

## Corporate Governance Statement

### Introduction

The Directors of Rimfire Pacific Mining NL recognise the need for high standards of corporate governance and are focused on fulfilling their responsibilities individually and as a Board to all of the Company stakeholders. The Board supports the guidelines in the “Corporate Governance Principles and Recommendations” (“Principles”) established by the ASX Corporate Governance Council.

Given the size and structure of the Company, the nature of its business, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, the Company has adopted some modified systems, procedures and practices to allow it to reasonably meet the principles of good corporate governance, consistent with the guidelines and recommendations. At the end of this Corporate Governance Statement a table is included detailing the recommendations with which the Company does not strictly comply, including reasons for departure from any stated Principles.

The following sections outline the Company practices in complying with the Principles.

### Principle 1: Lay Solid Foundations for Management and Oversight

During the reporting period, Mr John Gillett, a Non-Executive Director performed the role of independent Chairman of the Company, and Mr John Kaminsky performed the role of Managing Director and Chief Executive Officer. This structure is in line with the ASX Principles of Governance. The respective roles of the Board and executive management are as follows:

1. The Board, in conjunction with the CEO, defines and sets the Company’s business objectives and strategy. The role of the Board is to lead and oversee the management and direction of the Company, approve and monitor plans, budgets and organisation, and oversee risk and compliance. The Board reports to Shareholders and regulators as required.
2. The CEO leads the Company in executing the Company strategy, and in managing all Company operations, finances, human resources, reporting and compliance. The CEO reports directly to the Board and regularly consults with the Chairman and individual Directors on matters of relevance and of individual expertise. The CEO is responsible for reporting on matters of compliance, takes responsibility for risk management processes and a review of executive management, remuneration practices and insurance needs of the Company.

The Board has delegated all day to day management of the Company to the executive management, subject to any specific expertise requested by management of the Board, on a case by case basis. Major contracts for procurement and matters involving significant commitment of Company resources are required to be consulted with the Chairman, and submitted to the Board for approval where appropriate.

The Board has two committees to assist and advise on matters:

*Remuneration and Nomination Committee:* This Committee’s role was expanded during the year to include the Nomination role. The Committee comprises all non-executive directors and advises the Board on the employment terms and conditions and remuneration for the CEO, Non-Executive Directors and senior management personnel. During the reporting period, the Board undertook a review of Board performance as a whole and of individual Directors, and continues to review the Board structure for an appropriate mix of skills. Desired skills that were identified have been taken into account with the recent Board changes, adding to Board skills set and diversity of backgrounds available to the Company.

The Committee undertakes a review of the Managing Director/CEO’s performance and remuneration at least annually and provides feedback and recommendations on performance and the remuneration package. A review of the Managing Director/CEO’s performance occurred during the past year.

*Risk and Audit Committee.* This Committee comprises two independent directors and other directors are invited to attend Risk and Audit meetings. The Committee Chair is not the Chairman of the Company as recommended in the Corporate Governance guidelines. The Committee meets as required to advise on half yearly and annual audits, and consults with the independent Auditors of the Company. The Company maintains appropriate insurances, registers of Workplace Health and Safety performance and other risk issues in the business.

Each member of the Board has committed to spending sufficient time to enable them to carry out their duties as a Director of Company. One third of the Directors retire annually and are free to seek re-election by Shareholders.

The Company undertakes various checks before appointing or putting forward to the Shareholders a new director and annually seeks confirmation of the Directors' good standing. Directors are required to disclose and appropriately report matters that affect their independence and conform to the Company's trading policy governing dealings in the Company's securities, including any related financial instruments.

Information regarding Directors seeking re-election is presented to shareholders as part of the Notice of Meeting papers and on the website.

The Company obtains from Directors consents to act and agreements to comply with policies of the Company in general and Directors in particular. Directors are not appointed for fixed terms of service. The Managing Director and CEO currently has a roll over agreement that is subject to review. The Directors are able, and encouraged, to seek external professional advice as may be required, depending on circumstance.

The Company Secretary reports directly to the Board via the Chair on company secretarial matters.

The Company does not have a formal diversity policy, given the size of the Company, at this point in time. However, the Company applies the common sense principle that the person of the right experience, skills and aptitude for a particular vocational need will be chosen for a vacancy within the Company. This has resulted in diversity in the work place as "a natural outcome", rather than a formulated approach.

<u>Board Composition by Gender</u>			
<u>Executive Directors</u>		<u>Non-Executive Directors</u>	
<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
1	Nil	3	1

<u>Senior Executive Composition by Gender</u>	
<u>Male</u>	<u>Female</u>
1	Nil

**Principle 2: Structure the Board to Add Value**

*Nomination of Other Board Members*

Due to the small size of the Company, the nominations function has been combined with the remuneration function in the Remuneration and Nomination Committee.

The committee during the Financial Year consisted of the following independent non-executive directors:

- John Gillett (Chair)
- Ramona Enconniere
- Graham Billinghamurst
- Tom Burrowes

Directors' profiles and service periods are provided in the Directors' Report. The number of meetings and attendance is outlined in the Directors' Report. A new Board member was appointed subsequent to the reporting period and Board composition remains under continuous review.

#### *Composition of the Board*

As a junior exploration Company, the key performance criteria for the Directors and executives are their ability to bring ideas, judgement, business experience, risk assessment skills, and background in the exploration and mining industry. The Directors have appropriate networks, knowledge of capital raising approaches, and experience in exploration for minerals and in project development. Directors and senior managers individually have professional skills in mining, geology, science, finance, banking, international trade and project development. They have experience in procuring services and contracts with suppliers, and in managing within modest resources. Efficiency and effectiveness are key performance measures. The Board has the ability to access specific skill gaps with outside advice as the needs may arise.

The ASX Corporate Governance Council recommends that composition of the Board be determined so as to provide a Company with a broad base of industry, business, technical, administrative and corporate skills and experience considered necessary to represent Shareholders and fulfil the business objectives of a Company.

The Board currently comprises an independent Non-Executive Chair, two other independent Non-Executive Directors and the Managing Director/CEO. Directors joining and whilst members of the Board are provided with material on the Company's background, policies and operations and entail periodic site visits to familiarise themselves with the Company's operations and site staff. Each of the Directors is entitled to seek independent advice at Company expense to assist them to carry out their responsibilities.

#### **Principle 3: Act Ethically and Responsibly**

Directors, officers, employees and consultants to the Company are required to observe high standards of behaviour and business ethics in conducting business on behalf of the Company.

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director or the interests of any other party in so far as it affects the activities of the Company. A Director may not participate in any decision where he or she has a conflict of interest. The Board would act in accordance with the *Corporations Act* if conflict cannot be removed or if it persists.

Directors, staff and insiders are required to make disclosure of any share trading. A formal Trading Policy was released to the ASX at the end of 2010. The cornerstone of the Company policy in relation to share trading is that officers, employees and contractors are prohibited from trading whilst in possession of unpublished price sensitive information concerning the Company. That is information which a reasonable person would expect to have a material effect on the price or value of the Company securities. An officer must discuss the proposal to acquire or sell shares with the Chairman prior to doing so to ensure that there is no price sensitive information of which that officer might not be aware. The undertaking of any trading in securities by Directors must be notified to the Company and Chairman who makes disclosure to ASX within the required reporting time-table guidelines. The Chairman is required to advise 2 Non-executive Directors of a potential trade by himself.

An extract of the Trading Policy is provided as follows:

*A Representative in possession of price sensitive information which is not generally available to the market must not deal in the Company's securities at any time, either directly, or indirectly.*

*In addition, each Representative is permitted to trade in the Company's securities throughout the year **except** during designated closed periods. The closed periods are between the end of the March, June, September and December quarters and the release of the Company's next quarterly report to the ASX, so long as the Company is required by the Listing Rules to lodge quarterly reports.*

Certain trading activity is not subject to the policy such as transfers to super funds where the transferor maintains the beneficial ownership of the securities. The full list of acceptable trading activity is listed in the full policy document as released in December 2010 to the ASX. There are exceptional circumstances where trading can occur outside the policy in cases of specific hardship. These details are outlined in detail in the full policy document.

#### **Principle 4: Safeguard Integrity in Corporate Reporting**

A Risk and Audit Committee operates within the Company.

The Committee consisted of the following independent directors during the Financial Year.

T Burrowes (Chair)	Non-Executive Director
J Gillett	Non-Executive Director

The number of Committee members reflected the small size of the Company and the number of Directors on the Board. Other directors are invited to attend Risk and Audit meetings. Due to Directors retiring at 30<sup>th</sup> June 2016, this Committee will have new members appointed. The number of meetings held and their attendance is outlined in the Directors Report.

The main responsibilities of the Risk and Audit Committee relating to the Audit function are to:

1. Review the annual financial statements with the Managing Director and Chief Executive Officer and the external Auditors and make appropriate recommendations to the Board;
2. Review all regular financial reports to be made to the public and make appropriate recommendations to the Board prior to their release;
3. Monitor compliance with statutory and Australian requirements for financial reporting;
4. Review reports from management and external Auditors on any significant proposed regulatory, accounting or reporting issues, to assess the potential impact on the Company's financial reporting process.
5. Review insurances, and other risk management processes within the Company

The Managing Director and Chief Executive Officer is required to state in writing that the Company's Financial Reports present a true and fair view in all material respects of the Company's financial condition and operational results in accordance with relevant accounting standards.

The Committee is also charged with the responsibilities of recommending to the Board the appointment, removal and remuneration of the external Auditors and reviewing the terms of their engagement and the scope and quality of the audit.

An analysis of fees paid to the external Auditors, including a breakdown of fees of non-audit services, is provided in the notes to the financial statements. It is the policy of the external Auditors to provide an annual declaration of their independence to the Board.

Each Board member is invited to join the Risk and Audit meetings with the external Auditors and the Auditor has access to each Board member.

The external Auditor is requested to attend the Annual General Meeting and be available to answer Shareholder questions about the conduct of the audit and the preparation and content of the audit report.

#### **Principle 5: Make Timely and Balanced Disclosure**

The Managing Director and Chief Executive Officer has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirement in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, Shareholders, the media and the public.

All material information concerning the Company, including its financial situation, performance and ownership are posted on the Company website to ensure all investors have equal and timely access.

#### **Principle 6: Respect the Rights of Shareholders**

The Board recognises its responsibility to ensure that its Shareholders are informed of all major developments affecting the Company.

The Company maintains a website providing information about the Company and its operations to shareholders and the public. This website is regularly updated with updates via ASX Announcements, including presentations, operations updates, notices of meeting, quarterly activities and cashflow, annual and half yearly reports issued by the Company, which are located on separate webpages for ease of access. The website also includes a page with the Corporate Governance Policy and other pages devoted to policies, board and management, corporate directory and the company's operations and projects. The Company posts on its website concurrently any presentations made in public forums about Company activities.

The Company encourages shareholder engagement at meetings by encouraging attendance and providing opportunity for questions to be asked of the Directors and senior management. The Company utilises a subscriber list to disseminate all ASX Announcements via email to shareholders and other interested parties who can join via a website function or by contacting the Company directly. All Shareholders who nominate to do so receive a copy of the Company's Annual Report.

Shareholders have the option to receive communications from and to communicate to the Company and its share registry electronically.

### **Principle 7: Recognise and Manage Risk**

A Risk and Audit Committee has operated within the Company.

The Committee consisted of the following independent directors during the Financial Year.

T Burrowes (Chair)	Non-Executive Director
J Gillett	Non-Executive Director

The number of Committee members reflected the small size of the company and the number of Directors on the Board. Other directors are invited to attend Risk and Audit meetings. Due to Directors retiring at 30<sup>th</sup> June 2016, this Committee will have new members appointed. The number of meetings held and their attendance is outlined in the Directors Report.

A key element of the Board's role is the assessment and management of risk. The Board exercises its responsibility to oversee risks in the Company through the Risk and Audit Committee. The Committee's formulation is outlined at Principle 4 Safeguarding Integrity and Corporate Reporting where the audit function is discussed and the meetings attendance is outlined in the Directors Report.

The Company has always had a strong focus on risk in field activities, including workplace health and safety, business risk arising through equipment, community and environmental factors. The Company maintains a risk register and has built a safety and environmental culture into its operations, and monitors compliance with policy and legal requirements. The Company at least annually undertakes a systematic review of its risks, controls and procedures to ensure they are effective and maintain contemporary practice. The Company has undertaken a review during the past year.

Inherent in the way the Company does business is to balance potential rewards with the cost of conducting exploration programs. The Company employs a number of strategies to mitigate its risks including using both in-house and contractor services, flexible employment arrangements to adjust resources to work loads, using low cost exploration and investigation techniques to define drill targets, and conduct of preliminary studies of options to better understand potential value creation for Shareholders. The Company maintains a portfolio of prospects at any one time to help mitigate project failure

The Company is conscious of the risk in maintenance of the database and securing this against accidental or malicious loss, theft or misuse. The Company undertakes peer review of prospects and priorities using both internal personnel and external parties, to challenge exploration assumptions at various times.

Although the Company is not yet in production and sale of mineral commodities, investor views of our industry are influenced by commodity and currency price fluctuation. The Company does not rely on debt funding so that interest rate fluctuations are not a risk at this time. Where considered to be commercially viable in relation to risk mitigated or transferred, the Company takes out insurance policies appropriate to its business.

The Company has in place internal financial control processes. These include methods of ensuring value for money in procurement, probity in contracting and approvals of Company funds, appropriate use of signing authority, and dual signatures on bank accounts. External Auditors review our systems and our compliance with control policies.

Maintenance of solvency is a serious Board and Management responsibility. Careful monitoring of expenditures against budget is carried out continuously, and cash balances and forecasts are monitored to ensure the Company is able to meet its obligations as and when they arise. As the Company is substantially reliant on shareholder funding to continue its activities, the state of equity markets and an ongoing supportive response from shareholders to the capital raising needs of the Company are of primary importance.

From time to time the Board will need to authorise equity raisings, capital or joint operations with funding implications with other parties, and/or major capital expenditure. Other routine operating expenditures are the responsibility of management in accordance with programmes and budgets approved by the Board.

With a personnel complement of less than 10, the Company does not keep an internal audit function. The Board exercises its monitoring and supervisory responsibilities through:

1. Review of reporting and use of internal controls.
2. Compliance with the *Corporations Act 2001*, Australian Securities Exchange, Australian Taxation Office and Australian Securities and Investments Commission requirements.
3. Improving the quality of the management and accounting information through plans for upgrading its accounting software system.
4. Follow-up and rectification by management of any deficiencies in controls or procedures.

As part of the annual audit process, the Board receives annually, the assurance from the Managing Director and Chief Executive Officer by signed declaration.

#### **Principle 8: Remunerate Fairly and Responsibly**

A Remuneration and Nomination Committee operates within the Company.

The committee during the Financial Year consisted of the following independent non-executive directors named below and its meetings and their attendance is reported in the Directors Report:

- John Gillett (Chair)
- Ramona Enconniere
- Graham Billinghamurst
- Tom Burrowes

The Remuneration and Nomination Committee makes recommendations to the Board on remuneration and other terms of employment for the CEO, senior executives, and Non-Executive Directors. This is done by annual reviews of individual performance, comparison with industry data and with comparable companies. From time to time external remuneration consultants may be engaged to verify Committee processes.

Depending on the employment status of Company personnel and applicable employment law, remuneration may include a base salary or fixed contract remuneration, plus defined benefits either included in all-in rates of pay or paid as additional benefits, such as superannuation, leaves, fringe benefits, short term incentive/bonus, and long term incentives (which may include shares, options on shares or performance rights).

Remuneration packages are set at affordable market levels and aim to attract and retain high calibre staff and align the interests of personnel with those of Shareholders. Remuneration of Non-Executive Directors is treated separately and determined by the Board within the maximum amount approved by the Shareholders from time to time. Currently, the annual pool established for payments to Non-Executive Directors is \$200,000 (2014: \$200,000) in aggregate. Not all of this pool is used at present.

Further information on Directors' and Executives' remuneration is set out in the Directors' Report and Remuneration Report.

**Table of Departures and Explanations (from the recommendations of the ASX Corporate Governance Council)**

<b>Recommendation Reference (Principle Number reference)</b>	<b>Departure from Recommendation</b>	<b>Explanation for Departure</b>
1.5	No formal policy exists for work place personnel diversity, which includes gender diversity.	The Company balances its skill needs with geographic, experience and personal attribute diversity, on merit.
2.1	The Nomination Committee does not operate as a separate entity or have a formal charter.	The nomination function has been incorporated into an expanded Remuneration and Nomination Committee. Given the size of the company and the involvement of all Directors, a policy has not been required to date.
3.1	No formal code of conduct has been established as to reporting and investigating unethical practices, except for conflict of interest and insider trading.	The business practices adopted by the Board recognise that proper compliance with legal and other obligations is mandatory for all Directors and the Company as a whole.
4.1	The structure of the Risk and Audit Committee comprises two independent Directors.	Given the size and complexity of the Company, a committee of two is considered appropriate.
4.1	The Risk and Audit Committee does not have a formal charter.	A charter will be prepared during 2017.
5.1	Limited written policy and procedure exists to ensure that compliance with ASX Listing Rules disclosure requirements are met at senior management level.	ASX listing rules are complied with. External qualified professionals provide additional advice and support to the Company decision making process.
6.2	The Company has no formally designed communication strategy with Shareholders beyond ensuring continuous disclosure is met.	The Board is conscious of the need to continually keep Shareholders and markets advised. The ASX announcement platform and website are the main bases for communication with Shareholders. Detailed disclosures are provided. The Company responds directly to any shareholder query.
7.1 and 7.2	There is a policy on management of risk in operations, but a broader risk policy is being developed.	A broader risk review and related insurance review of risks is planned as the Company expands its operations.
7.3	The Company does not have an internal audit function or appointed Chief Financial Officer.	The size and complexity of the Company doesn't warrant these functions.
8.2	The Nomination Committee does not operate as a separate entity or have a formal charter.	The nomination function has been incorporated into an expanded Remuneration and Nomination Committee. The guidelines that are used are outlined in the Corporate Governance Statement.