

## **Corporate governance statement**

The Board of Directors is responsible to the security holders for the performance of the Company and the implementation of corporate governance policies. The Company's corporate governance principles and policies are structured with reference to the ASX Corporate Governance Council's principles and recommendations, which are as follows:

1. Lay solid foundations for management and oversight
2. Structure the board to add value
3. Act ethically and responsibly
4. Safeguard integrity in corporate reporting
5. Make timely and balanced disclosure
6. Respect the rights of shareholders
7. Recognise and manage risk
8. Remunerate fairly and responsibly

The board supports the intent of the recommendations and recognises that given the current size and scope of the Company it is not practical to institute all of the recommendations at present. A description of the Company's main corporate governance practices is set out hereunder. Unless stated otherwise, all of the following practices were in place throughout the 2017 financial year.

### **1. Lay solid foundations for management and oversight**

The Board's responsibilities include:

- development of strategy
- oversight of management
- risk management
- monitoring compliance with legal and regulatory obligations
- approving and monitoring major operating and capital expenditure
- approving acquisitions and disposals of projects

Management is responsible for the day to day operations and administration of the Company in accordance with the directions and policies of the Board.

The Executive Chairman is responsible for matters not specifically identified as the responsibility of the Board. The Board has also delegated to the Executive Chairman such matters as the Company's liquidity, credit policies and exposures.

Before a candidate is put forward or appointed as a director, appropriate checks regarding experience, education and integrity are carried out. All pertinent material information in the company's possession, regarding directors standing for election or re-election is provided to shareholders.

The company secretaries provide information and support the proper functioning of the Board. They are directly answerable to the Board, via the Executive Chairman.

The Company has no formal performance evaluation procedure for the Board, individual directors or senior executives. However, the Board undertakes ongoing self assessment of its performance and the performance of the Executive Chairman. The Executive Chairman monitors and appraises the performance of individual directors as measured against criterion determined by the Executive Chairman on a continuous basis. Any deficiency identified in a director's performance is addressed directly with the relevant director. Performance of the Board, Executive Chairman and the directors individually for the year ended 31 December 2017 has been evaluated in accordance with this process.

## Corporate governance statement (continued)

### 2. Structure the board to add value

The Board consists of an executive chairman, an executive director and two non-executive directors. M.P. Lincoln Smith is the Executive Chairman and CEO. R.P. Lincoln Smith is an executive director. W.V. Annis-Brown and S.J. Danielson are non-executive directors. B.K. Lee is an alternate director for S.J. Danielson. None of the directors is considered to be independent.

The Board ensures that the directors have an appropriate level of industry experience and business skills to enable them to competently perform their roles. The directors' qualifications, experience and service period are set out in the Directors' Report and the mix of skills and experience of the Directors is set out in the matrix below.

<b>Tertiary and Industry Qualifications</b>	<b>Specific Professional and Industry Experience</b>
Business and commerce Law Science	Accounting and taxation Finance and investment Management and planning Risk assessment and management Legal/statutory compliance Environment Private sector and public sector directorships

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

The Company has no nomination committee. New Directors are appointed by the Board having regard to the Company's needs from time to time. Re-election of directors takes place in accordance with the ASX Listing Rules and the Company's Constitution.

### 3. Act ethically and responsibly

The Company is committed to complying with all applicable laws, regulations and standards.

The Company is dedicated to protecting the environment and respecting community attitudes in all aspects of its operations. The Company ensures that adequate systems and procedures are in place to mitigate the impact the Company's activities may have on the environment and relevant stakeholders.

The board expects all directors to perform their duties in a manner which is ethical, honest and objective and at all times endeavour to maintain and improve the performance and reputation of the Company.

The Company has a Securities Trading Policy which applies to directors, employees and consultants (insiders).

### 4. Safeguard integrity in corporate reporting

It is the Board's responsibility to ensure the maintenance of proper accounting records and the integrity of financial information, the implementation of quality assurance practices and procedures and compliance with statutory regulations.

At regular stages the Board:

- reviews the accounting policies;
- reviews the Company's annual and half yearly financial reports;
- reviews with the external auditors the appropriateness of accounting policies;
- addresses the findings of the external auditors;
- assesses the scope, quality and cost of the external audit;

## **Corporate governance statement (continued)**

- ensures that the auditors retain their independence and there is a periodic rotation of the audit engagement partner;
- reviews the appointment or removal of the external auditor; and
- assesses external reporting to ensure consistency with Board members information and knowledge

Prior to approval of the Company's financial statements for any financial period, the Board receives from the CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Board ensures that the external auditor attends the Company's AGM and is available to answer questions from security holders relevant to the audit.

The Company does not have an audit committee. Due to the small number of directors constituting the Board and the fact that the Board bears the ultimate responsibility for the integrity of the Company's financial reporting and the independence of the external auditor, the Board has deemed that the establishment of a separate audit committee is unnecessary.

### **5. Make timely and balanced disclosure**

The Company aims to provide relevant and timely information to its shareholders and the broader investment community in accordance with its continuous disclosure obligations under the ASX Listing Rules. The Board has procedures in place to disclose any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. The Board has delegated the function of continuous disclosure to the Chairman and the Company Secretaries. The Chairman and the Company Secretaries assess the type of information that needs to be disclosed and ensure the Company's announcements are made in a timely manner, are factual, do not omit material information and are in compliance with the ASX Listing Rules. Information which is considered to be price sensitive is approved by the Chairman before its release.

### **6. Respect the rights of shareholders**

The Board's policy is for all investors to have equal and timely access to material information concerning the Company, including its financial position, performance, ownership and governance and aims to ensure that all security holders are informed of major developments affecting the affairs of the Company.

Information is communicated to the shareholders through the Annual Report, Half-Yearly Report, Quarterly Reports, disclosures made to the ASX and notices of meetings. The Company maintains a website on which is placed Company announcements and Financial Reports as well as the Company's corporate governance policies and biographical information for each director and senior executive. Any relevant information is available to the shareholders on request by email, facsimile or post.

Security holders are given the option of receiving an email notification about accessing the Annual Report online or to receive a printed copy of the Annual Report. All shareholders are notified of general meetings in writing by post. At the AGM the Chairman encourages questions and comments from security holders relating to the company's activities, management of the company, Annual Financial Report and Remuneration Report.

## **Corporate governance statement (continued)**

### **7. Recognise and manage risk**

The Board has responsibility for ensuring that management has adopted risk and internal control processes and it acknowledges that risk management is a core principle of sound corporate governance.

The Company does not have an internal audit function and has not appointed a Risk Committee. In view of the importance of risk management and the small size of the Company, the Board believes it is appropriate for the full Board to oversee risk. The Board has delegated responsibility for designing and implementing the risk management and internal control systems to manage the Company's material risks to the CEO.

The Company's established policies for overseeing its risk management framework are summarised below:

- Review the reliability and integrity of financial and operating information and the processes used to identify, measure, classify and report such information
- Examine and evaluate the adequacy of internal control systems
- Ensure compliance with relevant laws, regulations and standards
- Formulate and regularly review programmes for exploration and development
- Manage financial risk
- Oversee of the conduct of contractors
- Assess the probability and potential impact of identified risks
- Develop actions to eliminate, diminish or deal with the potential consequences of identified risks

Annually the Board reviews the effectiveness of the Company's risk management framework and internal control processes to satisfy itself that it continues to be sound and to consider whether improvements or modifications should be made. A review has been conducted in relation to the year ended 31 December 2017.

The Company's activities expose it to material economic, environmental and social sustainability risks. Any identified risks are regularly monitored and action to mitigate those risks is initiated as appropriate. Highly qualified external consultants are engaged as required to review economic, environmental and social sustainability issues and assist in the development of protocols to mitigate risk.

### **8. Remunerate fairly and responsibly**

The Company determines by resolution the total remuneration to be paid to the directors, and the directors determine how the total remuneration is divided among them. The total determined directors' remuneration is \$20,000 per annum. The Company must not increase the total amount of directors' remuneration payable by it without the approval of security holders by ordinary resolution at a general meeting.

There is no distinction between the structure of non-executive directors' remuneration and that of executives. The Board considers this method appropriate at this stage of the Company's development. Directors receive a fixed amount of remuneration by way of cash fees and superannuation contributions. Remuneration levels are reflective of the time commitment and responsibilities of the directors' roles and are relative to the scale of the Company's operations.

The Company does not have a remuneration committee. Due to the small number of directors constituting the Board and the fact that ultimate responsibility for the Company's remuneration policy rests with the full Board, the establishment of a separate remuneration committee is deemed unwarranted.

Further information on directors' remuneration is set out in the Directors' Report at pages 7-9.

## Corporate governance statement (continued)

The Company has followed each of the ASX Corporate Governance Council recommendations in full for the whole of the reporting period, except in relation to the recommendations set out below:

	<b>RECOMMENDATION</b>	<b>EXPLANATION FOR DEPARTURE</b>
<b>1.</b>	<b>Lay solid foundations for management and oversight</b>	
<b>1.3</b>	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Written agreements setting out the terms of directors' appointments are considered unnecessary due to the long standing professional associations that exist between the current directors.
<b>1.5</b>	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	The Company does not have a diversity policy. Due to the current size of the Company's operations the Board considers it to be impractical to establish a gender diversity policy with meaningful measurable objectives.
<b>2.</b>	<b>Structure the Board to add value</b>	
<b>2.4</b>	A majority of the board of a listed entity should be independent directors.	The Board is of the opinion that the Company is best served by its current board composition and does not consider that the current stage of development of the Company justifies the cost of increasing the number of directors.
<b>2.5</b>	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The Board supports the combined role of Chairman and CEO and does not consider that the present size of operations of the Company justifies the cost of increasing the number of directors.

**Corporate governance statement (continued)**

	<b>RECOMMENDATION</b>	<b>EXPLANATION FOR DEPARTURE</b>
<b>2.6</b>	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	The Board believes that the current directors already possess the necessary skills, knowledge and experience to effectively and competently perform their duties within the scope of the Company's operations. However, as the Company develops, the Board will continue to monitor and assess the benefit of introducing such programs and professional development opportunities.
<b>3.</b>	<b>Act ethically and responsibly</b>	
<b>3.1</b>	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	A code of conduct has not been formally established due to the small number of directors constituting the Board and the fact that Board changes are infrequent. The Chairman consistently and continuously ensures that all members of the Board have a clear understanding of their duties, responsibilities and their accountability to the Company and its shareholders for their conduct.
<b>5.</b>	<b>Make timely and balanced disclosure</b>	
<b>5.1</b>	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	The Board considers that it is unnecessary to establish a written policy designed to ensure compliance as it has delegated the function of continuous disclosure as required under the ASX Listing Rule to the Chairman and the Company Secretaries.
<b>6.</b>	<b>Respect the rights of security holders</b>	
<b>6.2</b>	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Due to the size of the Company's operations and its current stage of development the Board deems the cost of designing and implementing an investor relations program to facilitate effective two-way communication with investors to be unwarranted.
<b>6.4</b>	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Due to the size of the Company's operations and its current stage of development the Board deems the cost of establishing an electronic communication facility to/from the security registry to be unjustifiable.

The corporate governance statement is current as at 27 March 2018 and has been approved by the board of directors.