

RED RIVER RESOURCES LIMITED

RISK MANAGEMENT POLICY

The Company's risk management policy is designed to provide the framework to identify, assess, monitor and manage the risks associated with the Company's business.

The board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. Where necessary, the board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

The Company's main areas of risk include:

- exploration and development,
- fluctuating commodity prices and exchange rates,
- political and economic climate in its areas of operation and,
- continuous disclosure obligations.

Regular consideration is given to all these matters by the board.

The Company has in place an internal control framework to assist the board in identifying, assessing, monitoring and managing risk. The framework can be described under the following headings:

- Financial Reporting

Monthly accounts are prepared and reviewed by the Managing Director. Quarterly accounts are also prepared and reviewed by the Board. At this stage it is not deemed necessary to implement a formal budgeting policy.

- Continuous Disclosure

The Company has in place a Disclosure Policy which is reviewed regularly.

- Operations Review

The managing director sends operations reports to the board for review on a regular basis. These are currently informal but will be made more formal as Operations increase.

- Investment Appraisal

The board has no guidelines which it applies to hedging contracts and review of capital investments as at this stage they are not relevant.

The Company's internal control system is monitored by the board and assessed regularly to ensure effectiveness and relevance to the Company's current and future operations.

Procedures have been put into place to ensure the CEO and the CFO (or equivalent) state in writing to the board that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control and that the Company's risk management and internal compliance and control system is operating efficiently and effectively.

The Company is not currently of a size to enable the formation of committee's, the full board currently has the responsibility for the risk management of the Company however, the board will assess the need to form a committee on a regular basis in conjunction with the necessity to form an audit committee.

Signed

Chairman

23 June 2006