



## **CORPORATE GOVERNANCE POLICIES**

*As at December 2010*

**Swick Mining Services Ltd**

**(ABN 20 112 917 905)**

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In this document, the term “Company” may refer to Swick Mining Services Ltd or any related body corporate of Swick Mining Services Ltd.

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**POLICY 1 - ROLES & RESPONSIBILITIES OF BOARD & MANAGEMENT**

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**Board Charter**

The Company's Board of Directors (**Board**) is ultimately responsible for the performance of the Company on behalf of its shareholders. The performance of the Company is driven by the strategies developed and implemented by the Company's senior management (**Management**). The Board provides guidance to Management with respect to strategy development and reviews the effectiveness of Management in delivering upon those strategies, as well as the resultant outcomes of those strategies. The Board also ensures that sufficient control and accountability systems are in place to accurately measure and report upon the performance of the Company.

The specific functions of the Board include:

- appointing the Managing Director, Finance Director (or equivalent) and Company Secretary;
- ratifying the appointment of other Management positions;
- providing input into and final approval of Management's development of objectives and strategies;
- ensuring appropriate resources are available to Management to implement the strategy;
- monitoring the performance of Management in implementing strategy against stated objectives;
- approving budgets at the commencement of each financial year and monitoring the Company's performance against those budgets;
- approving and monitoring the progress of material investments, capital expenditures, acquisitions, divestments and funding activities;
- monitoring the risk management and internal control systems and policies put in place and determining their adequacy; and
- monitoring the integrity of the Company's financial reporting.

**Management Charter**

The Company's Management is responsible for implementing the Company's strategies and managing the operations of the Company on a day-to-day basis.

The specific functions of Management include:

- developing the Company's objectives and strategies for Board approval;
- developing and coordinating action plans to guide the implementation of the Company's strategies;
- developing budgets at the commencement of each financial year for approval by the Board;
- monitoring the performance of the Company against its objectives and taking remedial action as required to rectify any areas of non-performance;
- developing and implementing risk management and internal control systems and policies; and
- ensuring the integrity of the Company's financial reporting.

**Evaluation of Performance - Management**

The Board, as coordinated by the Chairman, is responsible for the performance appraisal of the Managing Director. The performance appraisals of Senior Management is undertaken by their supervisors and overseen by the Managing Director.

The performance of the Managing Director and Management is measured against specific objectives and strategy outcomes determined at the commencement of each financial year as part of the strategic planning process, including Company performance. In addition, performance is measured against the specific responsibilities stated in the Management Charter and against specific requirements set out in the job descriptions for each member of Management. Performance appraisals may include both financial and operational indicators, and both quantitative and qualitative measure. Performance is measured on at least an annual basis.

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**POLICY 2 - BOARD STRUCTURE**

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**Overview**

The Board shall at all times endeavour to maintain an effective composition, size and commitment to adequately discharge its responsibilities and duties. The Board will endeavour to maintain an appropriate mix of skills and experience relevant to the operations of the Company, including skills and experience specifically in the areas of:

- accounting and finance;
- business development and marketing;
- strategic planning and risk management;
- mining and drilling industries; and
- public company directorship and management.

The Board shall be structured in such a way that it:

- has an understanding of the operations of the Company's business and the material issues that are effecting or are likely to effect the operations of the Company's business;
- has the ability to exercise independent judgement;
- encourages superior performance of the Company; and
- can effectively review the performance of Management against stated objectives.

**Independence of Directors**

The Board shall strive at all times to ensure that the majority of its members are independent directors. The Board will regularly assess whether each independent Non-Executive Director remains independent.

To ensure that independence is brought to bear on Board decisions, regardless of the mix of independent and non-independent directors, each director has the right to seek independent professional advice on matters relating to the Company at the Company's reasonable expense, subject to the prior approval of the Chairman, which shall not be unreasonably withheld.

**Independence of Chairman**

The Board shall strive at all times to ensure that the Chairman is an independent director and that the role of Chairman and Managing Director shall not be exercised by the same individual.

**Nomination & Appointment of New Directors**

The Board has chosen not to establish a nomination committee for the recruitment and appointment of new directors. Instead, where the Board believes there is a need to appoint another director, the full Board will be responsible for the process. The assessment of candidates will include a review of competencies and qualifications, independence, other directorships, time availability and contribution to the overall balance and composition of the Board.

The Chairman regularly reviews the composition of the Board to ensure that the Board continues to have the mix of skills and experience appropriate to the Company. If an invitation to become a director is accepted, the Board will appoint the new director and that person will then stand for re-election by shareholders at the next general meeting of the Company. When appointed to the Board, a new director will receive an induction appropriate to their experience. Incumbent board members are required to stand for re-election as set out in the Company's constitution.

**Board Committees**

Whilst at all times the Board retains full responsibility for the performance of the Company and providing guidance with respect to strategy development, in discharging its stewardship the Board makes use of committees to facilitate these processes. To this end, the Board has established the following committees:

- Audit & Corporate Governance Committee;
- Remuneration Committee;

Details of the purpose, scope, membership, meetings and authority of the committees are set out in the Charters approved by the Board and adopted by the individual Committees. Copies of the Charters can be found on the Company's website at [www.swickmining.com.au](http://www.swickmining.com.au).

**Evaluation of Performance - Board of Directors**

The performance of the Board as a whole is evaluated through a self-assessment process managed by the Chairman. Independent advisers may be used to assist in this process. The performance of the Board is measured against the responsibilities and specific functions detailed in the Board Charter. In addition, consideration is given to a number of other key factors including specific objectives established for the Board, the quality of information provided to the Board and interaction with Management. Performance is measured on at least an annual basis.

**Evaluation of Performance - Non-Executive Directors**

The performance of individual Non-Executive Directors is evaluated by the Chairman. The performance of each Non-Executive Director is measured against the responsibilities and specific functions detailed in the Board Charter. In addition, consideration is given to a number of other key factors including contribution to Board discussion and function, degree of independence, availability for and attendance at Board meetings and other relevant events, contribution to Company strategy, membership of and contribution to any Board committees and suitability to Board structure and composition. Performance is measured on at least an annual basis.

Where the Chairman considers that action must be taken in relation to a Non-Executive Director's performance, the Chairman must consult with the remainder of the Board regarding whether that director should be counselled to resign, not seek re-election, or in exceptional circumstances, whether a resolution for the removal of the director be put to shareholders.

The performance of the Non-Executive Chairman is evaluated by two independent Non-Executive Directors, including the Chairman of the Audit & Corporate Governance Committee. Performance is measured on at least an annual basis.

**Evaluation of Performance - Board Committees**

The performance of the Board Committees is evaluated by the Chairman, in conjunction with Board member assessments. Where the Chairman is the Committee Chairman of the Board Committee under review, the review will instead be conducted by a Non-Executive Director. The performance of each Committee is measured against the scope and responsibilities detailed in its Charter. Performance is measured on at least an annual basis.

**POLICY 3 - ETHICAL DECISION MAKING**

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**Code of Conduct**

The Company has adopted a Code of Conduct to establish appropriate standards of conduct and behaviour for the directors, officers, employees and contractors (collectively called the **Participants**) of the Company in carrying out their roles for and on behalf of the Company. The Code of Conduct aims to guide and encourage a culture of professionalism, integrity, honesty, respect and responsibility in all day-to-day activities and dealings with key stakeholders, including fellow Participants, clients and the local community. All Participants are encouraged to act in a way that further enhances the Company's reputation in the mining industry and community at large as a respected and desirable employer, high quality mineral drilling service provider and good corporate citizen.

The Code of Conduct provides a board framework that outlines the way in which Participants are expected to conduct business on behalf of the Company. The Code of Conduct is not intended to address all possible situations that may arise during employment with the Company but offers a set of guiding principles to Participants with respect to acceptable and unacceptable behaviour. Despite the existence of the Code of Conduct, all Participants have an obligation to comply with the requirements of common and statute law.

The Company views breaches of the Code of Conduct as serious misconduct. Participants who have become aware of any breaches of the Code of Conduct must report the matter immediately to their Supervisor or the Company Secretary. Participants who breach the principles of the Code of Conduct may be subject to disciplinary action, which in the case of serious breaches may include dismissal.

A copy of the Code of Conduct can be found on the Company's website at [www.swickmining.com.au](http://www.swickmining.com.au).

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**POLICY 4 - FINANCIAL REPORTING**

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**Overview**

The Board is committed to ensuring that the Company truthfully and accurately presents its financial position at all times. The Board has put in place various structures to accommodate this commitment and to independently verify and safeguard the integrity of the Company's financial reporting.

**Audit & Corporate Governance Committee**

The Board has established an Audit & Corporate Governance Committee to assist the Board in fulfilling its responsibilities in relation to financial reporting, internal controls, risk management and corporate governance. Details of the purpose, scope, membership, meetings and authority of the Committee are set out in the Charter approved by the Board and adopted by the Audit & Corporate Governance Committee.

A copy of the Committee Charter can be found on the Company's website at [www.swickmining.com.au](http://www.swickmining.com.au).

**Appointment & Monitoring of the External Auditor**

In reviewing the Company's auditing processes, the Audit & Corporate Governance Committee shall report to the Board on all matters relating to the external audit arrangements, including:

- making recommendations to the Board on the appointment, reappointment and replacement of the external audit firm;
- reviewing the terms of engagement and remuneration for the external auditor;
- reviewing the scope of the external audit with the external auditor including identified risk areas;
- monitoring the performance of the external auditor including an assessment of the quality and rigour of the audit, quality of the service provided and the external auditor's own internal quality control procedures;
- reviewing and assessing non-audit services to be provided by the external auditor, with particular consideration given to the potential to impair or appear to impair the external auditors' independence;
- reviewing and monitoring Management's responsiveness to the external audit findings; and
- meeting with the external auditor on a periodic basis without the presence of Management.

**Change in the External Auditor**

Should the Audit & Corporate Governance Committee recommend to the Board a change in the external auditor, a formal tender process will be undertaken. The Committee will identify the attributes required of an external auditor and will ensure the selection process is sufficiently robust so as to ensure the selection of an appropriate new external auditor. The appointment and replacement of the external auditor is done so in accordance with the requirements of the *Corporations Act 2001*.

The Committee will ensure that prospective external auditors have been provided with a sufficiently detailed understanding of the Company, its operations, its key personnel and any other information, including group structures and financial statements, that will have a direct bearing on each firm's ability to develop an appropriate proposal and fee estimate. In assessing external auditor candidates, the Committee will consider whether the external auditor has the appropriate level of skill, knowledge, expertise and resources to adequately undertake the audit. The Committee will recommend the appointment of a new external auditor to the Board.

**Rotation and Succession planning for the External Auditor**

The Audit & Corporate Governance Committee will discuss with the external auditor the provisions the audit firm has in place for rotation of the lead engagement partner and the independent review partner. The Company may request rotation of the lead engagement partner and the review partner.

**Management Sign-off Procedure**

The Audit & Corporate Governance Committee will ensure that the Managing Director and Chief Financial Officer (or equivalent) prepare a written statement to the Board certifying that the Company's annual financial report and half yearly financial report present a true and fair view, in all material respects, of the financial condition of the Company and its operational performance and are in accordance with relevant accounting standards. The statement is to be presented to the Board prior to the approval and sign-off of the respective annual and half yearly financial reports.

The Audit & Corporate Governance Committee will also ensure that the Managing Director and the Chief Financial Officer (or equivalent) prepare a written statement to the Board that the statement made by the Managing Director and the Chief Financial Officer pertaining to the Company's annual financial report and half yearly financial report is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects.

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**POLICY 5 - CONTINUOUS DISCLOSURE**

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**Overview**

The Company is required to comply with the general and continuous disclosure requirements set out in the *Corporations Act 2001* and the ASX Listing Rules. The Company has put in place various mechanisms to ensure that all investors have equal and timely access to information which may have a material effect on the price or value of the Company's securities and that all announcements made by the Company are factual and presented in a clear and balanced way.

**Responsibility**

The Managing Director and Company Secretary, in conjunction with the Chairman, have been appointed as the persons responsible for implementing and administering the Company's continuous disclosure policy (**Disclosure Officers**). The Disclosure Officers are responsible for all communication with the ASX and for making decisions on what should be disclosed publicly under this policy.

**Release of Material Information**

In accordance with the ASX Listing Rules, the Company must immediately notify the market (via an announcement to the ASX) of any information concerning the Company which would have a material effect on the price or value of the Company's securities. The *Corporations Act 2001* defines a material effect on price or value as being where a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the securities.

Information need not be disclosed if:

- a reasonable person would not expect the information to be disclosed; and
- the information is confidential and the ASX has not formed the view that the information has ceased to be confidential; and

one or more of the following applies:

- it would breach the law to disclose the information;
- the information concerns an incomplete proposal or negotiation;
- the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
- the information is generated for internal management purposes; or
- the information is a trade secret.

The Company is also required to disclose information if asked to do so by the ASX, to correct or prevent a false market.

**Review of Information for Disclosure**

The Disclosure Officers are required to review all communications to be made to the ASX prior to their release to ensure that communications:

- are made in a timely manner;
- are factual;
- do not omit material information; and
- are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Such communications may include announcements, media releases, investor presentations, compliance releases, prospectuses and other corporate publications.

Examples of information or events that are likely to require disclosure include:

- financial performance and material changes in financial performance or projected financial performance;
- changes in relation to Directors and Management, including material changes in the terms of employment of the Managing Director and the independence of directors;
- mergers, acquisitions, divestments, joint ventures or material changes in assets;
- significant developments in new projects or ventures;
- material changes to the Company's security position;
- material information affecting joint venture partners, customers or non-wholly owned subsidiary companies;
- misleading or inaccurate media or market speculation;
- analyst reports based on inaccurate or out of date information;
- industry issues which have, or which may have, a material impact on the Company; and
- decisions on significant issues affecting the Company by regulatory authorities.

Where there is any doubt as to whether an issue might materially effect the price or value of the Company's securities, the Disclosure Officers will assess the circumstances with appropriate Management and if necessary, seek external professional advice or discuss the matter with the ASX.

#### **Authorised Spokespersons**

The Company's authorised spokespersons are the Managing Director, Chairman, Finance Director and Company Secretary. In appropriate circumstances, the Managing Director may from time to time authorise other spokespersons on particular issues within their area of expertise.

No directors, employees or consultants are permitted to comment publicly on matters confidential to the Company. Any information which is not public must be treated by directors, employees or consultants as confidential until publicly released.

#### **Release of Information**

Once the requirement to disclose information has been determined, the Disclosure Officers are the only persons authorised to release that information to the ASX. All information to be lodged with the ASX must first be reviewed by at least two of the Disclosure Officers. Information to be disclosed must be lodged immediately with the ASX upon its finalisation and completion of the review. Any such information must not be released to the general public until the Company has received formal confirmation of lodgement by the ASX.

All information disclosed to the ASX in compliance with this policy must be promptly placed on the Company's website.

#### **Market Speculation & Rumours**

As a guiding principle, the Company has a "no comment" policy on market speculation and rumours, which must be observed by all directors, employees or consultants. However, the Company will comply with any request by the ASX to comment upon a market report or rumour.

#### **Trading Halts**

The Company may, in exceptional circumstances, request a trading halt to maintain orderly trading in the Company's securities and to manage any disclosure issues. No directors, employees or consultants of the Company are authorised to seek a trading halt except for the Disclosure Officers.

**Meetings & Briefings with Investors & Analysts**

The Managing Director is primarily responsible for the Company's relationship with major shareholders, institutional investors and analysts and shall be the primary contacts for those parties. The Finance Director and Company Secretary support the Managing Director in maintaining these relationships.

Any written materials and information to be used in briefing media, institutional investors and analysts, including presentations, are lodged with the ASX prior to the briefing commencing. Upon confirmation of receipt by ASX, the briefing material is posted to the Company's website. Briefing materials may also include information that may not strictly be required under continuous disclosure requirements.

The Company will not selectively disclose information in any meeting with an investor or stockbroking analyst before disclosing it to the market. The Company considers that one-on-one discussions and meetings with investors and stockbroking analysts are an important part of pro-active investor relations. However, the Company will only discuss previously disclosed information in such meetings.

**Release of Financial Results**

The Company includes commentary on its financial performance and position with the release of financial results to improve the ability of investors to digest and understand the information provided. The aim is to provide all necessary information required by an investor to assess the Company's activities and financial results.

**Periods Prior to Release of Financial Results**

During the time between the end of the financial year or half year and the actual results release, the Company will not discuss financial performance, broker estimates and forecasts. Any discussions with stockbroking analysts, investors or the media will be restricted to information that has already been disclosed to the ASX.

**Analyst Reports & Forecasts**

The Board recognises that stockbroking analysts frequently prepare reports on listed companies that typically detail their opinion on strategies, performance and financial forecasts. To avoid inadvertent disclosure of information that may affect the Company's value or share price, the Company's comments on analyst reports will be restricted to:

- information the Company has issued publicly;
- other information that is in the public domain; and
- corrections of factual errors.

Given the level of price sensitivity to earnings projections, the Company will only make comment to correct factual errors in relation to information publicly issued by other parties and Company statements.

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**POLICY 6 - SHAREHOLDER COMMUNICATIONS**

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**Overview**

The Board is committed to communicating effectively with shareholders and providing them with timely access to balanced and understandable information on the Company's operations and future activity.

**Communications Policy**

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market. The Company ensures effective communication with shareholders on an on-going basis through a variety of mediums, which include:

- continuous disclosure to relevant stock markets of all material information;
- periodic disclosure through the annual report and half year financial report;
- notices of meetings and explanatory material;
- shareholder meetings, including the annual general meeting; and
- the Company's website and electronic communications.

The Managing Director, Finance Director and Company Secretary have the primary responsibility for communication with shareholders.

**Shareholder Meetings**

The Board recognises the important opportunity offered to shareholders to voice their opinion at general meetings of shareholders, including the annual general meeting. The Company encourages shareholders to capitalise on this opportunity through the following means:

- distributing notices of meetings to shareholders as required by the *Corporations Act 2001*;
- drafting notices of meeting and other meeting material in concise and clear language;
- encouraging participation in voting on proposed resolutions by lodgement of proxies, if shareholders are unable to attend the meeting;
- encouraging shareholders to use their attendance at meetings to ask questions on any relevant matter, with time being specifically set aside for shareholder questions;
- presenting an overview on the Company's activities to shareholders upon the conclusion of the formal business at each annual general meeting; and
- requesting the attendance of the lead engagement partner of the Company's auditor at the annual general meeting, as per the *Corporations Act 2001*, to answer any questions regarding the conduct of the audit and the preparation and content of the auditors' report.

**Electronic Communication & Website**

The Board believes that communicating with shareholders by electronic means, particularly through its website, is an efficient way of distributing information in a timely and convenient manner. The Company's website includes relevant information for shareholders, including corporate governance policies and practices, annual reports, financial reports, ASX announcements and media releases, investor presentations and broker reports published on the Company.

The Company's website will be updated with all relevant material released to the ASX as soon as practicable after confirmation of release by the ASX. The Company offers an email subscription service through its website, whereby shareholders can request that they be emailed all material announcements released to the ASX. All website information is continuously reviewed and updated to ensure that information is current, or appropriately dated and archived. The Company places the full text of notices of meetings and explanatory materials on its website.

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**POLICY 7 - RISK MANAGEMENT & INTERNAL CONTROL**

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**Overview**

The Company has adopted a risk management system designed to identify and assess the impact of any current or future risks that may have a material effect on the performance of the Company or create new opportunities that may enhance the Company's performance. Material risks are monitored on a regular basis and managed through the development of mitigation strategies.

**Risk Management System**

Management is responsible for determining the Company's risk profile and for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:

- undertaking an annual strategic planning process to establish the Company's strategies and objectives for the year ahead and strategic direction for the next three years;
- reviewing in detail the success or otherwise of the previous strategic plan as part of the annual strategic planning process;
- monitoring the outcomes of the strategies implemented against the Company's objectives;
- undertaking internal and external environmental reviews to identify actual and potential risks that may materially impact the ability of the Company to carry out its strategies and achieve its objectives;
- monitoring the environment regularly to assess the status of identified risks and any trends that may have significantly changed the nature or potential impact of those risks;
- designing and implementing appropriate risk management policies and internal controls; and
- assessing the effectiveness of the risk management system and internal compliance and control mechanisms.

**Development of Risk Register**

As part of the risk management system, Management are required to develop a risk register to record the findings of the internal and external environmental reviews undertaken and actual and potential risks identified. As part of the risk register process, Management are also required to develop mitigation strategies to address identified risks and assign action plans to individuals within the Company to implement those mitigation strategies.

**Role of the Board**

The role of the Board in the Company's risk management system is to review the risk management policies and system implemented by Management to assess whether the Company has in place adequate risk management and internal compliance and control mechanisms.

The responsibility for undertaking risk reviews and designing and implementing appropriate risk management policies and internal compliance and control mechanisms is delegated to Management. Management is required by the Board to report back on the efficiency and effectiveness of the risk management system. Management is responsible for the on-going management of risk with standing instructions to advise the Board of material changes in circumstances both internal and external to the Company.

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**POLICY 8 - REMUNERATION**

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**Overview**

The Board is committed to ensuring that the Company's remuneration practices are structured to attract and retain suitably qualified Directors and Management and that the level of remuneration paid to Directors and Management balances with the interests of shareholders.

**Remuneration Committee**

The Board has established a Remuneration Committee to assist the Board in fulfilling its responsibilities in relation to developing and assessing the Company's remuneration policies to ensure that remuneration is sufficient and reasonable and that its relationship to performance is clear. Details of the purpose, scope, membership, meetings and authority of the Committee are set out in the Charter approved by the Board and adopted by the Remuneration Committee.

A copy of the Committee Charter can be found on the Company's website at [www.swickmining.com.au](http://www.swickmining.com.au).

**Remuneration Policy**

The remuneration policy of the Company is designed to align the interests of Directors and Management with the interests of shareholders and the Company's objectives by providing a fixed remuneration component and offering specific long-term incentives to drive performance. The Board believes that the Company's remuneration policy is appropriate and effective in its ability to attract, retain and motivate suitably qualified and experienced Directors and Management to direct and manage the Company's business and corporate activities, as well as to create goal congruence with the Company's shareholders.

Specifically, the remuneration policy has been put in place to ensure that:

- a) remuneration practices and systems support the Company's wider objectives and strategies;
- b) remuneration of Directors and Management is aligned to the long-term interests of shareholders within an appropriate control framework;
- c) remuneration of Directors and Management reflects their duties and responsibilities;
- d) remuneration of Directors and Management is comparative and competitive, thereby attracting, retaining and motivating suitably qualified and experienced people; and
- e) there is a clear relationship between performance and remuneration.

***Non-Executive Director Remuneration***

The Board seeks to set remuneration for Non-Executive Directors at a level which provides the Company with the ability to attract and retain suitably qualified and experienced directors, whilst incurring a cost which is acceptable to shareholders. Shareholders are required to approve the maximum aggregate remuneration for Non-Executive Directors. Remuneration is reviewed at least annually by the Remuneration Committee. The Remuneration Committee provides recommendations for the remuneration of Non-Executive Directors, including the Chairman, and the Board is then responsible for ratifying the recommendations, if appropriate.

Non-Executive Directors should be adequately remunerated for their time and effort and the risks inherently involved with holding such a position. Non-Executive Directors are eligible to participate in the Company's equity based incentive plans, which may include the issue of shares, performance rights and options, subject to any required shareholder approvals. All directors are entitled to have their indemnity insurance paid by the Company.

***Executive Directors & Management Remuneration***

The remuneration for Executive Directors and Management is designed to promote superior performance and long-term commitment to the Company. The Board aims to reward Executive Directors and Management with a level and mix of remuneration commensurate with their position and responsibilities within the Company.

The Company's remuneration policy for Executive Directors and Management reflects its obligation to align remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The principles of the policy are:

1. to provide rewards that reflect the competitive market in which the Company operates;
2. individual reward should be linked to performance criteria; and
3. executives should be rewarded for both financial and non-financial performance.

Remuneration for Executive Directors and Management may comprise fixed and variable remuneration components. Remuneration is reviewed at least annually by the Remuneration Committee. The Remuneration Committee provides recommendations for the remuneration of Executive Directors and Management and the Board is then responsible for ratifying the recommendations, if appropriate.

**Fixed Remuneration**

The components of the fixed remuneration of Executive Directors and Management are determined individually and may include:

- a) cash remuneration;
- b) superannuation;
- c) accommodation and travel benefits;
- d) motor vehicle; and
- e) other benefits.

**Variable Remuneration**

The components of the variable remuneration of Executive Directors and Management are determined individually and may include:

- a) short term incentives - Executive Directors and Management are eligible to participate in a cash bonus if so determined by the Remuneration Committee and the Board; and
- b) long term incentives - Executive Directors and Management are eligible to receive shares, performance rights and options if so determined by the Remuneration Committee and the Board, subject to any required shareholder approvals.

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**POLICY 9 - SECURITIES TRADING POLICY**

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**Overview**

The Company's securities trading policy regulates trading in the Company's securities (ie, both buying and selling of the Company's securities) by Directors, officers, employees and contractors of the Company, imposing both general and specific trading restrictions. The aim of the policy is to prevent Directors, officers, employees and contractors of the Company, who are in possession of inside information, engaging in trading in the Company's securities.

**Inside Information**

Inside information is information which is not generally available and, if it were generally available, a reasonable person would expect it to have a material effect on the price or value of securities or would be likely to influence a person in deciding whether to buy or sell securities. Inside information can include matters relating to the intentions or likely intentions of a person. It does not matter how inside information is obtained.

Information is generally available if:

- a. it consists of a readily observable matter; or
- b. both of the following apply:
  - i. it has been made known in a manner that would, or would be likely to, bring it to the attention of persons who commonly invest in securities of a kind whose price might be affected by the information; and
  - ii. since it was made known, a reasonable period for it to be disseminated among such persons has elapsed; or
- c. it consists of deductions, conclusions or inferences made or drawn from either or both of the following:
  - i. information referred to in paragraph (a);
  - ii. information made known as mentioned in paragraph (b)(i).

Inside information does not only apply to the Company but also to any related body corporate of the Company or any other company that the Company has a relationship with, including clients and suppliers.

**Insider Trading**

Insider trading occurs where an individual possesses inside information and:

- trades in securities;
- procures another party to trade in securities; or
- directly or indirectly communicates to another party any inside information, where the individual knows or ought reasonably to know, that the other party is likely to trade in securities or procure another party to trade in securities.

All Directors, officers, employees and contractors of the Company are restricted by law in engaging in insider trading. It is the responsibility of all Directors, officers, employees and contractors of the Company to ensure that they do not engage in insider trading. It must be noted that the requirements imposed by the Company's securities trading policy are separate from and additional to the legal prohibitions on insider trading in the Corporations Act.

**Restricted Persons - Requirements Before Trading in the Company's Securities**

Directors, Senior Managers and other specified employees or contractors (as determined from time to time by the Company Secretary), collectively referred to as **Restricted Persons**, are prohibited at all times from trading, or giving instructions for trading, in the Company's securities without first seeking a trading clearance.

Before trading, or giving instructions for trading, in the Company's securities, a Restricted Person must:

1. notify the Company Secretary (or the Managing Director in the absence of the Company Secretary) of his or her intention to trade in the Company's securities and request the grant of a trading clearance;
2. confirm that he or she does not hold any inside information;
3. have been advised by the Company Secretary (or Managing Director) that there is no reason to preclude him or her from trading in the Company's securities as notified;
4. have been given a trading clearance by the Company Secretary (or Managing Director); and
5. have complied with any conditions on trading imposed by the Company Secretary (or Managing Director) under the trading clearance (including, for example, any time limits applicable to the trading clearance).

In the case of the Company Secretary intending to trade in the Company's securities, he or she must notify and obtain a trading clearance from the Managing Director before trading, or giving instructions for trading.

Receiving a trading clearance from the Company Secretary (or the Managing Director) does not provide any guarantee that the proposed trade in securities does not constitute insider trading - the onus remains on the Restricted Person to ensure that they do not engage in insider trading.

**Restricted Persons - Notification of Trading**

Having received a trading clearance, Restricted Persons must immediately notify the Company Secretary of a completed trade in the Company's securities.

**Closed Periods**

In addition to the trading restrictions imposed on Restricted Persons, additional restrictions on trading, or giving instructions for trading, in the Company's securities are applicable to all Directors, officers, employees and contractors of the Company for certain periods as determined from time to time by the Company Secretary (or the Managing Director in the absence of the Company Secretary) (**Closed Periods**). The Closed Periods are :

1. the period being up to four weeks leading up to, and two days after, the release of the Company's full year results;
2. the period being up to four weeks leading up to, and two days after, the release of the Company's half year results;
3. the period being up to four weeks leading up to, and two days after, the Company's annual general meeting; and
4. specified periods leading up to, and two days after, the release of a price sensitive announcement.

**Exceptions**

Directors and all employees may at any time:

- a. acquire ordinary shares in the Company by conversion of securities giving a right of conversion to ordinary shares;
- b. acquire Company securities under a bonus issue made to all holders of securities of the same class;
- c. acquire Company securities under a dividend reinvestment, or top-up plan that is available to all holders or securities of the same class;
- d. acquire, or agree to acquire or exercise options under a Company Share Option Plan;
- e. withdraw ordinary shares in the Company held on behalf of the employee in an employee share plan where the withdrawal is permitted by the rules of that plan;
- f. acquire ordinary shares in the Company as a result of the exercise of options held under an employee option scheme;
- g. transfer securities of the Company already held into a superannuation fund or other saving scheme in which the restricted person is a beneficiary;
- h. make an investment in, or trade in units of, a fund or other scheme (other than a scheme only investing in the securities of the Company) where the assets of the fund or other scheme are invested at the discretion of a third party;
- i. where a restricted person is a trustee, trade in the securities of the Company by that trust provided the restricted person is not a beneficiary of the trust and any decision to trade during a prohibited period is taken by the other trustees or by the investment managers independently of the restricted person;
- j. undertake to accept, or accept, a takeover offer;
- k. trade under an offer or invitation made to all or most of the security holders, such as, a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the board. This includes decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue;
- l. dispose of securities of the Company resulting from a secured lender exercising their rights, for example, under a margin lending arrangement;
- m. exercise (but not sell securities following exercise) an option or a right under an employee incentive scheme, or convert a convertible security, where the final date for the exercise of the option or right, or the conversion of the security, falls during a prohibited period and the Company has been in an exceptionally long prohibited period or the Company has had a number of consecutive prohibited periods and the restricted person could not reasonably have been expected to exercise it at a time when free to do so; or
- n. trade under a non-discretionary trading plan for which prior written clearance has been provided in accordance with procedures set out in this Policy.

It is noted that the Company does not have in place any active share or option plans. However, it should be noted that should it do so:

- a. it is not permissible to provide the exercise price of options by selling the shares acquired on the exercise of these options unless the sale of those shares occurs during one of the 4 week periods specified in the Black Out Periods; and
- b. where the exercise price of options is being provided by a margin loan or other form of lending arrangement then there may be a risk that the employee or Director may need to sell shares to avoid providing additional capital or security to the lender in the event of a decrease in the value of the shares.

Were this to occur at a time when the person possessed inside information then the sale of Company securities would be a breach of insider trading laws, even though the person's decision to sell was not influenced by the inside

information that the person possessed and the person may not have made a profit on the sale. Where Company securities are provided to a lender as security by way of mortgage or charge a sale that occurs under that mortgage or charge as a consequence of default would not breach insider trading laws.

The Company Secretary (or the Managing Director) will provide email notification of the commencement and completion of each Blackout Period. No trading may be undertaken during the Blackout Period by Restricted Persons and all other employees and contractors of the Company. The Company Secretary (or the Managing Director) will not grant a trading clearance to a Restricted Person during a Blackout Period.

Upon a Blackout Period being put in place by the Company Secretary (or the Managing Director), any unfilled buy or sell orders placed by, or instructed to be placed by, a Director, officer, employee or contractor of the Company must immediately be cancelled. In the event that part or all of a buy or sell order is filled after a Blackout Period is put in place but before the Director, officer, employee or contractor of the Company is able to cancel the order, the Company Secretary (or the Managing Director) must be immediately advised.

#### **Exemption from Trading Window restriction due to exceptional circumstance**

A Director, employee or contractor who is not in possession of inside information in relation to the Company, may be given prior written clearance by the Managing Director (or in the case of a Director the Chairman, or in the case of the Chairman all of the other members of the board) to sell or otherwise dispose of Company securities outside of a trading window where the person is in severe financial hardship or where there are exceptional circumstances as set out in this policy.

#### **Severe Financial Hardship or Exceptional Circumstances**

The determination of whether a Director, employee or contractor is in severe financial hardship will be made by the Managing Director in the case of employees, the Chairman in the case of a Director, and all of the board in the case of the Chairman.

A financial hardship or exceptional circumstances determination can only be made by examining all of the facts and if necessary obtaining independent verification of the facts from banks, accountants or other like institutions.

#### **Financial Hardship**

A Director, employee or contractor may be in severe financial hardship if they have a pressing financial commitment that cannot be satisfied other than by selling the securities of the Company.

In the interests of an expedient and informed determination by the Managing Director, Chairman or board of Directors, any application for an exemption allowing the sale of Company securities outside of the Trading Window based on financial hardship must be made in writing, be accompanied by a statutory declaration stating all of the facts and be accompanied by copies of relevant supporting documentation, including contact details of the persons accountant, bank and other such independent institutions.

Any exemption, if issued, will be in writing and shall contain a specified time period during which the sale of securities can be made.

#### **Exceptional Circumstances**

Exceptional circumstances may apply to the disposal of Company securities by a Director, employee or contractor if the person is required by a court order, a court enforceable undertaking for example in a bona fide family settlement, to transfer or sell securities of the Company or there is some other overriding legal or regulatory requirement to do so.

Any application for an exemption allowing the sale of Company securities outside of the Trading Window based on exceptional circumstances must be made in writing and be accompanied by relevant court and/or supporting legal documentation.

Any exemption, if issued, will be in writing and shall contain a specified time period during which the sale of securities can be made.

**ASX notification for Directors**

The ASX Listing Rules require the Company to notify the ASX within 5 business days after any dealing in securities of the Company (either personally or through an Associate) which results in a change in the relevant interests of a Director in the securities of the Company. The Company has made arrangements with each Director to ensure that the Director promptly discloses to the Company Secretary all the information required by the ASX.

**Effect of Compliance with this Policy**

Compliance with these Guidelines for trading in the Company's securities does not absolve that individual from complying with the law, which must be the overriding consideration when trading in the Company's securities.

**Breaches of the Securities Trading Policy**

Breaches of the Company's securities trading policy are viewed as gross misconduct and significant consequences may apply as a result, which may include a written warning or immediate termination of employment.

The Chairman of the Audit & Corporate Governance Committee is notified of any breaches of the Company's securities trading policy and is required to notify the Board of a breach and put a recommendation to the Board for ratification on the consequence to be applied.