

## **CORPORATE GOVERNANCE REPORT NIUMINCO GROUP LIMITED ("THE COMPANY")**

### **Introduction**

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity and pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable, the Company has adopted the *Eight Essential Corporate Governance Principles and Best Practice Recommendations* ("Recommendations") as published by ASX Corporate Governance Council. Where, after due consideration, the Company's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

The Company is considered a 'micro-cap' listing, and accordingly some of the principles and recommendations are unable to be achieved in a cost effective or practical manner, having regard to the resources available. These issues are still considered important in our corporate governance system, and alternate but less formal policies exist to ensure integrity in these areas. The Council recognises that the same efficiencies experienced by larger entities may not be appropriate for smaller companies by adopting certain principles or recommendations.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

### **Principle 1 – Lay Solid Foundations for Management and Oversight**

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the financial report and their term of office are detailed in the Directors' Report in the Annual Report. The Company undertakes the appropriate checks before making new appointments to the Board.

The Company has written service agreements with each Director setting out the terms of their appointment.

The Company Secretary is accountable directly to the Board on all matters to do with the proper functioning of the Board.

The Board is responsible for the strategic direction of the Company, establishing goals for management and monitoring the achievement of these goals, monitoring the overall corporate governance of the Company and ensuring that shareholder value is increased.

#### *Principle 1*

#### *Recommendation 1.1,*

#### *Notification of Departure:*

The Company has not formally disclosed the functions reserved to the Board and those delegated to senior executives;

#### *Explanation for Departure:*

The Board recognises the importance of distinguishing between the respective roles and responsibilities of the Board and management, and evaluating the performance of senior executives. The Board has established a framework for the management of the Company and the roles and responsibilities of the Board and management. Previously, due to the small size of the Board and of the Company, the Board did not think that it was necessary to formally document the roles of the Board and management as these roles were clearly understood by all members of the Board and management.

#### *Recommendation 1.5,*

#### *Notification of Departure:*

The Company has not established and disclosed a diversity policy.

#### *Explanation for Departure:*

The Board considers that at this time no efficiencies or other benefits would be gained by introducing a formal diversity policy. In the future, as the Company grows and increases in size and activity, the Board will consider the establishment of a formal diversity policy.

*Recommendations 1.6 and 1.7,  
Notification of Departure:*

The Company does not have nor disclose a formal process for evaluating the performance of the Board, individual directors or senior executives.

*Explanation for Departure:*

The Board is responsible for the strategic direction of the Company, establishing goals for management and monitoring the achievement of these goals. The Board considers that at this time no efficiencies or other benefits would be gained by introducing a formal evaluation policy. The Board monitors the overall corporate governance of the Company and ensuring that shareholder value is increased. In the future as the Company grows and increases in size and activity, the Board will consider establishment of formal Board, individual director and senior management evaluation processes.

## **Principle 2 – Structure the Board to add Value**

Prof Plimer, Mr Arthur and Mr Roberts are considered by the Board to be independent directors. The determination by the Board as to whether individual directors are independent is a matter of judgment. The Board considers the relationships the independent directors have with the Company do not materially impact on their independence. In determining the materiality of these relationships, the Board has considered both quantitative and qualitative factors. In determining the quantitative factors the Board considers that a relationship is immaterial where it is equal to or less than 5% of the base amount. In applying this level of materiality to the relationship of the independent directors in the case of shareholders and suppliers, the Board considers that the independent directors' interest is less than 5% of the base amount. In respect to the qualitative measures the Board has considered the factors affecting the independent directors' relationship with the Company and consider these qualitative factors to be immaterial in the assessment of their independence.

The current Board of the Company comprises:-

Prof Ian Plimer (Chairman) – independent (appointed Director 9 May 2011- appointed Chairman 26 November 2015)

Mr Tracey Lake (Managing Director) – non-independent (appointed 30 April 2012)

Mr Neill Arthur (Non-Executive Director) – independent (appointed 26 November 2015)

Mr Matthew Roberts (Non-Executive Director) – independent (appointed 26 November 2016)

A majority of the Board are independent.

The Chairman of the Company, Prof Ian Plimer, is an independent Director and is not the same person as the CEO.

*Principle 2  
Recommendation 2.1  
Notification of Departure:*

The full Board carries out the role of a nomination committee, and therefore a charter relevant to the specific functions of a nomination committee have not been adopted.

*Explanation for Departure:*

The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee, in particular at this early stage of the Company's operations, where the Company's focus is on the retention of directors and senior executives. In the future, as the Company grows and increases in size and level of activity, the Board will reconsider the establishment of a separate nomination committee.

*Principle 2*

*Recommendation 2.2*

*Notification of Departure:*

Disclose a broad skills matrix.

*Explanation for Departure:*

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has the relevant industry experience and specific expertise relevant to the Company's business and level of operations. The Board considers that its structure is, and will continue to be, appropriate in the context of the Company's activities and does not consider it necessary at this stage of its development to have a matrix setting out the mix of skills of the Directors. The experience and skills of the Directors are well documented in the Annual Report and Company website.

*Principle 2*

*Recommendation 2.6*

*Notification of Departure:*

The Board does not have a program for inducting new directors and providing appropriate professional development opportunities.

*Explanation for Departure:*

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has been appointed because they already possess the relevant industry experience and specific expertise relevant to the Company's business and level of operations and given the activities of the Company and their own experience do not require the Company, given its size, to provide professional development opportunities.

**Principle 3 - Act Ethically and Responsibly**

**Code of Conduct**

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

In summary, the Code requires that at all times all Company personnel act with the utmost integrity, objectivity, in the best interests of the Company and in compliance with the letter and the spirit of the law and Company policies.

Any breaches of the Code are reported to the chairman in the first instance for notification to the Board.

The directors are satisfied that the Company has complied with its policies on ethical standards, including trading in securities.

**Principle 4 – Safeguard Integrity in Corporate Reporting**

Prior to the Board approving the financial statements it receives a declaration from the CEO and CFO that the financial records of the entity have been properly maintained and that the financial statements comply with appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company ensures that its external auditor attends that Annual General meeting and is available to answer questions from security holders relevant to the audit.

The Audit Committee comprises Mr Arthur (Chairman), Prof Plimer and Mr Ohlsson.

The Company's financial statements are reviewed in detail by the Board. The Board also relies on the functions and capabilities of its external auditors to ensure proper audit of financial statements. While the Board considers this process sufficient to ensure integrity in financial reporting in the current circumstances, it will continue to monitor whether any further safeguards are required and make changes as appropriate.

#### **Principle 5 – Make Timely and Balance Disclosure**

The Company Secretary is responsible for the continuous disclosure obligations of the Company.

##### *Principle 5*

##### *Recommendation 5.1*

##### *Notification of Departure:*

The Company does not have a written policy for the continuous disclosure obligations of the Company.

##### *Explanation for Departure:*

Given the size of the Company and the qualifications of the Company Secretary the Company does not feel at this time that a formal written policy is required.

#### **Principle 6 – Respect the Rights of Security Holders**

##### **Continuous disclosure and shareholder communication**

The Company has a policy that information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities is continuously disclosed as required under the Australian Stock Exchange (ASX) listing rules.

The Company's website provides comprehensive information about the company and its activities. The Company's officers are always available to answer shareholder questions either by telephone or electronically.

The Company encourages communication with shareholders and the attendance and effective participation by shareholders at general meetings.

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX.

Annual and half yearly reports are made available on the Company's website and mailed to those shareholders who request a hard copy.

##### *Principle 6 Recommendation 6.2*

##### *Notification of Departure:*

The Company does not have a formal documented investor relations program.

##### *Explanation for Departure:*

The Company strongly encourages more communication between the shareholders and the Company and Board. All general meetings include briefings by Board members to provide a deeper insight into the Company, opportunities for the shareholders to have their questions answered, and following all general meetings, the directors encourage shareholders to chat informally with them. As the Company grows in size, the Board is very keen to develop more formal and expansive communications with shareholders.

## **Principle 7 – Recognise and Manage Risk**

### **Corporate Reporting**

The Board is aware of the various risks that affect the Company and its business and in particular has best practice procedures in place at its exploration areas. The risk procedures are under constant review as the Company's activities develop.

The Safety/Risk committee comprises Mr Arthur (Chairman), Prof Plimer and Mr Roberts.

The Board is aware of the various risks that affect the Company and its particular business. As the Company develops, the Board will further develop appropriate procedures to deal with risk oversight and management and internal compliance, taking into account the size of the Company and the stage of development of its projects.

The Audit Committee comprises Mr Arthur (Chairman), Prof Plimer and Mr Ohlsson.

The risk management and internal control procedures are monitored by the appropriate officer and the Board continually reviews the procedures.

## **Principle 8 – Remunerate Fairly and Responsibly**

### **Remuneration Policy**

The Company's remuneration policy was developed by and approved by the Board. All executives receive a salary and statutory superannuation.

The Company does not participate in share based remuneration for its executives but can issue share options to Directors, employees and consultants. The terms of the share options to Directors, employees and consultants are based on what similar sized companies in the mining industry are offering. All share options to be issued to Directors require shareholder approval before being issued.

The amounts of remuneration for all Directors, including monetary and non-monetary components, are detailed in the Directors Report under the key management personnel remuneration heading. All remuneration paid to Executives is valued at the cost to the Company and expenses. Shares issued to Executives are valued as the difference in the market value of those shares and the amount paid by the Executive. Options given to Executives are valued using the Black-Scholes methodology.

When appropriate the Company receives external independent advice regarding remuneration.

#### *Principle 8*

#### *Recommendation 8.1*

#### *Notification for departure:*

The Company has not established a separate remuneration committee.

#### *Explanation for Departure:*

Due to the early stage of development and small size of the Company, a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. The Board considers that it is more appropriate to set aside time at Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. In addition, all matters of remuneration will continue to be in accordance with Corporations Act requirements, especially in respect of related party transactions. That is, none of the Directors participate in any deliberations regarding their own remuneration or related issues.

#### *Principle 8*

#### *Recommendation 8.2*

*Notification for departure:*

The Company does not separately disclose policies and practices regarding remuneration of directors and senior executives.

*Explanation for Departure:*

Disclosure as to the nature and amount of remuneration paid to the Directors of the Company is included in the Directors report and notes to the financial statements in the Company's annual report each year. The structure and objectives of the remuneration policy and its links to the Company's performance is disclosed in the annual Directors' Report.

*Principle 8*

*Recommendation 8.3*

*Notification for departure:*

The Company does not have an equity based remuneration scheme and this recommendation is therefore not applicable.