

# **NORTHERN MINING LIMITED**

("the Company")

## **Corporate Governance**

### **Introduction**

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

Good corporate governance procedures encourage companies to create value whilst providing accountability and controls commensurate with the risks involved.

Northern Mining Limited ("NORTHERN") is committed to high standards of corporate governance. Policies and procedures which follow the "Principles of Good Corporate Governance and Best Practice Recommendations" issued by the Australian Stock Exchange ("ASX") Corporate Governance Council in March 2003, to the extent they are applicable to the Company, have been adopted.

These documented policies and procedures form the basis of the Company's corporate governance system and are set out in the following documents under the headings listed below.

### **The Board**

- 1 Board Charter  
Board Committees
- 2 Audit Committee (This Charter will be adopted when considered appropriate by the Board)
- 3 Executive Committee (This Charter will be adopted when considered appropriate by the Board)

### **Directors**

- 4 Directors' and Executive Officers' code of Conduct
- 5 Performance Evaluation Process

### **General**

- 6 Code of Business Conduct
- 7 Share Dealing Policy
- 8 Communications Strategy
- 9 Disclosure Policy
- 10 Risk Management and Internal Control

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## 1 BOARD CHARTER

### PURPOSE

This statement summarises the role and responsibility of the board of Northern Mining Limited ("NORTHERN"). The disclosure of the role and responsibility of the board is designed to assist those affected by corporate decisions to better understand the respective accountabilities and contributions of the board and management of NORTHERN.

The roles and responsibilities of the board will evolve as the Company moves forward. As such, a regular review of the balance of responsibilities will ensure that the division of the functions remains appropriate to the needs of the Company.

This policy statement is only a summary of the matters reserved to the board, and should therefore only be used as a general guide, which is not to be used in a legal capacity.

### MEMBERSHIP AND TERM

#### Membership

The board shall, as a preference, consist of:

- A majority or at least 50% of the Board will be independent non-executive directors; and
- At least one member with appropriate technical and commercial skills relevant to the industry in which the Company predominately operates

#### Independence

An independent director is a non-executive director (i.e. is not a member of management) and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or its subsidiaries, or been a director after ceasing to hold any such employment;
- is not a principal or employee of a professional adviser to the Company or its subsidiaries whose billings exceed five per cent of the adviser's total revenue. A director who is a principal or employee of a professional adviser will not participate in the provision of any service to the Company by the professional adviser;
- is not a significant supplier or customer of the Company or its subsidiaries, or an officer of or otherwise associated directly or indirectly with a significant supplier or customer. A significant supplier is defined as one whose revenues from the Company exceed five per cent of the supplier's total revenue. A significant customer is one whose amounts payable to the Company exceed five per cent of the customer's total operating costs;
- has no material contractual relationship with the company or its subsidiaries other than as a director of the Company;

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- has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

## **Term**

The board has not adopted a tenure policy.

In accordance with the Constitution of the Company, no director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election.

## **Selection of new directors**

Candidates for board positions shall be nominated by the Executive Chairman for consideration by the board. The board as a whole shall decide on the recommendations of new directors made by the Chairman.

In selecting new members for the board, directors shall have regard to the appropriate skills and characteristics needed by the board as a whole. The directors shall endeavour to appoint individuals who would provide the mix of director characteristics and diverse experiences, perspectives and skills appropriate for the Company.

New directors are provided with a letter of appointment which sets out the key terms and conditions of their appointment. New directors participate in an induction programme to enable them to gain an understanding of:

- The Company's financial, strategic, operational and risk management position;
- Their rights, duties and responsibilities; and
- The role of board committees.

## **ROLE OF THE BOARD**

### **Key Responsibilities**

The management and control of the business of NORTHERN is vested in the board. The board's primary responsibility is to oversee NORTHERN's business activities and management for the benefit of NORTHERN's shareholders. The board also recognises its responsibilities to NORTHERN's employees, the environments and communities in which the Company operates and where appropriate, other stakeholders. The board strives to create shareholder value and ensure that shareholders' funds are prudently safeguarded.

The key responsibilities of the board include:

- Appointing, evaluating, rewarding and if necessary the removal of the Executive Chairman and senior management;
- Development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the Company;

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- Overseeing the management of business risks, safety and occupational health, environmental issues and community development;
- Satisfying itself that the financial statements fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the board that proper operational, financial, compliance, risk management and internal control process are in place and functioning appropriately. Further, approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place, when considered appropriate by the board;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines, being:
  - Directors and Executive Officers Code of Conduct;
  - Dealings in NORTHERN Securities; and
  - Reporting and Dealing with Unethical Practices
- Reporting to and advising shareholders.

## **Delegated Responsibility**

The board has delegated responsibility for the day-to-day activities to the Executive Chairman (who will also be a member of the Executive Committee). The board ensures that the Executive Chairman is appropriately qualified and experienced to discharge his responsibilities and has in place procedures to assess the performance of the Executive Chairman and Executive Committee. The Executive Chairman is accountable to the board for all authority delegated to that position and the Executive Committee.

Although there is a clear division between the responsibilities of the board and management, the board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the board. The board has a number of mechanisms in place to ensure that this is achieved. These mechanisms include the following:

- When considered appropriate by the board, an audit committee will be established;
- When considered appropriate by the board, an executive committee will be established whose responsibilities will include:
  - remuneration and nomination;
  - environment and community development;
  - safety, security and occupational health; and
  - financial risk management
- Overseeing the strategic direction of the Company.
- Approval of all budgets.
- The board receives detailed board papers on a quarterly basis and a management report on a monthly basis showing the monthly and year to date performance of all aspects of the Company, compared to budget.

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- Procedures are in place to allow any director or committee of the board to seek external professional advice as considered necessary, at the Company's expense.
- Procedures are in place to incorporate presentations from senior management at relevant committee meetings on an as required basis to increase the committee's understanding of the area. Further, the board may request further information from management from time to time on any issue.
- In the event that a potential conflict of interest may arise, involved directors withdraw from deliberations concerning the matter.

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## 2 AUDIT COMMITTEE CHARTER

### **THIS CHARTER WILL BE ADOPTED WHEN CONSIDERED APPROPRIATE BY THE BOARD.**

#### **Organisation**

This charter governs the operations of the audit committee. The committee shall review and reassess the charter at least annually and obtain the approval of the board of directors.

#### **Membership**

The committee shall be members of, and appointed by, the board of directors and shall comprise at least two directors that have diverse, complementary backgrounds, and as a preference be independent of management and the Company. In addition, the committee chair shall have leadership experience and strong finance, accounting and/or business background.

All committee members shall be financially literate, or become financially literate within a reasonable period of time after appointment. Furthermore, at least one member shall have a reasonable level of accounting and/or related financial management expertise as determined by the board of directors.

#### **Meetings**

The committee shall meet at least two times each year (i.e. before completion of the half yearly and annual accounts) with the auditors and appropriate members of management. The purpose of these meetings shall be to:

- Review and if necessary have input into external audit plans;
- Review and approve the half-year financial report;
- Update the external audit plans; and
- Review and approve the annual financial report.

Furthermore, the committee shall meet in private session as and when required to assess management's effectiveness.

#### **Purpose**

The audit committee shall provide assistance to the board of directors in fulfilling its corporate governance and oversight responsibilities, as well as advise on the modification and maintenance of the Company's financial reporting, internal control structure, risk management systems, external audit functions, and appropriate ethical standards for the management of the Company. A further purpose of the committee is to check the ongoing independence of the auditors. In doing so, it is the responsibility of the committee to maintain free and open communication between the committee, external auditors and management of the Company.

In discharging its oversight role, the committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

## **DUTIES AND RESPONSIBILITIES**

#### **Understanding the business**

The committee shall ensure it understands the Company's structure, controls, and types of transactions in order to adequately assess the significant risks faced by the Company in the current environment.

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## **Financial reporting**

The primary responsibility of the audit committee is to oversee the Company's financial reporting process on behalf of the board and report the results of its activities to the board.

Whilst the audit committee has the responsibilities and powers set forth in this Charter, it is not the duty of the audit committee to plan or conduct audits.

The board of directors is responsible for the Company's financial reports including the appropriateness of the accounting policies and principles that are used by the Company. The external auditors are responsible for auditing the Company's financial reports and for reviewing the Company's unaudited interim financial reports.

The committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The committee will take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behaviour. The following shall be the principal duties and responsibilities of the audit committee. These are set forth as a guide with the understanding that the committee may supplement them as appropriate.

## **Assessment of accounting, financial and internal controls**

The committee shall discuss with management and the external auditors, the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs with the objective of recommending enhancements and improving the quality of the accounting function. Any opinion obtained from the external auditors on the Company's choice of accounting policies or methods should include an opinion on the appropriateness and not just the acceptability of that choice or method.

The committee shall meet separately and periodically with management, and the external auditors to discuss issues and concerns warranting committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement. The committee shall provide sufficient opportunity for the external auditors to meet privately with the members of the committee. The committee shall review with the external auditor any audit problems or difficulties and management's response. Further, the committee shall review audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management.

The committee shall receive regular reports from the external auditor on the critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

## **Appointment of external auditors**

The committee shall be directly responsible for making recommendations to the board of directors on the appointment, reappointment or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of the effectiveness, and independence of the external auditors, including resolution of disagreements between management and the auditor regarding financial reporting. In assessing which external audit firm is to be engaged, factors such as reputation, knowledge of industry, resources, commitment and value added benefits to the Company should be considered. Further, if it is deemed necessary based on a lack of actual or perceived independence, the committee shall request for the rotation of external audit engagement partners.

A committee member or a delegated senior member of management can approve all audit and non-audit services provided by the external auditors other than in the instance where the fees fall outside budget parameters and are in excess of A\$ 55,000. In this instance, full audit committee approval must be received for such a transaction.

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The committee, committee member or delegated senior member of management shall not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.

## **Assessment of the external audit**

The committee, at least on an annual basis, shall obtain and review a report by the external auditors describing (or meet, discuss and document the following with them):

- The audit firm's internal quality control procedures;
- Any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and
- All relationships between the external auditor and the Company (to assess the auditor's independence).

## **Independence of the external auditors**

The committee shall review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.

## **Scope of the external audit**

The committee shall discuss with the external auditors the overall scope of the external audit, including identified risk areas, significant problems that may be foreseen and any additional agreed-upon procedures. The committee should also discuss the impact of any proposed changes in accounting policies on the financial statements and review the nature and impact of any changes in accounting policies adopted by the entity during the year.

In addition, the committee shall also review the external auditor's compensation to ensure that an effective, comprehensive and complete audit can be conducted for the agreed compensation level. Further, the committee shall liaise with the external auditors to ensure their approach to the review/audit of the annual and half-year statutory accounts are conducted in an effective manner.

## **Communications with stakeholders**

The committee shall be responsible for monitoring compliance with the Corporations Act and Australian Stock Exchange (ASX) Listing Rules.

The committee shall review the half-year financial report and the annual report prior to the filing of these with the ASX and the committee is responsible for making the necessary recommendation to the board for the approval of these documents. Also, the committee shall discuss the results of the half-year review and any other matters required to be communicated to the committee by the external auditors under generally accepted auditing standards. The chair of the committee may represent the entire committee for the purposes of this review.

The committee shall review all representation letters signed by management including the declaration from the Company Secretary on compliance with statutory responsibilities to ensure that the information provided is complete and appropriate. Also, the committee shall discuss the results of the annual audit and any other matters required to be communicated to the committee by the external auditors under generally accepted auditing standards.

The committee is responsible for reviewing the draft financial statements and the audit report and to make the necessary recommendation to the board for approval of the financial statements.

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The committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. The committee shall receive corporate legal reports of evidence of a material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duty. The committee is responsible for reviewing reports on any major defalcations, frauds and thefts from the Company.

**Other duties**

The committee is responsible for organising, reviewing and reporting on any special reviews or investigations deemed necessary by the board.

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## 3 EXECUTIVE COMMITTEE CHARTER

### **THIS CHARTER WILL BE ADOPTED WHEN CONSIDERED APPROPRIATE BY THE BOARD.**

#### **Charter**

This charter governs the operations of the executive committee. The committee shall review and reassess the charter at least annually and obtain the approval of the board of directors.

#### **Membership**

- The committee shall be members of, and appointed by, the board of directors and shall comprise of the Executive Chairman, one director and Company Secretary. In the event that the committee comprises of only two directors, both directors should be independent;
- Members serving on this committee should have diverse, complementary backgrounds and be independent of management and the Company;
- The committee is to be chaired by the Executive Chairman who shall have leadership experience; and
- The Company Secretary will be the Secretary of the committee.

#### **Meetings**

The committee shall meet at least once each quarter, with additional meetings when circumstances require, as determined by the committee chairman.

#### **Convening and Notice of Meeting**

Any member may (and the Secretary must act upon a request from any member) convene a meeting of the committee. Notice is to be given to every member of the committee with no minimum notice period required and no necessity for acknowledgement of notice before the meeting may be validly held.

#### **Attendance**

Members of the committee are expected to be present at all meetings. As necessary, the chairman of the committee may request that members of management, consultants or others, which it may deem appropriate, be present at committee meetings.

#### **Quorum**

Two members of the committee shall constitute a quorum. In the event where only two members are present, the unanimous vote of the two members shall constitute an act of the committee. Where the committee comprises more than two committee members, the act of a majority of the members present will constitute an act of the committee.

#### **Minutes**

Minutes of each meeting are to be prepared by or under the direction of the Company Secretary. The Secretary shall maintain a permanent record of the minutes, and shall distribute minutes to members of the committee and directors who are not members of the committee.

#### **Purpose, Function and Responsibility**

The executive committee shall provide assistance to the board of directors in fulfilling its corporate governance and oversight responsibilities. The main functions and responsibilities of the executive committee include the following:

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## REMUNERATION

The executive committee will:

- Determine appropriate compensation arrangements for the directors, the Executive Chairman, and employees, which are then recommended to the board;
- Determine the executive remuneration policy; and
- Review and submit to the board equity based plans.

### Remuneration Policy

This policy governs the remuneration functions of the executive committee. The committee shall review and reassess the policy at least annually and obtain the approval of the board of directors.

### Overall Director Remuneration

Shareholder approval must be obtained in relation to the overall limit set for directors' fees. The directors must set individual board fees within the limit approved by shareholders.

Further, shareholders must approve the framework for any equity schemes and if a director is recommended for being able to participate in an equity scheme, this participation must be approved by the shareholders.

### Executive Remuneration

#### Main principles

The remuneration policy reflects the Company's obligation to align executive directors' remuneration with shareholders' interests and to engage appropriately qualified executive talent for the benefit of the Group. The main principles of the policy are:

- Reward reflects the competitive global market in which the Company operates. Individual reward should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance.

### Elements of Remuneration

The executive directors' total remuneration consists of the following:

- Salary - each executive director receives a fixed sum;
- Bonus - each executive director is eligible to participate in a bonus scheme if deemed appropriate;
- Long Term Incentives - each executive director may participate in share option schemes with the approval of shareholders; and
- Other benefits - executive directors are eligible to participate in superannuation schemes.

### Non-Executive Remuneration

#### Main principles

Shareholders approve the maximum aggregate remuneration for non-executive directors. The committee recommends the actual payments to directors and the board is responsible for ratifying any recommendations if appropriate. The maximum aggregate remuneration approved for directors is such a figure as approved by the shareholders.

Directors are entitled to have their indemnity insurance paid by the Company.

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## NOMINATION

The executive committee will:

- Review the appropriateness of the size of the board relative to its various responsibilities and where necessary make recommendations to the board to change the composition of the board;
- Review the overall composition of the board and board committees, taking into account factors such as :
  - expertise of each board member;
  - business experience and integrity;
  - skills;
  - breadth of experience;
  - knowledge about the Company's business or industry; and
  - willingness to devote time and effort to the board
- Make appropriate recommendations as necessary to the board including the criteria, objectives and procedure for selecting new board members;
- Review and recommend to the board the criteria for board membership, including assessment of the necessary and desirable competencies of the board members;
- The committee shall review potential candidates for the board and report on the candidates and results to the board for consideration. As such the committee shall evaluate and conduct the appropriate inquiries into the backgrounds and qualifications of possible nominees;
- Recommend to the board the members of the board to be designated as chairperson of the board's committees;
- Make recommendations to the board in relation to appropriate performance criteria, for both the individual directors and full board acting as a collective body. This may include such items as level of director attendance, preparedness, participation and candour;
- Review, develop and recommend to the board if necessary, the criteria for determining director independence;
- The committee shall monitor the orientation and continuing education programs for directors;
- The committee shall develop and review any relevant succession plans; and
- The committee shall assess the adequacy of this charter at least annually and submit any proposed changes to the board for review, discussion and approval.

## Delegated Responsibility

The committee may form and delegate authority to subcommittees when appropriate.

## OTHER DUTIES

### Environment and Community Development

The committee will monitor and review NORTHERN's environmental performance and compliance with relevant legislation and to oversee community development.

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## **Safety, Security and Occupational Health**

The committee will oversee an employee education program designed to increase employee awareness to safety, security and health issues in the workplace and to monitor the safety statistics and report to the board on the results of incident investigations.

## **Financial Risk Management**

The committee will oversee risk management strategies in relation to debt management, capital management, cash management, investments and insurance.

## **Reviews and Investigations**

The committee is responsible for organising, reviewing and reporting on any special reviews or investigations deemed necessary by the board.

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## 4 DIRECTORS and EXECUTIVE OFFICERS' CODE OF CONDUCT

This code of conduct sets ethical standards for the directors of the Company. Directors will pursue the highest standards of ethical conduct in the interests of all shareholders and all other stakeholders.

The following six principles govern their conduct.

### Honesty and Integrity

- Directors shall act honestly and with integrity in all of their dealings for the Company. This includes engaging in and promoting honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Directors will not discriminate on the grounds of people's race, religion, gender, marital status or disability;
- Directors will not make promises or commitments that the Company does not intend, or would be unable, to honour;
- Directors' conduct, at all times will be such that their honesty is beyond question; and
- Directors shall adhere to the truth, and not mislead directly or indirectly nor make false statements, nor mislead by omission.

### Confidentiality of Information

- Directors will take all reasonable measures to protect the confidentiality of non public information obtained or created in connection with their activities and to prevent the unauthorised disclosure of such information unless required by applicable law or regulation or legal or regulatory process or with the consent of the Company;
- Directors will not use information obtained by them as a director of the Company for personal financial gain, nor will that information be used to obtain financial benefit for any other person or business; and
- Directors shall respect the privacy of others.

### Disclosure of Interests

- Directors shall fully disclose active private or other business interests promptly and any other matters which may lead to potential or actual conflicts of interest in accordance with such policies that the directors may adopt from time to time;
- In performing their duties, directors will carry out their responsibilities to the exclusion of any personal advantage;
- Directors should avoid any situation involving a conflict, or the appearance of a conflict, between their personal interests and the performance of their official duties. If such a conflict arises, directors should promptly inform the board and withdraw from participation in decision-making connected with the matter. If the conflict is potential rather than actual, directors should seek the advice about whether they should excuse themselves from the situation that is creating the conflict or the appearance of conflict; and
- Directors shall fully disclose all relationships they have with the Company in accordance with policies on independence that directors may adopt from time to time. Directors dealing with the Company will always be at arm's length to avoid the possibility of actual or perceived conflicts of interest.

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## **Disclosure of Information**

Produce true, fair, accurate, understandable and timely disclosure in reports and documents that the Company and its subsidiaries are requested to make.

## **Abiding by the Law**

Directors shall abide by the law at all times, including any applicable rules and regulations.

## **Payments, Gifts, Entertainment and Travel**

Directors shall not use their status as a director to seek personal gain from those doing business or seeking to do business with the Company.

In regard to acceptance of favours, gifts and entertainment, directors should exercise tact and judgement to avoid the appearance of improper influence on the performance of their official duties.

Directors shall not accept any personal gain of any material significance if offered.

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## 5 PERFORMANCE EVALUATION PROCESS

### Overview

The board must review its performance and the performance of the individual directors (including the Executive Chairman), the committees of the board, the Company and management regularly (this will be achieved with the assistance of the executive committee). This is an important element of the boards monitoring role, especially with regard to long term growth of the Company and of shareholder value.

As the costs associated with engaging an external consultant is not seen to be beneficial to the Company, all the directors of the board have determined to undertake the performance evaluation process themselves.

### Performance Evaluation Process

The board is required to meet annually to discuss their performance as a whole and consideration should be given to any objectives and defined criteria established as a benchmark for assessing performance against.

The board should at a minimum address the following:

- Does the board understand the Company's business adequately?
- Does the board know the competition, market, risk factors etc?
- Does the board spend enough time on the long term strategy?
- What is the balance of power between the board and the Managing Director?
- Does the board have access to information from management and other sources?
- Is the board enhancing shareholder value by the best possible margin? and
- The board must ensure that any benchmarks that they are being appraised against are regularly reviewed to account for the changing environments facing the Company.

Whilst discussing the performance of the board, the directors are encouraged to provide comments on the performance of the chairperson.

The chairperson of the board is responsible for meeting with the individual directors to discuss their individual performance and contribution to the board. The chairperson should at a minimum address the following:

- Degree of independence including relevance of any conflicts of interests;
- Familiarity with Company operations and industry trends;
- Willingness to devote the necessary time including attendance at meetings, extent of preparation for meetings, willingness to participate in committee work;
- Value and adding value to the contributions of the board;
- Level of ethical awareness; and
- Personal relationships with colleagues, management and stakeholders.

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Whilst meeting with the individual directors to discuss individual performance, the chairperson must take the opportunity to obtain comments about co-directors performance on the board.

As part of the performance evaluation process, all directors are expected where applicable, to highlight areas for improvement and provide a description as to how this can be achieved.

At least annually the board must review the performance of committees reporting to it to ensure that the committees are achieving outcomes.

The Executive Chairman is responsible for assessing the performance of the key executives within the organisation. This is to be performed through a formal process involving the completion of a performance appraisal questionnaire which is to be completed by the key executive and reviewed and discussed with the Executive Chairman in a formal meeting.

Each divisional manager is responsible for assessing the performance of the staff members within their division. This is to be performed through a formal process involving the completion of a performance appraisal questionnaire which is to be completed by the employee and reviewed and discussed with their manager in a formal meeting.

Based on the evaluation of the individual's performance, all managers are required to present a document to the Executive Chairman outlining the proposed compensation arrangements for each individual employee. A similar process is undertaken by the Executive Chairman in relation to key executives. The Executive Chairman (when appropriate the executive committee will undertake this role) currently assumes responsibility for reviewing the compensation arrangements, making adjustments if necessary and preparing a recommendation to the board of the compensation arrangements for each individual.

Refer to the Executive Committee Charter for comment on the remuneration of board members.

The results of any review of the performance of an individual within the Company should be linked to their compensation arrangement.

In the event that a director, key executive or employee is not performing to an acceptable level, then a performance evaluation can be conducted on an as needs basis.

## **Links to Performance**

### **Facilitating Performance by Education**

In order to provide directors with the best possible chance of adding value to the Company and contributing to an accepted level, the Company has induction procedures implemented which are designed to allow new board appointees to participate fully and actively in board decision making at the earliest opportunity. It is noted that new directors cannot be effective until they have a good deal of knowledge about the Company and the industry within which it operates. The Executive Chairman is responsible for ensuring that the new director gains an understanding of all the necessary information relating to the Company including:

- It's financial, strategic, operational and risk management position;
- Directors' rights, duties and responsibilities;
- The role of the board committees; and
- Ensuring that the orientation and continuing education programs for directors' are constantly reviewed.

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## **Access to Information**

In order to enhance performance the board is provided with information it needs to efficiently discharge their responsibilities. The following is noted:

- The company has an agreed procedure that directors are permitted to take independent professional advice if necessary at the Company's expense but with prior consultation with the Executive Chairman;
- All directors have access to the Company Secretary;
- The appointment and removal of the Company Secretary is a matter for the decision of the board; and
- Directors are entitled to request additional information where they consider that the information supplied by management is insufficient to support informed decision making.

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## 6 CODE OF BUSINESS CONDUCT

### Introduction

The purpose of the code of conduct is to guide and enhance the conduct and behaviour of the Company directors, officers, employees and contractors in performing their everyday roles. The code encourages and fosters a culture of integrity and responsibility with the focus of augmenting the Company's reputation as a valued employer, business partner and corporate citizen, in all relationships.

NORTHER's Code of Conduct underpins the way the Company wishes to operate and should be understood and abided by all concerned.

### THE CODE

#### Respect for Persons

Directors, officers, employees and contractors should approach dealings with other persons equitably and with respect. This involves:

- Courtesy and responsiveness in dealing with others;
- Fairness in supervision and dealing with other staff by valuing colleagues and their personal commitment to meet shared objectives;
- Encouraging cooperation and engaging rational debate to accomplish alternative points of view;
- Avoiding behaviour that might reasonably be perceived as harassment, bullying or intimidation; and
- Understanding and responding to the needs of our business partners and other stakeholders.

#### Respect for the Law

Directors, officers, employees and contractors should respect the law and act accordingly by observing and respecting the laws, customs and business methods of all countries in which Northern operates to the extent that the Company adheres to the underlying principles of the code of conduct.

#### Integrity

Directors, officers, employees and contractors should consistently maintain their integrity whilst carrying out their duties by avoiding conflicts between their private interests and their responsibilities with respect to:

- Personal, financial and sexual relationships;
- Receipt of gifts and other benefits that may create an obligation;
- Use of confidential information obtained in the course of performing duties; and
- External activities and public comment.

#### Diligence

Directors, officers, employees and contractors should carry out their roles in a professional and conscientious manner. This involves:

- Endeavouring to achieve highest standards of performance and adhering to professional codes of conduct where applicable;

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- Exercising care for others in employment-related activities;
- Taking responsibility for all issues which can be controlled; and
- Reporting fraudulent or corrupt activities.

### **Economy and Efficiency**

Directors, officers, employees and contractors should carry out their roles in a cost effective and responsible manner. This includes:

- Using the Company's property and equipment only for authorised Company business;
- Avoiding waste of the Company's resources; and
- Maintaining adequate security over the Company's property and resources.

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## 7 DEALINGS IN NORTHERN MINING LIMITED SECURITIES

### INTRODUCTION AND PURPOSE

This policy statement summarises the law relating to insider trading and sets out the policy for the Company on directors and employees dealing in the Company's shares and options.

This policy statement is only a summary of complex legal provisions, and should therefore only be used as a general guide, not as legal advice.

### DEALINGS IN GROUP SECURITIES

#### The insider trading prohibition

If directors or employees have "price-sensitive information" relating to the Company which has not been published or which is not otherwise "generally available", it is illegal to:

- Buy, sell or otherwise deal in the Company's shares or options;
- Advise, procure or encourage another person (for example, a family member, a friend, a family company or trust) to buy or sell the Company's shares or options; or
- Pass on information to any other person, if you know or ought to reasonably know that the person may use the information to buy or sell (or procure another person to buy or sell) the Company's shares or options.

It is the responsibility of each director and employee to ensure that they do not do any of the things prohibited by the insider trading law. The consequences for breach of this law may be severe.

#### What is "price sensitive information"?

Price-sensitive information means information relating to the Company that would, if the information were publicly known, be likely to:

- Have a material effect on the price or value of the Company's shares or options; or
- Influence persons who commonly invest in securities in deciding whether or not to buy or sell the Company's shares or options.

Examples of possible price-sensitive information include, but are not limited to:

- The financial performance of the Company against its budget;
- Entry into or termination of a material contract (such as a major joint venture);
- A material acquisition or sale of assets by the Company;
- An actual or proposed takeover or merger;
- Analytical results;

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- An actual or proposed change to the Company's capital structure;
- A proposed dividend or a change in dividend policy; or
- A material claim or other unexpected liability.

## **When is the information "generally available"?**

Information is generally available if:

- It consists of readily observable matter;
- It has been made known in a manner likely to bring the information to the attention of people who commonly invest in securities of a kind whose price or value might be affected by the information, and since it was made known, a reasonable period for it to be disseminated among such persons has elapsed;
- It is derived from information which has been made public; or
- It consists of observations, deductions, conclusions or inferences made or drawn from other generally available information.

## **Consequences for breach of the insider trading prohibition**

Breach of the insider trading prohibition could lead to criminal and civil liability. Breach of insider trading law or this policy will also be regarded by the Company as serious misconduct which may lead to disciplinary action and/or dismissal.

## **Dealing in Shares of Other Companies**

If directors or employees have "price sensitive information" relating to another entity which is not "generally available" the same insider trading rules outlined above apply to buying and selling shares in that entity. In the course of performing duties as an employee of the Company, that person may obtain price sensitive information relating to another entity in a variety of circumstances. Examples include, but are not limited to the following:

- Another entity may provide price sensitive information about itself in the course of a proposed transaction;
- Another entity with whom the Company is dealing may provide price sensitive information about a third entity; or
- Information concerning the Company or actions which may be taken by the Company (i.e. a planned transaction or strategic change) could reasonably have an effect on a third party entity.

Apart from the application of the insider trading rules to shares in other entities, employees are also bound by a duty of confidentiality in relation to information obtained in the course of their duties in respect of third parties.

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## 8 COMMUNICATION STRATEGY

### Strategy

The directors of the Company recognises the importance of forthright communication and in order to prosper and achieve growth, it must (among other things) earn the trust of employees, customers, suppliers, communities and shareholders by being forthright in its communications and consistently delivering on its commitments.

### Information Disclosure

In accordance with the disclosure requirements of the Corporations Act 2001 ("ACT") and the Australian Stock Exchange ("ASX") Listing Rules, the Company follows three main forms of information disclosure:

- Continuous disclosure - which is its core disclosure obligation and primary method of informing the market and shareholders;
- Periodic disclosure - in the form of full-year and half-year reporting; and
- Specific information disclosure - as and when required, of administrative and corporate details, usually in the form of ASX releases.

Directors are committed to the promotion of investor confidence by ensuring that trade in the Company's securities takes place in an efficient, competitive and informed market.

As such, the Company will comply with the continuous disclosure obligations contained in the applicable Listing Rules of the ASX and in so doing will immediately notify the market by announcement on which its securities are listed, any information in relation to the business of the Company that a reasonable person would expect to have a material effect on, or lead to a substantial movement in, the price or value of securities. Further, all information made available to the ASX is immediately available to shareholders and the market.

The board aims to ensure that shareholders are kept informed of all major developments affecting the Company, hence in addition to its market disclosure the directors ensure shareholders are kept informed through a variety of other means:

- In conducting briefings, the Company takes care to ensure that any price-sensitive information released is made available to all shareholders (institutional and private) and the market at the same time and in accordance with the requirements of the ASX on which the Company is listed;
- Information is also released by email to all persons who have requested their name to be added to the contact database. Any person wishing to be added to this database can do so by contacting the Company Secretary; and
- The principal communication with private investors is through the provision of the Annual Report and financial statements and the Annual General Meetings. The Annual Report is mailed to the shareholders on an annual basis and the Notice of the Annual General Meetings is posted to shareholders at least 28 days in advance of the meeting. Shareholders also receive notices in relation to all meetings at which shareholders are permitted to attend.

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## **Participation at General Meetings**

The directors recognise the rights of shareholders and encourage the effective exercise of those rights through the following means:

- Notice of meetings are distributed in accordance with the ACT and provide shareholders with the opportunity to attend general meetings;
- Shareholders are encouraged to use their attendance at meetings to ask questions on any matter, with time being specifically set aside for shareholder queries;
- In the event that a resolution is proposed, notices encourage shareholders participation through appointment of proxies; and
- The Company is obliged under the ACT to provide the auditor with notice of a general meeting and the company has a policy of encouraging auditor attendance. In the event that the Company's auditor or their representative attends the Annual General Meeting, the chairperson of that meeting will allow a reasonable opportunity for members to ask questions of the auditor concerning the conduct of the audit and the preparation and content of the auditor's report.

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## 9 DISCLOSURE POLICY

### Introduction

This continuous disclosure policy sets out the procedure for:

- Identifying material price sensitive information;
- Reporting such information to the Executive Chairman and/or the Company Secretary for review;
- Ensuring the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act ("ACT") and Australian Securities Exchange ("ASX") Listing Rules; and
- Ensuring the Company and individual officers do not contravene the ACT or ASX Listing Rules.

This continuous disclosure policy applies to directors and those members of senior management who are most likely to be in possession of, or become aware of, the relevant information. The Company's staff needs to be aware of the existence of the policy so that they can assist with reporting of potentially sensitive information to the appropriate persons within the Company.

### Purpose

The purpose of this policy is to ensure that Company announcements are:

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

### Continuous Disclosure Protocol - Commitment

The Company is committed to:

- Ensuring that shareholders have the opportunity to access externally available information issued by the Company;
- Providing full and timely information to the market about the Company's activities; and
- Complying with the obligations contained in the ASX Listing Rules and the ACT relating to continuous disclosure.

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## Underlying Principle

The Company has obligations under the ACT and ASX listing Rules to keep the market fully informed of information which may have a material effect on the price or value of the Company's securities, or influence an investment decision on its shares or securities, and to correct any material mistake or misinformation in the market. The Company discharges these obligations by releasing information to the ASX in the form of an ASX release or disclosure in other relevant documents.

## Exceptions to ASX Listing Rule 3.1 on Continuous Disclosure

ASX Listing Rule 3.1 provides that disclosure is not required where:

- A reasonable person would not expect the information to be disclosed; and
- The information is confidential; and
- One or more of the following applies:
  - (i) It is a breach of law to disclose the information; or
  - (ii) The information concerns an incomplete proposal or negotiation; or
  - (iii) The information is insufficiently definite to warrant disclosure; or
  - (iv) The information is generated for internal management purposes; or
  - (v) The information is a trade secret.

All three must be met for disclosure not to be required.

## ASX Listing Rule 3.1

ASX Listing Rule 3.1 requires that the Company immediately notify the ASX of any information which it becomes aware of concerning the Company that a reasonable person would expect to materially affect the price or value of the securities.

A reasonable person would be taken to expect information to have a material effect on the price or value of securities if it would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the securities.

Hence, information is considered to be "material" if there is a substantial likelihood that it would influence an investor in deciding whether to trade in or hold the Company's shares/securities.

The Company becomes aware of information if any of its directors or executive officers has or ought reasonably to have, come into possession of the information in the course of the performance of his or her duties as a director or executive officer of the Company.

The disclosure obligation does not generally apply where the information is exogenous or generally available.

## POLICY

### The Policy

The following procedures will apply to safeguard against breaches of the Company's continuous disclosure obligations:

- Directors and senior management must immediately notify the Executive Chairman and/or the Company Secretary as soon as they become aware of information that should be considered for release to the market (material information which is not to be disclosed);
- the Executive Chairman and/or the Company Secretary will:
  - (i) Review the material information reported;

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- (ii) Determine, in consultation with all necessary parties as appropriate, whether any of the material information is required to be disclosed to the ASX; and
- (iii) Co-ordinate the actual form of disclosure with the relevant members of management.

- Where a decision is made, that the item or information does not warrant an ASX release, the Executive Chairman and/or Company Secretary is to advise directors of the rationale for the decision.

## Persons to whom this policy applies

This policy applies to:

- All directors of the Company and its subsidiaries; and
- All members of senior management

## Obligations

- As soon as information that:
  - (i) Is not generally available (i.e. the information in question has not been included in any Annual Report, ASX Release or other publication of the Company); and
  - (ii) Which may be price sensitive (i.e. it is likely to have a financial or reputation impact upon the Company that may be considered material)

the Executive Chairman and/or the Company Secretary must be provided with all the necessary information to ensure that the matter is disclosed appropriately to all required parties.

- In order that the obligations under the above paragraph are complied with, there must be assurance that such procedures as considered appropriate are implemented to ensure if any person who reports to the Company becomes aware of or is in possession of information that is not generally available and/or which may be price sensitive, that person will promptly notify the Company of such information.

## Market Speculation and Rumours

The ASX interprets Listing Rule 3.1 as requiring the Company to make a clarifying statement or announcement to the ASX in circumstances where it becomes aware that speculation or comment is affecting the price or volume of trading in its securities.

For example, when the market moves in a way that appears to be referable to the comment or speculation, the Company has an obligation to make such disclosure as is necessary in order to correct a false market in its securities and ensure investors are not trading on false or misleading information. Normally the ASX will indicate to the Company when it believes this is required.

## Release of information to others

The Company must not release material price sensitive information to any person if that information is required to be disclosed to the ASX, until cleared by the ASX. The Executive Chairman and/or the Company Secretary or a nominee of these people will advise all relevant parties when the release has been announced by the ASX. All the information disclosed through ASX is to be made available by the Company to investors after clearance by ASX.

## Presentations/Enquires

For all information/presentations/briefings etc which are to be provided to third parties, each individual is responsible for ensuring that a copy of the material is provided to the Executive Chairman and/or the Company Secretary prior to presenting that information externally.

All inquiries from third parties must be referred to the Executive Chairman and/or the Company Secretary. All material presented at third parties must be approved by or referred through the Executive Chairman and/or the Company Secretary prior to the briefing.

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All inquiries from the media must be referred to the Executive Chairman and/or the Company Secretary.

## **Interview by employees**

No employee may give an interview or make a presentation unless express authority or specific permission is received from the Executive Chairman.

An employee who is given permission by the Executive Chairman to give an interview or make a presentation must notify the Executive Chairman and/or the Company Secretary of the date and time for the interview and must give a copy of any presentation to them.

## **MANAGEMENT OF THE POLICY**

### **Specific Responsibilities**

The Executive Chairman and/or the Company Secretary are responsible for:

- Liaising with the ASX in relation to continuous disclosure issues;
- Ensuring that the system for the disclosure of all material information to the ASX in a timely fashion is operating;
- Reviewing proposed announcements by the Company to the ASX and liaising with the board in relation to the form of any ASX releases:
- Liaising with the board of directors, as appropriate, in relation to the disclosure of information;
- Keeping a record of all ASX and other releases that have been made; and
- Periodically reviewing the Company's disclosure procedures in light of changes to ASX Listing Rules or the ACT and recommending any necessary changes to the procedures.

## **BREACH OF POLICY AND PENALTIES**

### **Breach of Policy**

The Company contravenes its Australian continuous disclosure obligations if it fails to notify the ASX of the information required by Listing Rule 3.1 to be disclosed. If the Company fails to meet this obligation its officers may be guilty of an offence under the ACT.

### **Liability and penalties**

#### **THE COMPANY**

- If the Company contravenes its continuous disclosure obligations, it may face:
  - (i) Criminal liability with a fine if the contravention is intentional or reckless;
  - (ii) Civil liability for any loss or damage suffered by any person as a result of failure to disclose relevant information to the ASX; and
  - (iii) De-listing from the ASX.
- The ASIC can also institute proceedings under the ASIC Act 1989.

#### **OTHERS**

- The Company's officers (including its directors), employees or advisers who are involved in the contravention, may also face criminal (monetary fine and/or 5 years imprisonment) and civil liability as outlined above.

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## 10 RISK MANAGEMENT and INTERNAL CONTROL POLICY

### Overview

The Company's board recognises the importance of identifying and controlling risks to ensure that they do not have a negative impact on the Company. Procedures have been established at the board and executive management levels which are designed to safeguard the assets and interests of the Company, and to ensure the integrity of reporting.

### Benefits of Risk Management and Internal Control Procedures

Some of the benefits identified in establishing and maintaining risk management procedures are as follows:

- More effective strategic planning;
- Better cost control;
- Enhancing shareholder value by minimising losses and maximising opportunities;
- Increased knowledge and understanding of exposure to risk;
- A systematic, well-informed and thorough method of decision making;
- Increased preparedness for outside review;
- Minimised disruptions;
- Better utilisation of resources;
- Strengthening culture for continued improvement; and
- Creating a best practice and quality organisation

### Internal Control Policy

- The board is ultimately responsible for the internal control framework and risk management of the Company and for regularly reviewing its effectiveness;
- The principle aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Company's specific needs and the risks to which it is exposed;
- Annually, the board are responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level. (Refer below in relation to the role of the audit committee in undertaking this task);
- The board will review and discuss strategic risks and opportunities arising from changes in the Company's business environment regularly and on an as needs basis;
- The board may delegate some of the abovementioned responsibility to committees of the board but maintain the overall responsibility for the process;

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- The following committees shall be established (when deemed appropriate) to assist the board in internal control and business risk management:
  - Executive Committee, has responsibilities for the:
    - (i) Remuneration and nomination committee;
    - (ii) Environment and community development committee;
    - (iii) Safety, security and occupational health committee; and
    - (iv) Financial risk management committee.

## **Executive Committee**

### **Remuneration and Nomination Committee**

This committee is responsible for determining and reviewing the compensation arrangements for the directors themselves, the managing director, the executive committee and employees. Further, they are responsible for assisting the board in appointing and terminating (if necessary) members of the board.

### **Environment and Community Development Committee**

The main responsibility of this committee is to monitor and review the Company's environmental performance and compliance with relevant legislation and to oversee community development.

### **Safety, Security and Occupational Health Committee**

The main functions of this committee are to oversee an employee education program designed to increase employee awareness to safety, security and health issues in the workplace and to monitor the safety statistics and report to the board on the results of incident investigations.

### **Financial Risk Management Committee**

The main responsibility of this committee is to oversee risk management strategies in relation to hedging, debt management, capital management, cash management, investments and insurance.

The above committees are responsible for reporting to the board.

During the year the board is responsible for reviewing the effectiveness of the Company's system of internal control for the financial year. This review is to include financial, operational, compliance and risk controls.

For any control which is not operating effectively, the board is responsible for ensuring that the control issue is corrected and that the risk has a mitigating control which will reduce any risk to an acceptable level.

Each financial year, the Chief Financial Officer and Executive Chairman are required to provide formal representations to the board confirming that the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Every employee has a responsibility for ensuring that any known breach of an internal control is reported to the appropriate level such that it can be dealt with accordingly. Further, every employee is encouraged to identify and report to their manager any potential business risk. The manager is then responsible for ensuring that the business risk is mitigated by establishing appropriate controls and monitoring the effectiveness of controls. Any significant control defects should be reported to the board level and this is often achieved through the reporting of defects first to the audit committee.

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## **Audit Committee**

The establishment of an audit committee is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance. The audit committee will operate under a charter approved by the board and consist of at least 2 independent non-executive directors.

Whilst it is the board's responsibility to ensure that an effective internal control framework exists within the Company including internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information as well as non-financial considerations the responsibility for establishing the framework of internal control and ethical standards for the management of Richfield will be delegated by the board to the audit committee.

The committee will also provide the board with additional assurance regarding the reliability of the financial information for the inclusion in the financial reports.

The audit committee's responsibilities include:

- Recommending to the Board, nominees for the appointment as external auditors and the terms and conditions of their appointment;
- Reviewing the performance of the external auditors, their ongoing independence and monitoring the level of fee charges;
- Monitoring compliance with the Corporation Act, the Listing Rules, Australian Accounting Standards and other legal requirements;
- Reviewing external audit reports and evaluating the adequacy of internal controls and management responses. This task includes identifying any deficiencies or breakdowns in control and ensuring that appropriate remedial action is taken;
- Carrying out any other tasks that may be directed from the Board from time to time;
- Reviewing the Company's accounting policies & procedures with respect to relevant regulations and generally accepted accounting principles;
- Reviewing the half yearly and annual financial statements and ASX announcements prior to submission to the Board;
- Reviewing and monitoring internal risk management practices; and
- Reviewing occupational health and safety and other statutory responsibilities.