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REVIEW AND RECOMMENDATIONS OF INDEPENDENT GOVERNANCE EXPERT

On 20 September 2019 Niuminco Group Limited ("NIU" or "the Company") announced that in consultation with the Australian Securities Exchange ("ASX"), the Company had appointed Mr Justin Nelson of DMAW Lawyers ("DMAW") to undertake a review of the Company's corporate governance practices, policies, procedures and resources for complying with its ASX Listing Rule obligations.

The announcement included a statement that:

- "At the conclusion of Mr Nelson's review any recommendations will be released to the market, along with the steps NIU intends to take to give effect to the recommendations."

Mr Nelson's review was received by the Company on 28 February 2020 and the recommendations contained in his review are as follows:

1. **Continuous disclosure policy**

"We recommend Niuminco adopt a written continuous disclosure policy that should (if prepared by Niuminco) be reviewed or otherwise prepared by a Governance Professional. The policy should address the relevant requirements set out in the Principles and Recommendations, ASIC Regulatory Guide 62 and ASX Guidance Note 8);

The policy review should also address establishment and implementation of processes and procedures to ensure that the policy is:

- actively implemented;

- communicated to all affected staff;

- properly supervised to make sure it is applied;

- monitored and audited for effectiveness; and

- kept under review and updated when necessary.

We recommend Niuminco incorporate in the relevant policy a clear process for obtaining independent advice from external advisers to advise on the legal and regulatory implications of its continuous disclosure obligations and to support the responsibility of the Company Secretary monitor the Company's continuous disclosure responsibilities.

The Governance Committee can support the Board in implementing these recommendations." (see recommendation 7)

In light of some observations by Mr Nelson with respect to NIU's response dated 1 July 2019 to ASX's query letter dated 21 February, 2019, the Listing Rules training course that Mr Nelson recommends NIU's directors undertake (see recommendation 5) should include training on the use of forward looking statements in a market announcement.

2. **Disclosure of directors' interests**

"We recommend Niuminco enter into an agreement with each Director in the terms required to satisfy Listing Rule 3.19B.

The Board should ensure effective policies and procedures are implemented (and properly supervised and applied by the Niuminco Company Secretary) to:

- enforce the agreements entered into with each Director to satisfy Listing Rule 3.19B; and

- support the accurate and compliant disclosure of Directors' interests and transactions in securities.

Director letters of appointment should set out full details of the procedures to ensure compliance with Listing Rule 3.19B.

There should be routine disclosure and monitoring of Directors' interests at directors' meetings. It should be a standing agenda item.

The Governance Committee can support the Board in implementing these recommendations." (see recommendation 7)

3. **Related party transactions**

"The Company does not maintain a register of Directors' interests and related party transactions. We recommend Niuminco maintain a register of related party interests. The agenda for Board meetings should include as a standing item of business Directors' interests.

The Company should incorporate in the relevant policy or charter a clear process for obtaining independent advice from external consultants to advise on the legal and regulatory implications of a potential related party transaction prior to that transaction being entered into."

Mr Nelson referred, for example, to NIU's pro-rata non-renounceable partially underwritten rights issue announced on 2 November 2017, and in particular to the use of underwriting by companies associated with NIU's directors to be applied to outstanding amounts owed to those directors by converting those amounts to equity. "In the event outstanding Directors' fees are intended to be converted to equity via the underwriting of a future renounceable or non-renounceable entitlement issue, it is recommended that the Company seek in principle advice from ASX as to the application of Listing Rule 10.12 exception 2 to the underwriting."

4. **Practices and procedures in respect of issuing securities**

"We recommend that Board papers distributed to the Directors routinely include a placement capacity spreadsheet recording the Company's available placement capacity under Listing Rules 7.1 and (if applicable) 7.1A."

5. **Induction and professional development of directors**

"It is apparent that there has been no professional development program (either via external training courses or in-house Board development sessions) for Directors to assist them with understanding and meeting their statutory and regulatory obligations (or in respect of any other area). Directors should attend an external training course to develop their knowledge of the Listing Rules. The engagement terms of the company secretary should include a specific KPI in respect of organizing and facilitating the induction and professional development of Directors."

6. **Governance framework to manage legal, compliance and regulatory obligations**

"The board charter, code of conduct, continuous disclosure policy and trading policy are key documents that form part of an effective governance framework supporting the role of the Board to monitor compliance with Niuminco's legal and regulatory obligations. We note there is no board charter, code of conduct or continuous disclosure policy We recommend that Niuminco adopt a written board charter, code of conduct and continuous disclosure policy reviewed by a Governance Professional (if prepared by Niuminco in the first instance) or prepared by a Governance Professional. The trading policy should be the subject of a review and revision by a Governance Professional. We also recommend an annual board evaluation be undertaken, ideally facilitated by a Governance Professional in alternate years."

The report also noted that NIU's board minutes provided very limited or no record of the process by which the board's decisions were made and no record of the discussions of NIU's operations, financial position and plans or references to board papers or other supporting documents. It was therefore recommended that NIU undertake a re-evaluation of the information provided in the board papers and that directors undertake professional development in this regard.

7. **Resourcing to assist the Board in properly monitoring the effectiveness of the Company's governance and regulatory compliance**

"We recommend an appropriately qualified and experienced Company Secretary be appointed to support the Board in properly monitoring the Company's legal, governance and regulatory compliance (including compliance with the Listing Rules).

We recommend the Board establishes a governance committee (Governance Committee) to support the Board in properly monitoring the effectiveness of the Company's governance and regulatory compliance and the implementation of recommendations arising from this review. Ideally, the Governance Committee would have at least three members, a majority of whom are independent Directors, and be chaired by an independent Director. The committee members would be drawn from the existing Directors and a newly appointed independent non-executive Director to strengthen the Board."

The Board has resolved to implement all of Mr Nelson's recommendations as soon as practically possible, and in any event no later than 30 June 2020.

Tracey Lake
Managing Director