

**Aconcagua**

RESOURCES LTD

A.B.N.: 67 060 319 119

# **Corporate Governance**

## **statements, policies**

## **and procedures**

**Amended**

**SEPTEMBER 2007**

## Index

<b>1</b>	<b>ASX Recommendations</b>	<b>6</b>
<b>2</b>	<b>Board Charter</b>	<b>7</b>
2.1	The Board	7
2.2	Assessing the independence of Directors	7
2.3	Appointments to the Board and tenure	8
2.4	Re-election of Directors	9
2.5	Performance review process	9
2.6	Retirement of Directors	10
2.7	Ethical standards	10
2.8	Role of the Board	11
2.9	Qualification shares	11
2.10	Chairman	11
2.11	Managing Director	12
2.12	Board meetings	12
2.13	Directors' remuneration	12
2.14	Reimbursement of expenses	13
2.15	Access to Board papers	13
2.16	Access to independent advice	13
2.17	Committees and subsidiary boards	14
2.18	Access to information and access to employees	14
2.19	Indemnity and insurance	14
2.20	Attendance at seminars and conferences	15
2.21	Travel	15
2.22	Shareholders' meetings	15
2.23	Availability of documents	16
2.24	Annual report disclosure	16
<b>3</b>	<b>Audit &amp; Compliance Committee</b>	<b>17</b>
3.1	Purpose	17
3.2	Membership	17
3.3	Chairman	17
3.4	Other attendees	17
3.5	Meetings	18
3.6	Quorum	18
3.7	Responsibilities and authorities	18
3.8	Disclosure of information	20
3.9	Annual report	20

<b>4</b>	<b>Risk Management Committee</b>	<b>21</b>
4.1	Purpose	21
4.2	Membership	21
4.3	Role	21
4.4	Other attendees	22
4.5	Meetings	22
4.6	Quorum	22
4.7	Responsibilities and authorities	22
4.7.1	Liquidity risk	22
4.7.2	Market risk	23
4.7.3	Balance sheet risk	23
4.7.4	Operational risk	23
4.7.5	Capital management	24
4.7.6	Economic environment	24
4.7.7	General	24
4.8	Disclosure of information	24
<b>5</b>	<b>Nomination &amp; Remuneration Committee</b>	<b>25</b>
5.1	Purpose	25
5.2	Membership	25
5.3	Chairman	25
5.4	Other attendees	25
5.5	Meetings	26
5.6	Quorum	26
5.7	Responsibilities and authorities	26
5.8	Disclosure of information	27
5.9	Annual report	27
<b>6</b>	<b>Due Diligence Committee</b>	<b>28</b>
6.1	Purpose	28
6.2	Membership	28
6.3	Chairman	28
6.4	Other attendees	28
6.5	Meetings	28
6.6	Quorum	29
6.7	Responsibilities and authorities	29
<b>7</b>	<b>Disclosure Policy &amp; Communications Strategy</b>	<b>30</b>
7.1	Company's philosophy	30
7.2	Determining "discloseable" information	30
7.3	Definition of materiality	31
7.4	Determining materiality	31
7.5	Disclosure Officer	31
7.6	Dealing with uncertainty	31

7.7	Informing the market	31
7.8	Delegated Person	32
7.9	Improving access	32
7.10	Timeliness	32
7.11	Good and bad news	32
7.12	Media spokespeople	32
7.13	Commenting On a non-attributable basis	33
7.14	Responding to market rumours	33
7.15	Continuous disclosure compliance	33
7.16	Future earnings forecasts	33
7.17	Meetings with investors and analysts	34
7.18	Records of meetings	34
7.19	Inadvertent disclosure of information	34
7.20	Shareholder enquiries	34
7.21	A Disclosure Committee	34
7.22	Disclosure of information	34
<b>8</b>	<b>Code of Ethics</b>	<b>35</b>
8.1	Scope	35
8.2	Principles	35
8.2.1	Introduction	35
8.2.2	Company Information	35
8.2.3	Abiding by the Law	36
8.2.4	Reporting of unlawful/unethical behaviour	36
8.2.5	Integrity of Records	36
8.2.6	Misappropriation	37
8.2.7	Conflict of interests - private business interests	37
8.2.8	Conflict of interests - citizenship duties	37
8.3	Inside information	38
8.4	Improper payments, gifts, entertainment	38
8.5	Administration	39
8.6	Disclosure of information	39
<b>9</b>	<b>Trading Policy</b>	<b>40</b>
9.1	Inside information	40
9.2	Prohibited conduct	40
9.3	Dealing through third parties	41
9.4	Information however obtained	41
9.5	Dealing windows	41
9.6	ASX notification	41
9.7	Employee share schemes	42
9.8	Steps to take when buying or selling	42
9.9	Other entities	43

# Aconcagua

RESOURCES LTD

9.10	Disclosure of information	43
<b>10</b>	<b>Whistleblower Policy</b>	<b>44</b>
10.1	Scope and purpose	44
10.2	Definitions	44
10.2.1	Whistleblowing	44
10.2.2	Whistleblower	44
10.2.3	Improper conduct	44
10.2.4	Protected disclosure	45
10.3	All personnel	45
10.4	Confidentiality	45
10.5	Managing the welfare of the whistleblower	46
10.5.1	Commitment to protecting whistleblowers	46
10.5.2	Keeping the whistleblower informed	46
10.5.3	Whistleblowers implicated in improper conduct	46
10.6	Review of policy	46

## 1 ASX RECOMMENDATIONS

In March 2003, the ASX Corporate Governance Council published a compendium of corporate governance guidelines, "Principles of Good Corporate Governance and Best Practice Recommendations".

The essential corporate governance principles that a company should adopt are:

1. **Lay solid foundations for management and oversight:** this is to recognise and publish the respective roles and responsibilities of board and management.
2. **Structure the board to add value:** to have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.
3. **Promote ethical and responsible decision-making:** to actively promote ethical and responsible decision-making.
4. **Safeguard integrity in financial reporting:** to have a structure to independently verify and safeguard the integrity of the company's financial reporting.
5. **Make timely and balanced disclosure:** to promote timely and balanced disclosure of all material matters concerning the company.
6. **Respect the rights of shareholders:** to respect the rights of shareholders and facilitate the effective exercise of those rights.
7. **Recognise and manage risk:** to establish a sound system of risk oversight and management and internal control.
8. **Encourage enhanced performance:** to fairly review and actively encourage enhanced board and management effectiveness.
9. **Remunerate fairly and responsibly:** to ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.
10. **Recognise the legitimate interests of stakeholders:** to recognise legal and other obligations to all legitimate stakeholders.

The Board is committed to ensuring the highest standards of ethical behaviour and accountability within the Company. To the extent that is practicable, taking into account the present size and operations of the Company, the Board has adopted the policies and procedures set out in this manual.

## **2 BOARD CHARTER**

### **2.1 The Board**

The Board comprises the Directors of the Company. The Company's Constitution and this Charter deal with the appointment, removal and remuneration of Directors.

While "best practice" requires a majority of the Board be comprised of independent directors, given the Company's size and present operations, the Board considers the make-up of the present Board to be appropriate. Two directors are independent with the Board consisting of five members. The effectiveness of the Board is achieved through knowledge and experience specific to the business and the industry in which it operates.

In time, the composition of the Board will be determined having regard to the following criteria:

- the number of Directors is limited by Article 3.1 to not less than three;
- the Chairman of the Board will be an independent Director;
- the Chairman of the Board will not be the Managing Director of the Company; and
- the Board will comprise of a majority of independent Directors.

The Board requires Directors to, collectively, have a broad range of geological, technical and commercial expertise and experience, particularly in a field which is complementary to the Company's activities and strategy, or with appropriate professional qualifications, who are able to bring value to the Board's deliberations.

Board members must have a proven ability and capacity to make meaningful contributions to Board strategy and policy and be able, through questioning and analysis of reports, to participate in the overseeing of the proper functioning of Management.

The Nomination and Remuneration Committee, if and when established, shall consider and make recommendations to the Board regarding the composition and remuneration of the Board, and on any proposed Board performance criteria.

### **2.2 Assessing the independence of Directors**

The Board shall regularly assess the independence of each Director in light of interests disclosed by them.

Each Director must provide the Board with all relevant information to assess his or her independence.

In assessing independence, the following matters will be considered. A Director will be regarded as independent if that Director:

- (a) is a non-executive Director (ie is not a member of Management);

- (b) has not been a substantial shareholder of the Company or an Officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- (c) has within the last three years not been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;
- (d) has within the last three years not been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
- (e) has not been a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- (f) has no material contractual relationship with the Company or another Group member other than as a Director of the Company;
- (g) has not served on the board for a period which could, or could reasonably be perceived to, interfere materially with the Director's ability to act in the best interests of the Company; and
- (h) has been free from any interest and any other business relationship which could, or could reasonably be perceived to, interfere materially with the Director's ability to act in the best interests of the Company.

The Board may decide that it considers a Director to be independent, notwithstanding the existence of relationships listed above. If the Board does so decide, it will state its reasons in the annual report for making such a decision.

Materiality is defined, for the purposes of paragraphs (d), (e) and (f) above, as a contractual relationship pursuant to which payments are made representing greater than 5% of the revenues of the supplier/adviser/consultant/counterparty, or greater than 5% of the costs of the customer/counterparty in the relevant party's financial year. Materiality for the purposes of paragraphs (g) and (h) will be construed by the Board as it deems appropriate in shareholders' best interests as relevant circumstances arise.

Independent status will not of necessity be lost by a Director being in a position of conflict in relation to a matter under consideration by the Board. Such a conflict should be notified to the Board by the Director and the Board may require that the Director take no further part in consideration of the matter, or ask that he or she be absent from relevant discussion.

If the independent status of a Director is lost, this will be disclosed to the market immediately.

## 2.3 Appointments to the Board and tenure

Directors may be appointed to fill a casual vacancy under the Constitution or be elected at a general meeting to hold office pursuant to the Constitution.

A Director who has served twelve (12) years as a Director will retire from the Board at the first Annual General Meeting immediately following their twelve year anniversary, subject only to a prior unanimous decision by the Board to extend (or support the extension of) that Director's

tenure. Such a unanimous resolution by the Board is to be made in the absence of the Director concerned.

Where more than one Director would otherwise retire as a result of reaching their twelve year tenure period, only one Director will retire at the next Annual General Meeting, such Director being the oldest amongst those Directors.

The names of the candidates submitted for election as Director at the Annual General Meeting will be accompanied by the following information to enable shareholders to make an informed decision on their election:

- biographical details, including competencies and qualifications and information sufficient to enable an assessment of the independence of the candidate;
- details of relationships between:
  - the candidate and the Company; and
  - the candidate and Directors of the Company.
- relevant directorships held (namely directorships required to be disclosed by law, and any other directorships relevant to an assessment of independence);
- particulars of other positions of which involve significant time commitments;
- the term of office currently served by any Directors subject to re-election; and
- any other particulars required by law.

Upon appointment, a Director will be provided with a formal letter of appointment setting out the key terms and conditions relative to that appointment, including a copy of this Board Charter.

## 2.4 Re-election of Directors

Where a Director is appointed to fill a casual vacancy on the Board, it will be necessary for that Director to stand for election at the next Annual General Meeting of the Company's shareholders.

Article 3.6 requires the retirement by rotation at each annual general meeting of one third of the Directors (excluding the Managing Director). Directors retiring by rotation may be eligible for re-election by shareholders.

In the case of the re-election of a Director at an annual general meeting, while the Board may indicate to shareholders that it supports the re-election of that Director, no direct or indirect financial support will be provided by the Board or the Company to assist with or support the Director's re-election.

## 2.5 Performance review process

The Board will meet at least once each year to review the performance of the Board, the Board Committees, the Company, its senior executives, the relationship between the Board and Management and matters of general corporate governance.

At least once every year, the Chairman of the Board will conduct a review of the performance and contribution to the Board of each non-executive Director. The Board as a whole will review the performance of the Managing Director at least once every year. The Chairman of the Nomination and Remuneration Committee will facilitate an evaluation by all Directors of the performance of the Chairman of the Board. The Nomination and Remuneration Committee Chairman will determine the performance criteria (both measurable and qualitative) to be considered in this process.

The Chairman may, at any time or on the recommendation of the Nomination & Remuneration Committee request that the Board as a whole vote on the question of whether a particular Director should continue as a member of the Board (other than the Director concerned) or, in the case of a Director due to stand for re-election at an annual general meeting, whether the Board should support another candidate in place of the incumbent Director. If, in any such vote, the majority of Directors vote (save for the Director concerned) that a Director should not continue as a member of the Board or that they wish to support another candidate in a re-election, the Director concerned is expected to resign or refrain from standing for re-election, as the case may be.

The Company will include in the corporate governance section of its annual report a statement as to whether a performance evaluation for the Board and its members has taken place in the reporting period and how it was conducted.

A description of the process for performance evaluation of the Board, the Board Committees and individual Directors will be made publicly available and updated as required, by posting it on the Company's website in a clearly marked corporate governance section.

## **2.6 Retirement of Directors**

Directors will not receive any entitlement to a retirement allowance.

The Company will sign a Deed with Directors allowing them access to confidential documents in specified circumstances and requiring the Company to place insurance cover for them for seven years following retirement (see below).

## **2.7 Ethical standards**

A Director of the Company must understand the duties of a Director, particularly in the context of the Company's status as a publicly listed company. A Director is expected to perform such duties having regard to the interests of the Company's shareholders and other relevant stakeholders and in accordance with law.

Board members are expected to observe the highest standards of ethical behaviour. The Board supports and encourages policies within the Company which ensure that Directors and staff observe high standards of personal integrity and display honesty in all their dealings.

## 2.8 Role of the Board

The Board has adopted the following statement of functions reserved to it with the day to day management delegated to the Managing Director and the Company's Management team. The Board is responsible for:

- overseeing the performance and activities of the Company through agreed goals and strategy;
- assessing performance against Board approved budgets, targets and strategies;
- overseeing the management of the Company's business;
- overseeing appropriate controls, systems and procedures within the Company to manage the risks of its businesses and compliance with all regulatory and prudential requirements including, without limitation, occupational health and environmental issues;
- reviewing matters of general corporate governance;
- appointing and removing the Managing Director;
- ratifying the appointment and, where appropriate, the removal of the company secretary;
- monitoring senior Management's performance and implementation of the Board approved strategies, and ensuring appropriate succession planning is in place;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- approving and monitoring material financial and other reporting; and
- setting delegated spending limits.

## 2.9 Qualification shares

Article 3.2 of the Constitution does not require a Director to be a member of the Company.

Individual Directors, subject to an invitation from the Board and with shareholder approval, may acquire shares in the Company via the Company's Share Purchase Plan. In the event of an individual Director receiving an interest free loan under the Company's Share Purchase Plan the individual Director must sacrifice Directors fees that equate to no less than interest that would have been payable pursuant to the rate as set out in the Share Purchase Plan.

## 2.10 Chairman

Article 12.4 governs the appointment of a chairman of meetings of Directors. At the discretion of the Board, the Directors may also elect a Deputy Chairman.

It is the policy of the Board to elect both the Chairman and the Deputy Chairman (if appropriate) at the first board meeting following the Company's annual general meeting each year.

## 2.11 Managing Director

Article 7.1 permits the appointment by Directors of one of their number to be Managing Director. The remuneration of and the delegation of powers to the Managing Director are dealt with in Articles 10.1 and 7.1. In particular, the Managing Director may be delegated certain specific powers and functions by the Board from time to time.

The Managing Director (or equivalent) together with the Company's chief financial officer (or equivalent) shall, in respect of the Company's financial reports, state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

The Managing Director (or equivalent) and the Company's chief financial officer (or equivalent) shall state to the Board in writing that the statement given pursuant to the above paragraph is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

## 2.12 Board meetings

Board meetings are normally held on a monthly basis. Meetings may also be held at other times. Facilities are available to link individual Directors to meetings by telephone or video-link. The Corporations Act requires the Company to state in its Annual Report the total number of Board and Board Committee meetings attended by Directors during the year together with the total number of meetings held.

## 2.13 Directors' remuneration

In accordance with the Constitution, the shareholders in general meeting determine the aggregate remuneration (as a fixed amount) to be paid to the Company's non-executive Directors.

In accordance with Article 10.2, the Board determines how this aggregate amount should be divided among individual Directors. The remuneration received by individual Directors is intended to cover the commitments of Directors on any Board Committees or subsidiary boards. Such remuneration is paid by quarterly instalments in arrears.

The Board is presently developing a remuneration policy, the essence of which to competitively set remuneration including incentives to executive directors and senior management, to motivate key executives to pursue the long term growth and success of the Company within an appropriate control framework and to demonstrate a clear relationship between corporate (and key executive) performance and remuneration.

Non-executive directors will be remunerated by cash benefits alone except where approved by a general meeting of shareholders, will not be provided with retirement benefits (except in

exceptional circumstances) and aggregate remuneration will not exceed the amount approved by shareholders (currently \$250,000). Executive directors may be remunerated by both fixed remuneration and equity performance based remuneration. The Board ensures that payment of equity-based executive remuneration is made in accordance with any schemes or plans that are approved by shareholders.

In time, the Company may establish a Nomination & Remuneration Committee that will be responsible for reviewing the remuneration structure for executive and non-executive Directors.

## **2.14 Reimbursement of expenses**

Directors will be reimbursed all reasonable expenses incurred in carrying out their duties as a Director. Any such expenses should be submitted to the Company Secretary for payment.

If a Director wishes to undertake an activity which will lead to the incurring of an unusual expense, the Director should consult with the Chairman prior to such expense being incurred.

## **2.15 Access to Board papers**

Recognising the confidentiality of Board papers, the Company's secretariat provides a facility where Directors may return their papers for destruction after meetings. It is the Board's policy, however, that all present and past Directors should have continued access to Board papers previously provided to them. The Board considers that it is in the best interests of the Company and its shareholders that Directors and former Directors be able to refresh their recollection of matters coming before the Board during the time they served as Directors and accordingly supports the Company entering into deeds with individual Directors to ensure that this right of access continues for a period of at least seven years, including after a Director ceases to hold office.

## **2.16 Access to independent advice**

A Director may seek legal advice on any matter before the Board or any other matter affecting the Directors' duties to the Company from a legal firm of that Director's choosing at the Company's expense, provided:

- the Director submits a written request to the Chairman for such advice setting out the reasons why it is required and also notifies the Board of his or her wish to seek advice;
- the Chairman's consents to such advice being obtained, such consent not being unreasonably withheld;
- the Director provides the Chairman with a copy of any letter of instructions to the relevant legal firm prior to that letter being issued. Such letter shall set out the issues, any evidence in support of such issues and the questions for consideration; and
- the legal firm's advice, together with a copy of the letter of instructions, is provided to the Board.

## 2.17 Committees and subsidiary boards

The Board has not established any committees as, due to the Company's present size and its operations, the Board considers separately established committees are not warranted and their functions and responsibilities can be adequately and efficiently discharged by the Board as a whole.

In time, the Board may establish a number of standing Committees to assist the Board's decision making, supervision and control, namely:

- Audit & Compliance Committee
- Risk Management Committee
- Nomination & Remuneration Committee
- Due Diligence Committee

It is expected the Due Diligence Committee will comprise members of the Audit & Compliance Committee and will meet for the purposes of specific public issue documents.

The Board has proposed Charters for each of these Committees which at the appropriate time will be reviewed and adopted by the Board. It is intended such Charters will deal with the purpose, membership, responsibilities and authorities of each Committee together with the quorum and frequency of meetings.

## 2.18 Access to information and access to employees

To enable Directors to properly fulfill their duties, they will have access to all relevant information and employees within the Company. Directors should request the information they require or arrange for access to employees through the Managing Director.

Board Committees may seek resources and information from the Company, including direct access to the Company's employees and advisers, as the Committees require. The chairman of the relevant Committee will determine appropriate access procedures.

## 2.19 Indemnity and insurance

The Constitution makes provision for the Company to indemnify each person who is or has been a Director against any liability which results directly or indirectly from facts or circumstances relating to the person serving or having served in that capacity and which does not arise out of conduct involving lack of good faith or conduct known by the person to be wrongful. Such indemnity also extends to cover costs and expenses incurred by a person in defending proceedings in which judgment is given in the person's favour or in which the person is acquitted.

The Constitution also provides that the Directors may authorise the Company to enter into a documentary indemnity in favour of, or an insurance policy for the benefit of, a person who is or has been a Director. Pursuant to this provision, the Board has authorised the entering into Deeds of Indemnity between the Company and individual Directors. Such Deeds oblige the Company to

maintain insurance cover (for so long as the Director remains a Director of the Company and for a period of seven years thereafter) to enable the Company's indemnity to be met and also document the Company's indemnity as permitted under the Constitution.

The Company intends to maintain directors and officers insurance which in effect provides cover to the Company to enable it to meet its obligations to indemnify Directors under the Constitution. The relevant policy also provides cover for Directors individually. The extent and limit of such insurance cover is dependent upon the insurance market. The Company will retain the services of an insurance broking firm to provide the Board with advice in relation to this type of insurance. The Company intends to maintain a directors and officers insurance policy which provides for an advancement of any sums payable for legal costs incurred by Directors in defending any claim made against them where indemnity is provided under the policy. In the event that such advancement is for any reason not available or paid under any such insurance, the Board has determined that, subject to law, the Company will advance any legal and other expenses properly incurred by a Director in defending any action brought against him or her subject to such amount being repaid as and when the matter is determined.

Where any directors and officers insurance policy provides indemnity for these costs any indemnity repayment will be made from the moneys received by the Company from such insurance, the Board intends to authorise the entering into of any deed between the Company and individual Directors which may be required to confirm such advancement.

## **2.20 Attendance at seminars and conferences**

Directors may attend and participate in seminars and conferences and other forms of continuing education which are directly relevant to their functions and role as a Director of the Company.

Any proposal for attendance at a suitable seminar or conference should first be submitted to the Chairman for approval.

## **2.21 Travel**

Where a Director is required to travel in his or her capacity as a Director of the Company, such travel shall be in accordance with the Company's travel policy.

## **2.22 Shareholders' meetings**

It is the policy of the Board that Directors, so far as practicable, attend the Company's Annual General Meeting.

The Board shall also request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

## 2.23 Availability of documents

A statement of matters reserved for the Board will be made available publicly and updated as required, by posting the statement or summary on the Company's website in its clearly marked corporate governance section.

## 2.24 Annual report disclosure

The Company will include the following material in the corporate governance section of the annual report:

- the skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report;
- the Directors who are considered by the Board to be independent and the materiality thresholds adopted by the Board;
- a statement that there is a procedure agreed by the Board to take independent professional advice at the expense of the Company;
- the term of office held by each Director in office at the date of the annual report;
- the Board Committees and their members;
- the attendance record for Board and Board Committee meetings and the number of such meetings; and
- an explanation of departures from best practice recommendations set out in *Principles of Good Corporate Governance and Best Practice Recommendations* published by the ASX Corporate Governance Council.

## 3 AUDIT & COMPLIANCE COMMITTEE

The Board has not established and at this stage, does not intend to establish an audit committee as, due to the Company's present size and its operations, the Board considers an audit committee's functions and responsibilities can be adequately and efficiently discharged by the Board as a whole, operating in accordance with the Company's codes of conduct and other mechanisms designed to ensure independent judgment in decision making.

At present, the Company's chief executive officer reports in writing to the Board that the Company's financial statements for each half and full year present a true and fair view in all material respects, of the Company's financial condition and operational results and are in accordance with accounting standards.

If and when such a committee is established, its Charter is as proposed below.

### 3.1 Purpose

The role of the Board Audit Committee, in consultation with the Chief Financial Officer and the Company Secretary, is to receive and consider reports and recommendations from Management and to make recommendations to the Board in respect of the financial reporting, systems for internal control and both internal and external audit processes, of the Company with the purpose of assisting the Board to fulfill its oversight responsibilities.

### 3.2 Membership

At least 3 members, all being non-executive Directors and a majority of whom are independent. All members must be financially literate, at least one member must have financial expertise and some members must have an understanding of the resources industry.

### 3.3 Chairman

The chairman must be independent and not be Chairman of the Board. The Board will rotate the role of chairman of the Audit Committee at least once every four years.

### 3.4 Other attendees

For Audit Section:

- Managing Director
- A representative of the external auditors.
- Chief Financial Officer
- Company Secretary

The Committee will set aside a portion of each of its meetings for a discussion with the external auditors without Management present.

## 3.5 Meetings

Meetings of the Audit & Compliance Committee will be held quarterly. The Committee shall also meet at such other times as considered necessary to undertake its role effectively.

The Committee will keep minutes of its meetings and these will be included in the papers for the next full Board meeting after each Committee meeting.

## 3.6 Quorum

The Quorum for the Audit & Compliance Committee is 3 members.

## 3.7 Responsibilities and authorities

The Committee shall be responsible for carrying out its role as described above. In so doing it shall:

- facilitate an open avenue of communication between the Chief Financial Officer, the External Auditors and the Board of Directors;
- have free and unfettered access to the Chief Financial Officer, senior Management, heads of all risk management functions and the External Auditor at all times and vice versa;
- consider, in consultation with the External Auditor and the Chief Financial Officer, the audit scope and plan of the External Auditors;
- review with the Head of Internal Audit and the External Auditor the co-ordination of audit effort to assure completeness of coverage and effective use of audit resources;
- review interim and year end financial reports to monitor that such reports have been prepared by Management in accordance with proper accounting principles and applicable laws and regulations and recommend them for adoption by the Board;
- review and consider any recommendations proposed by regarding changes to the Company's accounting policies;
- consider and review with the external auditors, the Head of Internal Audit and Management:
  - the adequacy of the Company's internal controls to minimise risk or exposures, including computerised information system controls and security;
  - any related significant findings and recommendations of the External Auditors together with Management's responses to such findings and recommendations
- Consider and review with Management, the Head of Internal Audit and the external auditor:
  - significant findings and recommendations of the Head of Internal Audit during the year and Management's responses to such findings;

- any difficulties encountered in the course of internal audits, including any restrictions the scope of their work or access to required information;
  - any changes required in the planned scope of the internal audit plan;
  - the internal audit budget and staffing;
  - the internal audit charter;
  - the internal auditors' compliance with the IIA's Standards for the Professional Practice of Internal Auditing; and
  - a copy of the Quarterly Compliance Report from Management, (noting that the review of this document is the responsibility of the Board Risk Management Committee and that the Board Audit Committee receives the document for information and only to assist it with its audit functions)
- review the Company Secretary's annual assessment and recommendations regarding the Company's insurance arrangements;
  - consider and review the policies and procedures for the selection, appointment and re-appointment of the external auditor, the rotation of external audit engagement partners and the terms of any such appointment;
  - recommend the appointment and removal of the external auditor; and
  - consider the level of fees payable to the external auditors and make recommendations to the Board;
  - at least annually, assess the performance and independence of the external auditor and whether the independence of this function is maintained having regard to the provision of non-audit related services;
  - ratify proposals, approved by the Chairman during the preceding quarter, for the performance of non-audit related services by the external auditors, where the proposed fees are \$10,000 or more. Non-audit related services requiring approval include legal services and corporate finance services, litigation support services, consulting services, tax advisory services, temporary staff assignments (including secondments of junior staff), due diligence work (excluding securitisation), accounting advice on new Accounting Standards, regulations or policies, regulatory advice on new prudential standards or requirements, valuation services, internal audit services, IT systems services and recruitment of senior Management for the audit client;
  - ratify proposals, approved by the Chairman during the preceding quarter, for the performance of non-audit related services by the external auditors, where the cumulative annual total of individual proposals below the \$10,000 exceeds \$25,000;
  - report Committee action to the Board with such recommendations as the Committee may deem appropriate. Such report should contain all matters relevant to the Committee's role and responsibilities;
  - prepare a draft statement for inclusion in the annual report of the Company which describes the Committee's composition and responsibilities and how they were discharged;
  - review major disclosure documentation prior to the issue to the market, such as half yearly and yearly financial results and ASX reports and other significant disclosures made to the market; and

- review the Company's Whistleblower policy and procedures annually to ensure employees of the Company have an avenue to submit, confidentially, information about accounting, internal controls, compliance, audit, and other matters about which the employee has concerns. The Committee should also ensure processes for communicating this policy is adequate.

## **3.8 Disclosure of information**

The following material will be made publicly available, and updated as required, by posting the material on the Company's website in a clearly marked corporate governance section:

- the Audit Committee Charter; and
- information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners.

## **3.9 Annual report**

The following material will be included in the corporate governance section of the annual report:

- details of the names and qualifications of those appointed to the Audit Committee; and
- the number of meetings of the Audit Committee and the names of the attendees.

## **4 RISK MANAGEMENT COMMITTEE**

The Board has not established a risk management committee as, due to the Company's present size and its operations, the Board considers a separately established committee is not warranted and its functions and responsibilities can be adequately and efficiently discharged by the Board as a whole.

At present, the Board regularly reviews the Company's risk management systems and control frameworks, and the effectiveness of their implementation and is in the process of formally establishing a policy for adoption.

The Company's CEO (the Company presently has not yet appointed a CFO) reports in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. The CEO is also required to report that this statement so made is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

If and when such a committee is established, its Charter is as proposed below.

### **4.1 Purpose**

This Charter sets out the role, membership, duties and authorities of the Risk Management Committee (RMC) of the Company. The scope of the RMC shall extend to Company and its controlled entities ('Group') whose products and processes expose the group to liquidity risk, market risk, balance sheet risk and operational risk.

### **4.2 Membership**

The RMC shall comprise of 3 non-executive Directors, as nominated by the Board. The Board shall appoint one of the RMC members, other than the chairman of the Audit & Compliance Committee, to serve as the RMC chairman.

### **4.3 Role**

To perform its duties set out in this Charter to enable the Board to fulfill its oversight responsibilities in relation to the establishment and implementation of the risk management system, and to review, at least annually, the effectiveness of the Group's implementation of that system. More specifically:

- to oversee and monitor the Group's approved policies and procedures in relation to the management and control of the following risks of the Company and its controlled entities:

- liquidity risk: being the risk from the Group's inability to meet obligations when they become due without incurring unacceptable losses because of an inability to liquidate assets or to obtain adequate funding;
- market risk: being the risk to earnings from adverse movements in metal prices, interest rates, exchange rates and market volatility;
- balance sheet risk: being the following risks:
  - o The risk to earnings from changes in metal prices; interest rates and market volatility;
  - o The risk from material changes in global and domestic economic conditions generally;and
- operational risk: being the risk of loss including reputation, resulting from failed internal processes or compliance breaches, people and systems or from external events;
- to report to the Board on all material matters arising from its review and monitoring functions by the provision to the Board of the RMC's minutes of meetings or by special report, as considered appropriate. Additionally, refer in writing to the Audit & Compliance Committee of any relevant matters that have come to the attention of the RMC;
- to oversee and monitor the Company's compliance with regulatory requirements;
- to oversee and monitor the compliance systems in place by which Management discharges its legal obligations in respect of the Company's business; and
- to oversee and monitor the compliance systems and procedures within the Company by which appropriate disclosure can be made to the Board of the risks as described in paragraph 1 above.

## 4.4 Other attendees

Managing Director and Company Secretary are expected to attend RMC meetings. In addition, the Managing Director may request the attendance of other members of Management to RMC meetings from time to time.

## 4.5 Meetings

RMC meetings shall be held monthly and at such other times as considered appropriate.

## 4.6 Quorum

The quorum for RMC meetings shall be two members.

## 4.7 Responsibilities and authorities

### 4.7.1 Liquidity risk

- Receive and review reports from the Chief Financial Officer detailing compliance with liquidity limits.
- Review liquidity policies for the Group.
- Overview the funding position of the Group.
- Review the contingency plan for management of an escalated liquidity requirement where the Group experiences either restricted access to wholesale funding, or a large increase in withdrawal of funds.
- Make recommendations to the Board on changes to liquidity policies, having regard to the recommendations of the Chief Financial Officer.

#### **4.7.2 Market risk**

- To review relevant issues relating to metals and financial markets activities, particularly trading and derivatives.
- Receive and review reports from Chief Financial Officer on traded market risk usage against limits.
- Review market risk limits, policies and management framework.
- Recommend that the Board approve the methodology of calculating the level of risk and allocation of limits based on recommendations from Chief Financial Officer.

#### **4.7.3 Balance sheet risk**

- Receive and review reports from Chief Financial Officer on the Group's strategies and position in relation to management of metals and interest rate risk and balance sheet management.
- Review the effectiveness of the risk management systems and policies that are in place to manage structural risk.
- Review new Balance Sheet management policies.
- Approve Balance Sheet risk limits.

#### **4.7.4 Operational risk**

- To receive reports from the executive Management.
- To review and approve the Group operational risk framework on an annual basis.
- Receive and review half yearly reports on the Group's risk profile.
- Receive and review half yearly reports on business continuity management and disaster recovery planning, including internal and external benchmarking, and test preparation results.
- Receive and review quarterly Group operational risk reports covering losses, near misses, abnormal gains/profits, reputation risk, quantification of operational risk and capital and regulatory matters.

- Monitor the Company's compliance with legal obligations to which its businesses are subject except for those obligations relating to the preparation of accounts and integrity of financial systems which are monitored by the Audit Committee.
- Monitor Management's analysis of the legal obligations and risks arising in respect of Company's businesses and advise the Board of developments in, or changes to, those obligations.
- Monitor the ongoing due diligence system in order to comply with the continuous disclosure requirements pursuant to the Australian Stock Exchange Limited's (ASX) Listing Rule 3.1.

#### **4.7.5 Capital management**

- Determine and report to the Board for ratification, based on the assessment of the reports received, that there is reasonable assurance that the Company holds sufficient capital against the various risks and is in compliance with established capital adequacy goals.

#### **4.7.6 Economic environment**

- Receive and review reports from the Managing Director concerning changes anticipated for the economic and business environment and other factors considered relevant to future strategy, in order to monitor them and determine the impact in the context of the Group's projected business performance.

#### **4.7.7 General**

- To periodically assess the performance and effectiveness of this committee against its Charter.

### **4.8 Disclosure of information**

A summary of this policy will be made available, and updated as required, by posting it on the Company's website in a clearly marked corporate governance section.

## 5 NOMINATION & REMUNERATION COMMITTEE

The Board has not established a nomination and remuneration committee as, due to the Company's present size and its operations, the Board considers a separately established committee is not warranted and its functions and responsibilities can be adequately and efficiently discharged by the Board as a whole.

If and when such a committee is established, its Charter is as proposed below.

### 5.1 Purpose

- To consider and make recommendations to the Board on the composition of the Board, appropriate criteria for Board membership and performance, the tenure of Directors generally, the remuneration framework for Directors and, where required, the suitability of nominations for the position of Director.
- To review and make recommendations to the Board for board succession plans.
- To review and make recommendations to the Board with respect to the remuneration to be paid by the Company to its Managing Director and members of the senior executive.
- To review and make recommendations to the Board regarding the Company's recruitment, retention and termination policies and procedures for senior executives.
- To review and make recommendations to the Board on the various material compensation, incentive and reward programs within the Company.
- To make determinations and recommendation, as appropriate, in accordance with rules of the Company's various employee and executive share and option plans.

### 5.2 Membership

The Committee shall comprise a minimum of three members, the majority being independent Directors.

### 5.3 Chairman

The Committee shall be chaired by the Chairman of the Board or an independent Director. It is the Board's policy that the role of Committee chairman should be rotated at least every five years.

### 5.4 Other attendees

Other usual attendees at meetings shall be:

- Chief Financial Officer;
- Company Secretary; and
- Managing Director.

## 5.5 Meetings

The Committee shall meet at least two times a year and schedule such other meetings as it considers appropriate.

## 5.6 Quorum

The quorum for meetings shall be three members.

## 5.7 Responsibilities and authorities

- To consider reports on the composition of the Company's Board.
- To review established and any proposed Board performance criteria and issues and where appropriate, make recommendations to the Board.
- To receive reports from external sources on board composition, procedures and performance criteria.
- As and when required, consider reports on persons considered for appointment as a Director of the Company and make recommendations to the Board.
- To review the remuneration framework for Directors (that clearly distinguishes non-executive Directors' remuneration from that of executives) and where appropriate, make recommendations to the Board.
- To review established and any proposed Board succession plans.
- To evaluate the performance of senior executives (other than the Managing Director) and those employees or officers who have the opportunity to materially influence the integrity, strategy and operation of the business, and its financial performance.
- To review and consider any proposed recruitment, retention and termination policies and procedures for senior executives and where appropriate, make recommendations to the Board.
- To receive and consider reports and where appropriate, independent advice, on remuneration to be paid to the Managing Director and the senior executives and the various compensation, incentive and reward programs and superannuation arrangements within the Group.
- To propose and review an induction program that enables new Directors to gain an understanding of:
  - the Company's financial, strategic, operational and risk management position;
  - their rights, duties and responsibilities; and
  - the role of the Board committees.
- To be responsible for carrying out its above purposes. Where appropriate any member or attendee of a meeting of the Committee shall absent himself or herself when the Committee is giving consideration to the remuneration or any other benefit received or to be received by that member or attendee.

- To ensure that sufficient disclosure is provided in relation to the Company's remuneration policies to enable investors to understand:
  - the costs and benefits of those policies; and
  - the link between remuneration paid to Directors and senior executives and corporate performance.
- To make recommendations to the Board within the ambit of its Charter, except in relation to the various executive and employee share and option plans where, pursuant to the rules of the relevant plan, Management may act on a determination of the Committee.

## 5.8 Disclosure of information

The following material will be made publicly available, and updated as required, by posting the material on the Company's website in a clearly marked corporate governance section:

- a description of the procedure for the selection and appointment of new Directors to the board;
- the charter of the nomination and remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee; and
- the nomination committee's policy for the appointment of Directors.

## 5.9 Annual report

The Company's remuneration policies should be included in the corporate governance section of the annual report. As recommended by ASX Corporate Governance Council, the following material shall also be included in the corporate governance section of the annual report:

- disclosure of the company's remuneration policies referred to in best practice recommendation;
- the names of the members of the remuneration committee and their attendance at meetings of the committee;
- the existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors; and
- an explanation of any departures from best practice recommendations.

## 6 DUE DILIGENCE COMMITTEE

Two independent Directors, namely, Messrs Banks and Hobday together with the Managing Director, Mr Belli, represent the Board on any the Due Diligence Committee that the Company may establish.

The Charter for this Committee is as proposed below subject to such variation and/or amendment as may be required to give practical effect to the operation of the Committee given the present size and operation of the Company.

### 6.1 Purpose

The Due Diligence Committee (DDC) is an ad hoc committee of the Board whose purpose is to:

- review the planning memorandum and/or other procedures proposed by Management for determining the content of disclosure documents to be issued in connection with capital raising or other major transactions proposed to be undertaken by the Company;
- oversee the due diligence and verification conducted in relation to such disclosure documents; and
- recommend to the Board whether such disclosure documents can be issued and monitor compliance with the regulatory regime applicable to such documents.

### 6.2 Membership

The members are those non-executive Directors who are members of the Audit & Compliance Committee or as otherwise determined by the Board.

### 6.3 Chairman

The chairman of the DDC will be the Director who holds the position of the chairman of the Audit Committee or as otherwise determined by the Board.

### 6.4 Other attendees

The Chief Financial Officer and the Company Secretary shall be requested to attend any DDC meetings. The Committee may invite such other members of Management to attend DDC meetings as it considers necessary to assist it.

### 6.5 Meetings

Meetings shall be scheduled as and when considered appropriate, before and during the process of issue of publicly issued documentation.

## 6.6 Quorum

The quorum for DDC meetings shall be three members.

## 6.7 Responsibilities and authorities

- To consider an appropriate due diligence and verification process to determine the content of the disclosure document depending on the purpose of the document to be issued and the applicable regulatory regime.
- To oversee due diligence and verification processes in accordance with the planning memorandum adopted and/or other procedures proposed by Management including review of all minutes and reports of the Audit & Compliance Committee in relation to the Company's due diligence system and where appropriate, reports or information provided to that Committee as part of that due diligence process. Initiate further enquiry, as considered appropriate, in relation to any matters revealed as part of the due diligence process.
- Review the relevant public issue documentation and the internal and external sign-offs for compliance with relevant provisions of the Corporations Act, the Trade Practices Act and other applicable legislation so that, having regard to due diligence systems and expert advice, the due diligence and reliance defences can be relied upon where available.

## **7 DISCLOSURE POLICY & COMMUNICATIONS STRATEGY**

### **7.1 Company's philosophy**

The Company is committed to fulfilling all legal, statutory and listing disclosure requirements. The Company is further committed to an even handed disclosure policy, providing present and potential investors and other relevant third parties with as full and frank information as is consistent with commercial considerations.

The Company is committed to best practice disclosure policy in the knowledge that the Company benefits from having a more open disclosure policy. Keeping the investor community fully informed and resisting pressure to give preferential access to analysts, institutions or others enhances corporate credibility and investor confidence, with a positive influence on the share price.

The Company is committed to ensuring a communications strategy that promotes effective communication with its shareholders and encourages effective participation at general meetings.

Written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations, as well as to ensure accountability at a senior management level for that compliance have been established.

### **7.2 Determining “discloseable” information**

In accordance with legal, statutory and listing requirements, the Company discloses all information concerning it, of which it is or becomes aware, that a reasonable person would expect to have a material effect on the price or value of its securities. Limited exceptions are set out in Listing Rule 3.1 and to qualify for an exception all of the following must be satisfied.

A reasonable person would not expect the information to be disclosed.

The information is confidential and ASX has not formed the view that the information has ceased to be confidential.

The disclosure would breach a law, or the information concerns an incomplete proposal or negotiation, or is insufficiently definite to warrant disclosure, or the information is generated for internal management purposes, or is a trade secret.

It will also comply with the market speculation Listing Rule in response to a formal ASX query.

## 7.3 Definition of materiality

Information will be taken to have a material effect on the price or value of Company's securities if a reasonable person would expect the information to, or be likely to, influence persons who commonly invest in securities in deciding whether or not to acquire or dispose of the securities. The effect on the share price can be positive or negative (see ASX Listing Rule 3.1 and s677 of the Corporations Act).

## 7.4 Determining materiality

Company's Disclosure Officer has responsibility for determining whether a particular piece of information is material or falls within the exception, otherwise the information should be provided to the ASX for a determination.

## 7.5 Disclosure Officer

For the purposes of this policy the Disclosure Officer will be the Company Secretary. The Disclosure Officer will administer this policy and have responsibility for all communications with the ASX.

## 7.6 Dealing with uncertainty

When employees are uncertain about the status of information in their possession they should consult the Disclosure Officer.

## 7.7 Informing the market

Non-public, material information, when released, must be made broadly available to the market. To ensure best practice in disclosure, all new material information in the first instance will be released to the ASX. The Disclosure Officer will have responsibility for communicating the new material information to the ASX and ensure the ASX has confirmed the release prior to further distribution of the new material information.

The Disclosure Officer is responsible for ensuring all information is clear, objective and factual, and that no material information is omitted, in making communications with the ASX.

The Disclosure Officer will have responsibility for ensuring that the Delegated Person and other appropriate people within the Company are notified of the release of information to the ASX.

The Delegated Person will undertake distribution to each Board member by email or facsimile and to the investing public via Company's web site and other means to appropriate recipients (eg investors, analysts and the media).

## **7.8 Delegated Person**

A Delegated Person should be appointed to administer the distribution of information to all third parties. This designated person will for the purposes of this policy be the Chairman.

## **7.9 Improving access**

The Delegated Person will undertake to continuously ensure that there is ready and appropriate access to information for all investors, both large and small, with the aim of, among other things, encouraging shareholder participation at general meetings. The Delegated Person will also make use of current technology to ensure the widest dissemination of information in a timely manner. This includes:

- placing all relevant announcements made to the market, and related information on the Company website after they have been released to ASX;
- posting presentation materials and a transcript or summary of analyst, media or other third party briefings and general meetings to the website;
- placing the full text of notices of meeting and explanatory material on the website;
- improving access for shareholders unable to be physically present at meetings;
- providing information about the last three years' press releases/announcements plus at least three years of financial data on the website;
- providing material information, including financial releases, inadvertently disclosed during third party briefing sessions, to the ASX and then on Company's website; and
- offering the use of email to provide information updates to investors.

## **7.10 Timeliness**

Material disclosable information will be reported to the market immediately.

## **7.11 Good and bad news**

Full and frank information means negative as well as positive information affecting the prospects for the Company.

## **7.12 Media spokespeople**

All media enquiries relating to material issues or Group policy or strategy are to be coordinated by the Company Secretary, in consultation, with the Managing Director and Chairman. Media comment will be made only by the Chairman, the Delegated Person or other authorised Company spokesperson.

The Managing Director will approve all press releases referring to material issues prior to release.

All enquiries from investors and analysts will be referred immediately to the Delegated Person or the Disclosure Officer.

## 7.13 Commenting on a non-attributable basis

Commenting on a non-attributable basis does not provide grounds for any authorised Company spokesperson to disregard proper disclosure practice.

## 7.14 Responding to market rumours

As a policy matter, the Company does not comment on rumours unless, in the circumstances, this would amount to a breach of the market speculation ASX Listing Rule or other applicable laws.

## 7.15 Continuous disclosure compliance

The Disclosure Officer has responsibility for:

- ensuring employees receive a copy of this Policy;
- conducting education sessions for new staff members;
- ensuring that the Company has an effective reminder system regarding the obligations of employees to notify the Disclosure Officer of matters that may be disclosable under this Policy, and to otherwise comply with this Policy. This may be via email, in staff meetings or by refresher courses conducted annually;
- including in the reminder system a requirement that all staff members report potential breaches of this policy directly to the Disclosure Officer; and
- ensuring that the following officers are briefed in detail regarding the continuous disclosure regime (including the requirement to refer all queries from staff to the Disclosure Officer):
  - Directors
  - Managing Director
  - Chief Financial Officer
  - Company Secretary.

## 7.16 Future earnings forecasts

If the Company makes an announcement regarding future earnings or financial performance, the Board will approve this announcement prior to any release of the information.

## **7.17 Meetings with investors and analysts**

Excepting on occasion for the Chairman and Managing Director no meetings with investors or analysts should take place without at least two executives present, one of whom should be the Disclosure Officer or Delegated Person.

## **7.18 Records of meetings**

The Chairman and Managing Director will record details of all meetings with investors and analysts. The Delegated Person will maintain a central register of these file notes.

In respect of telephone conversations with investors, analysts and the media, the above individuals need only, at their discretion, relay the substance of such conversations to the Disclosure Officer or the Delegated Person.

## **7.19 Inadvertent disclosure of information**

If, in the opinion of the executives present at any meeting with an external party not subject to confidentiality restrictions (eg investors, analysts and the media), material information has been inadvertently disclosed, then such information will be released as soon as is practicable to the ASX and then made available on the Company's web site.

## **7.20 Shareholder enquiries**

The Company will use annual general meetings and shareholder information meetings to communicate with shareholders about its financial performance and business strategy and at all general meetings will allow a reasonable opportunity for informed shareholder participation. In all other cases, the Disclosure Officer, the Delegated Person and the Share Registry will deal with private shareholder enquiries.

## **7.21 A Disclosure Committee**

This Policy is reviewed annually by a Disclosure Committee comprising the Chairman, the Managing Director, the Chief Financial Officer (if and when appointed) and the Company Secretary.

## **7.22 Disclosure of information**

A summary of this policy (including where appropriate a description of the arrangements the Company has to promote communication with shareholders) will be made available, and updated as required, by posting it on the Company's website in a clearly marked corporate governance section.

## 8 CODE OF ETHICS

### 8.1 Scope

This procedure applies to all staff.

### 8.2 Principles

#### 8.2.1 Introduction

A Code of Ethics, like laws, cannot substitute for a sense of honesty, fairness and decency. Ultimately, the ethical conduct of the affairs of the Company depends upon the understanding and judgement of its staff. The Company expects that the actions of its staff reflect the ethical standards of the Company.

Staff members are under an obligation to the Company not to place themselves or allow themselves to be placed directly or indirectly in a position where their private interests conflict or could conflict with their responsibilities to the Company. Accordingly, staff members may not use their positions, the Company's assets or confidential information gained in connection with their employment for personal gain or for the benefit of a family member or any outside party.

Throughout this Code where actions, conflicts, etc. of a staff member are referred to, "staff member" shall be read to include the companies or trusts substantially owned or controlled by the staff member or direct relatives, executive Directors and, where the context permits, non-executive Directors, managers and all other staff engaged either on a contract of employment or a salaried basis.

#### 8.2.2 Company Information

It is a policy of the Company to honestly and openly provide information to those who have a legitimate interest in its operations. In addition to formal reports to regulatory authorities and reports to the public and shareholders required by statute, the Company may provide extensive information on its activities by way of a variety of publications and through continuing working relations with news media, financial analysts and others. The extent, timing and form of such public disclosure is a matter for senior Management. Apart from concern for the privacy of staff members, the Company also operates in a competitive business environment. Consequently, it would be inappropriate for the Company to disclose information, which if published, might impair its own effectiveness and competitiveness.

Accordingly, Company documents such as circulars, manuals, records and internal communications materials, especially materials marked "Confidential", must never be shown to outsiders without proper authorisation. Care should be exercised in conversations about the Company with outsiders or with fellow staff members in public places.

The obligation of staff members to safeguard the privacy of fellow members of staff and to protect the confidentiality of the Company's own affairs continues with equal force if the staff member leaves the service of the Company.

In conversations with customers or other staff members and when on the telephone, care must be taken to prevent outsiders from overhearing confidential personal information.

Information should not be divulged over the telephone unless the identity of the caller and his or her right to receive the information are definitely established. Particular care should also be taken in answering enquiries and data given must be limited to that permitted by standard Company practice. Appropriate legal advice should be obtained where doubt exists.

The same considerations apply to the privacy rights of members of staff and similar care to avoid breaching these rights must be exercised by those staff members who, by reason of their position, may have knowledge of another staff member's private affairs.

### **8.2.3 Abiding by the Law**

Staff members should undertake at all times to comply with or observe all applicable laws and regulations.

Members of staff should not take any action which they know or should reasonably know violates any applicable law or regulation. Where operating rules are laid down they should be followed. The correct Company forms, which have been prepared with legal requirements in mind, should also be used.

### **8.2.4 Reporting of unlawful/unethical behaviour**

The Company encourages staff to report in good faith suspected unlawful/unethical behaviour (refer also to Chapter 10, Whistleblower Policy).

Any member of staff who is uncertain as to whether an act or omission constitutes unlawful or unethical behaviour or who wishes to make a report should contact the Company Secretary directly.

The Company Secretary will then determine what action, if any, should be taken.

The Company Secretary will treat as confidential all such queries and reports except where action is to be taken. In which case, the Company Secretary shall seek to maintain the identity of the staff member confidential, unless the circumstances demand otherwise.

### **8.2.5 Integrity of Records**

Staff members should maintain required records with integrity, reflecting transactions in an accurate and timely manner.

The reliability of accounting information and records is a basic element of the Company's integrity. All entries must be accurate and consistent with the applicable accounting standards. No false or artificial entries should be made in any books or records and no staff member should be party to any arrangements that result in such entries.

Additionally, the privacy laws require the Company to ensure personal information it keeps is accurate, complete and up to date when it is used or disclosed.

## **8.2.6 Misappropriation**

Staff members shall not misappropriate for their own use and benefit any funds or property which are not rightfully theirs nor knowingly assist another person in such misappropriation.

Honesty and trustworthiness are two of the key foundations of the Company.

## **8.2.7 Conflict of interests - private business interests**

Staff members owe their primary business loyalty to the Company. They must not participate in any decision, by or on behalf of the Company, which may affect any private business in which they have an interest, unless they have disclosed the nature and extent of that interest to a relevant senior manager in the Company.

Staff members must avoid acquiring any business interests or participate in any business activity outside the Company which would tend to:

- Create an excessive demand upon the staff member's time and attention or create any distraction during working hours; or
- Create a conflict of interest, that is, an obligation, interest or distraction which would interfere with the independent exercise of judgement in the Company's best interest.

Staff members must obtain the consent of the Managing Director through the Company Secretary before accepting a position as a Director or member of the board of an external company or organisation.

A staff member may not approve or administer contracts or other business arrangements between the Company and a member of the staff member's immediate family or with a company, firm, or individual employing a member of the staff member's immediate family in activities under the staff member's administration.

A staff member may not use Company personnel, facilities, equipment or supplies for personal benefit contrary to the Company's policies and procedures.

## **8.2.8 Conflict of interests - citizenship duties**

Staff members who discharge citizenship responsibilities through membership of public or quasi-public decision making bodies (school boards local councils, etc.) should be alert to possible conflicts of interest and declare any such conflict.

There is no objection to staff members being active in their communities, participating in political activities, running for public office, sitting on municipal councils and other public bodies. Where staff members do accept offices in social or other clubs, they should avoid any potential conflict of interest by declaring the nature of their interest (if any) in formally constituted meetings of the organisation and if required, to follow the organisation's rules in respect to non-voting in such situations.

## 8.3 Inside information

Inside information about the Company's affairs or those of customers shall not be used by staff for their own gain or that of others.

Staff members are often in possession of information (commonly referred to as "inside" information) which is not publicly available and which may have an impact on the price of the Company's shares. Staff must not disclose such information nor use such information for personal gain or for the advantage of others, such as friends or relatives. For example, trading in shares or other financial products in respect of the Company's shares such as derivatives, or advising others to do so on the basis of such special knowledge may also result in violation of insider trading laws and lead to criminal penalties.

Please refer to the Company's Trading Policy for further information on who the restriction applies to, and on what financial products cannot be traded.

## 8.4 Improper payments, gifts, entertainment

Company staff shall not use their employment status to seek personal gain from those doing business or seeking to do business with the Company nor accept such gain if offered.

Staff must not engage in any act that could be interpreted as seeking or receiving a bribe, secret commission or questionable payment. Decisions made by staff members in the course of their work must be objective and based solely upon the best interest of the Company. They should never be influenced by any consideration of personal gain or gain to any personal associate (eg friend or relative). Except as noted below, employees may neither seek nor accept gifts, payments, services, fees, pleasure or vacation trips or accommodation, or loan (except normal loans from regular lenders, on conventional terms) from any person, organisation or group that does business or is seeking to do business with the Company or any of its affiliates, or from a competitor of the Company or any of its affiliates.

A staff member may not accept gifts, services or entertainment from individuals or companies doing or seeking to do business with the Company, unless the transaction meets all of the following requirements:

- is in keeping with good business ethics;
- is customary and proper under the circumstances and gives no appearance of impropriety;
- serves a valid business purpose;
- does not impose any sense of obligation on the recipient to the donor;

- does not result in any kind of special or favoured treatment of the donor;
- cannot be viewed as extravagant, excessive or too frequent considering all the circumstances;
- does not involve cash payments, gift certificates, credit arrangements of any kind or any item having a value of more than \$100;
- does not involve materials, services, repairs or improvements at no cost or at unreasonably low prices; and
- there is no effort made to conceal the full facts by either the recipient or the donor.

## 8.5 Administration

It is recognised that staff members may have questions concerning whether certain of their planned or actual activities constitute departures from the guidelines of this Code. Such questions should be referred in writing to the Managing Director through the Company Secretary.

It is also recognised that circumstances may arise where compliance with the Code may be achieved without strict adherence to the guidelines and where such strict adherence would be unreasonable or result in undue hardship for the staff member. In such circumstances, the pertinent facts of the case should be submitted in writing to the Managing Director through the Company Secretary.

Each member of Management has a continuing responsibility to review conflicts of interest situations in his or her organisational unit and ensuring that any potential or actual problems are resolved, if necessary, by referring to the Managing Director.

## 8.6 Disclosure of information

This Code (or a summary of its main provisions) will be made publicly available, and updated as required, by posting it on the Company's website in a clearly marked corporate governance section.

## 9 TRADING POLICY

### 9.1 Inside information

Inside information about the Company's affairs shall not be used by staff for their own gain or that of others.

Directors and employees are encouraged to be long-term holders of the Company's shares. However, it is important that care is taken in the timing of any acquisition or disposal of shares and other financial products in the Company. Directors and employees must avoid conduct known as 'insider trading'.

Subject to the prohibitions described below, this policy sets out when trading in the Company's financial products may take place.

For the purposes of this policy, "financial products" includes the Company's shares and debt securities, financial products issued or created over its securities by third parties, and associated products which operate to limit the economic risk of a holding in the Company's securities.

### 9.2 Prohibited conduct

Directors and employees must not:

- buy or sell financial products in the Company;
- procure someone else to buy or sell financial products in the Company; or
- pass on 'inside information' to a third party where that person knows, or ought reasonably to know, that the third party would be likely to buy or sell the financial products or procure someone else to buy or sell the financial products of the company,

if that Director or employee possesses inside information. Inside information is information which is not generally available to the market and, if it were generally available to the market, would be likely to have a material effect on the price or value of the Company's financial products (ie, information that is 'price sensitive').

Information is generally available where the information is:

- readily observable;
- made known in a manner that would, or would be likely to, bring it to the attention of people who commonly invest in the Company's financial products or financial products of a kind similar to the Company's financial products, and a reasonable period has elapsed to allow the information to be disseminated; or
- able to be deduced, concluded or inferred from those types of the information.

Information will have a material effect on the price or value of the Company's financial products if a reasonable person would be taken to expect the information to, or be likely to, influence

persons who commonly acquire financial products in deciding whether or not to acquire or dispose of the financial products.

In addition, Directors and employees are prohibited from dealing in financial products in the Company for short term speculative gains and therefore they cannot dispose of such financial products within six months of their acquisition.

## 9.3 Dealing through third parties

A Director or employee of the Company can still be guilty of insider trading in relation to the Company's financial products even though they are not the actual person who bought or sold the financial products. The prohibition extends to:

- dealings by Directors and employees where they use nominees, agents or other associates, such as family members, family trusts and family companies; and
- Directors and employees procuring third parties to deal in the Company's financial products, which includes inducing or encouraging those third parties to deal.

## 9.4 Information however obtained

It does not matter how or where the person obtains the information - it does not have to be obtained from the Company to constitute inside information.

## 9.5 Dealing windows

Provided that they do not hold inside information, Directors and senior executives may buy and sell the Company's securities except:

- within the period of 1 month prior to the release of annual or half yearly results;
- within the period of 1 month prior to the issue of a prospectus; and
- there is in existence price sensitive information that has not been disclosed because of an ASX Listing Rule exception.

Directors and senior executives should wait at least 2 days after the relevant release before dealing in securities so that the market has had time to absorb the information.

In specific circumstances however, such as financial hardship, the Chairman may waive the requirement of a Director or Senior Executive to deal in securities outside the above periods on the condition that the Director or Senior Executive can demonstrate to him that they are not in possession of any price sensitive information that is not generally available to the public.

Directors and senior executives must not at any time engage in short-term trading in securities of the Company.

Directors and senior executives must not communicate price sensitive information to a person who may deal in securities of Aconcagua. In addition, a Director or senior executive should not

recommend or otherwise suggest to any person (including a spouse, relative, friend, trustee of a family trust or directors of a family company) the buying or selling of securities in Aconcagua.

Directors must also notify the Company Secretary of any trade in Aconcagua's securities within 24 hours of such trade occurring so that the Company Secretary can comply with the ASX Listing Rule 3.19A.2 requirement to notify the ASX of any change in a notifiable interest held by a Director.

## **9.6 ASX notification**

Directors are required to notify the Chairman and the ASX of any change to their holding of relevant interests in financial products of the Company. Whilst the Corporations Act requires Directors to notify the ASX of any changes to their holdings within 14 days, the Company is required under the Listing Rules to notify these changes to the ASX within five business days of the change. To enable the Company to comply with this, Directors must furnish the relevant information within five business days to the Company Secretary, who will facilitate the transmission of these notifications to the ASX. Notifications will also be tabled before the Board.

## **9.7 Employee share schemes**

The insider trading prohibition does not apply to:

- applications for; and
- acquisitions under those applications of,

the Company's financial products by employees of the Company or any of its related bodies corporate made under employee share and option plans.

However, the prohibition will apply to any subsequent disposal by those employees of shares in the Company acquired under those employee share or option plans.

## **9.8 Steps to take when buying or selling**

Any Director or employee wishing to buy or sell the Company's financial products or exercise options over the Company's financial products must advise the Chairman (in the case of Directors) or the Company Secretary (in the case of an employee) of their intention to do so before buying or selling the financial products or exercising options. An employee must obtain the Managing Director's consent before entering into any financial products which operate to limit the economic risk of a holding in the Company's securities. This notification obligation operates at all times.

Directors and employees must not buy or sell the financial products or exercise their options until approval has been given by the Chairman, the Company Secretary or the Managing Director (as the case may be).

## 9.9 Other entities

In addition, Directors must not buy or sell financial products of any other entity if inside information on such entity comes to the attention of the Director by virtue of holding office as a Director of the Company.

## 9.10 Disclosure of information

This trading policy (or a summary of its main provisions) will be made publicly available, and updated as required, by posting it on the Company's website in a clearly marked corporate governance section.

## **10 WHISTLEBLOWER POLICY**

### **10.1 Scope and purpose**

The Board is the governing body of the Company. Recognising the expectations of the Company's shareholders, employees, customers, regulators and the community, the Board is committed to best practice in corporate governance, compliance and ethical behaviour generally. One of the principal responsibilities of the Board includes monitoring compliance with regulatory, ethical and prudential requirements.

A key test of the corporate governance health in the Company is whether there are both formal and informal structures in place to enable good news and bad news to travel rapidly to the appropriate destination. This policy is an important mechanism in being able to satisfy that key test.

This policy covers the procedures for dealing with reports made by the Company of suspected improper conduct within the Company. It also addresses the protection of individuals making those reports.

### **10.2 Definitions**

#### **10.2.1 Whistleblowing**

For the purpose of this policy, whistleblowing is defined as:

"the deliberate, voluntary disclosure of individual or organisational malpractice by a person who has or had privileged access to data, events or information about an actual, suspected or anticipated wrongdoing within or by an organisation that is within its ability to control."

#### **10.2.2 Whistleblower**

For the purpose of this policy, a whistleblower is defined as:

"any employee, Director, related officer or contractor of any member of the Company, who whether anonymously or not makes or attempts to make a disclosure as defined in s2.1."

#### **10.2.3 Improper conduct**

For the purpose of this policy, improper conduct is defined as:

- (a) corrupt conduct;
- (b) fraudulent activity;
- (c) a substantial mismanagement of the Company's resources;

- (d) conduct involving substantial risk to public health or safety; or
- (e) conduct involving substantial risk to the environment;

that would, if proven, constitute by a member of the Company or its personnel:

- (a) a criminal offence;
- (b) reasonable grounds for dismissing or dispensing with, or otherwise terminating, the services of the Company personnel who was, or is, engaged in that conduct; or
- (c) reasonable grounds for disciplinary action.

## 10.2.4 Protected disclosure

For the purpose of this policy, protected disclosure is defined as:

"any good faith communication based on reasonable grounds that discloses or demonstrates an intention to disclose information that may evidence an improper conduct."

## 10.3 All personnel

All Company personnel are encouraged, and have the responsibility to report any known or suspected incidences of improper conduct by making a protected disclosure in accordance with this policy. Company personnel should in the normal course first report such matters to their immediate manager. However if he or she has a concern with that, (for example he or she reasonably believes that the manager is involved in the improper conduct), the report should be made to the Company Secretary.

If the Company Secretary judges the protected disclosure to be of significance, the Company Secretary must form a committee to investigate it further. The committee will be comprised of the Company Secretary and the following officers from the Company, namely the Managing Director, the Company Secretary and the Chief Financial Officer. If the protected disclosure is an allegation made against a member of this committee, the committee member shall not be involved in the investigation.

All Company personnel also have an important responsibility concerning the welfare of the whistleblower within the organisation. All Company personnel must refrain from any activity that is, or could be perceived to be, victimisation or harassment of a person who makes a protected disclosure.

All Company personnel must take all reasonable steps to attempt to maintain the confidentiality of a person they know or suspect to have made a disclosure.

## 10.4 Confidentiality

The Company will take all reasonable steps to protect the identity of the whistleblower. Maintaining confidentiality is crucial in ensuring reprisals are not made against a whistleblower.

## **10.5 Managing the welfare of the whistleblower**

### **10.5.1 Commitment to protecting whistleblowers**

The Company is committed to the protection of genuine whistleblowers against action taken in reprisal for the making of protected disclosures.

### **10.5.2 Keeping the whistleblower informed**

The Company Secretary will ensure the whistleblower is kept informed of action taken in relation to his or her disclosure.

### **10.5.3 Whistleblowers implicated in improper conduct**

The Company acknowledges that the act of whistle blowing should not shield whistleblowers from the reasonable consequences flowing from any involvement in improper conduct. A person's liability for his or her own conduct is not affected by the person's disclosure of that conduct. However, in some circumstances, an admission may be a mitigating factor when considering disciplinary or other action.

## **10.6 Review of policy**

This policy will be reviewed annually to ensure it complies with relevant laws and remains relevant and effective. This policy may be changed at the discretion of the Board of Directors of the Company.