



DRUMMOND
DRUMMOND GOLD LIMITED

ACN 124 562 849

**CODE OF CONDUCT POLICY AND ETHICS POLICY FOR THE DIRECTORS,
OFFICERS AND EMPLOYEES OF DRUMMOND GOLD LIMITED**

Introduction

The Board and Management have approved and adopted this Code of Conduct Policy and Ethics Policy which sets out the standard which the Board, management and employees of the Company are encouraged to comply with when dealing with each other, shareholders, and the broader community.

Code of Conduct Policy

Commitment of the Board and Management to Corporate Code of Conduct

The Board and Management encourage all staff to consider the principles of the code and use them as a guide to determine how to respond when acting on behalf of the Company.

Responsibilities to Shareholders and the Financial Community Generally

The Company aims:

- to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and the community;
- comply with systems of control and accountability which the Company has in place as part of its corporate governance; and
- to act with honesty, integrity and fairness.

Responsibilities to Clients, Customers and Consumers

The Company is to comply with all legislative and common law requirements which affect its business. Any transgression from the applicable legal rules is to be reported to the Management as soon as a person becomes aware of such a transgression.

Employment Practices

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.

Responsibility to the Community

The Company will recognise, consider and respect legal requirements impacting upon its operations and comply with all applicable legal requirements. In addition the company will consider the interests of the broader community.

The Company will act with honesty, integrity and fairness in all dealings with the community.

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.

The Company and the Board will maintain the Company's and our shareholders', customers' and suppliers' information confidentiality unless required to be disclosed by law.

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.

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 (excluding those matters which may be subject to legal professional privilege). 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 or Chief Executive Officer in the case of a member of 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.

Compliance with the Code

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

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.

Code of Conduct for employees (and contractors)

The Company shall ensure that the above principles are implemented and adopted by employees and contractors of the Company by importing the following principles into the terms of such engagements:

- (a) To 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 to 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;
- (f) The Company is committed to the ideal of equal employment opportunity and to providing a workplace that is free of harassment and discrimination. To this end the Company will observe the rule and spirit of the legal and regulatory environment in which the Company operates;
- (g) Report any breach of this code of conduct to Management, who will treat reports made in good faith of such violations with respect and in confidence.

Selection of External Auditor and rotation of Audit Engagement Partner

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 general meeting of shareholders.

Selection Criteria

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 arrangements in place for the rotation of the audit engagement partner on a regular basis.

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.

Review

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

Ethics Policy

Introduction

The Company has adopted the following Ethics Policy which has been agreed to by each member of the Board, setting out, in addition to these principles, the obligations of integrity and honesty on each member of the Board and their obligations with respect to trading in Securities in the Company and disclosure to the ASX.

Directors of the Company are subject to certain stringent legal requirements regulating the conduct both in terms of their internal conduct as directors of the Company and in their external dealings with third parties both on their own behalf and on behalf of the Company.

To assist directors in discharging their duty to the Company and in compliance with relevant laws to which they are subject, the Company has adopted the following Ethics Policy).

This Ethic Policy sets out rules binding Directors in respect of:

- a) a Director's legal duties as an officer of the Company;
- b) a Director's obligations to make disclosures to the ASX and the market generally; and
- c) dealings by Directors in shares in the Company.

Directors' Powers and Duties

Each Director of the Company is required to comply strictly with the legal, statutory and equitable duties as an officer of the Company. Broadly, these duties are:

- to act in good faith and in the best interests of the Company;
- to act with due care and diligence;
- to act for proper purposes;
- to avoid conflicts of interest or duty; and
- to refrain from making improper use of information gained through the office of Director, or taking improper advantage of the office of Director.

General

Directors of companies owe a variety of duties to those companies which may impact upon the appropriateness of their attendance and participation in meetings of the board of directors. These duties arise as a result of the general law and also under the *Corporations Act*.

Directors should be aware that if they breach their fiduciary duties to the company, they may be liable to account to the entity for any profit they derive or indemnify the entity against any loss their breach has caused.

Breaches of the *Corporations Act* duties may also give rise to an action for damages, fines and penalties or disqualification.

Common Law Fiduciary Duties

A director is said to be in a fiduciary, as opposed to an arm's length, relationship with the Company. As such a director will owe various fiduciary duties to the Company which underlie matters relating to the conduct of a director, including attendance and participation at meetings. The positive duties of a director include the duty to act in good faith in the best interests of the Company, to act for proper corporate purposes and to give adequate consideration to matters for decision and to keep discretions unfettered.

Corporations Act 2001

A director of a corporation will also be subject to duties imposed by the Corporations Act 2001. They include the duty to exercise care and diligence, to exercise their powers in good faith and for a proper purpose and not to misuse their position or information obtained from their position to gain an advantage for themselves or others or cause detriment to the company.

General Duties of Directors

1. Proper Corporate Purpose

General law duty - to act for proper corporate purposes.

The duty to act for proper corporate purposes requires directors to exercise the powers granted to them for the purpose for which they were given, not for collateral purposes.

2. Adequate Consideration

General law duty – to give adequate consideration and duty not to fetter a director's discretion

The duty to give adequate consideration to matters for decision and to keep discretions unfettered requires directors to give adequate consideration to matters when exercising their discretions. They must take positive steps to inform themselves about matters and not simply acquiesce in the decision making process.

3. Care and diligence

General law and Corporations Act duty – to act with a reasonable degree of care and diligence in exercising a director's powers and discharging a director's duties

Under the *Corporations Act*, a director must exercise their powers and discharge their duties with the degree of care and diligence that a reasonable person would exercise if they:

- were a director of a corporation in the same circumstances as the Company; and
- occupied the same office and had the same responsibilities as the director.

Apart from the *Corporations Act* obligation, a failure of a director to act with a reasonable degree of care and diligence is also likely to be considered negligent.

4. Business Judgment Rule

The Corporations Act 2001 provides for a mechanism for director's to avoid a breach of their duty of care and diligence where certain parameters are met. This is known as the "business judgment rule". All directors of the Company are expected to be familiar with this rule.

In summary, a director who makes a business judgment is taken to meet the duty of care and diligence (whether under statute or the general law) if they:

- make the judgment in good faith and for a proper purpose;
- do not have a material personal interest in the subject matter of the judgment;
- inform themselves about the subject matter of the judgment to the extent they reasonably believe to be appropriate; and
- rationally believe that the judgment is in the best interests of the corporation.

The director's or officer's belief that the judgment is in the best interests of the corporation is a rational one unless that belief is one that no reasonable person in their position would hold.

A 'business judgment' is any decision to take or not take action in respect of a matter relevant to the business operations of the corporation.

Whilst the business judgment rule assists directors to avoid a breach of their duty of care and diligence both under the *Corporations Act* or under the general law, it does not relieve breaches of the other duties of directors, whether under the *Corporations Act* or otherwise, described above.

Avoiding Conflicts

Attending and Participating in Board Meetings

The duties in relation to conflict are of particular importance when a director is considering whether or not they should attend and participate in Board meetings.

This rule requires a director to avoid situations in which there is a "real and sensible possibility" of conflict between the director's personal interests and the company's interests. This duty is also of particular significance where directors hold multiple directorships. Whilst merely holding multiple directorships, even in competing companies, is not a breach of the rule against conflict, the rule will be breached if the

director discloses confidential information which the director has gained as a result of their directorship of the other company.

Consequently, if a director has a conflicting personal interest, whether direct or indirect, in a matter to be discussed at a board meeting, they should firstly disclose this matter to the Board and secondly consider whether participating in the matter would result in a breach of their fiduciary duties.

Material Personal Interest

A director who has a material personal interest in a matter that relates to the affairs of the Company is required to disclose this to the Company.

Directors of the Company who have a material personal interest in a matter generally must not attend a directors meeting while the matter is being considered or vote on the matter. However, a director may do these things if a resolution of the Board is passed to this effect or if ASIC consents.

Despite this, the same cautions must be exercised as discussed above if the other directors consent to a conflicting director participation in the meeting. The conflicting director should ensure that participation won't be in breach of their fiduciary duties or the duties imposed by the Corporations Act 2001.

Directors Providing Services to the Company

In order to capitalise on the professional/technical expertise or experience of directors of the Company from time to time (other than in their capacity as directors), the Company may engage the services of that director (or a firm associated with the director) **only** on the following terms and conditions:

- the scope of the consultancy (or other services) is identified, together with a schedule of estimated costs and charge out rates to be incurred with the director or their firm;
- (where considered necessary or appropriate) the directors seek additional quotations for the same services; and
- the consultancy services are approved by the directors.

Confidentiality

Directors of the Company will have access to any information which the Directors may consider necessary to perform their responsibilities and exercise their independent judgment when making decisions. All information received by a Director in these circumstances must be considered confidential and at all times remains the property of the Company.

Any confidential information of the Company acquired by a Director during the Director's appointment must not be disclosed by the Director, or the Director must not allow it to be disclosed, to any other person unless the disclosure is authorised by the chairperson or is required by law or regulatory body (including a relevant stock exchange).

Independence

The Board is required to regularly assess the independence of Directors to ensure that Directors do not have any relationship or interest that interferes with their unfettered and independent judgment, or could reasonably give the impression that the Director's independence has been compromised.

Set Directors are required to co-operate fully with any assessment process and give all reasonable information requested. Directors are also required to tell the Company about any interest which they may have in securities of the Company (or of a related body corporate) or interest in any contract relating to those securities. This is discussed in greater detail below.

Dealings by Directors in Securities of the Company

The Company strongly encourages its directors and employees to become shareholders in the Company. However, when a director trades in shares of the Company it is important to ensure that these transactions do not reflect badly on either the director or the Company. This section of the Policy is designed to ensure that directors do not deal in shares of the Company at inappropriate times or in inappropriate circumstances.

When buying or selling shares in the Company, directors must ensure that they do not contravene the insider trading provisions contained in Part 7.10 of the *Corporations Act 2001* (Cth). Inside information is information that is not generally available which could reasonably be expected to have a material effect on the price or value of securities of a body corporate. Information is taken to have a “material effect” on the price or value of a security if it would be likely to influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy, or sell the securities. Thus, to constitute inside information the information must be both price sensitive and not generally available.

It is readily apparent that directors of the Company in the course of carrying out their duties often possess information which would be regarded as inside information under the *Corporation Act 2001 (Cwlth)*. The following are examples of information which could be regarded as inside information:

- proposed strategic business acquisition;
- financial records not yet released to the market;
- a proposed takeover not yet announced to the market.

Where directors possess inside information, they must not engage in dealings with the securities of the Company and cannot, either directly or indirectly, communicate the inside information to other persons. Directors can be liable for insider trading if they recommend the Company’s shares to other persons while they are in possession of price sensitive information which is undisclosed to the general public. Directors should be aware that they can be liable for insider trading by communicating inside information to other persons, for example their spouse, family or friends. This liability arises notwithstanding the fact that the director has not dealt with the securities of the Company. Spouses, family or friends who learn inside information and subsequently act on it before the information becomes public can also be held liable for insider trading.

It is therefore essential that all directors avoid direct or indirect communication of price sensitive information before it enters the public domain. It is equally essential that directors refrain from trading in shares of the company whilst they possess such information.

Restrictions on Directors’ Dealings with Company Shares

As a general policy, before engaging in transactions involving the shares of the Company, a director must notify **the chairman** of the intended transaction at least 24 hours **beforehand**. It is then a matter for the **chairman** to advise other directors of the intended course of action.

The Company’s policy regarding dealings by directors in the Company’s shares is that directors should **never** engage in short term trading and should not enter into transactions in the following circumstances:

- When they are in possession of price sensitive information not yet released by the Company to the market; or
- For a period of fourteen (14) days prior to release by the Company of half yearly and annual reports **or** such shorter period as may be approved of by the Board of Directors after receipt of notice of intention to buy or sell by a director to other members of the Board.

In relation to “price sensitive information”, all directors will be conscious of the fact that as the Company is a listed company, it has an obligation under Chapter 3 of the Listing Rules to make continuous disclosure. Briefly stated, that is an obligation to advise the market as soon as events and developments occur which result in the information that a reasonable person would expect to have a material effect on the price or value of the Company’s shares.

The obligation is **not** absolute and there are a number of exceptions to when “price sensitive information” need not be disclosed, which are addressed below.

Accordingly, there **will** be occasions where price sensitive information is in the possession of some or all of the directors and not yet released to the market, nor required to be released.

In relation to the half-yearly and annual reports, it is apparent that these reports will contain financial information concerning the Company. That information will be collated by the Company's auditors based on management accounts. It is a notorious fact that at **some time** before preparation of the audited yearly and annual reports, some or all of the directors will have access to the financial figures based on the data coming from the management accounts. That being so, that material may, in appropriate circumstances, be price sensitive information, not yet released. For example, a company may have glowing half year profit at the commencement of the half year and then find, based on its management accounts that it fell well behind or will fall well behind (as the case may be) those profit forecasts. That would classically be a case when any directors in possession of such information could not deal in the Company securities.

However, directors will generally be permitted to engage in trading (subject to due notification being given to the Chairperson) at the following times:

- (a) For a period commencing one (1) business day after the release of half yearly and annual reports to the market;
- (b) For a period commencing one (1) business day following the release of price sensitive information to the market which allows a reasonable period of time for the information to be disseminated among members of the public; (It is strongly recommended that at least one (1) business day be allowed on the basis that under the Corporations Act 2001 (Cwlth), directors will only be protected following disclosure to the market of price sensitive information, if that information has become generally available. The Corporations Act 2001 (Cwlth) contains no specific definition, but does indicate that information is "generally available" if it has been made known in a manner that would or would be likely to bring it to the attention of persons who commonly buy and sell shares in companies of a kind whose price or value might be affected by the information that has been released.); and
- (c) Where the proposed acquisition of securities is under:
 - (i) a bonus issue made to shareholders;
 - (ii) a rights issue made to shareholders;
 - (iii) a dividend reinvestment or top up plan available to all shareholders; and
 - (iv) an employee share plan.

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 section 205G of the *Corporations Act 2001 (Cwlth)*, directors must notify the ASX of their:

- (a) relevant interests in shares of the Company or of a related body corporate;
- (b) relevant interests in debentures of or prescribed interests made available by the Company or a related body corporate;
- (c) rights or options over shares in, debentures of, or prescribed interests made available by, the Company or a related body corporate;
- (d) 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:

- (a) 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);
- (b) 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);
- (c) 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.

The Company's Obligation of Disclosure

The Listing Rules

As a listed entity, the Company must comply with certain continuous disclosure obligations imposed by the *Corporations Act 2001 (Cwlth)* and the ASX Listing Rules. Chapter 3 of the ASX Listing Rules requires the

As a listed entity, the Company must comply with certain continuous disclosure obligations imposed by the *Corporations Act 2001 (Cwlth)* and the ASX Listing Rules. Chapter 3 of the ASX Listing Rules requires the Company to provide the ASX with immediate notice of certain material information.

The general disclosure rule imposed on the Company is contained in clauses 3.1 and 3.1A of the ASX Listing Rules:

"3.1 Once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell ASX that information.

3.1A Listing Rule 3.1 does not apply to particular information while each of the following are satisfied:

3.1A.1 *A reasonable person would not expect the information to be disclosed*

3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential*

3.1A.3 *One or more of the following applies*

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

There is also the "false market"/"rumours" disclosure rule in clause 3.1B as follows:

"3.1B *If ASX considers that there is or is likely to be a false market in an entity's securities and asks the entity to give it information to correct or prevent a false market, the entity must give ASX the information needed to correct or prevent the false market.*"

The provisions of Chapter 3 are reinforced by Chapter 6CA of the *Corporations Act 2001 (Cwlth)*. In particular, section 674(2) provides that:

"If:

- (a) *[provisions of the listing rules of a listing market in relation to an entity require an entity to notify the market operator of information about specified events or matters as they arise for the purpose of the operator making that information available to participants in the market]; and*
- (b) *the entity has information that those provisions require the entity to notify to the market operator; and*
- (c) *that information:*
 - (i) *is not generally available; and*
 - (ii) *is information that a reasonable person would expect, if it were generally available, to have a material effect on the price or value of securities of the entity;*

the entity must notify the market operator of that information in accordance with those provisions."

It is therefore essential that directors acquaint themselves not only with their personal obligations of disclosure, but also the disclosure obligations imposed on the Company.

The Disclosure Obligation

Under the provisions of Listing Rule 3.1, the Company is required to immediately notify the ASX of any information concerning the Company of which it is, or becomes, aware, and which a reasonable person would expect to have a material effect on the price and value of the Company shares.

When is the Company aware of information

The Listing Rules provide that the Company is 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 the performance of their duties as a Director or executive officer of the Company.

An “executive officer” of the Company means a person who is concerned in, or takes part in, management of the Company. A person can be an executive officer regardless of his or her designation, and irrespective of whether or not the person is a Director.

What information has a material effect on price?

The effect of information on the price or value of the Company shares is to be judged by the expectations of a “reasonable person”. A reasonable person would expect information to have a material effect on the price or value of the Company shares if the information would, or would be likely to, influence investors who commonly invest in shares in deciding whether or not to deal in the Company shares.

The Company and each director should be aware of ASX policy with respect to the disclosure of material information relating to the:

- financing arrangement of the Company; and
- existence and terms of any finance arrangements that may be in place in relation to director’s shareholdings (for example margin loans).

Finance Arrangements

Where the Company has in place or enters into new material financing arrangements or alters existing material financing arrangements which include terms that may be activated upon the occurrence of certain events (particularly those beyond the control of the Company, such as market events) disclosure may be required under Listing Rule 3.1 at the time any such term is activated or becomes likely to be activated.

The disclosure required may include the nature and terms of the arrangements, the trigger event, any other material information such as any impact that triggering of the term may have on the Company’s relationship with its bankers, or financial position or financial performance. It may also be appropriate in some circumstances for the Company to request a trading halt if the Company is unable to immediately release the information.

Unless the exceptions in the Listing Rule 3.1 apply to the terms of the Company’s material financial arrangements, the Company should disclose to the ASX, upon entering into the arrangements, the nature and terms of the arrangements, the trigger event, any other material information such as any impact that triggering of the term may have on the Company’s relationship with its bankers, or financial position or financial performance.

Margin Loans

Listing Rule 3.19A and 3.19B require the Company to disclose the notifiable interests of a director within five business days of the appointment or resignation of the director or a change to the notifiable interests occurring. Information about shareholders and their shareholdings can be material under Listing Rule 3.1 and require immediate disclosure.

Where a director has entered into a margin loan or similar funding arrangements for a material number of securities, Listing Rule 3.1 in appropriate circumstances, may operate to require the Company to disclose the key terms of the arrangements, including the number of securities involved, the trigger points, any right of the lender to sell unilaterally and any other material details. Whether a margin loan arrangement is

material is a matter which the Company must decide having regard to the nature of its operations and the particular circumstances of the Company.

Listing Rule 3.1B applies where the ASX considers that there is or is likely to be a false market, and in such circumstances the Company must disclose information necessary to correct or prevent a false market. This requirement may arise even though the Company is not aware of any information that would be required to be disclosed under Listing Rule 3.1.

A Director must disclose to the Company any financial arrangements or margin loan the Director has entered into in respect of any securities which the Director holds in the Company. Such disclosure by the Director should be on entering into the arrangements and should include key terms of the arrangements, including the number of securities involved, the trigger points, any right of the lender to sell unilaterally and any other material details.

Ramifications of Failing to Comply

The ramifications of failing to comply with the continuous disclosure obligations under Listing Rule 3.1 are extremely serious.

Exemption from Disclosure

The Listing Rules provide that the Company does not need to disclose information under Listing Rule 3.1A if **each** of the following is satisfied:

A reasonable person would not expect the information to be disclosed (Listing Rule 3.1A.1); **and**

The information is confidential (Listing Rule 3.1A.2); **and**

One or more of the following applies (Listing Rule 3.1A.3)

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

It must be noted that the above exemption from the requirement to make disclosure only **operates while all three elements are satisfied. If any of the requirements cease to be satisfied, the entity must disclose the information immediately.**

By way of example, if information that has not been disclosed by relying on the exemption becomes known in some way to participants in the market, then it **must** be given to the ASX for release to the market, as it would no longer satisfy the confidentiality requirement. It does not matter how the matter became known in the market.

Continuous Disclosure Practice

The Listing Rules make it clear that all Listing Rules (including Listing Rule 3.1A) must be complied with in the “spirit” of continuous disclosure. The ASX states that the Listing Rules are not intended to be interpreted in a legalistic or restrictive manner.

Market Speculation

The ASX notes that from time to time it may be necessary to respond to speculation in order for the market to remain properly informed.

The ASX states that it does not expect companies to respond to all comments made in the media, or to respond to all market speculation. However, when the comment or speculation becomes reasonably specific, or the market moves in a way that appears to be referable to the comment or speculation, the company should make a statement in response to ensure the market remains properly informed.

It is ASX policy that whatever the information, and however much it might otherwise have been reasonable not to disclose it, the information should be released to the whole market once it becomes known to any part of the market.

Disclosure of Information to Brokers and Press

Listing Rule 15.7 has the effect that the Company must not release information which is for release to the market to any person (including the media, even on an embargoed basis) until it has given the information to the ASX, and has received an acknowledgement that the ASX has released it to the market.

With respect to analysts, the ASX states that a company must only disclose public information in answering analysts' questions, or reviewing analysts' draft reports. The ASX states that it is inappropriate for a question to be answered, or a report corrected, if doing so involves providing material information that is not public. The ASX states that when analysts visit the company, care should be taken to ensure that they do not obtain material information that is not public.

Internal Disclosure

Employees will have access to information that is confidential. The employees with such access should be made aware of its confidential nature. The ASX notes that companies should ensure that confidential information does not find its way into "in house" publications.

Directors and Executive Officers

Each of the following personnel (the Reporting Group) will need to participate in the "continuous disclosure" system, because information in their possession will need to be considered in order to comply with the continuous disclosure obligation:

- the Directors
- Managing Director or Chief Executive Officer
- Chief Financial Officer and Company Secretary

Overseeing and Co-ordinating Disclosure

The Chairperson, Managing Director (or Chief Executive Officer) and Company Secretary will be responsible for:

- ensuring the Company complies with its continuous disclosure obligations (ie. Market sensitive material)
- overseeing and co-ordinating disclosure of information to the ASX;
- reviewing information to be provided to analysts, brokers, the media and the public, in order to be able to ensure any market sensitive material has been released to the ASX.

Information Collecting Procedures to ensure Listing Rule 3.1A (market sensitive information) is identified

The responsibility of each member of the Reporting Group are:

- To ensure all notifiable (market sensitive) information is kept confidential within the Reporting Group;
- To collect and forward to the Chairperson, Managing Director or Chief Executive Officer and Company Secretary all information which is, or may be required to be disclosed, and consult with him if in doubt;
- To make senior personnel within his or her area of responsibility aware of the Company's disclosure obligations to ensure that all relevant information is provided to him or her.

Releasing Information to the ASX

The system for releasing information to the ASX for the Company is as follows:

When any of the Reporting Group becomes aware of information which they believe may need to be disclosed on the basis of the principles described in this document, they should immediately contact and give full details to the Chairperson, Managing Director or Chief Executive Officer and Company Secretary.

Chairperson, Managing Director or Chief Executive Officer and Company Secretary will take the following steps in relation to information forwarded to them:

- Assess whether disclosure is required and request Board consideration of all non compliance announcements;
- Consult the Chairperson and other advisers (including the ASX) as necessary;
- Prepare a market release for provision to the ASX if required;
- Inform the Managing Director or Chief Executive Officer if required; and
- Forward the release to the ASX if required.

Prior to each Board Meeting, the Chairperson, Managing Director or Chief Executive Officer and Company Secretary should contact the executive members of the Reporting Group to confirm that there is no material requiring disclosure.

For each set of Board Papers, there should be an agenda item entitled "Continuous Disclosure". In this item, the Chairperson, Managing Director or Chief Executive Officer and Company Secretary should either:

- Confirm that there was no material brought to his attention requiring disclosure for the preceding month; or
- Outline material which has been disclosed.

Company Spokespersons

In order to maintain control over disclosures, the following persons only will be authorised to speak on the Company's behalf to analysts, brokers and institutional investors, and to respond generally to shareholder queries:

- Chairperson
- Managing Director or Chief Executive Officer

- Chief Financial Officer and Company Secretary and
- where appropriate, non executive directors

In order to safeguard against inadvertent disclosure of non-public information to brokers, investors, analysts and institutions prior to it being disclosed to the ASX, contact must be made with the Chairperson, Managing Director (or Chief Executive Officer) and Company Secretary prior to making contact with these persons in order that he may provide a briefing of what has been disclosed by the Company to the ASX.

Authorising Disclosures in Advance

Again, in order to avoid an inadvertent breach of the continuous disclosure obligations, materials to be presented and issues to be discussed at external presentation must be discussed with the Chairperson, Managing Director (or Chief Executive Officer) and Company Secretary prior to presentation in order that he may confirm no non-public material information is being disclosed.

Maintenance of Released Material

The Company Secretary shall advise the Board of the information disclosed to the ASX

Handling Rumours, Leaks and Inadvertent Disclosures

It should be noted that any unauthorised leak of information may place the Company in breach of the Listing Rules and could expose persons to allegations of insider trading.

If external contact is made seeking clarification of a rumour in the market place, the enquiry should be referred to the Chairperson, Managing Director or Chief Executive Officer and Company Secretary. The recommended response to such query is that “the Company does not respond to market rumours”. Consideration will then be given by the Chairperson, Managing Director or Chief Executive Officer and Company Secretary as to whether a public announcement is required.

The Reporting Group should notify the Chairperson, Managing Director or Chief Executive Officer and Company Secretary of any unauthorised disclosure of information (even if regarded as non-public sensitive). Consideration will then be given to the need to make an ASX disclosure.

Reviewing Discussions

In order to ensure no price sensitive material has been inadvertently disclosed, the Chairperson, Managing Director or Chief Executive Officer and Company Secretary should be kept apprised of the contents of any substantive contact with analysts, brokers and institutional investors.

Responsibilities in respect of accounts

The Company is required 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. Part 3 of this Policy is designed to ensure that 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:

- The safeguarding of assets against unauthorised use or disposition; and
- 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.

It might be expected that the Company would introduce formal codes of conduct to ensure that employees pursue the highest standards of integrity and ethical values as well as provide further guidance on specific industry or regional matters.

Identification and Evaluation of Risks and Control Objectives

The Company should regularly evaluate and monitor its business risks. The area of risk management is outlined in the Risk Management Policy.

It might be expected that the Company would establish various Committees of the Board and Executive to receive and consider reports on these matters from time to time.

Control Procedures

The Company should 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.