

CARBINE RESOURCES LIMITED
ACN 122 976 818

PERFORMANCE EVALUATION PROCEDURE

THE BOARD, BOARD COMMITTEES AND INDIVIDUAL DIRECTORS
DESCRIPTION OF EVALUATION PROCESS¹

1 KEY ELEMENTS

The key elements of a performance evaluation process are:

- (a) assessment must be independent of management – the process needs to be objective and appear to be objective;
- (b) the process must be designed to encourage open and constructive discussion in relation to performance;
- (c) the Board should establish clear process goals and ensure that all directors have had input into what these goals should be;
- (d) confidentiality of each individual performance assessment should be maintained;
- (e) full disclosure of the assessment process and overall performance results is essential to achieve both board credibility and shareholders' understanding;
- (f) issues which have been identified during the performance evaluations should be discussed in the appropriate forum and followed up regularly between reviews;
- (g) in order to assess the true performance of Carbine Resources Limited ("**Carbine**"), the performance of each individual director, as well as how the Board and its committees operate as a group, need to be evaluated.

2 ESTABLISHING THE EVALUATION PROCESS

2.1 Selecting method of performance evaluation

The Board should recommend the appropriate method of performance evaluation for executives (in conjunction with Human Resources or Remuneration Committee),

¹ ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, Recommendation 8.1

individual directors, board committees and the Board as a whole. It is up to the Board to decide if it accepts the recommendation or if it requires the method to be changed.

The Board will conduct the evaluation process. The results of the evaluations need to be processed by an independent expert and communicated to the Board. The Board will need to pro-actively act on any recommendations or suggestions that arise out of the evaluation process.

The most popular and widely advocated method of evaluation is “self-assessment and peer review” (usually referred to as a 360° Feedback Report). Self-assessment is said to allow people to take ownership of the assessment process. There are many models of self-assessment available and each must be tailored to suit Carbine.

The standard process used in 360° Feedback Reports is through the use of evaluation forms. These can be written documents, although, computer based systems can be used to allow feedback to be provided and received confidentially.

2.2 Establishing evaluation criteria

The Board should also recommend the criteria to be used in conducting the assessments. These criteria will be different for directors, committees and the Board. The Board can choose to accept the criteria recommended or adopt other criteria. The review process and suggested criteria for each type of review is provided in the sections below.

The assessment should be made using pre-determined ratings against set evaluation criteria. The ratings are usually in the form of a number range (say one to five) and each number represents the degree to which the evaluator agrees with each statement on the evaluation form (one being strongly disagree and five being strongly agree). In addition, the evaluation forms usually contain opportunity for further comment where the evaluator can raise additional issues.

Performance criteria chosen by the Board should have the following characteristics:

- (a) they should allow comparison with industry peers where appropriate;
- (b) they should be approved by the Board;
- (c) performance criteria should not be changed from year to year unless circumstances require and, if they do, board approval must be given to any such changes;
- (d) performance evaluation should consider Carbine’s share price performance over a set period (a suggested period is five years) compared to the benchmark index of its industry peers;
- (e) where appropriate, other performance criteria that may be used include return on assets, return on equity, return on investment, economic value added and profitability on capital employed.

3 REVIEW OF INDIVIDUAL DIRECTORS

3.1 Steps in review process

- Step 1 Individual director performs self-assessment on a form using pre-determined ratings and evaluation criteria.
- Step 2 Directors provide feedback on the performance of individual director using the same form.
- Step 3 Meeting is held between individual director and the Board (or other appropriate person(s)) to discuss issues raised and any discrepancies between the self-assessment rating and the peer review.

3.2 Suggested evaluation criteria for individual directors

- (a) Effective governance: ability of director to contribute to Carbine's performance whilst adhering to principles of good governance.
- (b) Leading through vision and values: ability of director to inspire commitment to Carbine's vision and values.
- (c) Strategic thinking and decision making: ability of director to analyse and evaluate the impact of contingencies on Carbine and identify optimal responses based on the business' capacity.
- (d) Commercial/business acumen: director's ability to contribute to the increase in the wealth of shareholders whilst fulfilling Carbine's commitment to triple bottom line reporting, i.e. reporting in respect of Carbine's economical as well as social and environmental performance.
- (e) Teamwork: ability of director to interact with fellow Board members and the senior executives in a manner that is consistent with achieving common business goals.

4 REVIEW OF BOARD COMMITTEES

4.1 Steps in review process

- Step 1 The committee completes self assessment form using evaluation form with set evaluation criteria. The form allows for the committee to comment on how it meets specified requirements and also make recommendations for improvement.
- Step 2 The committee discusses the ability of the committee to meet its objectives and makes recommendations.
- Step 3 Any issues that need to be resolved are put before the Board for discussion.

4.2 Suggested evaluation criteria for committees

- (a) Committee role: appropriateness of balance and mix of skills, size of committee, contribution of individual committee members, adequacy on performance feedback to committee members, adequacy of procedures dealing with inadequate performance by committee member.
- (b) Committee membership: the balance and mix of skills and member contribution.
- (c) Procedure and practice: use of committee time, adequacy of committee papers and frequency of meetings, ability to access resources, ability to keep informed in relevant area, provision for continued development.
- (d) Committee structure: sufficiency and effectiveness of current committee structure and membership, availability of resources to committees to enable them to reach objectives.
- (e) Collaboration and style: working relationship between chairman and chief executive officer, segregation of duties between committee and management, ability of directors to express views on each other and to management in a constructive manner, adequacy of committee discussions.
- (f) Personal: individual members of the Committee have an opportunity to comment on the feelings about their own contribution to the Committee, any concerns they may have about the Committee including the member's ability to canvass issues with the Committee.

5 REVIEW OF THE BOARD AS A WHOLE

5.1 Steps in review process

- Step 1 Each director completes an evaluation form of the Board using set evaluation criteria. The form allows for the director to make further comment and make recommendations for improvement.
- Step 2 The Board discusses its ability to meet its objectives and makes recommendations.
- Step 3 The results of the evaluation are processed by an independent expert and are communicated to the Board.
- Step 4 Any issues that need to be resolved are put before the Board for discussion.

5.2 Suggested evaluation criteria for boards

- (a) Board role: adequacy of the processes which monitor business performance, board member interaction with management, adequacy of board knowledge, adequacy of business strategy, board being informed, evaluation process for executives and directors.
- (b) Board membership: appropriateness of balance and mix of skills, size of board, contribution of individual board members, adequacy on performance feedback to

board members, adequacy of procedures dealing with inadequate performance by a board member.

- (c) Procedure and practice: board's effectiveness in use of time, if board allows sufficient opportunity to adequately assess management performance, board's ability to keep abreast of developments in wider environment which may affect Carbine, discussion of values at board level, focus on community issues and adequacy of meeting frequency and duration of meetings.
- (d) Committee structure: sufficiency and effectiveness of current committee structure and membership, availability of resources to committees to enable them to reach objectives.
- (e) Collaboration and style: working relationship between chairman and chief executive officer, segregation of duties between board and management, ability of directors to express views on each other and to management in constructive manner, adequacy of board discussions.
- (f) Personal: concerns with position as director and own performance, ability to raise issues at board level, availability of resources.
- (g) Carbine may also consider involving independent experts in the performance evaluation process. This can be done in two ways:
 - (i) Engaging the independent experts to perform the review process in its entirety. Whilst there may be a reluctance to do this, as it will necessarily involve allowing access to significant amounts of confidential information about Carbine and individual directors, periodic consideration of the benefits to be gained by this approach is appropriate; and
 - (ii) Engaging the independent experts to perform a review of the current performance evaluation process and evaluation criteria used by Carbine.