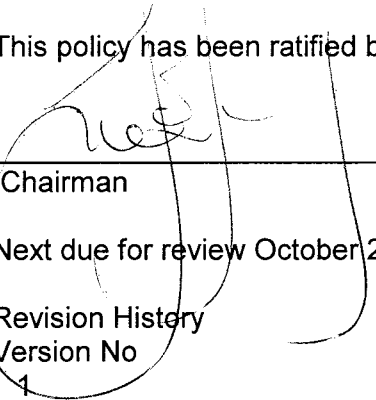


**E&A Limited
ACN 088 588 425
("Company")**

Risk Management Policy

This policy has been ratified by the Board of Directors of E&A Limited on 24 October 2007	
 Chairman	
Next due for review October 2008.	
Revision History Version No 1	Date Approved by the Board 24 October 2007

1. **BACKGROUND**

The Company recognises that a strong system of risk management and oversight is essential to the success of its business operations.

2. **OBJECTIVE**

The objective of this policy is to formalise the Company's response to risk management and oversight. This policy allocates various aspects of the risk management system to different levels of the Company including reporting, monitoring and review.

3. **TYPES OF RISK**

The Company recognises that risks arise in all aspects of the Company's business. The Company constantly assesses the risk of the Company and has broadly developed strategies for dealing with risk in the following areas:

3.1 **Business Risk**

The structure, management and conduct of the Company's business gives rise to numerous risks in relation to decision-making, resource allocation and general management of the Company and its business.

3.2 **Financial Risk**

The Company is subject to various risks in relation to its financial status including movements in interest rate, currency and the share markets, together with risks involved in adequately and accurately reporting the financial position of the Company.

3.3 **Operational Risk**

In carrying out its business operations, the Company faces many risks associated with the nature of the Company's business, including occupational health and safety, environmental and regulatory risks.

3.4 Regulations

The Company is subject to regulation across multiple jurisdictions. Unfavourable changes to the regulatory environment for consulting engineers, financial advisors and commercial operators either in Australia or in overseas markets may impact on the Company. Given the nature of the industries, compliance with regulation (especially environmental and occupational health and safety) will be an ongoing challenge. While the Company believes its processes for ensuring compliance are satisfactory, it is planning a review of them in the months following listing. It is possible that prevention of a breach may not be effective in all cases.

3.5 Reputation and Adverse Publicity

The Company businesses rely to a large extent on developing and maintaining strong customer relationships and a reputation for high quality professional services. Consequently, dissatisfied clients or litigation occurring in relation to a transaction in which the Company is involved in may be more damaging than in other businesses. The Company businesses may incur significant legal expenses in defending themselves against any litigation arising and may also suffer significant reputational and financial harm if any litigation is successful.

3.6 Economic Risks

Changes in the general economic climate within which the Company businesses operate may adversely affect the financial performance of the Company. Unfavourable financial or economic conditions may reduce the number and size of transactions on which the Company businesses provide advisory or engineering services. The level of direct and indirect competition faced by the Company businesses, industrial disruption, the rate of growth of the markets in which the Company businesses operate and interest rates are all economic factors that may impact the overall performance of the Company businesses.

3.7 Interest Rates

The Company is potentially exposed to adverse interest rate movements that may increase the financial risk inherent in the businesses, particularly in relation to debt finance.

3.8 Inflation Risk

An investment in the Shares may be affected by changes in the rate of inflation in a particular jurisdiction or geographic region.

3.9 Accounting Standards & International Financial Reporting Standards

The Company accounting policies and methods are fundamental to how it records and reports its financial position and results of operations. For reporting periods beginning on or after 1 January 2005, the Company and its Group Companies must comply with International Financial Reporting Standards as issued by the Australian Accounting Standards Board (AIFRS).

Further changes to Australian Accounting Standards and International Financial Reporting Standards could affect the Company's reported earnings performance in any given period and its financial position from time to time.

3.10 Professional Negligence & Insurance

As the Company businesses provide professional services, claims of professional negligence may be made against the Company or one of the Group Companies. The Company maintains appropriate professional indemnity insurance to cover such liabilities in the event of a claim of professional negligence.

A successful claim for professional negligence being made against the Company or one of its Group Companies may adversely impact on the financial performance and position of the Company, and may adversely affect the reputation of the Company or its Group Companies.

3.11 Inadequate Management Information Systems

With the much larger network and diversity of businesses within the Company Group, effective monitoring of individual business performance is imperative. Inefficient management systems could lead to cash flow issues, delays in identifying areas in need of improvement and reductions in the company's ability to cross-pollinate information.

3.12 Industry Wide Labour Shortage

The Company's capacity to take on large projects will be constrained by its ability to retain and recruit additional labour in a tight labour market.

3.13 Acquisitions

The Company has only recently completed the acquisition of a number of its businesses and will look to pursue further acquisitions in the future. The pursuit of growth through acquisition gives rise to various operational and financial risks, including but not limited to poor integration of the acquired businesses leading to higher than expected integration costs and financial underperformance of the acquired businesses. There is also the risk of identifying suitable acquisitions in the future that meet the Company's criteria. Acquisition risk may have an adverse impact on the financial performance of the Company. In any acquisition of a business there is a risk that negative aspects of the reputation of a business which has been acquired will be applied to or associated with the relevant the Company business, including past litigation and disputes of the old owners. The damage to the reputation may occur regardless of the fact that the relevant the Company business has excluded liability in relation to a particular circumstance or event.

3.14 Dependence on Key Personnel

The Company businesses are largely dependent on the talent and experience of its staff including a number of highly skilled individuals. The Company's continued ability to compete effectively depends on the ability to retain and motivate existing employees as well as attracting new employees.

Given the diversity of the Company's businesses, the businesses require staff who are professionally skilled in many areas, some of which may be considered niche specialities of engineering and financial advisory, in which few practitioners are available for recruitment.

Should any key staff leave the Company businesses this may have a negative impact on the Company's performance. Additionally, any key employees of the Company businesses who leave to work for a competitor may adversely impact the Company's performance.

3.15 Employee Misconduct

As with all employers, E&A Limited runs the risk that employee misconduct may occur, possibly resulting in regulatory sanctions and serious reputational or financial harm. Whilst the Company believes that its processes for preventing employee misconduct are adequate, it is not always possible to avoid employee misconduct and the precautions taken to detect and prevent this activity may not be effective in all cases.

3.16 Competition

The Company businesses provide engineering and financial services across a range of industry sectors.

The financial services industry is intensely competitive and expected to remain so. Equity & Advisory is primarily concerned with the provision of financial advisory services in relation to mergers and acquisitions, divestments, commercial advice and other related services. Maintaining a competitive position within this market is highly dependent on developing strong relationships within the investment and financial services community. Equity & Advisory competes on the basis of a number of factors, including the quality of advice and service, innovation, reputation and price.

The five engineering firms currently held under the umbrella of the Company also operate within a competitive environment. The Company businesses compete on such factors as the quality of service, innovation, reputation and price.

In this competitive environment, the emergence of new competitors or an increase in market share by existing competitors may impact the performance of the Company.

3.17 Cyclical Nature of the Business

Many of the clients and industries that the Company businesses provide services to can be cyclical in nature. Although the Company businesses have a diverse client base, the cycles in these 'clients' businesses in Australia and overseas may adversely impact on the Company's financial performance. The loss of major clients through industry cycles or for any other reason could also impact earnings of the Company.

3.18 Sovereign Risk

The Company may from time to time do business on an international level. There are certain risks inherent in doing business on an international level, such as unexpected changes in regulatory requirements, tariffs, customs and other trade barriers, difficulties in staffing and managing foreign operations, political uncertainty, expropriation, nationalisation and war. There may also be fluctuations in currency exchange rates, technology export and import restrictions or prohibitions and delays from customers, brokers or government agencies. Any of these could impact the success of the Company's international operations.

3.19 Contract Determination

The majority of the Company's work is through contracts which typically run from 3 months to 18 months. In any given year, the revenue of the Company is largely generated from a relatively small number of contracts. A client may terminate a contract at relatively short notice. On such termination, the Company may be

entitled to reimbursement of the costs of staff and facility demobilisation and relocation to their respective points of origin. The Company may not subsequently be able to secure contracts to replace expired or terminated contracts and this may affect the revenue of the Company.

3.20 Liability for Advice/Arranging

The Company's business Equity & Advisory provides corporate advice to third parties in relation to business transactions. In doing so, Equity & Advisory could be held liable for this advice in certain circumstances. In order to mitigate this risk, Equity & Advisory carries professional indemnity insurance and wherever possible, seeks to contractually limit any potential liability to parties by way of contract to the fees paid on the transaction and generally includes express representations from the third party that the Company has not provided any tax advice.

3.21 Relationship with Key Financiers

In order to finance the transactions in which it is involved as either principal or advisor/arranger, the Company accesses a wide variety of forms of debt and equity capital and associated providers. These sources vary widely depending upon the transaction in question. The Company has enjoyed longstanding successful relationships with its existing financiers and is confident in this continuing.

3.22 Industry Risks

The Company operates across a diverse range of industry sectors. However, the Company currently maintains a strong presence within the mining, resources, defence, water and financial services industries. General risks in relation to these industries include the impact of changes in regulation, competition, global demand for resources, climate changes, political environment and changes in technology.

3.23 IT Risks

The Company relies on various information systems, technology and software products to efficiently carry out its business. While the Company has put in place procedures and plans to ensure that data is retained and that these systems are maintained to meet the demands of the business, widespread system failures may impact on the Company's performance.

4. RESPONSIBILITIES

4.1 Board

The Board will be responsible for the oversight and establishment of effective and consistent systems to address the risks set out in item 3. All levels of the Company will ultimately report any risks identified to the Board. It is the Board's ultimate responsibility to implement any action required to address such risks.

The Board will summarise the effectiveness and structure of the Company's risk management and oversight strategies in the Annual Report.

4.2 Risk Management and Audit Committee

The Company has a risk management and audit committee, which regularly monitors and considers issues affecting the integrity of the financial performance of the Company. The risk management and audit committee will also monitor compliance with risk management strategies throughout the Company.

4.3 **Company**

The Company as a whole is responsible for the day to day identification, assessment and management of risks. Risk assessment and risk management systems will be integrated throughout all levels of the business. All employees, officers and agents of the Company will be made aware of this policy and the importance of reporting any risks they identify in their day to day duties, including any suggested mechanisms for managing such risks. The effectiveness of this policy relies on active participation from all levels of the Company.

5. **STRATEGY**

The risk management strategy to be implemented by the Company will comply with all regulatory and corporate governance requirements including the Standards Australia Risk Management Standard (AS/NZS 4360:1999). The strategy will include:

- 5.1 effective mechanisms for the assessment, identification and reporting of risks;
- 5.2 greater transparency in decision making and management;
- 5.3 regular review and updating of the Company's risk profile;
- 5.4 regular assessment of the effectiveness of the Company's risk management systems; and
- 5.5 processes to encourage a better understanding of the Company's risk profile throughout all levels of the Company.

6. **MONITORING AND REVIEW**

- 6.1 The Board has approved this Policy and each year will summarise and as necessary update the key principles of the Policy in the annual report.
- 6.2 At least once in each financial year, the Board must consider the suitability of and compliance with this Policy, and amend and redistribute the policy accordingly.