

# CORPORATE GOVERNANCE

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**Lycopodium**

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## **SECTION 1 CORPORATE GOVERNANCE POLICY**

### **1.0 INTRODUCTION**

Lycopodium Limited ("the Company") has adopted systems of control and accountability as the basis for the administration of corporate governance.

Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the Company are achieved, how risk is monitored and assessed and how performance is optimised.

The Board and management are committed to corporate governance and, to the extent they are applicable to the Company, have adopted the eight Corporate Governance Principles and Recommendations as amended by ASX Corporate Governance Council in 2014. A copy of these principles can be viewed on the ASX website ([http://www.asx.com.au/about/corporategovernance\\_AA2.shtm](http://www.asx.com.au/about/corporategovernance_AA2.shtm)).

Whilst the Board has demonstrated, and continues to demonstrate, its commitment to best practice in corporate governance, it emphasises that good corporate governance is only one factor contributing to the success of the Company's operations.

Information about the Company's corporate governance practices is summarised as follows:

- Compliance with ASX Corporate Governance Principles and Recommendations.
- Statement of Board and Management Functions.
- Nomination Committee Charter.
- Policy and procedure for selection and appointment of new directors.
- Summary of code of conduct for directors and key executives.
- Summary of policy on securities trading.
- Audit Committee Charter.
- Procedure for selection of external auditor and rotation of audit engagement partners.
- Summary of policy and procedure for compliance with continuous disclosure requirements.



- Summary of arrangements regarding communication with and participation of shareholders.
- Summary of Company's risk management policy and internal compliance and control systems.
- Process for performance evaluation of the Board, Board committees, individual directors and key executives.
- Remuneration Committee Charter.
- Corporate Code of Conduct.

## **2.0 STATEMENT OF BOARD AND MANAGEMENT FUNCTIONS**

### **2.1 Role of the Board**

The Board's primary role is the protection and enhancement of medium to long term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

### **2.2 Responsibility of the Board**

The Board is collectively responsible for promoting the success of the Company by supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed which includes but is not limited to (a) to (h):

- (a) ensuring the Company is properly managed for example by:
  - (i) setting and communicating clear objectives,
  - (ii) appointing and removing the Managing Director of the Company,
  - (iii) ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer and the Company Secretary,
  - (iv) input into and final approval of the management's development of corporate strategy and performance objectives,
  - (v) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance,
  - (vi) monitoring the senior management's performance and implementation of strategy, and ensuring appropriate resources are available,

- (b) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures,
- (c) approval of the annual budget,
- (d) monitoring the financial performance of the Company,
- (e) approving and monitoring financial and other reporting,
- (f) overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company,
- (g) liaising with the Company's external auditors either directly or via the Audit Committee as appropriate, and
- (h) monitoring, and ensuring compliance with, all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety.

The Board must convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities generally once per month, but more or less as required.

The Board may from time to time, delegate some of its responsibilities listed above to its senior management team (except for paragraphs [(a), (b), (f) and (g)] and where any matter exceeds the Materiality Threshold as defined below).

### **2.3 Materiality Threshold**

The Board has agreed on the following guidelines for assessing the materiality of matters.

- (a) Materiality – Quantitative

*Balance sheet items*

Balance sheet items are material if they have a value of more than 10% of pro forma net assets.

*Profit and loss items*

Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.

- (b) Materiality – Qualitative

Items are also material if:

- (i) they impact on the reputation of the Company,

- (ii) they involve a breach of legislation,
- (iii) they are outside the ordinary course of business,
- (iv) they could affect the Company's rights to its assets, or
- (v) if accumulated they would trigger the quantitative tests.

(c) **Material Contracts**

Contracts will be considered material if:

- (i) they are outside the ordinary course of business,
- (ii) they contain exceptionally onerous provisions in the opinion of the Board,
- (iii) they impact on income or distribution in excess of the quantitative tests,
- (iv) there is a likelihood that either party will default and the default may trigger any of the quantitative tests,
- (v) they are essential to the activities of the Company and cannot be replaced or cannot be replaced without an increase in cost of such a quantum as to trigger any of the quantitative tests,
- (vi) they contain or trigger change of control provisions,
- (vii) they are between or are for the benefit of related parties, or
- (viii) they otherwise trigger the quantitative tests.

Any matter which falls within the above guidelines is a matter which triggers the materiality threshold ("Materiality Threshold").

## **2.4 The Chairperson**

The Chairperson is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function and for the briefing of all directors in relation to issues arising at Board meetings. The Chairperson is also responsible for overall shareholder communication, chairing shareholder meetings, and arranging Board performance evaluation.

## **2.5 The Managing Director**

The Managing Director is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. In carrying out his / her responsibilities the Managing Director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.

## **2.6 Role and Responsibility of the Management**

The role of the management is to support the Managing Director and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

The management is responsible for reporting all matters which fall within the Materiality Threshold at first instance to the Managing Director or if the matter concerns the Managing Director then directly to the Chairperson or the lead independent director, as appropriate.

## **2.7 Relationship of Board with the Management**

Management of the day-to-day business of the Company is to be conducted by or under the supervision of the Board, and by those other officers and employees to whom the management function is properly delegated by the Board.

The Board will adopt appropriate structures and procedures to ensure that the Board functions independently of the management. Appropriate procedures may involve the Board meeting on a regular basis without the management present, or may involve expressly assigning the responsibility for administering the Board's relationship to the management to a Committee of the Board.

Information is formally presented to the Board at Board meetings by way of Board reports and review of performance to date. When directors are providing information about opportunities for the Company, this should always be through the Board.

## **3.0 NOMINATION COMMITTEE CHARTER**

### **3.1 Composition**

The Nomination Committee shall comprise the full Board.

### **3.2 Role**

The role of the Nomination Committee is to determine the status of director nominees for election to the Board, to identify and recommend candidates to fill casual vacancies.

### **3.3 Operations**

The full Board shall convene as the Nomination Committee at least once a year and otherwise as required. Minutes of all meetings of the Nomination Committee are to be kept. Nomination Committee meetings will be governed by the same rules as set out in the Company's Constitution, as they apply to meetings of the Board.

### **3.4 Responsibilities**

The responsibilities of the Nomination Committee are:

- (a) to implement processes to assess the necessary and desirable competencies of Board members including, experience, expertise, skills and performance of the Board and its committees,
- (b) to provide new directors with an induction to the Company,
- (c) to provide all directors with access to ongoing education relevant to their position in the Company,
- (d) to advise on new appointments and assist with selection of new Board members,
- (e) to evaluate the performance of the Managing Director,
- (f) to review time required for non-executive directors to perform their duties,
- (g) to evaluate the performance and effectiveness of the Board to facilitate the directors fulfilling their responsibilities in a manner that serves the interests of shareholders,
- (h) to prepare a list of individuals to be recommended for nomination for election to the Board at the annual meeting of shareholders (this includes identifying directors who are eligible for re-election),
- (i) before recommending an incumbent, replacement or additional director, to review his or her qualifications, including capability, availability to serve, conflicts of interest, and other relevant factors,
- (j) to assist in identifying, interviewing and recruiting candidates for the Board,
- (k) to annually review the composition of each committee and present recommendations for committee memberships to the Board as needed,
- (l) to periodically review the compensation paid to directors for annual retainers (including Board and committee chairs) and meeting fees, if any, and make recommendations to the Board for any adjustments.

#### **4.0 POLICY AND PROCEDURE FOR SELECTION AND APPOINTMENT OF NEW DIRECTORS**

The Board, in its capacity as the Nomination Committee, will review its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience.

#### **5.0 CODE OF CONDUCT FOR DIRECTORS AND KEY EXECUTIVES**

A Corporate Code of Conduct ('the Code') has been established for all executives. It requires all business affairs to be conducted legally, ethically and with integrity. The code provides for reporting of breaches of the Code by others.

#### **6.0 POLICY ON SECURITIES TRADING**

The Board has adopted a policy and procedure on dealing in the Company's securities by directors, officers and employees which:

- (a) prohibits dealing in the Company's securities whilst in possession of insider information,
- (b) prevents short term trading in the Company's securities,
- (c) requires the Company Secretary or a director (other than the director trading, if applicable) to be notified upon a trade occurring, and
- (d) prevents dealing in the Company's securities during specified blackout periods.

#### **7.0 AUDIT COMMITTEE CHARTER**

##### **7.1 Composition of the Audit Committee**

- (a) The Audit Committee consists of three directors.
- (b) At least one member has significant, recent and relevant financial experience.

##### **7.2 Role of the Audit Committee**

- (a) To monitor the integrity of the financial statements of the Company, reviewing significant financial reporting judgments.

- (b) To review the Company's internal financial control system and, unless expressly addressed by a separate risk committee or by the Board itself, risk management systems.
- (c) To make recommendations to the Board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor.
- (d) To monitor and review the external auditor's independence, objectivity and effectiveness, taking into consideration relevant professional and regulatory requirements.
- (e) To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.

### **7.3 Operations**

- (a) The Audit Committee meets at least bi-annually, with further meetings on an as required basis.
- (b) Minutes of all meetings of the Audit Committee are to be kept.
- (c) Audit Committee meetings will be governed by the same rules, as set out in the Company's Constitution as they apply to the meetings of the Board.

### **7.4 Resources**

The Company is to provide the Audit Committee with sufficient resources to undertake its duties, including provision of educational information on accounting policies and other financial topics relevant to the Company and such other relevant materials requested by the Audit Committee.

### **7.5 Reporting to the Shareholders**

The Directors' Report is to contain a separate section that describes the role of the Audit Committee and what action it has taken.

## **8.0 POLICY AND PROCEDURE FOR SELECTION OF THE EXTERNAL AUDITOR AND ROTATION OF AUDIT ENGAGEMENT PARTNERS**

### **8.1 Responsibility**

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Any appointment made by the Board must be ratified by shareholders at the next Annual General Meeting of the Company.

## 8.2 Selection Criteria

(a) Mandatory criteria

Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. Further the successful candidate must have an arrangement in place for the rotation of the audit engagement partner on a regular basis.

(b) Other criteria

Other than the mandatory criteria mentioned above, the Board may select an external auditor based on criteria relevant to the business of the Company such as experience in the industry in which the Company operates, references, cost and any other matters deemed relevant by the Board.

## 8.3 Review

The Board will review the performance of the external auditor on an annual basis.

## 9.0 POLICY AND PROCEDURES FOR COMPLIANCE WITH CONTINUOUS DISCLOSURE REQUIREMENTS

Detailed Compliance Procedures for ASX Listing Rule Disclosure Requirements have been adopted by the Company. It appoints an officer of the Company to be responsible for compliance. It is detailed in its application covering the following areas.

- (a) Appointment of the Responsible Officer and description of his / her duties.
- (b) Identification of areas of risk for the Company.
- (c) Provision of guidelines for:
  - (i) identifying disclosure material, and
  - (ii) monitoring share price movements.
- (d) Guidelines for use of trading halts.
- (e) Guidelines for decision making process.
- (f) Requirements for record keeping.
- (g) Education of the Board and the management.
- (h) Confidentiality.



- (i) Release of disclosure material.
- (j) Updating of compliance procedures.
- (k) Inclusion of a statement of the main practices and procedures in the Company's Annual Financial Report and website.

## **10.0 ARRANGEMENTS REGARDING COMMUNICATION WITH AND PARTICIPATION OF SHAREHOLDERS**

### **10.1 General Communication**

The Board of directors aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows.

- (a) The Shareholder Report and the Annual Financial Report are available through the Company's website, [www.lycopodium.com.au](http://www.lycopodium.com.au). They are also distributed to those shareholders who have elected to receive a paper copy. The Board ensures that the Annual Financial Report includes relevant information about the operations of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to the other disclosures required by the Corporations Act,
- (b) The Half-yearly Report contains summarised financial information and a review of the operations of the Company during the period. The audited Half-year Financial Report is prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act and is lodged with the Australian Stock Exchange. The Half-yearly Report is sent to any shareholder who requests it,
- (c) Proposed major changes in the Company which may impact on share ownership rights are submitted to a vote of shareholders,
- (d) The Company's website is well promoted to shareholders and shareholders may register to receive updates.

### **10.2 Participation at Annual General Meeting**

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the Constitution. A copy of the Constitution is available to any shareholder who requests it.

### **10.3 Company's Website**

On its website, [www.lycopodium.com.au](http://www.lycopodium.com.au) the Company makes the following information available on a regular and up to date basis.

- (a) Company announcements.
- (b) Latest information briefings.
- (c) Notices of meetings and explanatory materials.
- (d) Half-yearly and annual reports.

### **11.0 COMPANY'S RISK MANAGEMENT POLICY AND INTERNAL COMPLIANCE AND CONTROL SYSTEMS**

The Board considers risk management as one of its primary responsibilities. The Board has adopted a Risk Management Policy, which provides that:

- All members of the Board are responsible for risk management and oversight of internal controls. The day to day responsibilities for risk management and internal controls rest with the Managing Director.
- The Managing Director reports on risk management and internal controls, using an exception reporting basis, to the full Board as part of a monthly written report to directors.

The Company has an internal control framework covering all areas of identified risk within the Company's operations and has documented these policies in order to centralise the controls and intends that the Risk Management Policy will be enhanced as its operations evolve. The areas of risk covered by the internal control framework are tenders / proposals, client contract negotiation and management, financial control and reporting, commercial / corporate control and reporting, operational control and reporting, personnel management, procurement and purchasing and supplier contract negotiation and management.

### **12.0 PROCESS FOR PERFORMANCE EVALUATION OF THE BOARD, BOARD COMMITTEES, INDIVIDUAL DIRECTORS AND KEY EXECUTIVES**

The Chairperson is responsible for conducting an annual review of overall Board performance during a regular meeting of the Board. The Managing Director reviews all key executives performance annually and reports the results of this review to the Board.

### **13.0 REMUNERATION COMMITTEE CHARTER**

#### **13.1 Composition**

The Remuneration Committee shall comprise the full Board.

#### **13.2 Role**

The Remuneration Committee's role is to discharge the Board's responsibilities in relation to remuneration of the Company's executives including share and benefit plans.

#### **13.3 Operations**

The full Board shall convene as the Remuneration Committee at least once a year and otherwise as required. Minutes of all meetings of the Remuneration Committee are to be kept. Remuneration Committee meetings will be governed by the same rules as set out in the Company's Constitution, as they apply to meetings of the Board.

#### **13.4 Responsibilities**

The responsibilities and functions of the Remuneration Committee are as follows.

- (a) Review the competitiveness of the Company's executive compensation programs to ensure:
  - (i) the attraction and retention of corporate officers,
  - (ii) the motivation of corporate officers to achieve the Company's business objectives, and
  - (iii) the alignment of the interests of key executives with the longer-term interests of the Company's shareholders.
- (b) Review trends in management compensation, oversee the development of new compensation plans and, when necessary, approve the revision of existing plans.
- (c) Review the performance of the executive management.
- (d) Review and approve Chairperson and Managing Director goals and objectives, evaluate Chairperson and Managing Director performance in light of these corporate objectives, and set Chairperson and Managing Director compensation levels consistent with Company philosophy.
- (e) Approve the salaries, bonus and other compensation for all senior executives. The Remuneration Committee will recommend appropriate salary, bonus and other compensation to the Board for approval.

- (f) Review and approve compensation packages for new corporate officers and termination packages for corporate officers as requested by the management.
- (g) Review and approve the awards made under any executive officer bonus plan, and provide an appropriate report to the Board.
- (h) Review and make recommendations concerning long-term incentive compensation plans, including the use of share options and other equity-based plans. Except as otherwise delegated by the Board, the Remuneration Committee will act on behalf of the Board as the committee established to administer equity-based and employee benefit plans, and as such will discharge any responsibilities imposed on the committee under those plans, including making and authorising grants, in accordance with the terms of those plans.
- (i) Review periodic reports from the management on matters relating to the Company's personnel appointments and practices.

## **14.0 CORPORATE CODE OF CONDUCT**

### **14.1 Introduction**

This Corporate Code of Conduct sets out the standard which the directors, executives and employees of the Company are required to comply with when dealing with each other, shareholders and the broader community.

### **14.2 Commitment of the Board and the Management to the Corporate Code of Conduct**

The Board and the management approve and endorse this Corporate Code of Conduct ("the Code") and support the Code and all it strives to achieve.

The Board and the management are to encourage all staff to consider the principles of the Code and use them as a guide to determining how to respond when acting on behalf of the Company.

### **14.3 Responsibilities to Shareholders and the Financial Community Generally**

The Company aims:

- (a) to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and the financial community, and
- (b) comply with systems of control and accountability which the Company has in place as part of its Corporate Governance with openness and integrity.

### **14.4 Responsibilities to Clients, Customers and Consumers**

The Company is to comply with all legislative and common law requirements which affect its business, in particular those in respect of occupational health and safety, the

environment, native title and cultural heritage. Any transgression from the applicable legal rules is to be reported to the Managing Director as soon as an employee becomes aware of such a transgression.

#### **14.5 Employment Practices**

The Company will employ the best available staff and consultants with skills required to carry out vacant positions.

The Company will ensure a safe work place and maintain proper occupational health and safety practices commensurate with the nature of the Company's business and activities.

#### **14.6 Responsibility to the Community**

The Company will recognise, consider and respect environmental issues which arise in relation to the Company's activities and comply with all applicable legal requirements.

#### **14.7 Responsibility to the Individual**

The Company recognises and respects the rights of individuals and to the best of its ability will comply with the applicable legal rules regarding privacy, privileges, private and confidential information.

#### **14.8 Obligations Relative to Fair Trading and Dealing**

The Company will deal with others in a way that is fair and will not engage in deceptive practices.

#### **14.9 Conflicts of Interest**

The Board, management and employees must not involve themselves in situations where there is a real or apparent conflict of interest between them as individuals and the interest of the Company. Where a real or apparent conflict of interest arises the matter should be brought to the attention of the Chairperson in the case of a board member or the Managing Director in the case of a member of the management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner for all concerned.

#### **14.10 Compliance with the Code**

Any breach of compliance with this Code is to be reported directly to the Managing Director or Chairperson, as appropriate.

#### **14.11 Periodic Review of Code**

The Company will monitor compliance with the Code periodically by liaising with the Board, management and staff especially in relation to any areas of difficulty which arise from the Code and any other ideas or suggestions for improvement of the Code. Suggestions for improvements or amendments to the Code can be made at any time by providing a written note to the Managing Director.

#### **14.12 Incorporation of Code of Conduct for Executives**

The Code of Conduct for Executives forms part of this Corporate Code of Conduct. It provides as follows:

All executives will:

- (a) actively promote the highest standards of ethics and integrity in carrying out their duties for the Company,
- (b) disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware and which they believe could compromise in any way the reputation or performance of the Company,
- (c) respect confidentiality of all information of a confidential nature which is acquired in the course of the Company's business and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated,
- (d) deal with the Company's customers, suppliers, competitors and each other with the highest level of honesty, fairness and integrity and observe the rule and spirit of the legal and regulatory environment in which the Company operates,
- (e) protect the assets of the Company to ensure availability for legitimate business purposes and ensure all corporate opportunities are enjoyed by the Company and that no property, information or position belonging to the Company or opportunity arising from these are used for personal gain or to compete with the Company, and
- (f) report any breach of this Code of Conduct for Executives to the Chairperson, who will treat reports made in good faith of such violations with respect and in confidence.

This Code of Conduct for Executives is in addition to the Corporate Code of Conduct which has been adopted by the Board of the Company.

## **SECTION 2 COMPLIANCE WITH ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS**

### **1.0 COUNCIL PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

#### **1.1 Council Recommendation 1.1:**

*A listed entity should:*

- (a) *disclose the respective roles and responsibilities of the Board and Management*
- (b) *disclose those matters expressly reserved to the Board and those delegated to Management.*

The Company complies with this recommendation.

#### **1.2 Council Recommendation 1.2:**

*A listed entity should:*

- (a) *undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a Director*
- (b) *provide security holders with all material information in its possession relevant to a decision whether or not to elect or re-elect a Director.*

The Company complies with this recommendation.

#### **1.3 Council Recommendation 1.3:**

*A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.*

The Company complies with this recommendation.

#### **1.4 Council Recommendation 1.4:**

*The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.*

The Company complies with this recommendation.

### **1.5 Council Recommendation 1.5:**

*A listed entity should:*

- (a) *have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;*
- (b) *disclose that policy or a summary of it; and*
- (c) *disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either:*
  - (i) *the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined 'senior executive' for these purposes); or*
  - (ii) *if the entity is a 'relevant employer' under the Workplace Gender Equality Act, the entity's most recent published 'Gender Equality Indicators', as defined in under the Act.*

The Company does not comply with recommendation 1.5(a) or 1.5(c)(i). As a global participant, the Company recruits staff from every continent and has an established policy of equal opportunity employment.

### **1.6 Council Recommendation 1.6:**

*A listed entity should:*

- (a) *have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and*
- (b) *disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The Company complies with this recommendation.

### **1.7 Council Recommendation 1.7:**

*A listed entity should:*

- (a) *have and disclose a process for periodically evaluating the performance of its senior executives; and*



- (b) *disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The Company complies with this recommendation.

## **2.0 COUNCIL PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

### **2.1 Council Recommendation 2.1:**

*The Board of a listed entity should:*

- (a) *have a nomination committee which:*
- (i) *has at least 3 members, a majority of which are independent directors; and*
  - (ii) *is chaired by an independent director; and disclose*
  - (iii) *the charter of the committee;*
  - (iv) *the members of the committee; and*
  - (v) *as at the end of each reporting period, the number of times the committee meet throughout the period and the individual attendances of the members at these meetings; or*
- (b) *if it does not have a nomination committee disclose the fact and the process it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

The Company does not comply with this recommendation. The role of the nomination committee is carried out by the full Board.

### **2.2 Council Recommendation 2.2:**

*A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.*

The Company does not comply with this recommendation. The Board considers that each of its current directors possess skills and experience appropriate to managing and developing the Company. Any additional information or specific advice can be more appropriately and economically obtained by engaging independent external expert consultants.

### 2.3 Council Recommendation 2.3:

*A listed entity should disclose:*

- (a) *the names of directors considered by the Board to be independent directors;*
- (b) *if a director has an interest, position, association or relationship that might cause doubt about the independence of the director but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and*
- (c) *the length of service of each director.*

The Company ~~does not comply~~complies with this recommendation ~~2.3(a) as no director is independent.~~

### 2.4 Council Recommendation 2.4:

*A majority of the Board of a listed entity should be independent.*

The Company does not comply with this recommendation as no director is independent. The Board considers that at this time the shareholders are better served by directors who have a vested interest in the Company. The Board intends to reconsider the formation of a separate Nomination Committee as the Company's operations evolve.

### 2.5 Council Recommendation 2.5:

*The Chair of the Board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.*

The Company does not fully comply with this recommendation as the Chairperson is not an independent director. The Board considers that at this stage in the development of the Company, an independent Chairperson would not add sufficient expertise to the Board to justify the associated cost and any additional information or specific advice required can be more appropriately and economically obtained from independent external expert consultants.

### 2.6 Council Recommendation 2.6:

*A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform the role as directors effectively.*

The Company complies with this recommendation.

**3.0 COUNCIL PRINCIPLE 3:  
ACT ETHICALLY AND RESPONSIBLY**

**3.1 Council Recommendation 3.1:**

*A listed entity should:*

- (a) *have a code of conduct for its directors, senior executives and employees; and*
- (b) *disclose that code or a summary of it.*

The Company complies with this recommendation.

**4.0 COUNCIL PRINCIPLE 4:  
SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

**4.1 Council Recommendation 4.1:**

*The board of a listed entity should:*

- (a) *have an audit committee which:*
  - (i) *has at least three members, of all whom are non-executive directors and a majority are independent directors; and*
  - (ii) *is chaired by an independent director, who is not the chair of the Board, and disclose;*
  - (iii) *the charter of the committee;*
  - (iv) *the relevant qualifications and experience of the members of the committee; and*
  - (v) *in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at these meetings; or*
- (b) *if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

The Company does not fully comply with this recommendation in that the Audit Committee consists of three directors only one of which is a non-executive and none are independent.

**4.2 Council Recommendation 4.2:**

*The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the 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 complies with this recommendation.

**4.3 Council Recommendation 4.3:**

*A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.*

The Company complies with this recommendation.

**5.0 COUNCIL PRINCIPLE 5:  
MAKE TIMELY AND BALANCED DISCLOSURE**

**5.1 Council Recommendation 5.1:**

*A listed entity should:*

- (a) have a written policy for complying with its continuous disclosure obligations under the listing Rules; and*
- (b) disclose that policy or a summary of it.*

The Company complies with this recommendation.

**6.0 COUNCIL PRINCIPLE 6:  
RESPECT THE RIGHTS OF SECURITY HOLDERS**

**6.1 Council Recommendation 6.1:**

*A listed entity should provide information about itself and its governance to investors via its website.*

The Company complies with this recommendation.

**6.2 Council Recommendation 6.2:**

*A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

The Company complies with this recommendation.

**6.3 Council Recommendation 6.3:**

*A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.*

The Company does not currently comply with this recommendation, although the matter will be assessed in the light of what emerges in the market and will be responded to as appropriate.

**6.4 Council Recommendation 6.4:**

*A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.*

The Company complies with this recommendation.

**7.0 COUNCIL PRINCIPLE 7:  
RECOGNISE AND MANAGE RISK**

**7.1 Council Recommendation 7.1:**

*The Board of a listed entity should:*

- (a) *have a committee or committees to oversee risk, each of which:*
  - (i) *has at least 3 members, a majority of whom are independent directors; and*
  - (ii) *is chaired by an independent director, and disclose;*
  - (iii) *the charter of the committee;*
  - (iv) *the members of the committee; and*
  - (v) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

The Company complies with (b) of this recommendation.

The Board considers risk management as one of its primary responsibilities. The Board has adopted a Risk Management Policy, which provides that:

- All members of the Board are responsible for risk management and oversight of internal controls. The day to day responsibilities for risk management and internal controls rest with the Managing Director.
- The Managing Director reports on risk management and internal controls, using an exception reporting basis, to the full Board as part of a monthly written report to directors.

The Company has an internal control framework covering all areas of identified risk within the Company's operations and has documented these policies in order to centralise the controls and intends that the Risk Management Policy will be enhanced as its operations evolve. The areas of risk covered by the internal control framework are tenders / proposals, client contract negotiation and management, financial control and reporting, commercial / corporate control and reporting, operational control and reporting, personnel management, procurement and purchasing and supplier contract negotiation and management.

## **7.2 Council Recommendation 7.2:**

*The Board or a committee of the Board should:*

- (c) *Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*
- (d) *Disclose, in relation to each reporting, whether such a review has taken place.*

The Company complies with this recommendation.

## **7.3 Council Recommendation 7.3:**

*A listed entity should disclose:*

- (a) *if it has an internal audit function, how the function is structured and what role it performs; or*
- (b) *if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*

The Company complies with (b) of this recommendation.

**7.4 Council Recommendation 7.4:**

*A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage these risks.*

The Company is of the view that it is not materially exposed to the risks outlined in this recommendation.

**8.0 COUNCIL PRINCIPLE 8:  
REMUNERATE FAIRLY AND RESPONSIBLY**

**8.1 Council Recommendation 8.1:**

*The Board of a listed entity should:*

- (a) *have a remuneration committee which:*
  - (i) *has at least three members, a majority of whom are independent directors; and*
  - (ii) *is chaired by an independent director, and disclose;*
  - (iii) *the charter of the committee;*
  - (iv) *the members of the committee; and*
  - (v) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

The Company does not fully comply with this recommendation as a separate Remuneration Committee has not been formed.

The role of the Remuneration Committee is carried out by the full Board. The Company has a remuneration committee charter which is published on its website. Statistics regarding participation at remuneration committee meetings are published in each Annual Report.

**8.2 Council Recommendation 8.2:**

*A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

The Company complies with this recommendation.

**8.3 Council Recommendation 8.3:**

*A listed entity which has an equity based remuneration scheme should:*

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*
- (b) disclose that policy or a summary of it.*

This recommendation does not apply as the Company has not entered into any scheme which enables participants to hedge or otherwise limit the economic risk of participation without prior disclosure and the approval of security holders at a general meeting.



## **SECTION 3 STATEMENT OF BOARD AND MANAGEMENT FUNCTIONS**

### **1.0 ROLE OF THE BOARD**

The Board's primary role is the protection and enhancement of medium to long term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

### **2.0 RESPONSIBILITY OF THE BOARD**

The Board is collectively responsible for promoting the success of the Company by supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed which includes but is not limited to (a) to (h):

- (a) ensuring the Company is properly managed for example by:
  - (i) setting and communicating clear objectives,
  - (ii) appointing and removing the Managing Director of the Company,
  - (iii) ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer and the Company Secretary,
  - (iv) input into and final approval of the management's development of corporate strategy and performance objectives,
  - (v) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance,
  - (vi) monitoring the senior management's performance and implementation of strategy, and ensuring appropriate resources are available,
- (b) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures,
- (c) approval of the annual budget,
- (d) monitoring the financial performance of the Company,
- (e) approving and monitoring financial and other reporting,
- (f) overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company,

- (g) liaising with the Company's external auditors either directly or via the Audit Committee as appropriate, and
- (h) monitoring and ensuring compliance with, all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety.

The Board must convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities generally once per month, but more or less as required.

The Board may from time to time, delegate some of its responsibilities listed above to its senior management team (except for paragraphs [(a), (b), (f) and (g)] and where any matter exceeds the Materiality Threshold as defined below).

### 3.0 MATERIALITY THRESHOLD

The Board has agreed on the following guidelines for assessing the materiality of matters:

- (a) Materiality – Quantitative

*Balance sheet items*

Balance sheet items are material if they have a value of more than 10% of pro forma net asset.

*Profit and loss items*

Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.

- (b) Materiality – Qualitative

Items are also material if:

- (i) they impact on the reputation of the Company,
- (ii) they involve a breach of legislation,
- (iii) they are outside the ordinary course of business,
- (iv) they could affect the Company's rights to its assets,
- (v) if accumulated they would trigger the quantitative tests.

(c) Material Contracts

Contracts will be considered material if:

- (i) they are outside the ordinary course of business,
- (ii) they contain exceptionally onerous provisions in the opinion of the Board,
- (iii) they impact on income or distribution in excess of the quantitative tests,
- (iv) there is a likelihood that either party will default and the default may trigger any of the quantitative tests,
- (v) they are essential to the activities of the Company and cannot be replaced or cannot be replaced without an increase in cost of such a quantum as trigger any of the quantitative tests,
- (vi) they contain or trigger change or control provisions,
- (vii) they are between or are for the benefit of related parties, or
- (viii) they otherwise trigger the quantitative tests.

Any matter which falls within the above guidelines is a matter which triggers the materiality threshold ("Materiality Threshold").

#### **4.0 THE CHAIRPERSON**

The Chairperson is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function and for the briefing of all directors in relation to issues arising at Board meetings. The Chairperson is also responsible for overall shareholder communication, chairing shareholder meetings and arranging Board performance evaluation.

#### **5.0 THE MANAGING DIRECTOR**

The Managing Director is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. In carrying out his / her responsibilities the Managing Director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.

## **6.0 ROLE AND RESPONSIBILITY OF THE MANAGEMENT**

The role of the management is to support the Managing Director and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

The management is responsible for reporting all matters which fall within the Materiality Threshold at first instance to the Managing Director or if the matter concerns the Managing Director then directly to the Chairperson or the lead independent director, as appropriate.

## **7.0 RELATIONSHIP OF BOARD WITH THE MANAGEMENT**

Management of the day-to-day business of the Company is to be conducted by or under the supervision of the Board, and by those other officers and employees to whom the management function is properly delegated by the Board.

The Board will adopt appropriate structures and procedures to ensure that the Board functions independently of the management. Appropriate procedures may involve the Board meeting on a regular basis without the management present, or may involve expressly assigning the responsibility for administering the Board's relationship to the management to a Committee of the Board.

Information is formally present to the Board at Board meetings by way of Board reports and review of performance to date. When directors are providing information about opportunities for the Company, this should always be through the Board.

## **SECTION 4 CHARTER FOR THE CORPORATE GOVERNANCE COMMITTEE**

### **1.0 PURPOSE OF CHARTER**

This Charter sets out the membership, responsibilities, authority and operations of the Corporate Governance Committee (the "Committee") of Lycopodium Limited ("Lycopodium").

### **2.0 AUTHORITY**

The Committee is appointed by the Board of directors of the Company (the "Board"), to provide an efficient mechanism for reviewing, assessing and recommending where necessary to the Board the corporate governance practices which meet the needs of the Company and which enhance corporate and individual performance.

#### **2.1 Delegation of powers of Directors**

- (a) The Committee is entitled to exercise any powers of the directors, which the directors have delegated to it in accordance with Article 8.3 of the Constitution.
- (b) The Committee must exercise any powers delegated by the Board in accordance with any directions of the Board.

#### **2.2 Independent Experts**

The Committee is authorised to appoint (to a maximum cumulative cost to the Company of \$100,000 per annum) and terminate the appointment of any independent experts to enable it to carry out its responsibilities. The Committee must exercise any powers delegated by the Board in accordance with any directions of the Board.

### **3.0 DUTIES AND RESPONSIBILITIES**

- (a) The Committee is responsible to the Board for:
  - (i) Monitoring the effectiveness and efficiency of the Company's corporate governance practices,
  - (ii) Reviewing the Company's compliance with corporate governance regulatory requirements,
  - (iii) Monitoring trends in corporate governance practices internationally, domestically and within the industry,
  - (iv) Evaluating the effectiveness and scope of committees and identifying the need for new or obsolete committees,

- (v) Development and review of codes of conduct for directors and employees, and
  - (vi) Reporting practices and standards for external users of information.
- (b) The Committee will provide the Board with information sufficient to ensure that the Board makes an informed decision in relation to the Committee's recommendations.

#### **4.0 COMPOSITION**

##### **4.1 Membership**

The Committee must consist of a minimum of three members.

##### **4.2 Appointment**

The Board may appoint, remove or replace the members of the Committee.

##### **4.3 Chairperson**

- (a) The Chairperson of the Committee will be appointed annually by the Board and must not be the Chairperson of the Board.
- (b) Should the Chairperson be absent from a meeting and no acting Chairperson has been appointed, the members of the Committee present at the meeting have authority to choose one of their number to be Chairperson for that particular meeting.

##### **4.4 Secretary**

- (a) The Committee may appoint, remove or replace a Secretary.
- (b) The Secretary has the powers and duties specified in this Charter or determined by the Committee and must exercise his or her powers in accordance with any directions of the Committee.

#### **5.0 TERM**

- (a) Each member of the Committee will be appointed for an initial term of one year, or shorter if circumstances dictate. Membership of this Committee automatically ceases should a member cease to be a director.
- (b) Periodic rotation of members' appointments is to be encouraged. However, no more than one member should leave the Committee pursuant to rotation in any one year.

## **6.0 MEETINGS**

### **6.1 Meetings Other than in Person**

The Committee may (in accordance with Article 9.5 of the Company's Constitution) conduct meetings without all Committee members being involved in the meeting in the physical presence of one another provided that all Committee members involved in the meeting are able to participate in the discussion.

### **6.2 Frequency of Meetings and convening of meetings**

- (a) The Committee must meet at least two times in the first twelve months of its formation and thereafter, at least once a year.
- (b) The Secretary must convene a Committee meeting on the request of any member of the Committee or on the request of the Chairperson of the Board.

### **6.3 Quorum**

A quorum is present at a Committee meeting if at least two members entitled to vote on any resolution that may be moved at the meeting are present.

### **6.4 Minutes**

- (a) The Secretary must cause minutes of all Committee meetings to be made and retained.
- (b) Minutes of Committee meetings must be provided to the Board for noting at the earliest opportunity.

## **7.0 ATTENDING AT MEETINGS**

- (a) Directors who are not members of the Committee and other executives may attend meetings of the Committee at the invitation of the Committee Chairperson.
- (b) If requested by the Committee Chairperson, directors who are not members of the Committee and other executives may comment on the general remuneration policies proposed by the Committee, however, such persons must not be present at any meetings and must not participate in any decisions in relation to their own remuneration or the specific remuneration policies that are applicable to them.
- (c) Other members of the management and/or parties external to the Company may be invited to attend any meeting of the Committee or part thereof.

## **8.0 AMENDMENTS TO THE CHARTER**

This Charter may only be amended by the Board of directors.

## **9.0 FEES**

Committee members are currently not entitled to receive additional remuneration for their services in respect to this Committee. The Board will review the remuneration of Committee members in December each year.

## **10.0 REPORTING AND ASSESSMENT**

- (a) The Chairperson of the Committee will report to the Board as soon as practical after each meeting of the Committee, on all matters that should be brought to the attention of the Board and any recommendations requiring Board approval and/or action, and the minutes of the Committee meetings will be presented to the Board.
- (b) At least annually, a review of this Charter and its continuing adequacy will be performed by the Board together with an evaluation of the Committee's performance and the extent to which the Committee has met the requirements of this Charter.
- (c) The Chairperson of the Committee is to submit an annual report to the Board summarising the Committee's activities during the year.



## **SECTION 5 NOMINATION COMMITTEE CHARTER**

### **1.0 COMPOSITION**

The Nomination Committee shall comprise the full Board.

### **2.0 ROLE**

The role of the Nomination Committee is to determine the status of director nominees for election to the Board, to identify and recommend candidates to fill casual vacancies.

### **3.0 OPERATIONS**

The full Board shall convene as the Nomination Committee at least once a year and otherwise as required. Minutes of all meetings of the Nomination Committee are to be kept. Nomination Committee meetings will be governed by the same rules as set out in the Company's Constitution, as they apply to meetings of the Board.

### **4.0 RESPONSIBILITIES**

The responsibilities of the Nomination Committee are:

- (a) to implement processes to assess the necessary and desirable competencies of Board members including, experience, expertise, skills and performance of the Board and its committees,
- (b) to provide new directors with an induction to the Company,
- (c) to provide all directors with access to ongoing education relevant to their position in the Company,
- (d) advise on new appointments and assist with selection of new Board members,
- (e) evaluate the performance of the Managing Director,
- (f) review time required for non-executive directors to perform their duties,
- (g) evaluate the performance and effectiveness of the Board to facilitate the directors fulfilling their responsibilities in a manner that serves the interests of shareholders,
- (h) prepare list of individuals to be recommended for nomination for election to the Board at the annual meeting of shareholders (this includes identifying directors who are eligible for re-election),

- (i) before recommending an incumbent, replacement or additional director, review his or her qualifications, including capability, availability to serve, conflicts of interest, and other relevant factors,
- (j) assist in identifying, interviewing and recruiting candidates for the Board,
- (k) annually review the composition of each committee and present recommendations for committee memberships to the Board as needed,
- (l) periodically review the compensation paid to directors for annual retainers (including Board and committee chairs) and meeting fees, if any, and make recommendations to the Board for any adjustments.

## **SECTION 6      POLICY AND PROCEDURES FOR DEALING IN THE SECURITIES OF LYCOPODIUM LIMITED**

### **1.0      INTRODUCTION**

The Corporations Act 2001 (Cth) ("Corporations Act") prohibits any person who possesses inside information (whether as principal or agent) from using that information to deal in securities, either for personal gain or for the gain of any other person.

Inside information is information that is not generally available and, if it were available, a reasonable person would expect to have a material effect on either the price or value of the applicable security.

The main provision dealing with insider trading is section 1043A of the Corporations Act, which is summarised at the end of this policy.

Maximum penalties for non-compliance are:

- (a) in the case of a natural person \$200,000 or imprisonment for 5 years, or both,
- (b) in the case of a body corporate \$1,000,000, and
- (c) unlimited civil liability.

The following Policy and Procedures have been produced to provide guidance to directors and employees of Lycopodium Limited, and their associates, when dealing in Lycopodium Limited securities (which include shares and options issued by Lycopodium Limited).

### **2.0      CLOSED PERIOD**

The following periods are considered a Closed Period:

- (a) the period from the close of the financial year (30 June) until the release of the financial results for the full year,
- (b) the period from the close of the half year (31 December) until the release of the financial results for the half year, and
- (c) other periods designated by the resolution of the Board as a "Closed Period".

### **3.0 POLICY ON TRADING IN LYCOPODIUM LIMITED SECURITIES**

During a Closed Period:

- (a) a director or officer of Lycopodium Limited and their associates, and
- (b) a director or secretary of a subsidiary of Lycopodium Limited and their associates,

are prohibited from trading in any securities of Lycopodium Limited.

At all times directors, officers, employees and their associates of Lycopodium Limited and its subsidiaries:

- (a) must not deal in any security of Lycopodium Limited whilst in possession of inside information,
- (b) should never engage in short term trading of any securities of Lycopodium Limited,
- (c) in a period, other than a Closed Period, should advise the Company Secretary, or in his absence, a director, of any purchase or sale of securities in Lycopodium Limited within two business days.

### **4.0 TRADING NOT SUBJECT TO THE TRADING POLICY**

There may be instances where the trading in securities of Lycopodium Limited is excluded from the trading policy.

These instances may include deals where:

- (a) the trading results in no change in beneficial interest in the securities,
- (b) the trading occurs via investments in a scheme or other arrangement where the investment decisions are exercised by a third party,
- (c) the restricted person has no control or influence with respect to trading decisions, or
- (d) the trading occurs under an offer to all or most of the security holders of the entity.

## **5.0 EXCEPTIONAL CIRCUMSTANCES IN WHICH TRADING IN A CLOSED PERIOD IS PERMITTED**

A director, officer or their associate, who is not in possession of inside information in relation to the entity, may be given prior written clearance to sell or otherwise dispose of the securities of the entity during a closed period under the trading policy, where the restricted person is in severe financial hardship or there are other exceptional circumstances.

Exceptional circumstances, in this instance would include, but is not limited to:

- (a) a restricted person may be in severe financial hardship and has a pressing financial commitment that cannot be satisfied otherwise than by selling the securities of Lycopodium Limited,
- (b) a restricted person is required by a court order, or there are court enforceable undertakings, to transfer or sell the securities of the entity or there is some other overriding legal or regulatory requirement for him or her to do so,
- (c) other circumstances, which may be deemed exceptional by the Chairman or the Managing Director (where the Chairman is the person involved) and whereby prior written clearance is granted to permit trading.

If an exceptional circumstance, as outlined above, is deemed to exist, the person must obtain written approval from the Chairman, or if the Chairman is involved, the Managing Director, to trade in the securities of Lycopodium Limited. This approval, shall be valid for a period of no longer than two weeks and is to be reported at the next Board meeting,

## **6.0 PROCEDURES FOR TRADING IN LYCOPODIUM LIMITED SECURITIES**

Subject to the requirements of the Corporations Act and the above Policy requirements, a director, officer, employee or their associate may:

- (a) deal in any security of Lycopodium Limited provided that the person is not in possession of any inside information.
- (b) acquire securities in Lycopodium Limited under a bonus issue made to all holders of securities of the same class.
- (c) acquire securities of Lycopodium Limited under a dividend reinvestment, or top-up plan that is available to all holders of securities of the same class,
- (d) acquire, or agree to acquire, shares or options under any employee share or option plan implemented by Lycopodium Limited,

- (e) exercise options granted by Lycopodium Limited (pursuant to any option plan or otherwise), but may only sell all or part of the shares received upon exercise of the options only in accordance with the above Policy and these Procedures, and

in the case of directors only, section 205G of the Corporations Act requires that a director must notify the Australian Stock Exchange Limited of the acquisition or disposal of any security of Lycopodium Limited. A copy of any such notification should be forwarded by the relevant director to the Lycopodium Limited Company Secretary within 2 business days of a deal occurring.

## 7.0 DEFINITIONS

In this Policy on Dealing in the Securities of Lycopodium Limited:

**"associate"** includes nominee companies, spouses, dependent children, family trusts, etc.

**"security"** includes shares, debentures, rights, options, employee options, prescribed interests and warrants.

**"deal"** includes any transaction associated with buying, selling or converting a security.

**"inside information"** is information that if it was generally available and known to the market would have material effect on the price or value of the applicable security, and includes, without limitation:

- (a) sales figures,
- (b) profit forecasts,
- (c) borrowings,
- (d) liquidity and cash flow information,
- (e) significant changes in operations,
- (f) management restructuring, significant litigation,
- (g) impending mergers acquisitions, reconstructions, takeovers,
- (h) major asset purchases or sales, and
- (i) new products and technology.

## 8.0 CORPORATIONS ACT LEGISLATION

As stated above, the main provision dealing with insider trading is section 1043A of the Corporations Act. However, other sections throughout the Corporations Act deal with peripheral and related matters such as stock market manipulation, misleading conduct, fiduciary duties etc.

Section 1043A is summarised as follows:

- (a) Where:
  - (i) a person ("insider") possesses inside information, and the person knows, or ought reasonably to know, that:
    - (A) the information is not generally available, and
    - (B) if it were generally available, it might have a material effect on the price or value of those securities,

the following rules apply.

- (b) The insider must not (whether as principal or agent):
  - (i) apply for, acquire, or dispose of, relevant securities or enter into an agreement to apply for, acquire, or dispose of, relevant securities, or
  - (ii) procure another person to apply for, acquire, or dispose of, relevant securities or enter into an agreement to apply for, acquire, or dispose of, relevant securities.
- (c) The insider must not, directly or indirectly, communicate the information, or cause the information to be communicated, to another person if the insider knows, or ought reasonably to know, that the other person would or would be likely to:
  - (i) apply for, acquire, or dispose of, relevant securities or enter into an agreement to apply for, acquire, or dispose of, relevant securities, or
  - (ii) procure another person to apply for, acquire, or dispose of, relevant securities or enter into an agreement to apply for, acquire, or dispose of, relevant securities.

## **SECTION 7      AUDIT COMMITTEE CHARTER**

### **1.0      COMPOSITION OF THE AUDIT COMMITTEE**

- (a)      The Audit Committee comprises three directors.
- (b)      At least one member has significant, recent and relevant financial experience.

### **2.0      ROLE OF THE AUDIT COMMITTEE**

- (a)      To monitor the integrity of the financial statements of the Company, reviewing significant financial reporting judgments.
- (b)      To review the Company's internal financial control system and, unless expressly addressed by a separate risk committee or by the Board itself, risk management systems.
- (c)      To make recommendations to the Board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor.
- (d)      To monitor and review the external auditor's independence, objectivity and effectiveness, taking into consideration relevant professional and regulatory requirements.
- (e)      To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.

### **3.0      OPERATIONS**

- (a)      The Audit Committee meets at least bi-annually, with further meetings on an as required basis.
- (b)      Minutes of all meetings of the Audit Committee are to be kept.
- (c)      Audit Committee meetings will be governed by the same rules, as set out in the Company Constitution as they apply to the meetings of the Board.



#### **4.0 RESOURCES**

The Company is to provide the Audit Committee with sufficient resources to undertake its duties, including provision of educational information on accounting policies and other financial topics relevant to the Company and such other relevant materials requested by the Audit Committee.

#### **5.0 REPORTING TO THE SHAREHOLDERS**

The Directors' Report is to contain a separate section that describes the role of the Audit Committee and what action it has taken.

#### **6.0 RESPONSIBILITIES**

Responsibilities of the Audit Committee are as set out in the Audit Committee Responsibilities Calendar attached as Appendix A.

**APPENDIX 7A Audit Committee Responsibilities Calendar**

Responsibility	When Performed Audit Committee Meetings		
	First Half	Second Half	As Needed
1. The Audit Committee will perform such other functions as assigned by law, the Company's Constitution, or the Board of directors.			X
2. The Audit Committee will have the power to conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee will have the authority, as it deems necessary or appropriate, to retain independent legal, accounting or other advisors.			X
3. The Audit Committee will meet biannually or more frequently as circumstances require. The Audit Committee may ask members of the management or others to attend the meeting and provide pertinent information as necessary.			X
4. The agenda for Audit Committee meetings will be prepared in consultation between the Audit Committee chair (with input from the Audit Committee members), the financial management, and the external auditor.	X	X	X
5. Provide an open avenue of communication between the external auditor, the financial management and the Board of directors. Report Audit Committee actions to the Board of directors with such recommendations as the Audit Committee may deem appropriate.			X
6. Review and update the Audit Committee Charter and Responsibilities Calendar annually.		X	
7. Provide an annual report that includes the Audit Committee's review and discussion of matters with the management and the external auditor.	X		
8. Appoint and replace the external auditor and approve the terms on which the external auditor is engaged.	X		
9. Provide oversight of the external auditor and resolve any disagreements between the management and the external auditor about financial reporting.	X	X	
10. Establish and oversee a policy designating permissible services that the external auditor may perform for the Company and providing for pre-approval of those services by the Audit Committee.	X	X	X
11. Confirm the independence of the external auditor, and review the firm's non-audit services and related fees.		X	
12. Review the independence of each Audit Committee member based on the ASX Corporate Governance Guidelines.		X	
13. Inquire of finance management, and the external auditor about significant risks or exposures and assess the steps the management has taken to minimize such risk to the Company.			X

Responsibility	When Performed Audit Committee Meetings		
	First Half	Second Half	As Needed
14. Review with the external auditor and the financial management the audit scope and plan, and coordinate of audit efforts to assure completeness of coverage, reduction of redundant efforts, the effective use of audit resources, and the use of external accountants other than the appointed auditors of the Company.	X		X
15. Consider and review with the financial management and the external auditor:			
(a) The Company's annual assessment of the effectiveness of its internal controls and the external auditor's attestation and report about the Company's assessment (Effective beginning fiscal year 2004).	X	X	
(b) The adequacy of the Company's internal controls including computerized information system controls and security.	X	X	
(c) Any related significant findings and recommendations of the external accountants with the management's responses thereto.	X	X	
16. Review with the financial management any significant changes to financial policies or standards.	X	X	
17. Review with the financial management and the external auditor at the completion of the annual audit:			
(a) The Company's annual financial statements and related footnotes.		X	
(b) The external auditor's audit of the financial statements and its report thereon.		X	
(c) Any significant changes required in the external auditor's audit plan.		X	
(d) Any serious difficulties or disputes with the management encountered during the course of the audit.		X	
(e) Other matters related to the conduct of the audit which are to be communicated to the Audit Committee under generally accepted auditing standards.		X	
18. Review with the financial management and the external auditor at least annually the Company's critical accounting policies.		X	X
19. Review policies and procedures with respect to transactions between the Company and officers and directors, or affiliates of officers or directors, or transactions that are not a normal part of the Company's business.		X	
20. Consider and review with the financial management and the external auditor:			
(a) Significant findings during the year and the management's responses thereto.			X

Responsibility	When Performed Audit Committee Meetings		
	First Half	Second Half	As Needed
(b) Any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.			X
(c) Any changes required in planned scope of their audit plan.			X
21. The Chairperson of the Audit Committee will participate in a meeting with the financial management and the external auditor prior to any earnings release.	X	X	
22. Review the periodic reports of the Company with the financial management and the external auditor prior to filing of reports to the ASX.	X	X	
23. In connection with each periodic report of the Company, review:			
(a) The management's disclosure to the Audit Committee and the external auditor as required by Principle 4 recommendation 4.1. of the ASX Corporate Governance Guidelines.	X	X	
(b) The contents of the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) certificates to be filed under the ASX Corporate Governance Guidelines.	X	X	
24. Review with the compliance officer legal and regulatory matters that may have a material impact on the financial statements, related Company compliance policies, and programs and reports received from regulators.	X	X	
25. Develop and oversee procedures for:			
(a) receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters; and			X
(b) the confidential, anonymous submission of employee concerns regarding accounting or auditing matters.			X
26. Meet with the external auditor in executive session to discuss any matters that the Committee or the external auditor believes should be discussed privately with the Audit Committee.	X	X	
27. Meet with the financial management in executive sessions to discuss any matters that the Audit Committee or the financial management believes should be discussed privately with the Audit Committee.			X
28. Each year request the external auditor to attend each Annual General Meeting of the Company and be available to answer questions from shareholders on the accounts and the audit.		X	

## **SECTION 8 COMPLIANCE PROCEDURES FOR ASX LISTING RULE DISCLOSURE REQUIREMENTS**

### **1.0 OVERVIEW OF THE COMPLIANCE PROCEDURES**

#### **1.1 Legal Basis of Compliance Procedures**

This document constitutes the Compliance Procedures of the Company.

#### **1.2 Statement of the Company's Continuous Disclosure Obligations**

- (a) The Company must ensure that once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities, the Company must immediately advise the ASX of that information.

*Notes:*

1. *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 or not to subscribe for, or buy or sell the securities.*
2. *The Company will be taken to be aware of information if a director, or executive officer has or ought reasonably to have, come into possession of the information in the course of their duties as a director or executive officer of the Company.*

- (b) The Company acknowledges that it is not required to disclose information to the ASX if any of the following applies:

- (i) a reasonable person would not expect the information to be disclosed;
- (ii) the information is confidential; and
- (iii) one of the following applies:
  - (A) it would be a breach of a law to disclose the information;
  - (B) the information concerns an incomplete proposal or negotiation;
  - (C) the information comprises matters of supposition or is insufficiently definite to warrant disclosure;

(D) the information is generated for the internal management purposes of the Company; or

(E) the information is a trade secret.

### **1.3 Objective of the Compliance Procedures**

The key objective of the Compliance Procedures is to assist the Company to comply with its continuous disclosure obligations by:

- (a) aiming to prevent and where necessary, identifying and responding to, breaches of Listing Rule 3.1 and section 674 of the Corporations Act by the Company; and
- (b) promoting a culture of compliance with Listing Rule 3.1 and section 674 of the Corporations Act within the Company.

### **1.4 Scope of Compliance Procedures**

The Compliance Procedures set out measures that the Company will apply to ensure that it complies with its duties under Listing Rule 3.1 and section 674.

This Compliance Procedure:

- (a) identifies the specific obligations of the Company;
- (b) establishes measures designed to address compliance with these obligations; and
- (c) provides some guidance on the actions required to comply with these measures.

### **1.5 Consequences of Non-Compliance**

In the event of a breach of any of the provisions in the Compliance Procedures, the person who becomes aware of the breach must immediately notify the Responsible Officer of such breach. The Responsible Officer must then take such steps as are required to remedy the breach as soon as possible (including making an appropriate announcement to the market through the ASX and notifying the Board).

## 2.0 THE COMPLIANCE PROCEDURES

### 2.1 Responsible Officer Appointment and Duties

Objective / Obligation	Measures to Effect Compliance	Action	Compliance (Yes/No/Comment)
<p>The Company to appoint a company officer (who is appropriately skilled and experienced) to be primarily responsible for ensuring the Company complies with the continuous disclosure obligation of the Company ("Responsible Officer").</p>	<p>(a) The Board must consider and resolve at a Board meeting to appoint a Responsible Officer to be responsible for ensuring the Company complies with the continuous disclosure obligations of the Company. The Board to also resolve to appoint an alternative person to act in the place of the Responsible Officer in his / her absence.</p> <p>(b) The Responsible Officer is to have control and overall conduct of the Compliance Procedures.</p> <p>(c) The Responsible Officer is to be provided with support from the Board and administrative staff to assist him / her with the role.</p> <p>(d) The Responsible Officer must maintain an up to date copy of the Corporations Act and the Listing Rules and be familiar with the requirements in relation to continuous disclosure obligations.</p> <p>(e) After each monthly Board meeting, the Responsible Officer must check compliance with the Compliance Procedures.</p>	<p>The Directors to call a Board meeting to appoint the Managing Director, and in his / her absence, the Company Secretary, to be the Responsible Officer.</p> <p>The Commercial Manager (or equivalent) provides personal assistance to the Responsible Officer.</p> <p>Ensure updates for the Corporations Act and the Listing Rules are reviewed by the Responsible Officer and filed in a timely manner.</p> <p>The Company Secretary to ensure that a discussion of the Company's continuous disclosure obligations to be a standing item for each monthly Board meeting.</p>	

Objective / Obligation	Measures to Effect Compliance	Action	Compliance (Yes/No/Comment)
<p>The Company to ensure the Responsible Officer is made aware of all potential Disclosure Material, immediately after the information comes into existence.</p>	<p>(a) Any potential Disclosure Material identified or discovered by a director must be brought to the attention of the Responsible Officer immediately. The Responsible Officer can then assess whether it needs to be disclosed to the market through the ASX.</p> <p>(b) Any potential Disclosure Material identified or discovered by any of the Company's employees and agents (other than directors) must be immediately brought to the attention of the Responsible Officer.</p> <p>(c) The Responsible Officer is entitled to request and receive any information, reports, resources and accounting records which are relevant for the bona fide purposes of fulfilling his / her responsibilities.</p> <p>(d) The Responsible Officer is entitled to have access to and consult:</p> <p>(i) the external auditor of the Company's financial statements; and</p> <p>(ii) the legal and other professional advisers of the Company,</p> <p>for the bona fide purposes of fulfilling his / her responsibilities.</p> <p>(e) Each month the Responsible Officer must review the Company's monthly operating report, monthly financial report and minutes of the Board for the purpose of identifying and dealing any potential Disclosure Material not otherwise brought to his / her attention for specific review.</p>	<p>The Responsible Officer must educate staff to notify the Responsible Officer of any potential Disclosure Material.</p> <p>The directors are to pass a resolution authorising the Responsible Officer to do the actions in paragraphs (d) and (e).</p> <p>The Responsible Officer to keep a record of monthly reviews of these documents.</p>	



## 2.2 Areas of Risk

Objective / Obligation	Measures to Effect Compliance	Action	Compliance (Yes/No/Comment)
<p>The Company is to identify areas of risk for which specific compliance procedures must be in place.</p>	<p>The following is a non-exhaustive list of the areas of risk identified by the Company for which specific compliance procedures must be in place:</p> <ul style="list-style-type: none"> <li>(a) Tenders / Proposals including authorisation for the preparation and release of tenders and proposals.</li> <li>(b) Client contract negotiation and management including authorisation for acceptance of contract terms and conditions, contract negotiations and dispute resolution.</li> <li>(c) Financial control and reporting including invoice preparation, debtor control, creditor control, treasury, payroll and management reporting.</li> <li>(d) Commercial / Corporate control and reporting including management of finance facilities, insurance program, audit program and compliance requirements.</li> <li>(e) Operational control and reporting including quality, accuracy and timeliness of services provided to clients and occupational health and safety.</li> <li>(f) Personnel management including recruitment, contract negotiation, remuneration entitlements and personnel conduct.</li> </ul>	<p>The Managing Director is responsible for the establishment and management of the Company's Risk Management Policy which is based on centralising the Company's internal control framework covering the identified areas of risk. The Risk Management Policy will be reviewed and enhanced as the Company's operations evolve.</p> <p>The Risk Management Policy is to include specific compliance procedures to ensure that the Company complies with the continuous disclosure obligations.</p>	

Objective / Obligation	Measures to Effect Compliance	Action	Compliance (Yes/No/Comment)
	<p>(g) Procurement and purchasing including authorisation of Equipment Quotation Request and Purchase Order terms and conditions, Requisitions and Purchase Orders.</p> <p>(h) Supplier contract negotiation and management including authorisation of Contract terms and conditions, Requisitions, Letters of Award and Contracts, contract administration and dispute resolution.</p>		

### 2.3 Guidelines for Identifying Disclosure Material

Objective / Obligation	Measures to Effect Compliance	Action	Compliance (Yes/No/Comment)
<p>The Company must be able to identify what circumstances can arise to create or generate Disclosure Material that will require disclosure to the ASX pursuant to Listing Rule 3.1 and to that extent must set a non-exhaustive list of potential Disclosure Material to assist such identification.</p>	<p>(a) <i>Information requiring disclosure</i></p> <p>The Responsible Officer to be aware of various situations which may create or generate Disclosure Material that requires disclosure pursuant to Listing Rule 3.1.</p> <p>The following is a non-exhaustive list of matters which, if material, will be required to be disclosed to ASX as Disclosure Material:</p> <ul style="list-style-type: none"> <li>(i) change in the Company's financial forecast or expectation;</li> <li>(ii) the appointment of a receiver, manager, liquidator or administrator in respect of any loan, trade credit, trade debt, borrowing or securities held by it or any of its child entities;</li> <li>(iii) a transaction for which the consideration payable or receivable is a significant proportion of the written down value of the Company's pro-forma net assets (normally an amount of 10% or more would be significant, but a smaller amount may be significant in a particular case);</li> <li>(iv) a change of control of the Company;</li> <li>(v) a recommendation or declaration of a dividend or distribution;</li> <li>(vi) a recommendation or decision that a dividend or distribution will not be declared;</li> <li>(vii) under subscriptions or over subscriptions to an issue;</li> <li>(viii) an agreement or option to acquire a substantial asset;</li> </ul>		

Objective / Obligation	Measures to Effect Compliance	Action	Compliance (Yes/No/Comment)
	<p>(ix) information about the beneficial ownership of shares obtained by the Company or under the Corporations Act;</p> <p>(x) giving or receiving a notice of intention to make a takeover;</p> <p>(xi) an agreement between the Company (or a Related Party or subsidiary) and a Director (or a Related Party of the Director);</p> <p>(xii) the Company executes any formal contract for a material business venture;</p> <p>(xiii) entry by the Company into a binding heads of agreement or memorandum of understanding;</p> <p>(xiv) the amount shown in the accounts of the Company needs to be adjusted to cover bad loans;</p> <p>(xv) the Company enters into a confidential settlement of a claim involving the payment of damages.</p> <p>Note: See Section 1, paragraph 2(b) of these Corporate Governance Practices for circumstances in which the Company will be permitted to withhold disclosure.</p>		

Objective / Obligation	Measures to Effect Compliance	Action	Compliance (Yes/No/Comment)
	<p>(b) <i>Specific Disclosures</i></p> <p>The Responsible Officer to be aware that, in addition to the general disclosure requirements, the Listing Rules require the Company to also make specific disclosures for:</p> <ul style="list-style-type: none"> <li>(i) takeovers;</li> <li>(ii) share buy-backs;</li> <li>(iii) capital reorganisations;</li> <li>(iv) calls on partly-paid shares;</li> <li>(v) issues and proposed issues of securities;</li> <li>(vi) the exercise by an underwriter of a right to avoid or change underwriting obligations;</li> <li>(vii) shareholder meetings for the appointment of Directors;</li> <li>(viii) results of shareholders' meetings; and</li> <li>(ix) changes of Directors, CEOs and Company Secretary.</li> </ul> <p>The Listing Rules require any proposed market release to first be given to the ASX for release to the market before it is provided to any other person, including the press.</p>		

## 2.4 Monitor Share Price Movements

Objective / Obligation	Measures to Effect Compliance	Action	Compliance (Yes/No/Comment)
The Company shall monitor the share price movements of the Company to identify any unusual fluctuations which may signal a possible leakage of Disclosure Material not already disclosed to the market through the ASX.	The Responsible Officer shall appoint an appropriately qualified person to monitor the share price movements of the Company. This person should be instructed to immediately notify the Responsible Officer of any unusual fluctuations in the price of the Company's shares.	The Responsible Officer to appoint the Company Secretary to be the person responsible for monitoring the share price movements of the Company.	

## 2.5 Use of Trading Halts

Objective / Obligation	Measures to Effect Compliance	Action	Compliance (Yes/No/Comment)
The company must have in place appropriate procedures to enable it to request from the ASX a trading halt, in the event any Disclosure Material cannot be released to the market immediately.	<p>(a) The Responsible Officer must contact the home branch of the ASX to request a trading halt* upon the identification of Disclosure Material that cannot be released to the market immediately.</p> <p>(*Length of trading halt – A trading halt can only be applied for a period not exceeding the commencement of normal trading on the second trading day following the day on which it is requested.)</p> <p>(b) The Responsible Officer, in requesting a trading halt, should provide the ASX with the information required by Listing Rule 17.1.</p>	The Responsible Officer must keep an up to date copy of Listing Rule 17.1 and the related ASX Guidance Note, entitled "Trading Halts", in his / her file for ease of reference.	

## 2.6 Decision Making Process

Objective / Obligation	Measures to Effect Compliance	Action	Compliance (Yes/No/Comment)
<p>The Company must have a process for determining whether certain information brought to the attention of the Responsible Officer should be classified as Disclosure Material, which will require disclosure to the ASX in accordance with Listing Rule 3.1.</p>	<p>(a) The Board will delegate to the Responsible Officer the responsibility of assessing and determining whether any information identified or discovered by him, or brought to his / her attention can be properly classified as Disclosure Material.</p> <p>(b) The Board will authorise the Responsible Officer to make the appropriate announcement to the market through the ASX as soon as reasonably practicable after the Responsible Officer determines that a matter should be classified as Disclosure Material.</p> <p>(c) Any information brought to the attention of, identified or discovered by the Responsible Officer in his / her review of any document of the Company, which he assesses to be Disclosure Material, must be disclosed to the ASX immediately and the matter brought to the attention of the Board as soon as possible.</p> <p>(d) The Directors must, at their monthly Board meetings, note all announcements made to the ASX since the last Board meeting and consider whether any other matters raised in the meeting will require disclosure to the ASX.</p>	<p>The Directors must pass a resolution authorising the Responsible Officer to assess and determine what matters should be considered Disclosure Material and to make the appropriate announcement to the market through the ASX.</p> <p>The relevant files and minutes of the Responsible Officer and Board to be reviewed to assess compliance with the decision making process determined by these Compliance Procedures.</p> <p>The Company Secretary to ensure that a discussion of the Company's continuous obligations to be a standing item for each monthly Board meeting.</p>	

## 2.7 Record Keeping

Objective / Obligation	Measures to Effect Compliance	Action	Compliance (Yes/No/Comment)
<p>The Company must have in place an appropriate procedure to ensure that the process for review of specific information and the decision whether or not to disclose that information is properly recorded.</p>	<p>(a) The Responsible Officer is to cause files to be kept and maintained which accurately records Disclosure Material and:</p> <ul style="list-style-type: none"> <li>(i) an up to date copy of Listing Rule 3.1 and the related ASX Guidance Note entitled “Continuous Disclosure – Listing Rule 3.1”;</li> <li>(ii) an up to date copy of Listing Rule 17.1 and the related ASX Guidance Note entitled “Trading Halts”; and</li> <li>(iii) the statement of the Disclosure Material disclosed / announced to the market through the ASX.</li> </ul> <p>(b) The Responsible Officer must report to the Board as follows:</p> <ul style="list-style-type: none"> <li>(i) as soon as possible after identifying, discovering, receiving or being notified of any potential Disclosure Material;</li> <li>(ii) monthly, on the conduct of the Compliance Procedures;</li> <li>(iii) as soon as reasonably practicable, any material instance of non-compliance with the Compliance Plan; and</li> <li>(iv) any other specific matters as required by the Compliance Procedures.</li> </ul>	<p>The Responsible Officer to establish and accurately maintain files which document these items. Minutes of Board meetings to address these matters.</p>	



**2.8 Educate Directors and Staff (New and Existing)**

Objective / Obligation	Measures to Effect Compliance	Action	Compliance (Yes/No/Comment)
<p>The Company must ensure that all officers and other employees or agents, who may from time to time be in the possession of potential Disclosure Material, understand the continuous disclosure obligations of the Company imposed by the Law and the Listing Rules and have those obligations drawn to their attention periodically.</p>	<p>(a) The Responsible Officer must provide each officer, employee or agent of the Company with a written memorandum setting out:</p> <ul style="list-style-type: none"> <li>(i) the Company's obligation to disclose Disclosure Material to the ASX;</li> <li>(ii) the procedure for staff to follow in the event they become aware of potential Disclosure Material (i.e. to notify the Responsible Officer immediately).</li> </ul> <p>(b) The Responsible Officer must at least once a year, remind all officers, employees or agents of the Company, who may from time to time be in the possession of potential Disclosure Material, of their obligation to bring these matters to the attention of the Responsible Officer as soon as the information is identified or discovered.</p>	<p>The Responsible Officer to circulate a written memorandum to all new and existing staff to acquaint them with the Company's policy on how to handle potential Disclosure Material.</p> <p>The Responsible Officer to circulate an internal memorandum at least once per year to remind staff of their obligation to bring any potential Disclosure Material to his / her attention.</p>	

## 2.9 Confidentiality Obligation

Objective / Obligation	Measures to Effect Compliance	Action	Compliance (Yes/No/Comment)
<p>The Company must have in place procedures to ensure that information identified as Disclosure Material remains confidential until it is appropriately disclosed to the ASX in accordance with its disclosure obligations under the Corporations Act and the Listing Rules.</p>	<p>(a) The Responsible Officer to ensure that non-disclosure or confidentiality agreements are entered into by the other parties to a material transaction and any other recipients of any confidential information in relation to a material transaction.</p> <p>(b) When the Company enters into a material transaction that may constitute potential Disclosure Material, the Responsible Officer must remind all staff of the confidential nature of the transaction and of the consequences of failing to comply with their disclosure obligations.</p>	<p>The Responsible Officer to ensure confidentiality agreements entered into as appropriate.</p> <p>At the commencement of a confidential material transaction, the Responsible Officer must circulate an internal memorandum to all staff involved in their transaction to remind them of their confidentiality obligations and of the consequences of unauthorised disclosure.</p>	

## 2.10 Release of Disclosure Material

Objective / Obligation	Measures to Effect Compliance	Action	Compliance (Yes/No/Comment)
<p>1. The Company is to ensure that the release of Disclosure Material to the ASX or certain sectors of the public is done in an orderly manner to safeguard against inadvertent disclosure of Disclosure Material.</p>	<p>(a) The Responsible Officer is to oversee and co-ordinate disclosure information to the ASX, analysts, brokers, shareholders, the media and the public.</p> <p>(b) The number of Directors and staff authorised to speak on the Company's behalf in relation to press releases must be kept to a minimum.</p> <p>(c) The Responsible Officer should be aware of all information disclosures in advance, including information to be presented at private briefings, to analysts and others, including answers to shareholders questions.</p> <p>(d) Once Disclosure Material has been released through the ASX, the Company must further disseminate the information to investors to ensure that information is accessible to the widest audience (eg posting the information on the Company's website).</p> <p>In the event of an inadvertent leakage or disclosure of Disclosure Material, the Responsible Officer must immediately make an appropriate announcement to the market through the ASX. The Responsible Officer must also contemporaneously with or as soon as possible after such announcement, notify the Board of the announcement.</p>	<p>The Responsible Officer must circulate an internal memorandum to staff advising them of the Company's policies regarding disclosure of Disclosure Material.</p> <p>Only the Responsible Officer and Chairperson are authorised to speak to the press.</p> <p>The Responsible Officer must advise staff that he is to receive all information disclosures prior to the proposed disclosure.</p> <p>The Responsible Officer to ensure that the relevant Disclosure Material disclosed to the ASX is posted on the Company's website.</p> <p>The Responsible Officer to immediately make an announcement to the market through the ASX upon identifying a leakage of Disclosure Material.</p>	

Objective / Obligation	Measures to Effect Compliance	Action	Compliance (Yes/No/Comment)
<p>2. The Company should have in place a procedure for dealing with analysts to check whether any Disclosure Material has been inadvertently released and if so, how to handle the release.</p>	<p>(a) The Responsible Officer is to ensure that any Disclosure Material inadvertently provided to analysts is announced immediately through the ASX for release to the market.</p> <p>(b) The Responsible Officer is to ensure that any staff dealing with analysts are aware of how to deal with analysts' questions that raise issues outside the intended scope of discussion.</p>	<p>The Responsible Officer is to review any information provided to analysts to assess whether the information constitutes potential Disclosure Information. If it is determined by the Responsible Officer that the information requires disclosure to the market, the Responsible Officer must immediately make the appropriate announcement to the ASX.</p> <p>The Responsible Officer must train staff to only discuss information that has been publicly released through the ASX. If a question can only be answered by disclosing Disclosure Material, staff must be trained to decline to answer or take it on notice. Disclosure Material must be announced through the ASX before responding to the analyst.</p>	

## 2.11 Updating Compliance Procedures

Objective / Obligation	Measures to Effect Compliance	Action	Compliance (Yes/No/Comment)
<p>The Company has in place procedures to ensure the Compliance Procedures are updated from time to time to reflect changes in the Company's business operations and changes in the Corporations Act and Listing Rules.</p>	<p>(a) The Responsible Officer is to update the Company Procedures for any changes in the Corporations Act and Listing Rules or the Company's business and operations.</p> <p>(b) The Responsible Officer is to consult with staff to give them an opportunity to provide input in relation to any proposed changes to the Compliance Procedures.</p> <p>(c) The Responsible Officer is to keep a register of all actual and potential breaches of the Compliance Procedures to determine whether changes to the Compliance Procedures are required to prevent further breaches of the same kind.</p>	<p>The Responsible Officer to amend the Compliance Procedures as appropriate and record such changes.</p> <p>The Responsible Officer to call staff meetings as appropriate.</p> <p>The Responsible Officer to establish and maintain a breach file.</p>	

## 2.12 Statement in Annual Report

Objective / Obligation	Measures to Effect Compliance	Action	Compliance (Yes/No/Comment)
<p>The Company must include on its website a statement of the main practices and procedures contained in these Compliance Procedures.</p>	<p>The Responsible Person must ensure that a concise statement of these Compliance Procedures is contained on the website of the Company.</p>	<p>The Responsible Person to prepare a statement of the main practices and procedures contained in these Compliance Procedures for inclusion on the website of the Company.</p>	

### 3.0 GLOSSARY

In the Compliance Procedures, defined terms have the meanings assigned to them in this Part, unless the context otherwise requires. Terms used but not defined have the meaning assigned to them in the Constitution:

Term	Meaning
<b>Board</b>	means the board of directors of the Company
<b>Compliance Procedures</b>	means this document, as amended from time to time
<b>Company</b>	Means Lycopodium Limited
<b>Corporate Governance Practices</b>	means the Corporate Governance Practices of the company
<b>Corporations Act</b>	means the Corporations Act 2001 (Cth)
<b>Disclosure Material</b>	means undisclosed information that a reasonable person would expect to have a material effect on the Company's price or value of its securities
<b>Director</b>	means a director of the Company
<b>Related Party</b>	means a related party of a public company which includes:
	<ul style="list-style-type: none"> <li>• an entity which controls the public company,</li> </ul>
	<ul style="list-style-type: none"> <li>• the directors,</li> </ul>
	<ul style="list-style-type: none"> <li>• directors of an entity that controls the public company,</li> </ul>
	<ul style="list-style-type: none"> <li>• where the public company is controlled by an entity that is not a body corporate, the persons making up the entity which controls the public company,</li> </ul>
	<ul style="list-style-type: none"> <li>• a spouse or de-facto spouse of a director or controller,</li> </ul>
	<ul style="list-style-type: none"> <li>• a parent or child of a director or controller or their spouses, and</li> </ul>
	<ul style="list-style-type: none"> <li>• an entity (other than entities controlled by the public company) over which one of the above persons has control.</li> </ul>

<b>Term</b>	<b>Meaning</b>
	An entity falling into any of the above categories will be a related party of a public company if the entity was a related party of the public company at any time in the six months before the financial benefit was given, or if the entity has reasonable grounds to believe that it will become a related party of a public company at any time in the future.
	In addition, an entity will be deemed to be a related party of a public company if it acts in concert with a related party, on the understanding that the related party will receive a financial benefit if the public company gives the entity a financial benefit.
<b>Responsible Officer</b>	means the Responsible Officer(s) described in Section 1 of the Compliance Procedures.

## **SECTION 9 SHAREHOLDER COMMUNICATION STRATEGY**

### **1.0 GENERAL COMMUNICATION**

The Board of directors aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows.

- (a) The Shareholder Report and the Annual Financial Reports are available through the Company's website, [www.lycopodium.com.au](http://www.lycopodium.com.au). They are also distributed to those shareholders who have elected to receive a paper copy. The Board ensures that the Annual Financial Report includes relevant information about the operations of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to the other disclosures required by the Corporations Act;
- (b) The Half-yearly Report contains summarised financial information and a review of the operations of the Company during the period. The audited Half-year Financial Report is prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act and is lodged with the Australian Stock Exchange. The Half-yearly Report can be viewed on the Company's website and is sent to any shareholder who requests it;
- (c) Proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders;
- (d) The Company's website is well promoted to shareholders and shareholders may register to receive updates via email.

### **2.0 PARTICIPATION AT ANNUAL GENERAL MEETING**

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

### **3.0 COMPANY'S WEBSITE**

The Company maintains a website at [www.lycopodium.com.au](http://www.lycopodium.com.au). On its website the Company makes the following information available on a regular and up to date basis.

- (a) Company announcements.
- (b) Latest information briefings.
- (c) Notices of meetings and explanatory materials.
- (d) Half-yearly and annual reports.



## **SECTION 10 RISK MANAGEMENT POLICY**

### **1.0 INTRODUCTION**

The Board considers risk management as one of its primary responsibilities and has adopted this Risk Management Policy that has been developed from an existing internal control framework covering all identified areas of risk within the Company's operations in order to formalise the Company's approach to risk management.

### **2.0 POLICY**

- All members of the Board are responsible for risk management and oversight of internal controls. The day to day responsibilities for risk management and internal controls rest with the Managing Director.
- The Managing Director reports on these matters, using an exception reporting basis, to the full Board as part of a monthly written report to directors.

The following is a summary of the current areas of risk and internal controls the Company has in place:

(a) Tenders / Proposals

Activities and associated controls include the following:

(i) Preparation of Tenders and Proposals.

Where the estimated contract value for the enquiry or tender scope does not exceed 5% of the relevant subsidiary's annual revenue budget prior approval of the Managing Director of the relevant subsidiary is required before resources are committed for the preparation of tenders or proposals.

Where the estimated contract value for the enquiry or tender scope exceeds 5% of the relevant subsidiary's annual revenue budget or will potentially incur significant commercial, contractual and/or technical risk prior approval of the Company's Managing Director is required before resources are committed for the preparation of tenders or proposals.

A subsidiary Managing Director's obligation to seek the approval of the Company's Managing Director is effective from the time that the subsidiary Managing Director becomes aware that the estimated contract value exceeds 5% of the relevant subsidiary's annual revenue budget or will potentially incur significant commercial, contractual and/or technical risk.

(ii) Approval of Tenders and Proposals.

Tenders and proposals for reimbursable services (i.e. EPCM services) that do not exceed a contract value of 5% of the relevant subsidiary's annual revenue budget and do not include warranty provisions that could give rise to liabilities exceeding 10% of the contract value require the prior approval of the relevant subsidiary's Managing Director prior to release.

Tenders and proposals for reimbursable services (i.e. EPCM services) that have a contract value exceeding 5% of the relevant subsidiary's annual revenue budget and/or exceed \$7.5M in reimbursable services and/or include warranty provisions that could give rise to liabilities exceeding 10% of the contract value require the prior approval of the Company's Managing Director prior to release.

Tenders and proposals for fixed price services (i.e. EPCM services) that do not exceed a contract value of 2.5% of the relevant subsidiary's annual revenue budget and do not include warranty provisions that could give rise to liabilities exceeding 10% of the contract value require the prior approval of the relevant subsidiary's Managing Director prior to release.

Tenders and proposals for fixed price services (i.e. EPCM services) that exceed a contract value of 2.5% of the relevant subsidiary's annual revenue budget and/or exceed \$3.75M in fixed price services and/or include warranty provisions that could give rise to liabilities exceeding 10% of the contract value require the prior approval of the Company's Managing Director prior to release.

Tenders and proposals for lump sum work incorporating services and the supply and installation of plant and equipment that do not exceed a contract value of \$250,000 and do not include warranty provisions that could give rise to liabilities exceeding 10% of the contract value require the prior approval of the relevant subsidiary's Managing Director prior to release.

Tenders and proposals for lump sum work incorporating services and the supply and installation of plant and equipment that exceed a contract value of \$250,000 and/or include warranty provisions that could give rise to liabilities exceeding 10% of the contract value require the prior approval of the Company's Managing Director prior to release.

A subsidiary Managing Director's obligation to seek the approval of the Company's Managing Director is effective from the time that the subsidiary's Managing Director becomes aware that the contract value exceeds 5% of the relevant subsidiary's annual revenue budget for reimbursable services and/or exceed \$7.5M in reimbursable services, 2.5% of the relevant subsidiary's annual revenue budget and/or exceed \$3.75M in fixed price services, \$250,000 for lump sum work or that the warranty provisions could give rise to liabilities exceeding 10% of the contract value, whichever is applicable.

The relevant subsidiary's Managing Director shall prepare a monthly report which includes a marketing summary. The monthly report shall be available prior to the end of the third week of the end of each calendar month. The marketing summary shall contain such information as the Board shall request from time to time.

The monthly marketing summaries prepared by the subsidiaries shall be available prior to the Company's monthly Board meetings.

Contract values are to include all third party costs including but not limited to subconsultants, subcontractors, equipment, materials and reimbursable expenses.

(b) Client contract negotiation and management.

Activities and associated controls include the following:

(i) Preparation of Tenders and Proposals.

All terms and conditions of contract, whether nominated by the client or the Company's subsidiary, require the prior approval of the Company's Chief Financial Officer or, in his absence, Company's Managing Director prior to inclusion in tenders and proposals, unless the terms and conditions to be used are the Company's standard or previously approved terms and conditions.

(ii) Contract Negotiations.

All terms and conditions of contract require the prior approval of the Company's Chief Financial Officer, or in his absence, Company's Managing Director prior to execution by the Company's subsidiary, unless the terms and conditions to be used are the Company's standard or previously approved terms and conditions. Contracts are only to be executed by directors of the relevant subsidiary who have been authorised to do so by the relevant subsidiary's Managing Director.

(iii) Dispute resolution.

The Company's Chief Financial officer, or in his absence, Company's Managing Director is to be advised immediately that a contract dispute arises and all contract disputes require the prior approval of the Company's Chief Financial Officer, or in his absence, the Company's Managing Director prior to finalisation.

The Company's Chief Financial Officer, or in his absence, Company's Managing Director shall provide written advice to the Board where disputes arise to ensure the Board is kept fully informed.

(c) Financial Control and Reporting.

Activities and associated controls include the following:

(i) Invoice Preparation.

Invoices are prepared by the relevant subsidiary's accounting group and are approved by the relevant subsidiary's Study / Project Manager, Group Manager (or equivalent) and Chief Financial Officer (or equivalent) prior to release. All invoices are to be finalised and a monthly Invoice Summary is to be provided to the Company's Chief Financial Officer, nominally within 10 working days of the end of each billing period. Invoices are to be signed by the relevant subsidiary's Chief Financial Officer (or equivalent).

The Company's Chief Financial Officer shall prepare a monthly Revenue Report from the information provided in the subsidiary's Invoice Summaries and containing such information as the Board shall request from time to time. The monthly Revenue Report shall be tabled at the Company's monthly Board meetings.

(ii) Debtor Control.

The relevant subsidiary's Chief Financial Officer (or equivalent) shall have a weekly Aged Debtors Summary prepared and provided to the Company's Chief Financial Officer on the first working day of each week. The weekly Aged Debtors Summary shall provide details of the status of all debtors overdue by more than 15 days.

The Company's Chief Financial Officer shall provide written advice to the Board where difficulties are encountered in collecting debts of a material amount or debts are overdue for 60 days or more to ensure the Board is kept fully informed.

(iii) Creditor Control.

Supplier invoices are to be approved by the relevant subsidiary's Study / Project Manager or group manager and, with the exception of invoices for stationary supplies, consumables and miscellaneous items, all supplier invoices are to be covered by either a Purchase Order or Contract prior to acceptance for processing by the relevant subsidiary's accounting group.

All supplier invoice payments are to be approved by the relevant subsidiary's Group Manager (or equivalent) and Chief Financial Officer (or equivalent).

(iv) Treasury.

The relevant subsidiary's Chief Financial Officer (or equivalent) shall have a daily Treasury Report prepared and provided to the Company's Chief Financial Officer each working day. The Treasury Report will provide the opening and closing balances and details of all receipts and payments for each bank account.

The Company's Chief Financial Officer shall provide written advice to the Board where cash deficiencies and surpluses of a material amount are projected to occur.

(v) Payroll.

Employees shall not be added or removed from the Payroll without the prior approval of the relevant subsidiary's Chief Financial Officer (or equivalent). Furthermore employee's remuneration and accrued benefits Payroll records shall not be amended without the prior approval of the relevant subsidiary's Chief Financial Officer (or equivalent).

No employee shall be added to the Payroll prior to receipt of a signed Offer and Acceptance of Employment.

All Payrolls are to be approved by the relevant subsidiary's Group Manager (or equivalent) and Chief Financial Officer (or equivalent).

(vi) Management Reporting.

The relevant subsidiary's Chief Financial Officer (or equivalent) shall have a monthly Management Report prepared and provided to the Company's Chief Financial Officer, nominally within 15 business days of the end of each calendar month. The Management Report shall contain such information as the Board shall request from time to time.

The Company's Chief Financial Officer shall prepare a monthly Financial Report from the information provided in the subsidiary's Management Reports and containing such information as the Board shall request from time to time. The monthly Financial Report shall be tabled at the Company's monthly Board meetings.

(d) Commercial / Corporate Control and Reporting.

Activities and associated controls include the following:

(i) Management of Finance Facilities.

All overdraft facilities, operating and finance leases, loan agreements and other forms of finance facility are to be arranged by the Company's Chief Financial Officer or through his approved delegate and require the prior approval of the Company's Managing Director.

(ii) Management of the Insurance Program.

The Company's Chief Financial Officer is responsible for the establishment and maintenance of the Company's insurance program. The insurance program centralises control of the insurance requirements of the Company and its subsidiaries to ensure that identified risks are managed effectively and economically.

(iii) Management of the Audit Program.

The Company's Chief Financial Officer is responsible for implementation of the Company's audit program. The audit program centralises control of the audit requirements of the Company and its subsidiaries to ensure this activity is effective, timely and economic.

(iv) A.S.I.C., ASX and Other Legal Compliance.

The Company's Chief Financial Officer is responsible for the following compliance activities.

- Preparation and distribution of the audited Half-yearly Financial Report and the Half-yearly Report.
- Preparation and distribution of the Annual Financial Report.
- Preparation and distribution of notices of meetings and explanatory materials.
- Preparation and lodgement of all required A.S.I.C. documentation.

The Company's Managing Director is responsible for all other compliance activities which include the Company's continuous disclosure obligations under Listing Rule 3.1 and section 674 of the Corporations Act.

(e) Operational Control and Reporting.

Activities and associated controls include the following:

(i) Quality, Accuracy and Timeliness of Services Provided to Clients.

The relevant subsidiary's Managing Director is responsible for establishing and maintaining practices and procedures to ensure the quality, accuracy and timeliness of services provided to clients. Each subsidiary shall prepare and maintain a Procedure Manual which centralises and integrates the practices and procedures utilised in performing the range of client services which includes:

- process engineering;
- design engineering;
- project management;
- estimating;
- procurement and expediting;
- project cost control;
- construction management;
- commissioning; and
- study management.

The relevant subsidiary's Managing Director shall ensure that internal audits are conducted to verify compliance with practices and procedures established by the Procedures Manual.

The Procedures Manuals and any material revisions to the Procedures Manuals shall be submitted to the Company for review and Board approval.

(ii) Occupational Health and Safety.

The relevant subsidiary's Managing Director is responsible for establishing and maintaining practices and procedures to ensure that operations are conducted with the highest level of attention to health and safety. Each subsidiary shall prepare and maintain an Occupational Health and Safety Plan and ensure that internal audits are conducted to verify compliance with the established practices and procedures.

The Occupational Health and Safety Plans and any material revisions to the Occupational Health and Safety Plans shall be submitted to the Company for review and Board approval.

(f) Personnel Management.

Activities and associated controls include the following:

(i) Recruitment and Terminations.

Recruitment of personnel for positions organisationally below Principal, Project Manager, Construction Manager or Group Manager requires the prior approval of the relevant subsidiary's Group Manager (or equivalent) or Chief Financial Officer (or equivalent) and the relevant subsidiary's Managing Director (or nominee in his/her absence).

All appointments to positions organisationally equivalent to or above Principal, Project Manager, Construction Manager or Group Manager also requires the prior approval of the Company's Managing Director.

All employment terminations by the Company or the subsidiaries require the prior approval of the Company's Managing Director. This requirement does not apply to contractors or hourly rate employees where the termination is in accordance with the applicable contract.

(ii) Contract negotiation.

The relevant subsidiary's Chief Financial Officer (or equivalent), with assistance from the Corporate HR Manager, is responsible for establishing and maintaining practices and procedures to ensure that the terms and conditions of employment contracts comply with legal obligations are equitable and are applied consistently. Each subsidiary shall prepare and maintain an Employment Policy in order to define the terms and conditions that apply to employment contracts.

The Employment Policies and any material revisions to the Employment Policies shall be submitted to the Company's Managing Director for review and approval.



(iii) Remuneration entitlements.

The Company and its subsidiaries conduct an annual review of remuneration entitlements. Each subsidiary's Managing Director shall submit to the Company for review and approval recommended remuneration entitlements one month prior to the proposed annual review deadline, typically 1 July or 1 January each year depending on the subsidiary. The Company's Managing Director, with the support of the Board, shall consider the recommended remuneration entitlements together with recommended remuneration entitlements submitted by the Company's Managing Director with respect to the Company's personnel and provide their approval.

Interim remuneration entitlement reviews are conducted on selected individuals as a result of performance reviews and market movements. Interim remuneration entitlement reviews of a quantum of less than 10% per annum or less for personnel require the prior approval of the relevant subsidiary's Group Manager (or equivalent) or Chief Financial Officer (or equivalent) and the relevant subsidiary's Managing Director.

Interim remuneration entitlement reviews above 10% per annum also require the prior approval of the Company's Managing Director.

Remuneration entitlements for appointments require prior approval in accordance with the recruitment authority limits set out at item (f)(i).

(iv) Personnel conduct.

The Company's Chief Financial Officer (or equivalent) or Corporate HR Manager is responsible for establishing and maintaining policies and administrative practices and procedures to ensure that personnel conduct themselves in accordance with the desired standards of ethics and integrity and can perform their duties effectively. Each subsidiary shall prepare and maintain a Personnel Induction Manual in order to establish and maintain the required codes of conduct and practice.

The policies and practices established by the Personnel Induction Manuals must conform to the Company's Code of Conduct as amended from time to time by the Board.

The Personnel Induction Manuals and any material revisions to the Personnel Induction Manuals shall be submitted to the Company for review and Board approval.

(g) Procurement and Purchasing.

Activities and associated controls include the following:

(i) Equipment Quotation Request and Purchase Order terms and conditions.

The relevant subsidiary's Chief Financial Officer (or equivalent) is responsible for establishing and maintaining the terms and conditions to apply to the subsidiary's enquiries and purchases. Each subsidiary shall prepare and maintain standard Equipment Quotation Request and Purchase Order terms and conditions in order to ensure that the interests of the subsidiary and its clients are protected in accordance with industry practice.

All Equipment Quotation Request and Purchase Order terms and conditions, whether nominated by the client or the Company's subsidiary, require the prior approval of the Company's Chief Financial Officer or, in his absence, Chief Financial Officer.

(ii) Authorisation.

Purchase Orders shall only be prepared and issued by an authorised Procurement or Purchasing Officer. No Purchase Order shall be prepared prior to receipt of a duly authorised Requisition.

Requisitions for purchases to a client's account require authorisation by the client's representative and the relevant subsidiary's Study / Project Manager.

Requisitions for purchases to a subsidiary's account where the cost is recoverable from a client require authorisation by the client's representative, relevant subsidiary's Study / Project Manager and relevant subsidiary's Chief Financial Officer (or equivalent) or Group Manager (or equivalent) or subsidiary Managing Director's approved signatories within an authority matrix.

Requisitions for purchases to a subsidiary's account where the cost is not recoverable from a client and where the Purchase Order value (either singularly or overall) does not exceed \$20,000, or in the case of the acquisition of an asset, \$10,000, require authorisation by the relevant subsidiary's Chief Financial Officer (or equivalent) or Group Manager (or equivalent) or authorised subsidiary Director within an authority matrix.

Requisitions for purchases to a subsidiary's account where the cost is not recoverable from a client and where the Purchase Order value (either singularly or overall) is between \$20,000 and 0.1% of the relevant subsidiary's annual revenue budget, or in the case of the acquisition of an asset, is between \$10,000 and 0.05% of the relevant subsidiary's annual revenue budget, require authorisation by the relevant subsidiary's Managing Director.

Requisitions for purchases to a subsidiary's account where the cost is not recoverable from a client and where the Purchase Order value (either singularly or overall) exceeds 0.1% of the relevant subsidiary's annual revenue budget or \$20,000 whichever is the greater, or in the case of the acquisition of an asset, 0.05% of the relevant subsidiary's annual revenue budget or \$10,000 whichever the greater, require authorisation by the Company's Managing Director.

With the exception of Purchase Orders for purchases to a client's account, which are to be signed by the client's representative or the relevant subsidiary's Study / Project Manager depending on the client's requirements, Purchase Orders shall be signed by the relevant subsidiary's Chief Financial Officer (or equivalent), Group Manager (or equivalent), Managing Director or a director of the relevant subsidiary who has been authorised to do so by the relevant subsidiary's Managing Director.

(h) Supplier contract negotiation and management.

Activities and associated controls include the following:

(i) Contract terms and conditions.

The relevant subsidiary's Chief Financial Officer (or equivalent) is responsible for establishing and maintaining the terms and conditions to apply to the subsidiary's supply contracts. Each subsidiary shall prepare and maintain standard Contract terms and conditions in order to ensure that the interests of the subsidiary and its clients are protected in accordance with industry practice.

All Contract terms and conditions, whether nominated by the client or the Company's subsidiary, require the prior approval of the Company's Chief Financial Officer or, in his absence, Chief Financial Officer.

(ii) Authorisation.

Contracts shall only be prepared and issued by an authorised Procurement or Contracts Officer. No Contracts shall be prepared prior to receipt of a duly authorised Requisition or Letter of Award.

Requisitions or Letters of Award for supplies to a client's account require authorisation by the client's representative and the relevant subsidiary's Study / Project Manager.

Requisitions or Letters of Award for supplies to a subsidiary's account where the cost is recoverable from a client require authorisation by the client's representative, relevant subsidiary's Study / Project Manager and relevant subsidiary's Chief Financial Officer (or equivalent) or Group Manager (or equivalent).

Requisitions or Letters of Award for supplies to a subsidiary's account where the cost is not recoverable from a client and where the Contract value does not exceed \$20,000, or in the case of the acquisition of an asset, \$10,000, require authorisation by the relevant subsidiary's Chief Financial Officer (or equivalent) or Group Manager (or equivalent) or authorised subsidiary Director within an authority matrix.

Requisitions or Letters or Award for purchases to a subsidiary's account where the cost is not recoverable from a client and where the Contract value is between \$20,000 and 0.1% of the relevant subsidiary's annual revenue budget, or in the case of the acquisition of an asset, is between \$10,000 and 0.05% of the relevant subsidiary's annual revenue budget, require authorisation by the relevant subsidiary's Managing Director.

Requisitions or Letters of Award for supplies to a subsidiary's account where the cost is not recoverable from a client and where the Contract value exceeds 0.1% of the relevant subsidiary's annual revenue budget or \$20,000 whichever is the greater, or in the case of the acquisition of an asset, 0.05% of the relevant subsidiary's annual revenue budget or \$10,000 whichever the greater, require authorisation by the Company's Managing Director.

With the exception of Contracts for supplies to a client's account, which are to be executed by the client's representative or the relevant subsidiary's Study / Project Manager depending on the client's requirements, Contracts shall be executed by the relevant subsidiary's Chief Financial Officer (or equivalent), Group Manager (or equivalent), Managing Director or a director of the relevant subsidiary who has been authorised to do so by the relevant subsidiary's Managing Director.

*(iii)* Contract administration.

Contracts shall be managed in accordance with the practices and procedures established and maintained by the relevant subsidiary's Procedure Manual as referenced at item (e)(i).

(iv) Dispute resolution.

The Company's Chief Financial Officer, or in his absence, Company's Managing Director is to be advised immediately that a contract dispute arises and, with the exception of Contracts for supplies to a client's account, which are to be finalised with the approval of the client's representative, all contract disputes require the prior approval of the Company's Chief Financial Officer, or in his absence, the Company's Managing Director prior to finalisation.

The Company's Chief Financial Officer, or in his absence, Company's Managing Director shall provide written advice to the Board where disputes arise to ensure the Board is kept fully informed.

Where this policy requires that a subsidiary obtain the approval of the Board or Company's Managing Director this right to approve operates only as a right to veto and does not entitle the Board or Company's Managing Director to direct that an alternative decision or course of action be taken.

## **SECTION 11 REMUNERATION COMMITTEE CHARTER**

### **1.0 COMPOSITION**

The Remuneration Committee shall comprise the full Board.

### **2.0 ROLE**

The Remuneration Committee's role is to discharge the Board's responsibilities in relation to remuneration of the Company's executives including share and benefit plans.

### **3.0 OPERATIONS**

The full Board shall convene as the Remuneration Committee at least once a year and otherwise as required. Minutes of all meetings of the Remuneration Committee are to be kept. Remuneration Committee meetings will be governed by the same rules as set out in the Company's Constitution, as they apply to meetings of the Board.

### **4.0 RESPONSIBILITIES**

The responsibilities and functions of the Remuneration Committee are as follows.

- (a) Review the competitiveness of the Company's executive compensation programs to ensure:
  - (i) the attraction and retention of corporate officers,
  - (ii) the motivation of corporate officers to achieve the Company's business objectives, and
  - (iii) the alignment of the interests of key executives with the longer term interests of the Company's shareholders.
- (b) Review trends in management compensation, oversee the development of new compensation plans and, when necessary approve the revision of existing plans.
- (c) Review the performance of the executive management.
- (d) Review and approve Chairperson and Managing Director goals and objectives, evaluate Chairperson and Managing Director performance in light of these corporate objectives and set Chairperson and Managing Director compensation levels consistent with Company philosophy.

- (e) Approve the salaries, bonus and other compensation for all senior executives. The Remuneration Committee will recommend appropriate salary, bonus and other compensation to the Board for approval.
- (f) Review and approve compensation packages for new corporate officers and termination packages for corporate officers as requested by the management.
- (g) Review and approve the awards made under any executive officer bonus plan, and provide an appropriate report to the Board.
- (h) Review and make recommendations concerning long-term incentive compensation plans, including the use of share options and other equity based plans. Except as otherwise delegated by the Board, the Remuneration Committee will act on behalf of the Board as the committee established to administer equity based and employee benefit plans, and as such will discharge any responsibilities imposed on the committee under those plans, including making and authorising grants, in accordance with the terms of those plans.
- (i) Review periodic reports from the management on matters relating to the Company's personnel appointments and practices.

## **SECTION 12 CORPORATE CODE OF CONDUCT**

### **1.0 INTRODUCTION**

This Corporate Code of Conduct sets out the standard which the directors, executives and employees of the Company are encouraged to comply with when dealing with each other, shareholders and the broader community.

### **2.0 COMMITMENT OF THE BOARD AND THE MANAGEMENT TO CORPORATE CODE OF CONDUCT**

The Board and the management approve and endorse this Corporate Code of Conduct ("the Code") and support the Code and all it strives to achieve.

The Board and the management are to encourage all staff to consider the principles of the Code and use them as a guide to determining how to respond when acting on behalf of the Company.

### **3.0 RESPONSIBILITIES TO SHAREHOLDERS AND THE FINANCIAL COMMUNITY GENERALLY**

The Company aims:

- (a) to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and the financial community, and
- (b) comply with systems of control and accountability which the Company has in place as part of its Corporate Governance with openness and integrity.

### **4.0 RESPONSIBILITIES TO CLIENTS, CUSTOMERS AND CONSUMERS**

The Company is to comply with all legislative and common law requirements which affect its business, in particular those in respect of occupational health and safety, the environment, native title and cultural heritage. Any transgression from the applicable rules is to be reported to the Managing Director as soon as an employee becomes aware of such a transgression.

### **5.0 EMPLOYMENT PRACTICES**

The Company will employ the best available staff and consultants with skills required to carry out vacant positions.



The Company will ensure a safe work place and maintain proper occupational health and safety practices commensurate with the nature of the Company's business and activities.

## **6.0 RESPONSIBILITY TO THE COMMUNITY**

The Company will recognise, consider and respect environmental issues which arise in relation to the Company's activities and comply with all applicable legal requirements.

## **7.0 RESPONSIBILITY TO THE INDIVIDUAL**

The Company recognises and respects the rights of individuals and to the best of its ability will comply with the applicable legal rules regarding privacy, privileges, private and confidential information.

## **8.0 OBLIGATIONS RELATIVE TO FAIR TRADING AND DEALING**

The Company will deal with others in a way that is fair and will not engage in deceptive practices.

## **9.0 CONFLICTS OF INTEREST**

The Board, management and employees must not involve themselves in situations where there is a real or apparent conflict of interest between them as individuals and the interest of the Company. Where a real or apparent conflict of interest arises the matter should be brought to the attention of the Chairperson in the case of a board member or the Managing Director in the case of a member of the management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner for all concerned.

## **10.0 COMPLIANCE WITH THE CODE**

Any breach of compliance with this Code is to be reported directly to the Managing Director or Chairperson, as appropriate.

## **11.0 PERIODIC REVIEW OF CODE**

The Company will monitor compliance with the Code periodically by liaising with the Board, management and staff especially in relation to any areas of difficulty which arise from the Code and any other ideas or suggestions for improvement of the Code. Suggestions for improvements or amendments to the Code can be made at any time by providing a written note to the Managing Director.

## **12.0 INCORPORATION OF CODE OF CONDUCT FOR EXECUTIVES**

The Code of Conduct for Executives forms part of this Corporate Code of Conduct. It provides as follows:

All executives will:

- (a) actively promote the highest standards of ethics and integrity in carrying out their duties for the Company,
- (b) disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware and which they believe could compromise in any way the reputation or performance of the Company,
- (c) respect confidentiality of all information of a confidential nature which is acquired in the course of the Company's business and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated,
- (d) deal with the Company's customers, suppliers, competitors and each other with the highest level of honesty, fairness and integrity and observe the rule and spirit of the legal and regulatory environment in which the Company operates,
- (e) protect the assets of the Company to ensure availability for legitimate business purposes and ensure all corporate opportunities are enjoyed by the Company and that no property, information or position belonging to the Company or opportunity arising from these are used for personal gain or to compete with the Company, and
- (f) report any breach of this Code of Conduct for Executives to the Chairperson, who will treat reports made in good faith of such violations with respect and in confidence.

This Code of Conduct for Executives is in addition to the Corporate Code of Conduct which has been adopted by the Board of the Company.