

**Lion Selection Group**

ACN 077 729 572



# **CORPORATE GOVERNANCE STATEMENT**

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31 JULY 2018

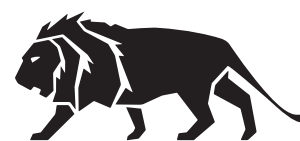
As a professional investor in junior miners, Lion is particularly focussed on the corporate governance of its investee companies. Lion's approach is based on experience through multiple resource cycles and reflects its view that in corporate governance one size does not fit all and careful consideration must be given for smaller mining companies, notably a material sub-set of ASX listed companies. Three key departures are relevant, in particular for pre-production mining companies:

1. Because the mineral resource/ore reserve usually has both greater value and risk than purely financial assets, a company's internal controls and processes surrounding establishing and announcing these are one of the most material aspects for pre-production mining companies. This extends to studies that seek to establish parameters around how a mining operation might operate. This area may have been overlooked in the current ASX guidelines and consideration should be given for how mining companies approve such releases, and having geological and mining expertise at board level to understand the issues and provide formal approval. Regulatory debate in 2016 focussed on scoping study disclosure and restricting release of this information which is vital to investor comprehension and proper functioning of the ASX as a funding mechanism. Lion opposes any restriction on disclosure of feasibility work.
2. The ASX Corporate Governance Council requires listed firms to adopt a majority of 'independent' board members without links to management or substantial shareholders (ie 5% or greater shareholding), or explain 'if not, why not'. The concept is that such directors should be more dispassionate and less biased in favour of either management or significant shareholders. We note that there is limited empirical research supporting that such boards add value to a company, and in Lion's experience this structure can be detrimental for junior mining companies. Lion concurs that it is essential that a board operates as an effective check on management, however a non-executive director with a significant shareholding is often better placed to fulfil this role, and has interests closely aligned with the general shareholder register. Junior mining companies often have many challenges to be overcome to develop their projects, and need the necessary entrepreneurial drive to achieve this. In a crisis, an ASX-defined independent director risks being disinterested, overly conservative, or may lack the fortitude to see the task through when their personal incentives are limited to on-going directors fees.
3. The ASX guidelines provide that non-executive directors should not receive options with performance hurdles or performance rights as part of their remuneration which may lead to bias in their decision making and compromise their objectivity. Lion notes that pre-production mining companies almost all have limited cash, and issuing appropriately structured options both reduces the cash burden on the company and provides greater alignment with the interests of shareholders.

## Introduction

The Board of Directors of Lion Selection Group Limited (Lion or the Company) is committed to high standards of corporate governance. The Company recognises that it has responsibilities to its shareholders and personnel, as well as to the communities in which it invests.

As required by the ASX Listing Rules, this statement discloses the extent to which the Company follows the Corporate Governance Principles and Recommendations released in March 2014 by the ASX Corporate Governance Council (ASX Recommendations). Except where otherwise explained, the Company follows all of the ASX Recommendations. This Corporate Governance Statement has been approved by the Board of Directors of Lion Selection Group Limited.



## PRINCIPLE 1: Lay solid foundations for management and oversight

### Recommendation 1.1

A listed entity should disclose:

- (a) the respective roles and responsibilities of its board and management; and
- (b) those matters expressly reserved to the board and those delegated to management.

### The Board

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

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 Chief Executive Officer and to Lion Manager Pty Ltd (the Manager), which provides investment management services to the Company. Through monitoring the performance of these parties at least annually by way of performance evaluations, the Board ensures that Lion is appropriately administered and managed. Lion's investments are managed by the Manager. Lion's Board reviews the Manager's performance internally through the Manager's reports, processes and presentations. The Board monitors the Manager's staffing and processes.

In addition, 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, key performance indicators and financial and other reporting.

### Management

The Manager has been appointed by Lion to implement its investment strategy and manage its investments. This includes all steps of the investment selection process and the making of recommendations to the Board.

A Management Agreement has been established to formalise the relationship between the Company and the Manager. The Manager, under this agreement, undertakes to act as investment manager for Lion. The Manager is at liberty to engage specialists and consultants as appropriate to assist in the investment assessment process and provides a regular flow of information to Lion's directors. Lion's Board retains the power to make the final investment decision on the basis of this

information and advice. This retention of final investment decision allows the Board to effectively review the function and proficiency of the Manager and of the investment selection processes.

Further information on performance evaluations can be found under ASX Principle 8.

### Recommendation 1.2

A listed entity should:

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

Lion ensures that all candidates for directorship are well known to the company. In addition, all appropriate checks and due diligence are undertaken by the Lion board prior to nominating a director for election. Information about candidates who are standing for election or re-election as a director including biographical details, qualifications, experience and other directorships is provided to shareholders to enable them to make an informed decision.

### Recommendation 1.3

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

The terms on which the directors and senior executives are appointed is set out in the written agreement between the Company or the Manager and the individual. This establishes the roles and responsibilities of each person, their duties and accountabilities.

### Recommendation 1.4

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary is responsible for co-ordination of all Board business, including agendas, Board papers, minutes, communication with regulatory bodies and ASX and all statutory and other filings.

Through the Chairman, the Company Secretary is accountable directly to the Board on all matters to do with the proper functioning of the Board.

### Recommendation 1.5

A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- (b) disclose that policy or a summary of it; and
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
  - 1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
  - 2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.16

While the Company does not have a gender diversity policy at present, the Company promotes a culture of equal opportunity and has the principles of equality, fairness and contribution to commercial success at all levels within the Company. Lion recognises and values the blend of skills, perspectives, styles and attitudes available to the Company through a diverse workforce. Different perspectives in the investment selection process and stronger problem-solving capabilities flow from a diverse workforce.

Workplace diversity in this context includes, but is not limited to, gender, age, ethnicity and cultural background.

Workplace flexibility involves developing people management strategies that accommodate differences in background, perspectives and family responsibilities of staff.

### Recommendation 1.6

A listed entity should:

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

### Recommendation 1.7

A listed entity should:

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

The small scale of the Board and the nature of the Company's activities make the formal establishment of a performance evaluation strategy unnecessary. Performance evaluation is managed by the Chairman. The Chairman assesses each Board member's performance and the performance of management (including the Chief Executive Officer), the Board as a whole and its committees on an annual basis. This process includes one-on-one and collective meetings.

## PRINCIPLE 2: Structure the board to add value

### Recommendation 2.1

The board of a listed entity should:

- (a) have a nomination committee which:
  - 1. has at least three members, a majority of whom are independent directors; and
  - 2. is chaired by an independent director, and disclose:
  - 3. the charter of the committee;
  - 4. the members of the committee; and
  - 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Lion recognises that Recommendation 2.1 of the Principles and Recommendations of the ASX Corporate Governance Council 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 Nomination Committee and there is no need to further subdivide it. As such, a Nomination Committee is an unnecessary measure for Lion.

The Lion Board as a whole reviews the size, structure and composition of the Board including competencies and diversity, in addition to reviewing Board succession plans and continuing development.

### Recommendation 2.2

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

### Recommendation 2.3

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- (c) the length of service of each director.

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.

A summary of the Lion directors' skills and experience is set out below:

Skills and Experience	No. of Lion Directors
<b>Leadership and Governance</b>	
Leadership	4
Corporate Governance	4
Strategy	4
<b>Operations</b>	
Geology & Exploration	1
Infrastructure	2
Engineering	2
Project Delivery	4
<b>Finance &amp; Risk</b>	
Accounting	2
Finance	3
Acquisitions	4
Risk Management	4
<b>Mining Investment</b>	<b>4</b>

Lion's Constitution provides that the number of directors is to be determined by the Board shall not be less than three. As a matter of policy, the Board is comprised of a majority of independent non-executive directors. At present, the Company has four directors – three independent non-executive directors, being Barry Sullivan (who is also the Chairman), Chris Melloy and Peter Maloney, and an executive director, Robin Widdup. The relevant skills, experience and expertise of each director as well as the period of office held by each director are described in the Company's Annual Report.

### Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

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

The majority of the Board of Lion are independent non-executive directors.

The executive director, Robin Widdup, is a director of the Manager, which manages Lion's portfolio. To avoid any conflict of interest and in keeping with the Corporations Act, Mr Widdup is not present during any deliberations concerning Lion's relationship with the Manager, nor does he vote in relation to such matters.

### Recommendation 2.5

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

To accord with good corporate governance practices and in step with our objective of diversification of Board representatives, the roles of Chairman and Chief Executive Officer have been segregated.

### Recommendation 2.6

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

The directors of the Board are specifically and individually selected for their diverse skills and knowledge already acquired through their education, professions, experience, positions held and ongoing exposure to industry.

## 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 any 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.

Please see comments under ASX Principle 8 with respect to the performance evaluation of the board, its committees and individual directors.

## PRINCIPLE 3: Act ethically and responsibly

### Recommendation 3.1

A listed entity should:

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

The Company's code of conduct is as follows:

**The highest standards of corporate governance practice and ethical conduct must be upheld by all directors and employees of both the Company and the Manager.**

All directors and employees of the Company must, and the directors must ensure that the Manager and its employees, preserve the highest standards of integrity, accountability and honesty in their dealings, operating in strict adherence to statutory and ethical obligations. All such individuals are to be mindful and respectful of relevant policies and responsibilities, must avoid all conflicts of interest or, where a conflict is able to be managed, must speak with the Chairman about how the conflict should be managed (who will consult with the board of directors if necessary). Where there is uncertainty about whether a conflict exists, all directors and employees are encouraged to discuss the relevant circumstances with the Chairman. All concerns about a breach of this code are to be reported to the Chairman (who will in turn consult with the board).

The Company's practices are to be stringently monitored by the Board, while the Board itself must adhere to the principles of its charter and uphold 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, which collectively form a solid ethical foundation for company practices, must be complied with at all times.

## Securities Trading Policy

The Company's securities trading policy is as follows:

### Introduction

As a result of the nature of the business of Lion and the Manager, directors, officers and other employees of Lion and the Manager 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.

- ▶ The Manager has a management contract with Lion, and also has management contracts with private funds African Lion and Asian Lion.
- ▶ Lion and the Manager will continue to be in the possession of information on a variety of small companies which at times may be insider information.
- ▶ The Manager maintains a parallel Securities Trading Policy which applies to all employees and directors of the Manager.
- ▶ Office space is shared by Lion and the Manager.

### 1. The Policy and Procedures are designed to prevent the possibility of any actual or perceived:

- conflict of interest between the Manager and Lion; and
- insider trading by the directors and employees (and related parties) of Lion. The policy extends to include investments for, or on behalf of the relevant director or employee, spouse, an associated company or trust, or any other related person, company or entity (related parties).

### 2. Summary of the insider trading prohibitions in the Corporations Act

#### Meaning of insider and inside information

For the purposes of the insider trading provisions of the Corporations Act, 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 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, conclusions 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 deciding whether or not to subscribe for, buy or sell the relevant securities.

### **What activities are prohibited under the Corporations Act?**

The Corporations Act prohibits an insider from “trading” or “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 in the relevant securities .

### **3. Supervisory Procedures**

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

- ensure all directors, officers and employees of Lion are familiar with these policies and procedures;
- review on a regular basis and update as necessary, these policies and procedures;
- seek declarations of interests at each regular Board meeting; and
- review the trading activity of each director and employee from time to time, including trading for or on behalf of the relevant director or employee, a family member (spouse or minors only), company or trust, or any other person, company or entity, and whether directly, or through a stockbroker or other intermediary.

Each director, officer and employee of Lion will annually provide the Company Secretary with a statement that they are aware of this policy (or update), 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 Lion (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);
- any company in which Lion, or any funds managed by the Manager, may have a material business transaction or association with or where such a transaction or association is being contemplated;
- any Investee Company of Lion, or any funds managed by the Manager.

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;
  - Investee Company means any company in which Lion, or any funds managed by the Manager has, or is, contemplating an interest;
  - additionally, all employees of Lion, prior to making a transaction in the resource sector, must make reasonable enquiries to ensure they are in compliance with this policy.
- (b) Directors and employees of Lion must submit to the Lion Board 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 before the Compliance Procedures were enacted or in which the individual or related party held shares prior to becoming an employee of Lion.
  - (c) The sale of investments which apply to 4(b) above must be approved in advance by the other Lion Directors.
  - (d) In special circumstances:
    - (i) following approval by the other Lion Directors, directors or employees of Lion may acquire new shares in Investee Companies (e.g. floats, rights issues and placements) but not existing shares;
    - (ii) following approval by the other Lion Directors, directors or employees of Lion may acquire shares through rights issues or placements on a pro-rata basis, in small and medium sized exploration and mining companies (normally only if that individual has a pre existing interest);and
    - (iii) in the case of 4(d) above, individuals can sell following approval of the other Lion Directors.

If there is a Lion employee or director on the Board of the Investee Company each sale must follow the approval of that Board member.

- (e)(i) With respect to the purchase and sale of shares in Lion by Lion employees or directors, transactions must only be in windows (as defined below) following quarterly reports, half yearly and full yearly financial results announcements, and the Annual General Meeting provided always that the person is not in receipt of inside information. Approval for Lion employees or directors to buy or sell shares in Lion to be given by one of the Directors of Lion.

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.

- (ii) With respect to the purchase and sale of shares in Lion by Lion directors or employees outside the windows defined in 4(e)(i), prior approval to be given by the Lion Board.

## 5. Notification Requirements

All details of transactions above must be immediately submitted to the Lion Board and recorded in the register. The register is to be updated by the Lion Company Secretary.

## 6. Securities Trading Policy – Voluntary 3 Month Rule

The following proposal is an addition to the existing Policy but is a voluntary section not requiring notification or record keeping with the Lion Company Secretary.

### 3 Month Rule

- All listed investments must be held for a minimum of 3 months.

### Philosophy

- Lion has an investment culture not a trading culture and should look to buy and hold for a medium to long term.
- Individuals should not be active in non-Lion trading activities, during work time.

## Ethical Policies

Lion's policies on indigenous communities, the environment and social governance are as follows:

### Local Indigenous Communities

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

### Environment

Lion's policy is that the environmental impact of developments be in line with country/international standards and not adversely impact local communities' geology/economy.

## Statement of Social Governance

It is the Company's 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.

To achieve its social governance objectives, the Company considers the following areas of activity:

- 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.

## PRINCIPLE 4: Safeguard integrity in corporate reporting

### Recommendation 4.1

The board of a listed entity should:

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

The Company's audit committee charter is as follows:

## Charter of the Lion Audit Committee

### Scope and Authority

The primary function of the Lion Audit Committee is to assist the Board of directors in fulfilling their responsibilities by reviewing:

- the financial information that will be provided to shareholders and the public;



- the systems of internal controls that the Board and management have established; and
- the Company's auditing, accounting and financial reporting processes.

In carrying out its responsibilities the Committee has full authority to investigate all matters that fall within the terms of reference of this charter. Accordingly, the Committee may:

- obtain independent professional advice in the satisfaction of its duties at the cost of the Company; and
- have such direct access to the resources of the Company as it may reasonably require, including the external auditors.

### **Composition**

- The Audit Committee shall comprise three non-executive directors. The Board will determine each director's independence having regard to any past and present relationships which, in the opinion of the Board, could influence the director's judgment.
- The chair of the Audit Committee will be an independent non-executive director who is not chair of the Board.
- All members of the Committee shall have a working knowledge of basic finance and accounting practices. At least one member of the Committee will have accounting or related financial management expertise, as determined by the Board.
- A quorum will comprise any two Committee members.
- The Committee may invite the external auditor and members of the management team and Board of directors to attend the meetings and to provide information as necessary.

### **Meetings**

- The Committee shall meet not less than two times a year or more frequently as circumstances require. Audit Committee minutes will be approved by members of the Committee at the following meeting of the Committee and tabled as soon as practicable at a meeting of the Board.
- The Company's senior financial management and external auditors shall be available to attend all meetings.
- As part of its responsibility to foster open communication, the Committee should meet separately with management and the external auditors, at least annually, to discuss any matters that are best dealt with privately. The Committee should be available to meet with the external auditor if required.

### **Responsibilities**

- The Board and the external auditors are accountable to shareholders. The Audit Committee is accountable to the Board.
- To fulfil its responsibilities the Committee shall:

### **Review of Charter**

- Review and, if appropriate, recommend to the Board updates to this Charter at least annually.

### **Financial Reporting**

- Review with management and the external auditors the financial statements and ASX releases in respect of each half year and full year financial result, and make recommendations to the Board in relation to such financial statements and ASX releases.
- Review with management and the external auditors the accounting policies and practices adopted by the Company and their compliance with accounting standards, ASX listing rules and relevant legislation, and recommend to the Board any appropriate changes to the accounting policies and practices.
- Discuss with management and the external auditors management's choice of accounting principles and material judgments, including whether they are aggressive or conservative and whether they are common or minority practices and make recommendations to the Board in relation to such accounting principles and judgments as appropriate.
- Recommend to the Board that the annual financial statements reviewed by the Committee be included in the Company's annual report.

### **Internal Financial Controls**

- Review any reports prepared by the external auditor including the effectiveness of the Company's internal financial controls.
- Assess management's programs and policies which deal with the adequacy and effectiveness of internal controls over the Company's business processes.
- Approve changes to the Company's formal accounting policies and monitor their implementation.
- Review jointly with management, the external auditors and if necessary, legal counsel, any litigation, claim or other contingency, including tax assessments, which could have a material effect on the financial position or operating results of the Company.
- Review and assess compliance monitoring programs in place within the Company, in relation to financial controls.

### **External Audit**

- Recommend to the Board the external auditor to be proposed to shareholders.
- Review with the external auditor the planned scope of their audit and subsequently their audit findings including any internal control recommendations.
- Periodically consult with the external auditor out of the presence of management about the quality of the Company's accounting principles, material judgments and any other matters that the Committee deems appropriate.
- Review the performance of the external auditor.
- Review and recommend the fees and other compensation to be paid to the external auditors.
- Ensure that the external auditor submits a written statement outlining all of its professional relationships with the Lion Group including the provision of services that may affect their objectivity or independence. Review and discuss with the external auditors all significant relationships they have with the Company to determine their independence and its investees.

## Risk Management

- Assess the adequacy of the Company's insurance program.
- Review the Company's internal controls in relation to financial risk.

## Other Matters

- The Committee shall also perform any other activities consistent with this Charter that the Committee or Board deems appropriate.

The current members of the Audit Committee are Peter Maloney, Chris Melloy and Barry Sullivan with Peter Maloney being the chair. Details of the number of meetings of the Audit Committee held during the year and the attendees at those meetings are included in each Annual Report.

### Recommendation 4.2

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Prior to approval of any financial statement for a financial period, the Chief Executive Officer of Lion (who is also responsible for the financial reports of the company) provides to the Lion Board a declaration in accordance with Section 286 of the Corporations Act which also accords with Recommendation 4.2

### Recommendation 4.3

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

The external auditor of Lion is duly represented at the company's Annual General Meeting and is available to answer questions from shareholders which are relevant to the audit.

## PRINCIPLE 5: Make timely and balanced disclosure

### Recommendation 5.1

A listed entity should:

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

Lion's continuous disclosure policy is as follows:

## Continuous Disclosure Policy

Lion and the Manager are 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 ASX 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 Rule 3.1A of the ASX Listing Rules and which a reasonable person would expect to have a material effect on the price or value of Lion's securities.

The Chief Executive Officer and the Company Secretary of Lion (together, 'Management'), are responsible for the regular review of Lion's affairs to ensure that any relevant information is promptly announced to the ASX. Management is well aware of its legal responsibilities regarding continuous disclosure under the ASX 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 ASX is conducted by Lion's Company Secretary. Where the ASX contacts Lion, for example in the event of unusual share price fluctuations, communications are managed by the Company Secretary.

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

## PRINCIPLE 6: Respect the rights of security holders

### Recommendation 6.1

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

### Recommendation 6.2

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

### Recommendation 6.3

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

#### **Recommendation 6.4**

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

In addition to the management and investment services the Manager provides to Lion, it also provides comprehensive investor relations services which are reviewed annually by the Lion board. Both the Lion board and the Manager are mindful of the importance of not only providing information, but also encouraging and enabling two-way communication between the Company and its shareholders.

The Company's shareholder communications strategy is as follows:

#### **Shareholder Communications Strategy**

Lion places great importance on the communication of accurate and timely information to its shareholders and market participants. Lion recognises that efficient and continuous contact between the Company and the interested public, and particularly with shareholders and their representatives, is an essential part of earning the trust and loyalty of shareholders, building shareholder value and allowing shareholders to make informed decisions regarding their investment in Lion. Lion encourages shareholder participation at general meetings and welcomes regular contact with its shareholders.

From time to time members of the Lion Board and Manager meet with shareholders and analysts. Presentations made to those persons are published in the Investor Relations section of the Company's website and released to the market via the ASX if they contain information that may be price sensitive and is not already publicly available.

#### **[www.lionselection.com.au](http://www.lionselection.com.au)**

ASX announcements, quarterly reports, presentations, notices of meetings and explanatory material are posted to Lion's website regularly. Other information on the site includes details of Lion's investment portfolio, Lion's share price, information about the Company and its governance, information from the Annual General Meeting and regular updates to investors as well as links to the share registry and other sites of interest.

#### **Share Registry**

Lion's register of shareholders is maintained by Computershare Investor Services Pty Limited.

Lion shareholders with internet access can view and update their holding, change their address details or elect to receive company communications by logging on to the Computershare website and accessing the Investor Centre. Alternatively, the Registrar for Lion at Computershare can be contacted by mail, phone or fax.

## **PRINCIPLE 7: Recognise and manage risk**

#### **Recommendation 7.1**

The board of a listed entity should:

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

#### **Recommendation 7.2**

The board or a committee of the board should:

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

In view of the small size of Lion's Board, the Board in its entirety acts, effectively, as a committee to oversee risk and there is no need to further subdivide it.

Lion is a specialist investor in listed and unlisted mining and exploration companies and assets and its major business risk is the performance of these companies and assets. 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. Under the guidance of the Lion board, Manager has established procedures relating to investment and divestment decisions, and management of investments with emphasis on risk assessment. The Manager reports through monthly reports and at Board meetings on Lion's investments and related risk.

The Board aims to reduce investment risk through diversifying investments geographically and avoid over dependence on a single commodity, investee company or country. In certain circumstances the Board may elect to have higher concentrations of the Company's portfolio in a particular commodity, investee company or country if the anticipated rewards merit this approach.

### Recommendation 7.3

A listed entity should disclose:

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

Lion has no internal audit function. The Lion board and Audit Committee are responsible for establishing and maintaining an internal control structure. This structure is documented and periodically reviewed with the CEO.

### Recommendation 7.4

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

The activities of Lion are subject to risks that can adversely impact its business and financial condition. Risks and uncertainties are described in the Company's Annual Report.

## PRINCIPLE 8: Remunerate fairly and responsibly

### Recommendation 8.1

The board of a listed entity should:

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

### Recommendation 8.2

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

### Compensation Arrangements and Remuneration Committee

Due to the small size of the Lion Board and the fact that remuneration matters are monitored by the Board in its entirety, the Board believes a separate Remuneration Committee is unnecessary and inappropriate.

Neither the Executive Director nor Chief Executive Officer receives any remuneration from the Company, but are paid by the Manager, which receives fees from the Company as per the Management Agreement. Additionally, remuneration matters for the Company predominantly relate to the remuneration paid to the Manager, something which is addressed by a set formula in the Management Agreement.

Lion's Constitution stipulates that the aggregate remuneration available for division amongst the non-executive directors is determined by the shareholders in general meeting. With shareholder approval, the aggregate was increased to \$200,000 per annum commencing 1 August 2011. 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 \$132,000.

### 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 Chief Executive Officer and 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 nature of the Company's activities make the formal establishment of a performance evaluation strategy unnecessary. Performance evaluation is managed by the Chairman. The Chairman assesses each Board member's performance and the performance of management (including the Chief Executive Officer), the Board as a whole and its committees on an annual basis. This process includes one-on-one and collective meetings.

### Recommendation 8.3

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

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

Lion does not have an equity based remuneration scheme.