



Lion Selection Group Limited Corporate Governance Papers

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Corporate Governance Papers

1. Board Charter

The Board of directors monitors the progress and performance of Lion Selection Group Limited (Lion) on behalf of its shareholders, by whom it is elected and to whom it is accountable. The following charter seeks to ensure that the Board discharges its responsibilities in an effective and capable manner.

Board Responsibilities

The Board's primary responsibility is to satisfy the expectations and be a custodian for the interests of its shareholders. In addition, the Board seeks to fulfil its broader ethical and statutory obligations, and ensure that Lion operates in accordance with these standards. The Board is also responsible for identifying areas of risk and opportunity, and responding appropriately.

Responsibility for the administration and functioning of Lion is delegated by the Board to the Managing Director and the Executive Director. Through monitoring the performance of these parties, the Board ensures that Lion is appropriately administered and managed.

The Board guides strategic planning and ensures it adheres to the interests and expectations of Lion's shareholders, manages risks and opportunities, and monitors company progress, expenditure, significant business investments and transactions and key performance indicators.

Composition of the Board

It is a policy of Lion that the Board comprises individuals with a range of knowledge, skills and experience which are appropriate to its objectives.

Lion's Constitution provides that the number of directors is to be determined by the Board but shall not be less than three. Due to the small size of Lion, the Board may not be comprised of a majority of non executive directors, although the Chairman is a non executive director. At present, the company has three directors –one non executive director (the Chairman) and two executive director (including the Managing Director).

Independence

The independent and objective judgment of Lion's directors is of paramount importance to the effective operation of the Board and the consolidated entity.

Independence is defined for the purposes of the director as he/she being independent of any business relations, whether managerial or otherwise, with Lion or its subsidiaries or its actual or potential investments which might interfere with their ability to make sound, unfettered, objective judgments, and act in the best interest of Lion and its shareholders.

The directors' independence is regularly assessed by the Board.



Relationship with African Lion Limited (AFL), African Lion 2 Limited (AFL2), African Lion 3 Limited (AFL3) and Asian Lion Limited (ALF)

Under the terms of the Shareholder Agreements for AFL, AFL2, AFL3 and ALF, all shareholders in certain circumstances, will refer investments contemplated under the investment policy to the fund. Shareholders have the right to co-invest with the fund in certain circumstances.

The Manager (Lion Manager Pty Ltd) has been appointed by the shareholders of these funds to implement its investment strategy and manage their investments. This includes all steps of the investment selection process and the making of recommendations to the Investment Committee of each fund.

Management Agreements have been established to formalise the relationship between the funds and the Manager.

The Manager, under these agreements, undertakes to act as investment manager for the funds. The Manager is at liberty to engage specialists and consultants as appropriate to assist in the assessment process and provides a regular flow of information to Lion's directors.

However, the investment committee including Lion's representative retains the power to make the final investment decision on the basis of this information and advice. This retention of final investment decisions allows the investment committee to effectively review the function and proficiency of the Manager and of the investment selection processes.

Corporate Governance

The Board will at least annually review Lion's corporate governance policies and practices and seek assurance that the policies and practices are being observed, and that subject to size constraints, they are consistent with contents and format of the corporate governance statement required by the Australian Stock Exchange (ASX) and National Stock Exchange of Australia (NSX).

Audit Committee

Lion recognises that Recommendation 4.2, 4.3 & 4.4 of the Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" suggests the establishment of an Audit Committee and associated Charter. However, in view of the small size of Lion's Board, the Board in its entirety acts, effectively, as the Audit Committee, and there is no need to further subdivide it. As such, a Audit Committee is an unnecessary measure for Lion.

Nomination Committee

Lion recognises that Recommendation 2.4 of the Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" suggests the establishment of a Nomination Committee and associated Charter. However, in view of the small size of Lion's Board, the Board in its entirety acts, effectively, as a Nominations Committee, and there is no need to further subdivide it. As such, a Nominations Committee is an unnecessary measure for Lion.



Nomination, Appointment and Retirement of Directors

If a vacancy occurs or if it is considered that the Board would benefit from the services and skills of an additional director, the Board selects a panel of candidates with appropriate expertise and experience and, after assessment, appoints the most suitable candidate.

Lion's Constitution requires that directors appointed by the Board submit themselves for re-election at the first meeting of shareholders following their appointment. Whilst directors are not appointed for a fixed term, under the Constitution, one-third of the directors (excluding the Managing Director) must retire by rotation each year and submit themselves for re-election by shareholders.

Directors' Access to Professional Advice

In the discharge of their duties, directors have the right to seek independent professional advice at the expense of the company subject to the prior approval of the Chairman.

Compensation Arrangements and Remuneration Committee

The remuneration of the directors of the company is reviewed by the full Board.

Lion's Constitution stipulates that the aggregate remuneration available for division amongst the non executive directors is determined by the shareholders in general meeting. The aggregate was initially fixed at \$100,000. This amount, or some part of it, is divided among the non executive directors as determined by the Board. At present the aggregate annual remuneration paid to non executive directors is \$52,000, including \$12,000 retainer for consultancy.

D&O Insurance and Indemnity

The Company maintains a Directors and Officers and Company Reimbursement Insurance Policy.

An indemnity agreement has been entered into between Lion and each of the directors of the company and with the Company Secretary. Under the agreement, the company has agreed to indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities to the extent permitted by law. There is no monetary limit to the extent of this indemnity.

Performance Evaluation

The small scale of the Board and the exceptional nature of the company's activities make the formal establishment of a performance evaluation strategy unnecessary. Performance evaluation is a discretionary matter for consideration by the entire Board. The Board will annually meet to assess performance of management, directors and the Board as a whole.

2. Local Indigenous Communities

Lion has a policy that developments of investees are not exploitative of local and indigenous communities and to assist such through symbiotic project development. There is a focus on health, education and employment of indigenous people near to investee companies' development projects.



3. Environment

Lion has a policy that environmental impact of developments is in line with country/international standards and does not adversely impact local communities geology/economy.

4. Business Risks

The Board aims to reduce investment risk through a policy of diversification of investments geographically and avoid over dependence on a single commodity, investee company or country.

Risks associated with the exploration and mining industry include geological, technical, political, title and commodity pricing risks.

The main areas of business risk to the company arise from:

- failure of an investee company due to one or a number of the above causes;
- downturn in the stock market; and
- changes to the law – corporations/taxation legislation.

Individual investments each have their own risks which relate to the mining industry generally. These risks are regularly considered by the Lion Board.

The Managing Director also provides monthly status reports to the Board which identifies potential areas of business risk arising from changes in the technical, legal, financial or economic circumstances of any investee company or its operating environment.

5. Code of Conduct

The Board acknowledges the need for the highest standards of corporate governance practice and ethical conduct by all directors and employees of both the company and the Manager.

The directors of Lion, all company employees, directors and employees of the Manager, undertake to preserve the highest standards of integrity, accountability and honesty in their dealings, operating in strict adherence to statutory and ethical obligations. These individuals are mindful and respectful of relevant policies and responsibilities.

Company practices are stringently monitored by the Board, while the Board itself is subject to the principles of its charter, which requires a high standard of independence, objectivity and openness in its dealings and relationship with shareholders and the management team. The Shareholder Communications Strategy, the Securities Trading Policy, and the Continuous Disclosure Policy collectively form a solid ethical foundation for company practices.



6. Securities Trading Policy

As a result of the nature of the business of Lion (together with any subsidiaries, referred to as the Lion Group), directors, officers and other employees of the Lion Group will be in possession of information regarding a wide range of small and medium sized exploration and mineral production companies. From time to time some of this information may be classified as “inside” information. They may also be aware of potential transactions between small and medium sized exploration companies and other companies.

This policy and procedure is designed to prevent the possibility of any actual or perceived:

- conflict of interest between the interests of the Lion Group and its directors, officers and employees; and
- insider trading by any Lion Group director, officer and employee.

The Corporations Law contains detailed provisions which set out the insider trading prohibitions and impose severe penalties for contravention of those provisions.

Any queries regarding inside information, prohibited conduct, or the policies and procedures contained in the document should be directed to the Company Secretary.

1. To whom does this policy apply?

This policy applies to all directors and employees of any of:

- Lion; and
- any wholly owned subsidiaries of these companies,
(together the “Lion Group”)

This policy extends to include investments for or on behalf of the relevant director or employee, spouse living with the individual, an associated company or trust, or any other related person, company or entity.

2. Summary of the insider trading prohibitions in the Corporations Law

Meaning of insider and inside information

For the purposes of the insider trading provisions of the Corporations Law, a person is an “insider” if the person possesses information that is not generally available but, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of securities (“inside information”) and the person knows, or ought reasonably to know that the information is inside information.

Information is taken to be generally available if it:

- consists of readily observable matter; or
- has been made known in a manner that would or would be likely to bring it to the attention of persons who commonly invest in securities of a kind whose prices or value might be affected by the information and since it was so made known, a reasonable period for it to be disseminated among such persons has elapsed; or



- consists of deductions, conclusion or inferences made or drawn from such information.

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

What activities are prohibited under the Corporations Law?

The Corporations Law prohibits an insider from “trading”, “procuring” another person to trade, in relevant securities and from “tipping” another person in relation to the relevant securities, whether as principal or agent.

- (a) **Trading** means to subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell any such relevant securities;
- (b) **Procuring** includes to incite, induce or encourage another person to trade in the relevant securities; and
- (c) **Tipping** means to communicate directly or indirectly inside information (or to cause the inside information to be communicated) to another person where the insider knows or ought reasonably to know that the other person would or would be likely to trade or procure a third person to trade.

3. Supervisory Procedures

To assist in the adherence to this policy, the Lion Group will:

- ensure all directors and employees of the Lion Group are familiar with these policies and procedures;
- review on a regular basis and update as necessary, these policies and procedures;
- monitor the trading activity of each director and employee from time to time, including tabling a schedule of holdings and movements for each individual for each meeting of Lion’s Board; and
- review trading activity, if any, of the Lion Group’s own account.

Each individual in the Lion Group will annually provide the Company Secretary with a statement that they are aware of this policy, and have adhered to it for the prior 12 month period.



4. Compliance Procedures

The compliance procedures are as follows:

(a) Directors and employees of the Lion Group (and their related parties) are not to invest in or otherwise trade in the securities of:

- small and medium sized exploration and mining companies, (other than Lion) with activities in countries Lion or any funds managed by the Lion Manager is able to invest;
- any company in which a member of the Lion group may have a material business transaction or association with or where such a transaction or association is being contemplated;
- any company with which a Lion Group Investee may have a material business transaction or association or where the Lion Group is aware that such a transaction or association is being contemplated; or
- any Investee Company.

For the purposes of this policy:

- a small and medium company is defined as one with a market capitalisation of less than A\$250 million at the time of investment;
- material transaction or association means one which may be reasonably expected to have a material financial effect on the Lion Group company or the Investee company;
- Investee Company means any company in which a member of the Lion Group or a company managed by a member of the Lion Group has or is contemplating an interest; and
- all members of the Lion Group prior to making a transaction in the resource sector must make reasonable enquiries to ensure they are in compliance with this policy.

(b) Individuals must submit to the Company Secretary a list of the names of resource companies with a market capitalisation below A\$250 million (at time of purchase or have subsequently become) which were existing investments of that individual or a related party prior to becoming a member of the Lion Group, or where the market capitalisation of the company has fallen below A\$250 million having been outside the scope of this policy at the time the investment was made.

(c) In limited circumstances, an individual within the Lion Group may wish to seek exemption from this policy in order to transact in relation to small and medium sized exploration and mining companies or Investee Companies. Such transactions must be specifically contemplated in this policy, must be approved in advance by the Relevant Approver as defined in 4(d), and are subject always to both the approver and investor being satisfied that the investor is not in possession of market sensitive or material information or could be perceived to be in possession of such information.

(d) For the purposes of this policy, the Relevant Approver is:

- (i) the Company Secretary for transactions to be undertaken by Lion Group employees.



- (ii) the Lion Board for transactions to be undertaken by Lion directors
 - (iii) a Lion director for transactions to be undertaken by the Company Secretary.
- (e) In special circumstances, following approval in advance by the Relevant Approver, individuals in the Lion Group may purchase shares (but not existing shares) through rights issues, exercise of options, SPP's, or placements on a pro-rata basis, in small and medium sized exploration and mining companies or Investee Companies (normally only if that individual has a pre-existing interest);
- (f) Following approval in advance by the Relevant Approver, individuals in the Lion Group may sell their investment or part of their investment in small and medium sized exploration and mining companies or Investee Companies, provided also that each sale must follow the approval of the responsible representative on the Board of the Investee Company (if there is one).
- (h) With respect to the purchase and sale of shares in Lion, individuals must transact into windows as soon as reasonable following quarterly reports, half yearly and full yearly financial results announcements, and the Annual General Meeting. Individuals must notify the Company Secretary or Managing Director of their intention to make such a transaction. In addition, Lion directors must notify the Board of their intention to make such a transaction. For this purpose, a window is defined as commencing the day after each relevant event or announcement, and ending 20 business days after that date.

5. Notification Requirements

All details of transactions above must be immediately submitted in writing to the register held by the Company Secretary.

6. Lion Manager

Lion Manager has a similar policy in relation to Securities Trading.

7. Continuous Disclosure Policy

The Lion Group is committed to continuous disclosure of material information as a means of promoting transparency and investor confidence. The practices of Lion are fully compliant with the NSX listing rules, including in particular those regarding continuous disclosure.

Lion will immediately notify the market of any information concerning itself which is not subject to the exceptions in the NSX Listing Rules and which a reasonable person would expect to have a material effect on the price or value of Lion's securities.

The Managing Director and the Company Secretary of Lion, (Management) is responsible for the regular review of Lion's affairs to ensure that any relevant information is promptly announced to the NSX. Management is well aware of its legal responsibilities regarding continuous disclosure under the NSX Listing Rules. Management ensures that the processes governing the review and release of material information ensures compliance with these obligations, and that information is released in an efficient and consistent fashion. Where there is any disagreement or ambiguity as to the release of particular information,



members of management will consult the full Board. Events such as trading halts, if they occur, will be arranged by the Management.

Release of material information to the NSX is conducted by Lion's Company Secretary. Where the NSX contacts Lion, for example in the event of unusual share price fluctuations, communications are managed by the Company Secretary.

The Company expects investee companies to adopt and adhere to the same standards of continuous disclosures.

8. Statement of Social Governance

Statement of Social Governance

Objective to achieve sustainable economic and social benefits to the communities in which mineral activity takes place by:

- recognising local realities and concerns;
- promoting dialogue and participation;
- building social and economic capital; and
- integrating activities locally and regionally.

(This statement parallels the rationale of ICMM – International Council on Mining and Metals.)

Areas of Activity Considered

- Exploration/access to land and resources.
- Project development and governance of mining and processing activity.
- Rent (royalty, tax etc) capture and distribution.
- Stewardship of water, biodiversity and energy use.
- Waste management.
- Social and environmental aspects of mine closure.

Subsequent stages of metals trade, smelting and refining may often be beyond the influence of the company.

Above Ground Events

- **Corruption**
 - Policy not to tolerate corrupt activity.

- Facilitation acceptable and defined as something that is transparent and will not breach any law nor embarrass the directors of the company.

➤ **Insurgency and Security**

- Political risk assessment conducted prior to investment should exclude any area where personal safety is threatened.

➤ **Human Rights**

- World Bank standards to be used.
- Refer to ICMM Toolkit.

➤ **Community**

- World Bank standards to be used.
- Refer to ICMM Toolkit.

➤ **Environment/Pollution**

- Refer separate EMS policy.

➤

➤ **Government**

- Rigorous political risk to be conducted prior to investment in any new country. Then cross check with AFL and ALF country partners (Proparco, EIB etc).
- Review annually.

➤ **NGO/Lobbyists**

- Where confronted by irrational argument, ensure that the opposing groups provide full transparency.

➤ **JV Partners**

- Complete counter party (and other major investors) risk assessment.

When a change occurs in one of the Above Ground Events noted above then the background detail will be re-examined to allow reconsideration of:

- response;
- awareness;
- control.

Ultimately the only solution may be to reconsider the investment.



Investor Impact

Improper handling of any aspect of social or environmental governance will impact negatively on local communities, government/bureaucracy and investors.

➤ **Reputation**

- Any breach of governance must be treated seriously and with full transparency.

➤ **Reporting**

- Over optimistic and misleading reporting will ultimately be exposed.
- Sophisticated and realistic reporting is essential at all times.