

COMBAT DRUGS LIMITED

RISK MANAGEMENT POLICY

While the Company has an existing risk analysis & management system in place, the Board of Directors has formally adopted it to comply with the provisions of Companies Act 2013 and Clause 49 of the Listing Agreement.

The Board has delegated the scope of Risk Management to Audit Committee to assist the Board with regard to the identification, evaluation and mitigation of risks. The Audit Committee will approve and monitor the implementation of the risk policies and associated practices of the Company.

This Policy shall come into force with effect from the date on which it is approved by the Board of Directors.

The risks, which the Company may be exposed to, are classified broadly in the following categories:

a) Business Risk

Business risk is impacted by several factors such as demand sales volume, per-unit price, input costs, competition, overall economic climate and government regulations. The risk exists when the company has lower than anticipated profits, or experiences a loss rather than a profit.

b) Financial Risk

The risk that exists when the Company's cash flows are not enough to pay creditors and fulfill other financial responsibilities. The more debt a Company owes, the more likely it is to default on its financial obligations. Taking on higher levels of debt or financial liability therefore increases a Company's level of financial risk.

c) Foreign exchange risk

The risk that exists when a financial transaction is denominated in a currency that is different from the base currency of the Company. There may be an adverse movement in the exchange rate of the denomination currency in relation to the base currency before the date of completion of the transaction.

d) Contractual risk

The risk assessment to be carried out before the Company enters into contract and stipulate such terms in the agreement that will ensure that the contracting party has adequately protected the Company against the threat of financial loss. Its application can reduce the potential risk and financial consequences arising from the negligent acts of others while commercial activity is carried out for the contracting party.

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e) Asset Protection Strategy

It is a strategy used for protecting assets of the Company from civil money judgments, natural calamities and strife and other causes of unrest.

Terms of reference

- The Committee shall annually review and approve the Risk Management Policy and associated framework, processes and practices of the Company.
- The Committee to consider the Company's risk management strategy and to decide on risk levels, risk appetite and related resource allocation;
- The Committee shall ensure that the Company takes the appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.
- The Committee shall evaluate significant risk exposures of the Company and assess management's actions to mitigate the exposures in a timely manner.

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