a level acceptable within this Policy. The executive is also responsible for ensuring that material risks are incorporated into the Company's strategic and project plans.

Engagement of Specialists

4.3 Where deemed necessary, the Company may engage independent specialists to assist it to implement appropriate risk management practices within its business.

5. EFFECTIVE DATE

5.1 This Policy was ratified by the Board of Medibio on 31 January 2012.