

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

### INTRODUCTION

D'Aguilar Gold Limited ACN 052 354 837 ("Company") has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. These policies and procedures are summarised below. The Board of the Company is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

The Board and management are committed to corporate governance and, to the extent they are applicable to the Company, have adopted the Ten Essential Corporate Governance Principles and each of the Best Practice Recommendations<sup>[1]</sup> as published by ASX Corporate Governance Council ("ASX Principles and Recommendations").

The following information is set out in this website (in the order corresponding with the ASX Principles and Recommendations):

- Corporate governance disclosures and explanations – these can be found on the Company's website ([www.daguilar.com.au](http://www.daguilar.com.au)) and Annual Financial Report;
- Statement of Board and Management Functions;
- Remuneration & Nomination Committee;
- Policy and procedure for selection and appointment of new directors;
- Summary of code of conduct for directors and key executives;
- Summary of policy on securities trading;
- Audit & Risk Management Committee Charter;
- Policy and procedure for selection of external auditor and rotation of audit engagement partners;
- Summary of policy and procedure for compliance with continuous disclosure requirements;
- Summary of arrangements regarding communication with and participation of shareholders;
- Summary of Company's risk management policy and internal compliance and control system;
- Process for performance evaluation of the Board, Board committees, individual directors and key executives; and
- Corporate Code of Conduct.

<sup>[1]</sup> A copy of the Ten Essential Corporate Governance Principles and the Best Practice Recommendations can be found on the ASX's website at [www.asx.com.au](http://www.asx.com.au).

### STATEMENT OF BOARD AND MANAGEMENT FUNCTIONS

#### 1. Role of the Board

The Board's key objectives are to:

- (a) increase shareholder value whilst maintaining the rights and interests of the Company's shareholders; and
- (b) to ensure the Company is properly governed.

## 2. Responsibility of the Board

The Board is collectively responsible for promoting the success of the Company by:

- (a) supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed which includes but is not limited to (a) to (i);
- (b) ensuring the Company is properly managed for example by:
  - (i) appointing and removing the managing director and exploration manager of the Company;
  - (ii) ratifying the appointment and, where appropriate, the removal of the chief financial officer and the Company secretary;
  - (iii) input into and final approval of management's development of corporate strategy, exploration direction and goals and performance objectives;
  - (iv) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
  - (v) monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- (c) approving and monitoring the progress of major capital expenditure, capital management, acquisitions and disposals (including farm-in, farm-out and joint venture agreements);
- (d) approval of the annual budget;
- (e) monitoring the financial performance of the Company;
- (f) approving and monitoring financial and other reporting;
- (g) overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- (h) liaising with the Company's external auditors and the Audit & Risk Management Committee;
- (i) adopting a formal code of conduct to be followed by the all directors, employees and contractors. The key aspects of this code are:
  - to act with honesty, integrity and fairness;
  - to act in accordance with the law; and
  - the use Company resources and property appropriately; and
- (j) monitoring, and ensuring compliance with, all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety.

The Board must convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities.

The Board (and each individual director) is entitled to seek independent professional advice at the Company's expense, subject to the reasonableness of the costs and Board consent) in the conduct of their duties for the Company.

The Board may from time to time, delegate some of its responsibilities listed above to its senior management team (except for paragraphs (a), (b), (f) and (g) and where any matter exceeds the Materiality Threshold as defined below).

### 3. Materiality Threshold

The Board has agreed on the following guidelines for assessing the materiality of matters:

(a) Materiality – Quantitative

*Balance sheet items*

Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.

*Profit and loss items*

Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.

(b) Materiality – Qualitative

Items are also material if:

- (i) they impact on the reputation of the Company;
- (ii) they involve a breach of legislation;
- (iii) they are outside the ordinary course of business;
- (iv) they could affect the Company's rights to its assets;
- (v) if accumulated they would trigger the quantitative tests;
- (vi) they involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items; or
- (vii) they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

(c) Material Contracts

Contracts will be considered material if:

- (i) they are outside the ordinary course of business;
- (ii) they contain exceptionally onerous provisions in the opinion of the Board;
- (iii) they impact on income or distribution in excess of the quantitative tests
- (iv) there is a likelihood that either party will default and the default may trigger any of the quantitative tests;
- (v) they are essential to the activities of the Company and cannot be replaced or cannot be replaced without an increase in cost of such a quantum as trigger any of the quantitative tests;
- (vi) they contain or trigger change of control provisions;
- (vii) they are between or for the benefit of related parties; or
- (viii) they otherwise trigger the quantitative tests.

Any matter which falls within the above guidelines is a matter which triggers the materiality threshold ("Materiality Threshold").

### 4. Composition of the Board

The Board is currently comprised of 4 directors of whom 3 (including the Chairman) hold their positions in a non executive capacity.

The composition of the Board is subject to review in the following ways:

- The Company's constitution provides that at every Annual General Meeting, one third of the Directors (excluding the Managing Director) are to retire from office. Each retiring Director under the Constitution is eligible for re-election.

- The full Board considers its composition on a regular basis to ensure that it has available an appropriate mix of skills and experience to ensure the interest of shareholders are served. The performance of the Board as a whole and that of individual Directors is subject to continuous assessment by the Chairman.

#### 5. The Chairperson

The chairperson is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function and for the briefing of all directors in relation to issues arising at Board meetings. The chairperson is also responsible for shareholder communication and arranging Board performance evaluation.

#### 6. Independence

The Chairperson is considered to be independent using the ASX's definition of independence.

The majority of the Board are considered to be independent using the ASX's definition of independence. The independent directors, along with all directors, are responsible for reviewing and challenging executive performance. They are also responsible for contributing to the development of strategy.

#### 7. The Managing Director

The managing director is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. In carrying out his/her responsibilities the managing director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.

#### 8. Role and Responsibility of Management

The role of management is to support the managing director and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board. Management is responsible for reporting all matters which fall within the Materiality Threshold at first instance to the managing director or if the matter concerns the managing director then directly to the chairperson or the lead independent director, as appropriate.

### REMUNERATION & NOMINATION COMMITTEE

#### 1. Composition

The non-executive Directors of the Board shall form the Remuneration & Nomination Committee.

#### 2. Role

The role of the Remuneration and Nomination Committee is to:

- Discharge the Board's responsibilities in relation to remuneration of the Company's executives; and
- Determine the state of director nominees for election to the Board, to identify and recommend candidates to fill casual vacancies.

#### 3. Operations

The Committee shall consider remuneration and nomination issues annually and otherwise as required in conjunction with the regular meetings of the Board.

#### 4. Responsibilities

##### Remuneration Matters:

- (i) Review the competitiveness of the Company's executive compensation programs to ensure:
  - the attraction and retention of corporate officers;
  - the motivation of corporate officers to achieve the Company's business objectives; and
  - the alignment of the interests of key leadership with the long-term interests of the Company's shareholders; and
- (ii) Review trends in management compensation, oversee the development of new compensation plans and, when necessary, approve the revision of existing plans;
- (iii) Review the performance of executive management;

- (iv) Evaluate Chairperson and managing director performance and set Chairperson and managing director compensation levels consistent with company philosophy;
- (v) Review and approve the compensation packages for all senior executives;
- (vi) Review and make recommendations concerning long-term incentive compensation plans, including the use of share options and other equity-based plan;
- (vii) Review periodic reports from management on matters relating to the Company's personnel appointments and practices; and
- (viii) No member of the committee will act to fix his or her own compensation except for uniform compensation to directors for their services.

**Nomination Matters:**

- (i) To implement processes to assess the necessary and desirable competencies of Board members including, experience, expertise, skills and performance of the Board and its committees;
- (ii) To provide new directors with an induction to the Company;
- (iii) To provide all directors with access to ongoing education relevant to their position in the Company;
- (iv) Review time required for non-executive directors to perform their duties;
- (v) Annually evaluate the performance and effectiveness of the Board to facilitate the directors fulfilling their responsibilities in a manner that serves the interests of shareholders;
- (vi) Before recommending an incumbent, replacement or additional director, review his or her qualifications, including capability, availability to serve, conflicts of interest, and other relevant factors;
- (vii) Assist in identifying, interviewing and recruiting candidates for the Board;
- (viii) Annually review the composition of each committee and present recommendations for committee memberships to the Board as needed;
- (ix) Periodically review the compensation paid to non-employee directors for annual retainers (including Board and committee chairs) and meeting fees, if any, and make recommendations to the Board for any adjustments. No member of the Committee will act to fix his or her own compensation except for uniform compensation to directors for their services.

**POLICY AND PROCEDURE FOR SELECTION AND APPOINTMENT OF NEW DIRECTORS**

Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities. Directors are initially appointed by the full Board, subject to election by shareholders at the next general meeting.

**CODE OF CONDUCT FOR DIRECTORS AND KEY EXECUTIVES**

A code of conduct has been adopted by all directors and employees. It requires all business affairs to be conducted legally, ethically and with integrity. The code provides for reporting of breach of the code by others.

**POLICY ON SECURITIES TRADING**

The Board has adopted a policy and procedure on dealing in the company's securities by directors, officers and employees which only permit (without discretion) dealing in the Company's securities if (a) those persons do not possess inside information; and (b) during certain pre-determined trading 'windows'. It also requires the chairperson of the Company to be notified when Directors engage in trading of securities in the Company.

## AUDIT & RISK MANAGEMENT COMMITTEE CHARTER

### 1. Composition of the Audit & Risk Management Committee

The Board has established an Audit & Risk Management Committee. The Audit & Risk Management Committee consists of:

- (i) non-executive directors;
- (ii) A majority of independent directors;
- (iii) an independent chairperson; and
- (iv) three members - where there is not three or more non-executive directors of the Company, the Board may appoint executive director/s to the committee.

Each Member of the Audit & Risk Management Committee is financially literate and at least one member of the committee has accounting or related financial management expertise.

Current membership of the Audit & Risk Management Committee is:

- Vincent Mascolo – independent non-executive director (Chairman)
- Ian Levy – independent non-executive director
- Brian Moller – non-executive director

### 2. Role of the Audit & Risk Management Committee

#### Audit Related

- (i) To monitor the integrity of the financial statements of the Company, reviewing significant financial reporting judgments. This will include, but not be limited to, the following:
  - Assess the appropriateness of accounting policies, practices and disclosures and whether the quality of financial reporting is adequate;
  - To review the half-year and annual financial statements before submission to the Board, focusing particularly on:
    - (i) any changes in accounting policies and practices
    - (ii) major judgmental areas
    - (iii) significant adjustments resulting from the audit
    - (iv) the going concern assumption
    - (v) compliance with accounting standards
    - (vi) compliance with stock exchange and legal requirements
  - To review the external auditor's management letter and management's response;
  - Review any related-party transactions; and
  - To consider any other topics as defined by the Board.
- (ii) To review the Company's internal financial control system;
- (iii) Maintain open lines of communication between the Board, external auditors and the Company's compliance officers;
- (iv) To consider the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- (v) To monitor and review the external auditor's independence, objectivity and effectiveness, taking into consideration relevant professional and regulatory requirements; and
- (vi) To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.

**Risk Related**

- (i) To ensure the development of an appropriate risk management policy framework that will provide guidance to management in implementing appropriate risk management practices throughout the Company's operations, practices and systems;
- (ii) To define and periodically review risk management as it applies to the Company and clearly identify all the stakeholders;
- (iii) To ensure that the committee clearly communicate the Company's risk management philosophy, policies and strategies to directors, senior executives, employees, contractors and appropriate stakeholders;
- (iv) To ensure that directors and senior executives establish a risk aware culture which reflects the Company's risk policies and philosophies;
- (v) To review methods of identifying broad areas of risk and set parameters or guidelines for business risk reviews; and
- (vi) To consider capital raising, treasury and market trading activities with particular emphasis on risk treatment strategies, products and levels of authority.

**3. Operations**

- (i) Meetings shall be held as frequently as required but not less than twice a year. The external auditors may request a meeting if they consider that one is necessary. A quorum shall be two members.
- (ii) A representative of the external auditors may attend meetings by invitation. Other Board members shall also have the right of attendance.
- (iii) Minutes of all meetings of the committee are to be kept.
- (iv) Committee meetings will be governed by the same rules, as set out in the Company constitution as they apply to the meetings of the Board.
- (v) The Company Secretary shall be the Secretary of the committee.
- (vi) The committee will undertake an annual review to assess the adequacy of its Charter. As part of this annual review the committee will request a written statement from the external auditor delineating all relationships and services with the entity and others that might adversely impact, or be perceived to impact, on the external auditor's independence.

**4. Resources**

- (i) The Company is to provide the committee with sufficient resources to undertake its duties, including provision of educational information on accounting policies and other financial topics relevant to the Company and such other relevant materials requested by the committee.
- (ii) The committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the committee.
- (iii) The committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

**5. Reporting Procedures**

- (i) The Secretary shall circulate the minutes of meetings of the committee to all members of the committee and the Board.
- (ii) The directors' report to contain a separate section that describes the role of the committee.
- (iii) The Chair of the Audit & Risk Management Committee shall report on committee deliberations and recommendations to the next full Board meeting.

## **POLICY AND PROCEDURE FOR SELECTION OF EXTERNAL AUDITOR AND ROTATION OF AUDIT ENGAGEMENT PARTNERS**

### **1. 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 annual general meeting of the Company.

### **2. 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 arrangement 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.

### **3. Review**

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

## **POLICY AND PROCEDURES FOR COMPLIANCE WITH CONTINUOUS DISCLOSURE REQUIREMENTS**

Detailed compliance procedures for ASX Listing Rule disclosure requirements have been adopted by the Company. It is detailed in its application covering the following areas:

- (i) compliance disclosure procedures
- (ii) identifies area of risk for the Company
- (iii) provides guidelines for identifying disclosure material
- (iv) guide for use of trading halts
- (v) guide for decision making process
- (vi) details on record keeping
- (vii) education of Board and management
- (viii) Confidentiality
- (ix) release of disclosure material
- (x) updating of compliance procedures

## **ARRANGEMENTS REGARDING COMMUNICATION WITH AND PARTICIPATION OF SHAREHOLDERS**

The Company maintains a website at [www.daguilar.com.au](http://www.daguilar.com.au)

Under the heading Recent News the Company makes the following information available on a regular and up to date basis:

- \* company announcements (since listing);
- \* notices of meetings and explanatory materials;
- \* annual reports (since listing);
- \* prospectus's; and
- \* press articles.

Under the heading Presentations the Company makes any presentations that the Company has made since listing available on a regular and up to date basis.

If you are a shareholder and wish to receive copies of information updates by email please send an email to info@daguilard.com.au to register for the email information update.

#### **COMPANY'S RISK MANAGEMENT POLICY AND INTERNAL COMPLIANCE AND CONTROL SYSTEM**

The Company has developed a framework for risk management and internal compliance and control systems which cover organisational, financial and operational aspects of the Company's affairs. Risk management is included within the Company's Audit & Risk Management Committee Charter.

#### **PROCESS FOR PERFORMANCE EVALUATION OF THE BOARD, BOARD COMMITTEES, INDIVIDUAL DIRECTORS AND KEY EXECUTIVES**

The Chairperson is responsible for conducting an annual review of Board and individual director performance.

#### **CORPORATE CODE OF CONDUCT**

##### **1. Introduction**

This code of conduct 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.

##### **2. Commitment of the Board and Management to Corporate Code of Conduct**

The Board and management approve and endorse this code of conduct.

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

##### **3. Responsibilities to Shareholders and the Financial Community Generally**

The Company aims:

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

##### **4. 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 managing director as soon as a person becomes aware of such a transgression.

##### **5. Employment Practices**

The Company will employ the best available staff with skills required to carry out their roles.

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.

##### **6. Responsibility to the Community**

The Company will recognise, consider and respect environmental issues which arise in relation to the Company's activities and comply with all applicable legal requirements.

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

##### **7. 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.

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

##### **8. 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.

**9. Conflicts of Interest**

The Board, management and employees must not involve themselves in situations where there is a real or apparent conflict 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, the Managing Director 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.

**10. Compliance with the Code**

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

**11. 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.

**12. Incorporation of Code of Conduct for employee (and contractors)**

The Code of Conduct for employee and (contractors) forms part of this Corporate Code of Conduct. It provides as follows:

1. Actively promote the highest standards of ethics and integrity in carrying out their duties for the Company.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.
7. Any breaches of this code of conduct are to be reported to senior management, who will treat reports made in good faith of such violations with respect and in confidence.