



# **CORPORATE GOVERNANCE STATEMENT**

Version effective 15 September 2017

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The Board of Directors has a clear understanding that it is responsible for Corazon Mining Limited (Corazon, the “Company”) corporate governance and recognises the importance of its corporate governance framework in establishing accountabilities, guiding and regulating activities, monitoring and managing risks and optimising the Company’s performance.

The Board also recognises the need to review regularly its system of corporate governance as best practice evolves over time. This Statement outlines the Company’s current corporate governance framework, by reference to the Corporate Governance, Principles and Recommendations (“CGC Principles and Recommendations”) of the ASX Corporate Governance Council.

The CGC Principles and Recommendations presently consist of recommendations relating to eight Principles. The ASX Corporate Governance Council recognises that not all Recommendations are appropriate for all companies and acknowledges that a company should only adopt those Recommendations that are suitable for its circumstances. The Board believes that the corporate governance policies and procedures in place as at the date of this Statement largely follow the Recommendations.

The Board considers that the implementation of a small number of the Recommendations is not appropriate for the Company, for the reasons set out in the statement in relation to certain Recommendations. The Board uses its best endeavours to ensure that exceptions to the Recommendations do not have a negative impact on the Company and the best interests of shareholders as a whole and explains in the statement the alternative processes in place to accommodate for the variation.

During the FY2016 the Board reviewed all of the Company’s Corporate Governance Codes, Charters, Policies and Guidelines. The following new and updated Corporate Governance Codes, Charters, Policies and Guidelines have been adopted by the Board and put on the Company’s website:

1. Code of Conduct
2. Security Trading Policy
3. Continuous Disclosure and Information Policy
4. Board Charter
5. Remuneration Policy
6. Risk Management Policy

An annual review process for all of the Company’s Corporate Governance Codes, Charters, Policies and Guidelines has now been put in place to ensure all of the Company’s Corporate Governance Codes, Charters, Policies and Guidelines are reviewed annually, kept up to date and are in line with best practice.

The third edition of the CGC Principles and Recommendations was published by the ASX Corporate Governance Council on 27 March 2014. ASX introduced the requirement to publish the information set out in Appendix 4G - Key to Disclosures Corporate Governance Council Principles and Recommendations. As part of the review process, the Company has assessed itself against the criteria set out in Appendix 4G of the ASX Listing Rules.

## **PRINCIPLE 1:**

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

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#### **1.1 ROLE OF BOARD AND MANAGEMENT**

The matters reserved to the Board are set out in the Board Charter in the Corporate Governance section of the Company's website. In summary, the Board is responsible for delegating powers to Management for the day to day management of the Company, approving long term corporate strategy, reviewing and approving business plans and budgets, approving material capital expenditure, approving and monitoring the adherence to Company policies, developing and promoting corporate governance, and approval of financial statements.

The Board is also responsible for monitoring compliance with the Code of Conduct, monitoring the Company's performance, overseeing risk management and internal controls, and the assessment, appointment and removal of the Managing Director, Company Secretary and other senior management.

The Board has delegated the following functions to the Managing Director and the other senior executives:

- the effective leadership of Corazon;
- the preparation and implementation of development and operational plans to achieve the strategic, operational and financial objectives of Corazon as determined by the Board;
- the management of the day to day affairs of Corazon, including its people, processes, policies and systems;
- the conduct of commercial negotiations with other entities;
- the development and maintenance of effective relationships with Corazon's employees, shareholders, joint venture partners, governments at all levels and government agencies, suppliers and customers and local landowners;
- reporting to the Board and providing prompt and full information regarding the conduct of the business of Corazon; and
- ensuring all material matters that affect Corazon are brought to the Board's attention.

#### **1.2 INFORMATION ON ELECTION AND RE-ELECTION OF BOARD MEMBERS**

The Company prior to the appointment and putting forward for election by shareholders of a Director the Company undertakes appropriate checks and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

#### **1.3 WRITTEN CONTRACTS OF APPOINTMENT**

Directors and senior executive are provided with a letter of appointment which sets out the key terms and conditions of their appointment.

## **1.4 COMPANY SECRETARY**

The Company Secretary is accountable to the Board, through the Chairman, on all governance matters. All Directors have access to the advice and services provided by the Company Secretary.

## **1.5 DIVERSITY POLICY**

The Company does not have a formal policy concerning diversity. Given the current small number of employees in the Company workforce, the Board has determined that it is not currently practicable to implement a policy concerning diversity. The Board will further consider the establishment of a diversity policy as the Company and its workforce grows.

The Board recognises that corporate performance is enhanced when a company has an appropriate and diverse mix of skills and experience. The Company aims to ensure fair and unbiased remuneration between the genders, recruitment and retention campaigns that encourage diversity, no gender bias when considering senior executive and Board positions and that no discrimination on the basis of gender or race takes place within the Company. The Board will monitor compliance with the diversity and equal opportunity ethos.

The following objectives are set as Company objectives:

### **MEASURABLE OBJECTIVES AND PROGRESS TOWARDS ACHIEVEMENT**

- (A) All persons with appropriate experience and qualifications are to be considered equally when new employees or directors are being recruited. All recruitment is being carried out on this basis.
- (B) All persons with appropriate experience and qualifications are to be considered equally when opportunities for promotion or advancement arise. All such promotion opportunities are being carried out on this basis.

The key statistics relating to gender diversity within the Company statistics are as follows:

- (a) Proportion of women employees/contractors in the Company at 30 June 2017: 37.5% (2016: 37.5%).
- (b) Proportion of women in senior executive roles in the Company at 30 June 2017: 0 % (2016:0%).
- (c) Proportion of women on the Board of the Company at 30 June 2017: 0% (2016: 0%).

For the purposes of (b) above, senior executives are categorised as those who hold a senior manager or senior executive role.

## **1.6 BOARD REVIEW**

The process for evaluating the performance of the Board is carried out within the framework of the Remuneration Policy which is set out in the Corporate Governance section of the Company's website. Evaluations are conducted annually. The most recent evaluations were carried out in September 2017. All evaluations were carried out in accordance with the process disclosed.

## **1.7 MANAGEMENT REVIEW**

The process for evaluating the performance of the senior executives is carried out within the framework of the Remuneration Policy which is set out in the Corporate Governance section of the Company's website. Evaluations are conducted annually. The most recent

evaluations were carried out in September 2017. All evaluations were carried out in accordance with the process disclosed.

## **PRINCIPLE 2:** Structure the Board to add value

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### **2.1 NOMINATION COMMITTEE**

The Board has chosen not to establish a Nomination Committee. The Board considers that due to the relative small size of the Company that the interests of the Company are best served by the full Board completing the functions normally delegated to a nomination committee. The Board Charter contains procedures dealing with the nomination, appointment and resignation of Directors and management.

### **2.2 BOARD SKILLS MATRIX**

In accordance with the Board Charter, the Board seeks to achieve in its membership persons with demonstrable skills, capability, experience and ability to question and debate with other Board members, the ability to operate as part of a team, the ability to contribute outstanding performance and have a track record of impeccable ethics and values. The Board seeks to have a mix of age, skills, knowledge, experience and expertise in its ranks. The current mix of skills and experience on the Board is disclosed in the skills matrix as follows:

<b>Skills and Diversity matrix (out of 4 Directors)</b>	
<b>Leadership and Governance</b>	<b>Mining Sector Experience</b>
5 Directors	5 Directors
<b>Corporate</b>	<b>Finance and Risk</b>
5 Directors	2 Directors
<b>Strategy and Project</b>	<b>Behavioural and communication</b>
5 Directors	5 Directors

The Company's principal business is mining. All material investment decisions require the approval of the full Board.

In considering new appointments the Board will have regard to the need to augment the skills, knowledge, experience and capabilities of the current members and to meet its future needs, the Company's sustainable growth ambitions and diversity aspirations. In doing so, the Board recognises the unique skills, experience and outlook that different genders can bring to the group.

### **2.3 DISCLOSE INDEPENDENCE AND LENGTH OF SERVICE**

The Board currently consists of one executive directors the Managing Director, Mr Brett Smith and three non-executive directors (including the Chairman). The Board considers that the three non-executive directors are independent: Mr Clive Jones (Chairman), Mr Jonathan Downes and Mr Adrian Byass. The Board considers that Mr Mark Qiu is not independent as he is the nominee and representative for Hanking Australia Pty Ltd, a substantial shareholder.

In making these assessments of independence the Board has followed the evaluation criteria of the Board's Guidelines on Director Independence which is set out in the Board Charter available in the Corporate Governance section of the Company's website.

These guidelines are in conformity with the guidelines of the ASX Corporate Governance Council and require the satisfaction of all of the items on a list of criteria, the most significant of which are:

- The director must be in a non-executive role where any fees payable by the Company could not be considered to make the director reliant on such remuneration;
- The director must have no other material contractual relationship with the Company other than as a director of the Company;
- The director is not a substantial shareholder of the Company;
- The director has not been employed in an executive capacity by the Company and has not been a principal of a material adviser or consultant to the Company within the last 3 years; and
- The director is free from any interest which could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the Company.

Information pertaining to the relevant skills, experience and length of service of the directors of the Company as at the date of this Statement is included in the Annual Report.

#### **2.4 MAJORITY OF BOARD INDEPENDENT**

The majority of the members are independent directors. The Board considers that the interests of the Company are best served by appointing directors with the relevant skills and expertise to enhance the Company's performance. The Board believes each director brings an independent, objective judgment to the deliberations of the Board. It is considered that the present Board have a significant level of mining industry knowledge which is considered invaluable at this stage of the Companies development.

#### **2.5 CHAIR INDEPENDENT**

The Board is chaired by an independent director, Mr Clive Jones.

#### **2.6 INDUCTING AND PROFESSIONAL DEVELOPMENT OF BOARD MEMBERS**

The Company has a program for inducting new directors and provides appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Board members have the right to seek independent professional advice at the Company's expense in the furtherance of their duties as directors.

## **PRINCIPLE 3:**

### **Promote ethical and responsible decision making**

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#### **3.1 CODE OF CONDUCT**

The Company aims to maintain the highest standard of ethical behaviour in business dealings and to behave with integrity in all its dealings with customers, clients, shareholders, government, employees, suppliers and the community. Directors and employees are expected to perform their duties in a professional manner and act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Board has a clear understanding that it is responsible for setting the tone of legal, ethical and moral conduct to ensure that the Company is considered reputable by the industry and other outside entities. This involves considering the impact of the Company's decisions on the industry, its colleagues and the general community. With this in mind the Board reviewed and approved an updated and best practice Code of Conduct that has been presented to staff.

In summary, the Code of Conduct adopted by the Company and set out in the Corporate Governance section of the Company's website requires that all employees and directors:

- act in accordance with occupational health and safety legislation, regulations and policies applicable to their respective organisations and to use security and safety equipment provided;
- act with honesty and integrity;
- respect the law and act accordingly;
- respect confidentiality and not misuse information;
- value and maintain professionalism;
- avoid conflicts of interest;
- act in accordance with the Company's policies procedures and guidelines;
- strive to be good corporate citizens on responsibilities such as sustainable development, health, safety, environment and community; and
- have respect for each other, including by embracing diversity, openness, sharing, mutual trust and teamwork.

The Code of Conduct imposes a responsibility on individuals to report breaches of the Code to executive management or to a director so that appropriate remedial action can be taken.

## **PRINCIPLE 4:**

### **Safeguarding integrity in financial reporting**

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#### **4.1 AUDIT COMMITTEE**

The Board has chosen not to establish an Audit Committee. The Board considers that due to the relative small size of the Company that the interests of the Company are best served by the full Board completing the functions normally delegated to an audit committee.

The processes that the Board employs to independently verify and safeguard the integrity of its corporate reporting include:

- reviewing and adopting the Company's Quarterly, Half Year and Annual Report prior to release to shareholders and the ASX
- overseeing the Company's relationship with the external auditor the external audit function generally and ensuring the external audit engagement partner rotation is in accordance with the Corporations Code;
- overseeing the adequacy of the control processes in place in relation to the preparation of financial statements and reports; and
- overseeing the adequacy of the Company's financial risk management and internal controls.

#### **4.2 MANAGING DIRECTOR AND CFO DECLARATION**

The Managing Director and Chief Financial Officer provide a declaration in accordance with Section 295A of the Corporations Act in relation to the half year and annual accounts and assured the Board that the declaration is founded on a sound system of risk management and internal controls and that the systems are operating effectively and efficiently in all material respects.

#### **4.3 EXTERNAL AUDITOR**

The external auditor is invited and attends the Companies AGM and is available to answer questions from shareholders relevant to the audit.

### **PRINCIPLE 5:**

#### **Make timely and balanced disclosure**

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The Company has established policies and procedures, set out in its Continuous Disclosure and Information Policy, relating to the disclosure of information to interested parties. A copy of the Policy is in the Corporate Governance section of the Company's website.

The Company Secretary is responsible for ensuring the Company complies with ASX Listing Rules and is responsible for communicating with the ASX.

### **PRINCIPLE 6:**

#### **Respect the rights of shareholders**

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##### **6.1 WEBSITE**

The Company has established a Continuous Disclosure and Information Policy which is designed to ensure that the Company communicates effectively with its shareholders and the investment community and that information is released and made available in an equitable manner. All information disclosed to the ASX is placed on the Company's website as soon as it is disclosed to and acknowledged by the ASX. When analysts are briefed on the Company's activities, any information provided in the presentation (if material and not previously released) is released to the ASX and placed on the Company's website.



## **6.2 INVESTOR RELATIONS**

It is the policy of the Company to communicate effectively with its shareholders by giving them ready access to balanced and understandable information about the Company.

The Company's annual report, quarterly and half yearly reports are provided to the ASX and placed on the website. Copies of these reports are sent to any shareholder or interested party requesting a copy.

## **6.3 PARTICIPATION IN MEETINGS**

Notices of meetings are mailed to all shareholders unless they have elected not to receive a copy and are also placed on the Company's website and disclosed to the ASX. Notices of meeting are to be as easily read and understandable as possible, however they must comply with the legal requirements contained in the Corporations Act and the ASX Listing Rules. The Company provides shareholders with a forum to actively participate in General Meetings.

## **6.4 ELECTRONIC COMMUNICATION**

The Company provides shareholders the option to receive communications from, and send communications to, the entity and its security registry electronically.

# **PRINCIPLE 7:**

## **Recognise and manage risk**

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### **7.1 RISK COMMITTEE**

The Board is responsible for the identification of significant areas of business risk, implementing procedures to manage such risks and developing policies regarding the establishment and maintenance of appropriate ethical standards to:

- ensure compliance in legal, statutory and ethical matters;
- monitor the business environment;
- identify business risk areas;
- identify business opportunities; and
- monitor systems established to ensure prompt and appropriate responses to shareholder complaints and enquiries.

The Board has chosen to not establish a Risk Committee.

The Board considers that due to the relative small size of the Company that the interests of the Company are best served by the full Board completing the functions normally delegated to a Risk committee. The Risk Management Policy contains procedures dealing with the Company's risk management systems and procedures.

The Board's Risk Management processes to oversee the management of risk involves the Board meeting at least annually with senior management to review the Company risks and to ensure that all reasonable procedures have been put in place to mitigate the Company's risks. The last Risk review was held in September 2017. At that Meeting the senior

management reported on the effectiveness of the Company's management of its material business risks via a Risk Register.

## **7.2 RISK MANAGEMENT FRAMEWORK**

The Company's risk management framework is designed to ensure that the Company identifies, documents, communicates and proactively manages material risks in a systematic way. This ensures that risk management is embedded within the culture of the business. This structure enables consideration of both the long term interests of the business as well as the day to day operations. It also ensures focus is given to those unlikely events with potentially catastrophic impacts to our business.

### **Material exposure to economic, environmental and social sustainability risks**

The Company does have material exposure to economic, environmental and social sustainability risks, including exposure to commodity and foreign exchange market fluctuations and changes in government and environmental regulatory legislation.

The Company where necessary employs suitably qualified personnel to assist with the management of its exposure to environmental and social sustainability risks including appropriate health and safety personnel as well as heritage and environmental experts.

### **Dealing in Securities Guidelines (Securities Trading Policy)**

The Company has put in place guidelines to ensure that directors, officers and employees do not trade in the Company's shares if they are aware of non-public information that could be expected to have a material effect on the market price of the Company's shares. A copy of the Securities Trading Policy is set out in the Corporate Governance section of the Company's website.

## **7.3 INTERNAL AUDIT FUNCTION**

The Company does not have an internal audit function the function is undertaken by the Board and management. The process employed to evaluate and improve the internal control process by the Board involves meeting, at the time of the external audit review meeting which is held a minimum of twice each year, to consider and review the Company financial risk management processes and internal controls to ensure that they are adequate and functioning.

## **7.4 MATERIAL EXPOSURE TO ECONOMIC ENVIRONMENTAL**

The Company has material exposure to economic, environmental and social sustainability risks.

Internal risks including: corporate governance, compliance, human resources, workplace health and safety, finance and administration, operational, product, business development, technology, legal and project risks.

External micro risks including: internal people; key commercial relationships; indirect commercial relationships; reputation; fraud, theft, and corruption; and money laundering and terrorism risks.

External macro risks including: natural events; political events; economic events; technology changes; environmental events; cultural and religious events and industrial events.

The Board as part of its risk review considers the existing risks and the processes and procedures that are in place to manage and mitigate these risks it also considers changes in the Company's operations and identifies new risks that have or may arise and the processes and procedures that the Company must initiate to control and/or mitigate these risks from impacting upon the performance of the Company.

## **PRINCIPLE 8:** **Remunerate fairly and responsibly**

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### **8.1 REMUNERATION COMMITTEE**

The Board has chosen to not establish a Remuneration Committee. The Board considers that due to the relative small size of the Company that the interests of the Company are best served by the full Board completing the functions normally delegated to a Remuneration committee. The Remuneration Policy contains procedures dealing with the Company's remuneration.

The Board's Remuneration Policy was reviewed in September 2017.

### **8.2 REMUNERATION POLICIES AND PRACTICE**

During FY2017, the Board reviewed the Remuneration Policy. This Remuneration Policy is disclosed in the Corporate Governance section of the Company's website.

The full details of the Company's remuneration and policy is also set out in the Remuneration Report within the Directors' Report in the Annual Report.

### **8.3 REMUNERATION EQUITY BASED**

The full details of the equity based scheme were adopted by shareholders in a shareholders meeting and disclosed to the meeting and the ASX at the time approval was sought. Participants are not entitled to enter into transactions which limit the economic risk of participating in the scheme.