



**IMPACT MINERALS LIMITED AND CONSOLIDATED ENTITIES**

**(ACN 119 062 261)**

**Corporate Governance Statement as at 25 August 2015**

## Overview

The Company's board of directors (**Board**) is responsible for the overall corporate governance of the Company, and it recognises the need for the highest standards of ethical behaviour and accountability. It is committed to administering its corporate governance structures to promote integrity and responsible decision making. Accordingly, the Company has, where appropriate, sought to adopt the "Corporate Governance Principles and Recommendations" (Third Edition) (**ASX Recommendations**) published by the ASX Corporate Governance Council.

The corporate governance principles and practices adopted by the Company may depart from those generally applicable to ASX-listed companies under ASX Recommendations where the Board considers compliance is not appropriate having regard to the nature and size of the Company's business.

The Company sets out below its report in relation to its compliance with the ASX Recommendations and those matters of corporate governance where the Company's practice departs from the ASX Recommendations to the extent that they are currently applicable to the Company. This statement is current as at 25 August 2015.

## ASX Corporate Governance Principles and Recommendations

### 1. **Principle 1: Lay a solid foundation for management and oversight – companies should establish and disclose the respective roles and responsibilities of board and management and how their performance is monitored and evaluated**

#### 1.1 **Recommendation 1.1**

A listed entity should disclose:

- (a) the respective roles and responsibilities of its board and management; and
- (b) those matters expressly reserved to the board and those delegated to management.

#### ***Compliance with ASX Recommendation: followed***

The Company has adopted a Board Charter.

Under the Board Charter, the Board is responsible for the overall operation and stewardship of the Company and its subsidiaries and, in particular, is responsible for:

- (a) setting the strategic direction of the Consolidated Group, establishing goals to ensure that these strategic objectives are met and monitoring the performance of management against these goals and objectives;
- (b) ensuring there are adequate resources available to meet the Consolidated Group's objectives;
- (c) appointing the Managing Director, evaluating the performance and determining the remuneration of senior executives, and ensuring that appropriate policies and procedures are in place for recruitment, training, remuneration and succession planning;
- (d) approving and monitoring financial reporting and capital management;
- (e) approving and monitoring the progress of business objectives;

- (f) ensuring that any necessary statutory licences are held and compliance measures are maintained to ensure compliance with the law and licences;
- (g) ensuring that adequate risk management procedures exist and are being used;
- (h) ensuring that the Consolidated Group has appropriate corporate governance structures in place, including standards of ethical behaviour and a culture of corporate and social responsibility;
- (i) ensuring that the Board is and remains appropriately skilled to meet the changing needs of the Consolidated Group; and
- (j) ensuring procedures are in place for ensuring the Company's compliance with the law and financial and audit responsibilities, including the appointment of an external auditor and reviewing the financial statements, accounting policies and management processes.

In complying with Recommendation 1.1, the Company has adopted a Board Charter which discloses the respective roles and responsibilities of the Board and senior management and identifies those matters expressly reserved to the Board and those delegated to management.

The Board Charter is available on the Company's website.

## 1.2 **Recommendation 1.2**

A listed entity should:

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
- (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.

### ***Compliance with ASX Recommendation: followed***

On 5 August 2015, Mr Aaron Hood was appointed as a non-executive director of Impact Minerals Limited. Mr Hood will be seeking election by shareholders at the 2015 Annual General Meeting. Appropriate background checks were carried out prior to Mr Hood's appointment and all material information relevant to his election will be contained in the Notice of Meeting.

In respect of any future Directors, the Company will continue to conduct specific and appropriate checks of candidates prior to their appointment or nomination for election by shareholders. The Company does not propose to conduct specific checks prior to nominating an existing Director for re-election by shareholders at a general meeting on the basis that this is not considered necessary in the Company's circumstances.

The Chairman, Mr Peter Unsworth, and the Managing Director, Dr Mike Jones, have both been directors since the Company's incorporation. The Chairman and the Managing Director assessed each of the other Directors prior to their election or appointment, and they consider that each candidate had appropriate experience that was of value to the Company and had a strong professional reputation in their relevant industry.

As a matter of practice, the Company includes in its notices of meeting a brief biography of each Director who stands for election or re-election. The biography sets out the relevant qualifications and professional experience of the nominated Director for consideration by shareholders.

### 1.3 Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

***Compliance with ASX Recommendation: followed***

The Company seeks to engage or employ its Directors and other senior executives under written agreements setting out key terms and otherwise governing their engagement or employment by the Company.

The Company's Managing Director is employed pursuant to a written employment agreement with the Company and each non-executive Director is engaged under a letter of appointment.

### 1.4 Recommendation 1.4

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

***Compliance with ASX Recommendation: followed***

The Company Secretary reports directly, and is accountable, to the Board through the Chairman in relation to all governance matters.

The Company Secretary advises and supports the Board members on general governance matters, implements adopted governance procedures, and coordinates circulation of meeting agendas and papers.

### 1.5 Recommendation 1.5

A listed entity should:

- (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;
- (b) disclose that policy or a summary of it; and
- (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:
- (d) 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
- (e) 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.

***Compliance with ASX Recommendation: Recommendation 1.5(a), 1.5(b) and 1.5(d) followed; recommendation 1.5(c) not followed***

The Board has adopted a diversity policy and is committed to ensuring diversity within the Consolidated Group, particularly the participation of women. Considering the size and scope of the

Consolidated Group, the Board has not set a measurable objective for achieving gender diversity, however it is the Company's practice that during the selection and appointment process, the professional search firm supporting the Company will provide at least one credible and suitably-experienced female candidate.

As at 30 June 2015, women made up 22% of the total Consolidated Group workforce. There are currently no women in senior management or on the Board.

The Diversity Policy is available on the Company's website.

#### 1.6 **Recommendation 1.6**

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

#### ***Compliance with ASX Recommendation: not followed***

The Company does not have in place a formal process for evaluation of the Board, its committees and individual Directors.

The small size of the Board and the nature of the Company's activities make the establishment of a formal performance evaluation strategy unnecessary. Performance evaluation is a discretionary matter for consideration by the entire Board and in the normal course of events the Board will review performance of senior management, Directors and the Board as a whole.

#### 1.7 **Recommendation 1.7**

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

#### ***Compliance with ASX Recommendation: not followed***

The Company does not have in place a formal process for evaluation of its key executives.

The Company's comparatively small size and the nature of its activities make the establishment of a formal performance evaluation strategy unnecessary. As with evaluation of Directors, performance evaluation for key executives is a discretionary matter for consideration by the entire Board and in the normal course of events the Board will review performance of the executives and management as a whole.

**2. Principle 2: Structure the Board to add value – a listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively**

**2.1 Recommendation 2.1**

The board of a listed entity should:

- (a) have a nomination committee which:
  - (i) has at least three members, a majority of whom are independent directors; and
  - (ii) is chaired by an independent director,and disclose:
  - (iii) the charter of the committee;
  - (iv) the members of the committee; and
  - (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

***Compliance with ASX Recommendation: 2.1(a) not followed, 2.1(b) followed***

The Company does not have a nomination committee.

The full Board, which comprises 4 Non-Executive Directors and one Executive Director, considers the matters and issues that would otherwise be addressed by a nomination committee.

Under the Board Charter, candidacy for the Board is based on merit against objective criteria with a view to maintaining an appropriate balance of skills and experience. As a matter of practice, candidates for the office of Director are individually assessed by the Chairman and the Managing Director before appointment or nomination to ensure that they possess the relevant skills, experience, personal attributes and capability to devote the necessary time and commitment to the role.

The Board considers that, given the current size and scope of the Company's operations, no efficiencies or other benefits would be achieved by establishing a separate nomination committee.

The Board intends to reconsider the requirement for, and benefits of, a separate nomination committee as the Company's operations grow and evolve.

**2.2 Recommendation 2.2**

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

***Compliance with ASX Recommendation: not followed***

The Company does not currently have a skills or diversity matrix in relation to the Board members.

The Board considers that such a matrix is not necessary given the current size and scope of the Company's operations. The Board may adopt such a matrix at a later time as the Company's operations grow and evolve.

### 2.3 Recommendation 2.3

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- (c) the length of service of each director.

#### ***Compliance with ASX Recommendation: followed***

The Company has one Director who satisfies the criteria for independence as outlined in Box 2.3 of the ASX Recommendations, being Mr Paul Ingram.

The Board currently comprises the following members:

(a) **Mr Peter Unsworth - Non-Executive Chairman**

Mr Unsworth has held this office since the Company's admission to ASX on 27 November 2006.

Mr Unsworth has been Chairman of the Company for such a period that the Board does not consider Mr Unsworth to be independent.

(b) **Dr Mike Jones - Managing Director**

Dr Mike Jones has held this office since the Company's admission to ASX on 27 November 2006.

The Board does not consider Dr Jones to be independent as he is an executive employee of the Company.

(c) **Mr Paul Ingram - Non-Executive Director**

Mr Paul Ingram was appointed as a Director on 20 July 2009.

The Board considers Mr Ingram to be independent as he holds a small number of shares in the Company and is not involved in the day-to-day management of the Company.

(d) **Dr Markus Elsasser - Non-Executive Director**

Dr Markus Elsasser was appointed as a Director on 29 August 2012.

The Board does not consider Dr Elsasser to be independent as he is a nominee of Susanne Bunnenberg who is a substantial shareholder of the Company.

(e) **Mr Aaron Hood - Non-Executive Director**

Mr Aaron Hood was appointed as a Director on 5 August 2015.

The Board does not consider Mr Hood to be independent as he is a nominee of Squadron Resources Pty Ltd.

#### 2.4 Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

***Compliance with ASX Recommendation: not followed***

The Board does not comprise a majority of “independent directors” at present.

There is currently one Director who satisfies the criteria for independence for the purposes of ASX Recommendation 2.3, being Mr Paul Ingram (see paragraph 2.3(c) above).

The Board considers, however, that given the size and scope of the Consolidated Group's operations at present, it has the relevant experience in the exploration and mining industry and is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and operational perspective.

#### 2.5 Recommendation 2.5

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.

***Compliance with ASX Recommendation: partly followed***

The roles of Chairman and Managing Director are exercised by different persons.

The Chairman of the Company, Mr Peter Unsworth, is not an independent director in accordance with the criteria for independence as outlined in Box 2.3 of the ASX Recommendations.

However, given the size and scope of the Consolidated Group's operations, the Board believes that Mr Unsworth is an appropriate person for the position as Chairman because of his experience in the resources sector and as a public company director.

#### 2.6 Recommendation 2.6

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.

***Compliance with ASX Recommendation: not followed***

The Company does not currently have a formal induction program for new Directors nor does it have a formal professional development program for existing Directors. The Board does not consider that a formal induction program is necessary given the current size and scope of the Company's operations.

All Directors are generally experienced in exploration and mining company operations, albeit in different aspects (e.g. operations, finance, corporate governance etc), and have listed company experience. Some of the current Directors are also directors of other listed companies. The Board seeks to ensure that all of its members understand the Company's operations. Directors also attend, on behalf of the Company and otherwise, technical and commercial seminars and industry conferences which enable them to maintain their understanding of industry matters and technical

advances.

Noting the above, the Board considers that a formal induction program is not necessary given the current size and scope of the Company's operations, though the Board may adopt such a program in the future as the Company's operations grow and evolve.

### **3. Principle 3: Act ethically and responsibly – a listed entity should act ethically and responsibly**

#### **3.1 Recommendation 3.1**

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.

#### ***Compliance with ASX Recommendation: followed***

The Board believes that the success of the Company has been and will continue to be enhanced by a strong ethical culture within the organisation.

Accordingly, the Company has established a Code of Conduct which sets out the standards with which the directors, officers, managers, employees and consultants of the Consolidated Group are expected to comply in relation to the affairs of the Company's business and when dealing with each other, shareholders and the broader community.

The Code sets out the Company's policies on various matters, including the following:

- (a) compliance with all applicable laws, rules and regulations;
- (b) conflicts of interest;
- (c) fair dealing;
- (d) dealings with the Company's assets and property;
- (e) use and confidentiality of information;
- (f) continuous disclosure and securities trading (also covered by discrete policies);
- (g) health, safety and environment;
- (h) employment practices; and
- (i) gifts and entertainment.

The Code also outlines the procedure for reporting any breaches of the Code of Conduct and the possible disciplinary action the Company may take in respect of any breaches.

In addition to their obligations under the Corporations Act in relation to inside information, all Directors, employees and consultants have a duty of confidentiality to the Company in relation to confidential information they possess.

In fulfilling their duties, each Director dealing with corporate governance matters may obtain independent professional advice at the Company's expense, subject to prior approval of the Chairman, whose approval will not be unreasonably withheld.

The Company's Code of Conduct is available on the Company's website.

**4. Principle 4: Safeguard integrity in corporate reporting – a listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting**

**4.1 Recommendation 4.1**

The board of a listed entity should:

- (a) have an audit committee which:
  - (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
  - (ii) is chaired by an independent director, who is not the chair of the board,and disclose:
  - (iii) the charter of the committee;
  - (iv) the relevant qualifications and experience of the members of the committee; and
  - (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

**Compliance with ASX Recommendation: 4.1(a) not followed, 4.1(b) followed**

The Company does not have an audit committee.

The role of the audit committee is undertaken by the full Board, which comprises four Non-Executive Directors and one Executive Director.

The Board has charged the Company Secretary with preparing the annual and half yearly reports. These reports are subsequently audited by the Company's auditors, Bentleys Audit and Corporate (WA) Pty Ltd. The Company Secretary also compiles the information and prepares the Company's quarterly financial and operational reports.

All Company reports are reviewed by the Board before they are finalised and the Directors are given the opportunity to question and consider the veracity of the information in the reports.

The Board considers that, given the current size and scope of the Company's operations and that only one Director holds an executive position in the Company, efficiencies or other benefits would not be gained by establishing a separate audit committee at present.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate audit committee.

#### 4.2 Recommendation 4.2

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its 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 entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

***Compliance with ASX Recommendation: followed***

As a matter of practice, the Company obtains declarations from its Managing Director and Company Secretary before its financial statements are approved substantially in the form referred to in ASX Recommendation 4.2.

#### 4.3 Recommendation 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

***Compliance with ASX Recommendation: followed***

In accordance with the Company's Shareholder Communications Policy, the Company requests its external auditor to attend each annual general meeting of the Company and be available to answer questions from shareholders in relation to the conduct of the audit and the preparation and content of the auditor's report.

### 5. Principle 5: Make timely and balanced disclosure – a listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities

#### 5.1 Recommendation 5.1

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.

***Compliance with ASX Recommendation: followed***

The Company is a "disclosing entity" pursuant to section 111AR of the Corporations Act and, as such, is required to comply with the continuous disclosure requirements of Chapter 3 of the ASX Listing Rules and section 674 of the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company is required to disclose to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The Company is committed to observing its disclosure obligations under the Corporations Act and its obligations under the ASX Listing Rules. All relevant information provided to ASX is posted on the Company's website.

The Company has adopted a Continuous Disclosure Policy, the purpose of which is to:

- (a) ensure that the Company, as a minimum, complies with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules and, as much as possible, seeks to achieve best practice in its disclosure activities;
- (b) provide shareholders and the market with timely, direct and equal access to information issued by the Company; and
- (c) promote investor confidence in the integrity of the Company and its securities.

The Continuous Disclosure Policy is available on the Company's website.

**6. Principle 6: Respect the rights of security holders – A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively**

**6.1 Recommendation 6.1**

A listed entity should provide information about itself and its governance to investors via its website.

***Compliance with ASX Recommendation: followed***

Information on the Company's corporate governance, including copies of its various corporate governance policies and charters, is available on the Company's website.

**6.2 Recommendation 6.2**

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

***Compliance with ASX Recommendation: followed***

The Company has adopted a Shareholder Communications Policy, the purpose of which is to facilitate the effective exercise of shareholders' rights by communicating effectively with shareholders, giving shareholders ready access to balanced and understandable information about the Company and its corporate strategies and making it easy for shareholders to participate in general meetings of the Company.

The Company communicates with shareholders:

- (a) through releases to the market via the ASX;
- (b) through the Company's website;
- (c) through information provided directly to shareholders;
- (d) at general meetings of the Company; and
- (e) by providing a facility whereby third parties (including shareholders) can request email subscription to publicly available information via the Company's website.

The Shareholder Communications Policy is available on the Company's website.

### 6.3 Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

#### ***Compliance with ASX Recommendation: followed***

In accordance with the Company's Shareholder Communications Policy, the Company supports shareholder participation in general meetings and seeks to provide appropriate mechanisms for such participation.

In preparing for general meetings of the Company, the Company will draft the notice of meeting and related explanatory information so that they provide all of the information that is relevant to shareholders in making decisions on matters to be voted on by them at the meeting. This information will be presented clearly and concisely so that it is easy to understand and not ambiguous.

The Company will use general meetings as a tool to effectively communicate with shareholders and allow shareholders a reasonable opportunity to ask questions of the Board of Directors and to otherwise participate in the meeting.

Mechanisms for encouraging and facilitating shareholder participation will be reviewed regularly to encourage the highest level of shareholder participation.

### 6.4 Recommendation 6.4

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

#### ***Compliance with ASX Recommendation: followed***

The Company considers that communicating with shareholders by electronic means is an efficient way to distribute information in a timely and convenient manner.

In accordance with the Shareholder Communication Policy, the Company has, as a matter of practice, provided new shareholders with the option to receive communications from the Company electronically and the Company encourages them to do so. Existing shareholders are also encouraged to request communications electronically.

All shareholders that have opted to receive communications electronically are provided with notifications by the Company when an announcement or other communication (including annual reports, notices of meeting etc) is uploaded to the ASX announcements platform.

**7. Principle 7: Recognise and manage risk – a listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework**

**7.1 Recommendation 7.1**

The board of a listed entity should:

- (a) have a committee or committees to oversee risk each of which:
  - (i) has at least three members, a majority of whom are independent directors; and
  - (ii) is chaired by an independent director,and disclose,
  - (iii) the charter of the committee;
  - (iv) the members of the committee; and
  - (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

**Compliance with ASX Recommendation: 7.1(a) not followed, 7.1(b) followed**

The Company does not have a separate risk management committee.

The role of the risk management committee is undertaken by the full Board, which comprises four Non-Executive Directors and one Executive Director.

The Board considers that, given the current size and scope of the Company's operations and that only one Director holds an executive position in the Company, efficiencies or other benefits would not be gained by establishing a separate risk management committee at present.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate risk management committee.

However, the Board has adopted a Risk Management Policy that sets out a framework for a system of risk management and internal compliance and control, whereby the Board delegates day-to-day management of risk to the Managing Director. The Board is responsible for supervising management's framework of control and accountability systems to enable risk to be assessed and managed.

The Risk Management Policy is available on the Company's website.

In addition, Company is committed to ensuring that sound environmental management and safety practices are maintained for its exploration activities. As the Company is an active uranium explorer it has also incorporated a radiation management plan into its occupational health and safety policies.

The Company's Environmental Policy and Occupational Health and Safety Policy is available on the Company's website.

## 7.2 Recommendation 7.2

The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

### ***Compliance with ASX Recommendation: not followed***

As the Board has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively. The Board believes that the Consolidated Group is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficient complexity to justify the implementation of a more formal system for identifying, assessing, monitoring and managing risk in the Company.

## 7.3 Recommendation 7.3

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

### ***Compliance with ASX Recommendation: 7.3(a) not followed, 7.3(b) followed***

The Company does not currently have an internal audit function. This function is undertaken by the full Board.

The Company has adopted internal control procedures which are set out in its Risk Management Policy. The Company's internal controls include the following:

- (a) identification of key risks;
- (b) managing activities within budgets and operational and strategic plans;
- (c) monthly financial reporting against budget;
- (d) regular visits the Company's exploration project areas to review the geological practices including the environmental and safety aspects of the Company's operations;
- (e) appraisal procedures and due diligence requirements for potential acquisitions or divestments; and
- (f) reliance on auditor reviews and senior management declarations.

The Managing Director is charged with evaluating and considering improvements to the Company's risk management and internal control processes on an ongoing basis.

The Board considers that an internal audit function is not currently necessary given the current size and scope of the Company's operations and that only one Director holds an executive position in the Company.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of adopting an internal audit function.

#### 7.4 Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

#### **Compliance with ASX Recommendation: followed**

The Company's primary operation of mineral exploration and development is speculative in nature and has inherent risks. It is subject to various economic, environmental and social sustainability risks, which may materially impact the Company's ability to operate and to generate value for shareholders. These include:

- (a) **Exploration:** The success of the Company depends on the delineation of economically mineable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to the Company's exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities. The actual costs of exploration may materially differ from those estimated by the Company.
- (b) **Title risks:** All exploration leases held either by the Company or through its subsidiaries may be subject to overlapping applications. The Company has in place both internal and external land management and land monitoring to ensure appropriate objections are lodged and protection of the leases is maintained.
- (c) **Future capital requirements:** The Company will need to raise funding for working capital from time to time. However, there is no guarantee that appropriate or adequate funding will be available.
- (d) **Commodity price fluctuations:** The Company's future revenue will depend upon demand and commodity prices for its products.
- (e) **Exchange rate fluctuations:** The expenditure of the Company is and will be taken into account in Australian and US currencies, exposing the Company to the fluctuations and volatility of the rates of exchange between the US dollar and the Australian dollar as determined in international markets.
- (f) **Environmental risks:** The operations and activities of the Company are subject to environmental laws and regulations. As with most exploration projects and mining operations, the Company's operations and activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. The Company attempts to conduct its operations and activities to the highest standard of environmental obligation, including compliance with all environmental laws.
- (g) **Securities market conditions:** As with all securities markets, the price of the Company's shares and other securities is subject to fluctuations in the market.

The Company has adopted the Risk Management Policy and other procedures to identify, mitigate and manage these risks. These policies are updated from time to time as the Board considers appropriate in the circumstances for the management of the Company's risk profile.

**8. Principle 8: Remunerate fairly and responsibly – companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear**

**8.1 Recommendation 8.1**

The board of a listed entity should:

- (a) have a remuneration committee which:
  - (i) has at least three members, a majority of whom are independent directors; and
  - (ii) is chaired by an independent director,and disclose:
  - (iii) the charter of the committee;
  - (iv) the members of the committee; and
  - (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

***Compliance with ASX Recommendation: 8.1(a) not followed, 8.1(b) followed***

The Company has not established a separate remuneration committee and does not have a formal remuneration policy in place.

The role of the remuneration committee is undertaken by the full Board. The Board considers that, given its current size and that only one Director holds an executive position in the Company, efficiencies or other benefits would not be gained by establishing a separate remuneration committee.

The Company sets out the remuneration paid or provided to Directors and senior executives annually in the remuneration report contained within the Company's annual report to shareholders. The full Board determines all compensation arrangements for Directors. It is also responsible for setting performance criteria, performance monitors, share option schemes, incentive performance schemes, superannuation entitlements, retirement and termination entitlements and professional indemnity and liability insurance cover.

The maximum aggregate remuneration payable to Non-Executive Directors is \$150,000; the Non-Executive Directors have been paid below this threshold to preserve the Company's cash reserves and in recent years have been paid half their directors' fees in the form of shares in the Company.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate remuneration committee.

**8.2 Recommendation 8.2**

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

***Compliance with ASX Recommendation: followed***

The Company's policies and practices regarding the remuneration of Executive and Non-Executive Directors and other senior executives is set out in the Remuneration Report contained in the Company's Annual Report for each financial year.

**8.3 Recommendation 8.3**

A listed entity which has an equity-based remuneration scheme should:

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- (b) disclose that policy or a summary of it.

***Compliance with ASX Recommendation: not followed***

Whilst the Company's Securities Trading Policy sets out the circumstances in which the Company's directors, executives, employees, contractors, consultants and advisors are prohibited from dealing in the Company's securities, there is no specific policy guidance on whether participants in the Company's equity-based remuneration scheme are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

However, the Directors note that there is no market for exchange-traded options in respect of the Company's securities and, for all practical purposes, there is no capacity for scheme participants to directly limit the economic risk associated with their holdings of Company securities pursuant to the Company's equity-based remuneration scheme.

The Securities Trading Policy is available on the Company's website.