

CORPORATE GOVERNANCE

ADOPTION OF RECOGNISED CORPORATE GOVERNANCE CODE

All AIM companies are now required to apply a “recognised corporate governance code” and to explain how they apply that code.

The Directors of CNG take matters of corporate governance very seriously and have chosen to apply the Corporate Governance Code produced by the Quoted Companies Alliance (“QCA”) (the “QCA Code”).

The QCA Code is constructed around ten broad principles and a set of disclosures which notes appropriate arrangements for growing companies, and requires companies who have adopted the QCA Code to provide an explanation about how they are meeting those principles through the prescribed disclosures.

Below is a table stating those ten principles and which sets out how CNG addresses them. This table was last updated on 21 September 2018.

QCA Code Principle	How it should be applied	What CNG does
<p>1 Establish a strategy and business model which promote long-term value for shareholders</p>	<p>The board must be able to express a shared view of the company’s purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.</p>	<p>Page 9 of CNG’s annual report for the year ended 31 December 2017 sets out its principal strategy, which in the short term is to develop the Group’s exploration assets and in the more medium term to bring the Pakrut Gold Project into full production.</p> <p>The risks that attach to this strategy and how such risks are mitigated are set out at pages 11-14 of CNG’s annual report for the year ended 31 December 2017.</p>
<p>2 Seek to understand and meet shareholder needs and expectations</p>	<p>Directors must develop a good understanding of the needs and expectations of all elements of the company’s shareholder base.</p> <p>The board must manage shareholders’ expectations and should seek to understand the motivations behind shareholder voting decisions</p>	<p>The board is committed to regular shareholder dialogue with both its institutional and retail shareholders.</p> <p>The principal opportunity for the board to meet shareholders is at the Company’s AGM, to which shareholders are encouraged to attend.</p> <p>Charles Chung has been appointed by the board to act as the investor relations manager for CNG. Mr Chung is the principal contact point for shareholders wishing to discuss matters with the board.</p>

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		Shareholder views received by Mr Chung are communicated to the full board.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	<p>Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the company's stakeholders and understand their needs, interests and expectations.</p> <p>Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model.</p> <p>Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups</p>	<p>Given the industry in which CNG operates, good relationships are essential with both its suppliers and local communities. As set out at page 11 of the Company's annual report to 31 December 2017, the Group strives to have a strong relationship with those local communities and is committed to respecting their laws and customs. To further this, the Group as far as possible seeks to employ local workers so as to ensure that some benefits of the Group's operations are kept within those local communities. The Group also has a two way dialogue with relevant local communities to discuss any concerns which may arise.</p> <p>Linked to this, the Group retains the services of a local environmental consultant to ensure any actual or potential issues impacting on the environment in which the Group operates are brought to the attention of management as soon as possible so they can be addressed.</p>
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	<p>The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer.</p> <p>Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).</p>	<p>Pages 11-14 of CNG's annual report for the year ended 31 December 2017 sets out the principal risks to the Company's business and outlook, and how such risks are minimised.</p> <p>Risk matters are reviewed in board meetings on a regular basis and will be reported against in the Company's annual reports.</p>
5. Maintain the board as a well-functioning, balanced team	The board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for	The board is responsible for running the Company, maintaining all internal control systems and considering all

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<p>led by the chair</p>	<p>defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.</p> <p>The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.</p> <p>The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a board judgement.</p> <p>The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.</p> <p>Directors must commit the time necessary to fulfill their roles.</p>	<p>major business and financial risks. All strategic decisions are decided by the board acting collectively.</p> <p>The board consists of three non-executive directors and two executive directors. It is considered that Mr Shi and Mr Li are independent non-executive directors.</p> <p>Board minutes and related papers are circulated to directors in good time ahead of the relevant board meeting.</p> <p>The board has established audit, remuneration and nomination committees which meet regulatory in accordance with their terms of reference</p>
<p>6</p> <p>Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p>	<p>The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition. The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.</p> <p>As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change</p>	<p>The Nomination Committee is required to give recommendations to the Directors where there are vacancies or where it is felt that additional directors should be appointed. For new appointments the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board.</p> <p>Whilst the Company's largest shareholder, China Nonferrous Metals Int'l Mining Co Ltd, has the right to appoint directors to the Board, the Nomination Committee will still assess any proposed appointees to ensure that the board maintains an appropriate balance of skills and experience.</p>
<p>7.</p> <p>Evaluate board</p>	<p>The board should regularly review the</p>	<p>The board reviews its</p>

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<p>performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>effectiveness of its performance as a unit, as well as that of its committees and the individual directors. The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.</p> <p>It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable</p>	<p>effectiveness annually and, as shown by the changes to the board of directors in 2017, the board will make changes to its composition when deemed necessary.</p> <p>Additional non-executives may be considered for appointment to the board to improve the make-up of the board's skills.</p> <p>As noted at page 6 of CNG's annual report for the year ended 31 December 2017, the Company is looking for an additional non-executive director with extensive industry and other relevant experience in order to enhance CNG's corporate governance structure.</p>
<p>8. Promote a corporate culture that is based on ethical values and behaviours</p>	<p>The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage. The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company.</p> <p>The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company.</p> <p>The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company</p>	<p>Page 11 of CNG's annual report for the year ended 31 December 2017 sets out CNG's values including those relating to corporate responsibility, the Group's people, its social impact and the impact upon the environment.</p> <p>The board seeks to ensure that all of its employees are aware of CNG's ethical values and this is covered in the mandatory induction process for new employees.</p>
<p>9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</p>	<p>The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:</p> <ul style="list-style-type: none"> • size and complexity; and • capacity, appetite and tolerance for risk. <p>The governance structures should evolve over time in parallel with its objectives, strategy and business</p>	<p>The Company has established a robust governance structure in order to manage internal and external risks. These are reviewed regularly to ensure they remain suitable for the Company.</p> <p>Details of CNG's board committees are set out in the "Corporate Governance" section of this website.</p>

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	<p>model to reflect the development of the company.</p>	<p>As noted at page 6 of CNG's annual report for the year ended 31 December 2017, the Company is looking for an additional non-executive director in part to enhance its corporate governance structure.</p>
<p>10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	<p>A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company. In particular, appropriate communication and reporting structures should exist between the board and all constituent parts of its shareholder base. This will assist:</p> <ul style="list-style-type: none"> • the communication of shareholders' views to the board; and • the shareholders' understanding of the unique circumstances and constraints faced by the company. <p>It should be clear where these communication practices are described (annual report or website).</p>	<p>The Company is committed to open dialogue with both institutional and retail shareholders. The Chairman liaises with CNG's principal shareholders and relays their views to the wider board.</p> <p>The Company considers that its annual AGM is an important part of this dialogue and encourages shareholders to attend.</p>