

## Code of Conduct

### Audit Committee

The Company has established an Audit Committee to operate under the charter approved by the Company. It is the Company's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information as well as nonfinancial considerations, such as the benchmarking of operational key performance indicators.

The responsibilities of the Audit Committee include:

- The establishment and maintenance of a framework of internal control and ethical standards for the management of the economic entity;
- Reviewing internal and external 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;
- Liaising with the external auditors and ensuring that the annual and half-yearly statutory audits are conducted in an effective manner;
- Reviewing the Pro-forma Half-Year and Pro-forma Preliminary Final Statement prior to lodgment of those documents with the ASX, and any significant adjustments required as a result of the audit, and to make any necessary recommendation to the Board for the approval of these documents;
- Reviewing the draft financial statements and the audit report and making necessary recommendations to the Board for the approval of the financial statements;
- Monitoring compliance with the *Corporations Act 2001 (Cwlth)*, Stock Exchange Listing Rules and any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Stock Exchange and financial institutions;
- Reviewing reports on any major defalcations, frauds and thefts from the Company;
- Reviewing the declaration from the Company Secretary on compliance with statutory responsibilities; and
- Nomination of the external auditor, and reviewing the adequacy of the scope.

It is usual for members of the Audit Committee to be non-executive directors rather than executive directors. Of course, depending upon the number of actual members on the Board, it may not be appropriate for this to take place.

The Company may direct that the Audit Committee and its members quarantine any information provided to that Committee by management in respect of preparation of half-yearly or annual accounts, from other members of the board of directors who are not on the Audit Committee.

**Notification to ASX of Directors' Interests**

Directors must also be aware that pursuant to the provisions of the *Corporations Act 2001 (Cwlth)* they are obliged to provide the ASX with appropriate notifications of their interests in the Company.

Pursuant to *Corporations Act 2001 (Cwlth)*, directors must notify the ASX or assist the Company in its obligations to notify the ASX of their:

1. relevant interests in shares of the Company or of a related body corporate;
2. relevant interests in debentures of or prescribed interests made available by the Company or a related body corporate;
3. rights or options over shares in, debentures of, or prescribed interests made available by, the Company or a related body corporate;
4. contracts:
  - (i) to which the director is a party or under which the director is entitled to a benefit; and
  - (ii) that confer a right to call for or deliver shares in, debentures of, or prescribed interests made available by, the Company or a related body corporate.

Directors must also ensure that the above interests are notified to the ASX in accordance with Listing Rule 3.19A. In particular:

1. where a director is appointed – the Company must notify the ASX of the above interest within five (5) business days after the appointment (the appropriate form is Appendix 3X);
2. where a change in the above interests of a director occurs – the Company must outline the change in the director's interests to the ASX no more than 5 business days after the change occurs (the appropriate form is Appendix 3Y);
3. where a director ceases to be a director – the Company must notify the ASX of the interests of the director at the time the director ceases to be a director, no more than five (5) business days after the director ceases to be a director (the appropriate form is Appendix 3Z).

Directors should also be aware of the substantial shareholder provisions contained in section 671B of the *Corporations Act 2001 (Cwlth)* which require certain notices to be served on the Company and the ASX when a shareholder is entitled to at least 5% of the issued shares in the Company and any changes of more than 1% to those holdings.

**Interested Directors**

All directors shall be aware that they occupy a position of trust and confidence and that as a consequence of this, certain fiduciary and statutory duties are owed to the Company. These fiduciary duties exist at general law, but have, to a large extent, become embodied in Sections 180, 181, 182 and 183 of the *Corporations Act 2001 (Cwlth)*.

This Policy is also designed to inform directors of the procedures which must be undertaken by them when they possess an interest (financial or otherwise) in any proposed transaction being considered or contemplated by the Company. Directors must be aware that a failure to comply with these procedures may not only give rise to personal liability, but may also adversely affect shareholder and public perception of the Company.

At general law, each director owes the following fiduciary duties to the Company:

- duty to act bona fide in the interests of the Company - this duty is a subjective duty and directors are obliged to act in a manner that they honestly believe to be in the interests of the Company;
- duty to exercise power for proper purposes - this duty may be breached if the purpose which actually motivates an exercise of power by a director is improper given the purpose for which the power was conferred;
- duty to avoid conflicts of interest - a director is not entitled to enter into transactions in which they would have a personal interest conflicting with or which may possibly conflict with the interests of the Company unless they have the fully informed consent of the Company and its members.

These duties are codified in Sections 180, 181, 182 and 183 of the *Corporations Act 2001 (Cwlth)*, which provides that:

- directors must act honestly at all times in the exercise of their powers and discharge of the duties of their office;
- directors must exercise a degree of care and diligence that a reasonable person in a like position in a corporation would exercise in a corporation's circumstances;
- directors must not make improper use of information acquired by virtue of their position as a director to gain either directly or indirectly, an advantage to themselves or others or cause detriment to the company;
- directors must not make improper use of their position to gain, directly or indirectly, an advantage for themselves or for any other person or to cause detriment to the company.

Where a director has a non-disclosed personal interest in a transaction being considered by the Company, this will clearly constitute a breach of that director's duties to the Company.

In addition to these duties, Section 195 of the *Corporations Act 2001 (Cwlth)* provides that where a director of a public company has a material personal interest in a matter, the director must not vote on the matter and cannot be present while the matter is being considered by the Board of Directors. However, this restriction will not apply if the Board of Directors passes a resolution that specifies the director, his or her interest, the matter and that the directors voting for the resolution are satisfied that the interest should not disqualify the director from considering or voting on the matter.

To avoid the possibility of a director acting in breach of his or her duties, the Company has an established procedure in the Company's Constitution which must be followed where a director has a material interest in a matter. All directors should acquaint themselves with this procedure and ensure compliance with its terms.

Where the Board is considering giving approval to a director with a Material Interest, the director may not cast any vote on that approval, but if present, he or she may be counted in the quorum for the Board meeting considering that approval.

**Financial Benefits to Related Parties**

Part 2E of the *Corporations Act 2001 (Cwlth)* restricts the ability of the Company to provide financial benefits to related parties. A “related party” is defined in Section 243F and includes a director of the Company or of a body corporate that is a parent entity of the Company, and a spouse, defacto spouse, parent or child of such director.

Examples of financial benefits which are prohibited by Part 2E include:

- making a loan, guaranteeing a loan or providing security for a loan;
- forgiving a debt;
- buying, selling or leasing an asset;
- acquiring or supplying services;
- issuing shares or granting options; and
- giving money or property.

However, the following forms of benefits are excluded from this prohibition:

- the provision of “reasonable” remuneration to the related party;
- advances to directors or spouses up to \$2,000.00;
- transactions on terms and conditions which are no more favourable to the related party than if they were on arm’s length terms in the same circumstances;
- financial benefits given to members in their capacity as members;
- financial benefits provided under court order.

If a proposed benefit is prima facie prohibited by the provisions of Part 2E, the Company still may provide the benefit to the related party if:

- a resolution of the Company permits the benefit to be given; and
- the resolution was passed within fifteen (15) months before the benefit is given; and
- certain other procedures and conditions prescribed by the *Corporations Act 2001 (Cwlth)* are followed.

It is essential that all directors be acquainted with the provisions of Part 2E of the *Corporations Act 2001 (Cwlth)* to ensure that prohibited financial benefits are not given by the Company to related parties. If a contravention of Part 2E occurs, the related party and any person involved in or concerned with the contravention may be liable.

**Disclosure of Director Interests**

Directors should ensure that their interests in contracts and transactions with the Company are disclosed in the Directors’ Report produced at the end of each accounting period. The *Corporations Act 2001 (Cwlth)* requires this report to contain details of each director of the Company, including details of each director’s interests in the shares of the Company and particulars of any interests that a director has in relation to a contract or proposed contract with the Company as well as the level of remuneration paid to each director. The report must also set out whether a director has received or is entitled to receive any benefit as a result of any contracts made by the Company.

**Responsibilities in Respect of Accounts**

The Directors are required by Australian Company Law to prepare financial statements for each financial period which gives a true and fair view of the state of affairs of the group as at the end of the financial period and of the profit or loss for that period.

The Directors are responsible for maintaining proper accounting records in accordance with the Australian *Corporations Act 2001 (Cwlth)*, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company, and prevent and detect fraud and other irregularities. The directors maintain appropriate financial controls and accounting records.

### **Internal Control**

The Company should have in place an internal financial control system with a view to provide reasonable assurance regarding:

1. The safeguarding of assets against unauthorised use or disposition; and
2. The maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

### **Control Environment**

Whilst the Board retains ultimate control and direction over the Company's major strategic, financial and organisational issues, it is usual to delegate appropriate authorities to executive directors and to put in place an appropriate organisation or structure with clearly defined divisions of responsibility and reporting relationships.

### **Identification and Evaluation of Risks and Control Objectives**

The Company shall regularly evaluate and monitor its business risks. Depending upon the activities of the Company, the business risks will vary and may include such matters as:

- technical development;
- price volatility;
- environmental;
- community relations;
- health and safety;
- political;
- financial;

### **Information and Communication**

It would be expected that detailed short and long term operating, capital expenditure and cash flow budgets will be prepared and be subject to review by the Board and by any special committees formed for that purpose.

The Board and Senior Executives should be provided on a regular basis with actual results compared with budgets, prior year figures and revised forecasts to the end of the year.

### **Control Procedures**

The Company shall establish written procedures to safeguard the Company's assets and to ensure that financial transactions are properly recorded. Accounting policies and practices should be disseminated throughout the Company to any segments of its business. Any significant business unit should document its control procedures which are specific to its operation.

### **Monitoring and Corrective Action**

The Audit Committee will monitor the internal financial controls across the Group on behalf of the Board of Directors. This includes approval of the internal and external audit plans, receipt of regular internal audit activity reports and review of management and responses to matters raised by the external auditors in their management letter.