

# Corporate Governance Statement for the year ended 31 December 2018



Corporate governance is a matter of high importance to the Group and is undertaken with due regard to all of the Group's stakeholders and its role in the community. The Group complies with the Australian Securities Exchange Corporate Governance Council's *Corporate Governance principles and Recommendations 3<sup>rd</sup> Edition* (the "ASX Principles"). This statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. Unless otherwise stated, all these practices were in place for the full reporting period.

## Principle 1 Lay Solid Foundations for Management and Oversight

**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.

The Group is directly managed by the Board, through the Executive Director, contractors are used to perform functions as required.

Directors of the Group are required to act honestly, transparently, diligently, independently, and in the best interests of all shareholders with the objective of increasing shareholder value.

The Group operates in a framework to:

- Enable the Board to provide strategic guidance for the Group and effective oversight of contractors;
- Clarify the respective roles and responsibilities of Board members in order to facilitate Board accountability to the Group and shareholders;
- Ensure a balance of authority so that no single individual has unfettered powers.

**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 in its possession relevant to a decision on whether or not to elect or re-elect a director.

The performance of non-executive directors is reviewed by the Chairman on an ongoing basis. Any Director whose performance is considered unsatisfactory is asked to resign.

**Recommendation 1.3** A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

All Directors do not have written agreements with the Group. Colin McCavana, Rod Della Vedova and Michael Ruane have all been appointed pursuant to letters of engagement setting out the terms of their appointment. Under the Group's Board Policy, when the Board considers the appointment of any new Director, the terms of appointment of a director must be recorded in a letter of appointment which takes into consideration the ASX Recommendations. This will form the basis of the written agreement entered into between the Group and a director.

**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.

The Board Policy states that the Company Secretary will be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

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**Recommendation 1.5** A listed entity should:

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;

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

The Group values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Diversity is not limited to gender, age, ethnicity and/or cultural backgrounds.

As at December 2018, the proportion of women employed in the Group was:

- All employees – 25%
- In management positions – Nil
- In senior executive positions – Nil
- Board – Nil

## **Explanation for Departure**

The Board considers that the Group is not currently of a size, or its affairs of such complexity, that the formation of a diversity policy is justified at this time.

**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.

## **Explanation for Departure**

Given the Group's size and nature there is no formal process for evaluating the performance of its senior executives. Should the size of the Group change, the Board will consider establishing a formal process. The Board Policy sets out how the Group addresses succession issues.

**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

## **Explanation for Departure**

Given the Group's size and nature there is no formal process for evaluating the performance of its senior executives. Should the size of the Group change, the Board will consider establishing a formal process. The Board Policy sets out how the Group addresses succession issues.

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## Principle 2 Structure the Board to Add Value

**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.

There is no nomination committee.

### Explanation for Departure

The full Board considers those matters that would usually be the responsibility of a nomination committee. The composition of the Board does not make the establishment of a separate nomination committee practicable. The Board has adopted a nomination committee charter, which it applies when convening as the nomination committee.

**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.

The Board regularly evaluates the mix of skills, experience and diversity at the Board level. The Board believes that a highly credentialed Board, with a diversity of background, skills and perspectives, will be effective in supporting and enabling delivery of good governance for the Group and value for the Group's shareholders. The mix of skills comprised in the current Board, and that the Board would look to maintain, and to build on, includes:

- mining industry expertise;
- metallurgy and metals marketing expertise;
- experience in dealing with joint ventures and high levels of government and regulators;
- high level of business acumen;
- technical expertise (including finance);
- ability to think strategically;
- governance experience and expertise.

The Board aspires to have a Board comprised of individuals' diverse experience and expertise and will be mindful of this when making appointments which will also be based on merit. A profile of each director containing their skills, experience and expertise is set out in the Directors' Report.

**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 of the Corporate Governance Principles and Recommendations 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.

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The Board considers that the current composition of the Board is adequate for the Group's current size and operations and includes an appropriate mix of skills and expertise relevant to the Group's business. The current Board structure presently consists of two independent non-executive directors being Mr Colin McCavana (Chairman) and Mr Rod Della Vedova, the executive director, Dr Michael Ruane is not independent. The Group considers that each of the directors possess skills and experience suitable for building the Group. It is the Board's intention to appoint another independent director as and when the size and complexity of its operations changes and a suitable candidate is identified. A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

**Recommendation 2.4** A majority of the board of a listed entity should be independent directors

The majority of the board are independent directors.

**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.

The Chairman of the Board, Mr Colin McCavana, is an independent, non-executive Director.

**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.

All new directors are provided with an induction including comprehensive meetings with the Chief Executive Officer, senior executives and management, and provision of information on the Group including Group and Board policies and other material documents.

All directors are expected to maintain the skills required to effectively discharge their obligations to the Group. Directors are encouraged to undertake continuing professional education and, if this involves industry seminars and approved education courses, where appropriate, this is paid for by the Group. The Company Secretary under the guidance of the full Board oversees the induction program for new directors.

## Principle 3 Act Ethically and Responsibly

**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.

The Group has established a Code of Conduct as to the practices necessary to maintain confidence in the Group's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Group's Code of Conduct is made available on the Group's website.

## Principle 4 Safeguard Integrity in Corporate Reporting

**Recommendation 4.1** The board of a listed entity should:

- (a) have an audit committee which:
  - (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
  - (2) is chaired by an independent director, who is not the chair of the board, and disclose:
    - (3) the charter of the committee;
    - (4) the relevant qualifications and experience of the members of the committee; and
    - (5) 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
- (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.

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## Disclosure

The Group currently does not have an Audit Committee, as matters which would normally be considered by such a committee come under the review of the entire Board.

The Group has in place a structure of review and authorisation designed to ensure the truthful and factual presentation of the Group's financial position. The structure includes:

- the annual Directors Declaration can only be signed, after the receipt by the Board, of a declaration in writing, by the Chief Executive Officer, Chief Financial Officer and Company Secretary; and
- a process to ensure the independence and competence of the Group's external auditors.

## Explanation for Departure

The Board believe that the Group is not of a size nor are its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the functions associated with an audit committee.

**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.

The Chief Executive Officer, Chief Financial Officer and the Company Secretary have provided in writing to the Board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards.

Declaration in writing by the Chief Executive Officer, Chief Financial Officer and Company Secretary state that:

- the financial records of the Group for the financial year have been properly maintained in accordance with section 286 of the Corporations Act;
- the financial statements and accompanying notes, for the financial year, comply with the applicable accounting standards;
- the financial statements and accompanying notes give a true and fair view; and
- any other matter prescribed by regulations.

The Annual Directors Declaration can only be signed after the receipt by the Board of a Declaration in writing, by the Chief Executive Officer, Chief Financial Officer and Company Secretary. The Directors' Declaration will state that the Directors have been given a declaration required by section 295A.

Additionally, the Board will seek to procure that the Executive Director and Chief Executive Officer puts in place sound systems of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

**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.

The Group's external auditor attends each AGM of the Group and is always available to answer questions from security holders relevant to the audit.

## Principle 5 Make Timely and Balanced Disclosure

**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.

The Group has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability for compliance, the policy is made available on Group's website.

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## Principle 6 Respect the Rights of Security Holders

**Recommendation 6.1** A listed entity should provide information about itself and its governance to investors via its website.

Information about the Group, its operations and governance are located at [www.rewardminerals.com](http://www.rewardminerals.com).

**Recommendation 6.2** A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Group has not established a formal Shareholder communication strategy.

### Explanation for Departure

While the Group has not established a formal Shareholder communication strategy, it actively communicates with its Shareholders in order to identify their expectations and actively promotes Shareholder involvement in the Group via announcements lodged with the ASX. Shareholders with internet access are encouraged to provide their email addresses in order to receive electronic copies of information distributed by the Group. Alternatively, hard copies of information distributed by the Group are available on request.

**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.

While the Group has not established a formal Shareholder communication strategy, the Group communicates with shareholders in an open and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. Shareholders are encouraged to submit questions at general meetings and also to participate in discussions with the Board at the meetings.

**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.

Shareholders are able to make contact with and receive communications from both the Share Registry and the Group electronically.

## Principle 7 Recognise and Manage Risk

**Recommendation 7.1** The Board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:
  - (1) has at least three members, a majority of whom are independent directors; and
  - (2) is chaired by an independent Director, and disclose:
    - (3) the charter of the committee;
    - (4) the members of the committee; and
    - (5) 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 the fact and the processes it employs for overseeing the entity's risk management framework.

The Group has not established a risk committee.

### Explanation for Departure

Due to the size of the Group, it does not have a published risk management policy. A Board member is responsible for the day to day management of the Group and communicates directly with the other Board members, this ensures that any potential risk to the Group is dealt with immediately. Should the size of the Group change, the Board will consider establishing a separate risk committee.

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**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.

The Board will review the entity's risk management framework at least annually to satisfy itself that it continues to be sound. The entity will disclose whether the review has taken place in each annual report.

**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, disclose that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Group does not have an internal audit function.

## Explanation for Departure

A Board member and the Chief Executive Officer are responsible for the day to day management of the Group and communicates directly with the other Board members, this ensures that any potential risk to the group is dealt with immediately.

**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.

The Group undertakes mineral exploration and, as such, faces risks inherent to its business, including economic, environmental and social sustainability risks, which may materially impact the Group's ability to create or preserve value for security holders over the short, medium or long term. The Board actively seeks to mitigate these risks using resources reasonably available to control those risks.

One of the Group's core values is safety; it prioritises safety and health to people, the environment and community. The Group views sustainable and responsible business practices as an important long term driver of performance and shareholder value and is committed to transparency, fair dealing, responsible treatment of employees and partners and positive interaction with the community.

## Principle 8 Remunerate Fairly and Responsibly

**Recommendation 8 .1** The Board of a listed entity should:

- (a) have a Remuneration Committee which:
  - (1) has at least three members, a majority of whom are independent Directors; and
  - (2) is chaired by an independent Director, and disclose:
  - (3) the charter of the committee;
  - (4) the members of the committee; and
  - (5) 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; 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.

Principle 8 has not fully been complied with as the Group has not established a remuneration committee.

## Explanation for Departure

The whole Board carries out the duties which would otherwise be undertaken by the remuneration committee. The need for a remuneration committee will be reviewed annually. The current remuneration of the Directors is disclosed in the Directors' Report. Non-executive Directors receive fixed Director's fees and may also receive options or shares. The issue of options or shares to non-executive Directors may be an appropriate method of providing sufficient incentive and reward while maintaining cash reserves. Due to the Group's early stage of development and small size, it does not consider that a separate remuneration committee would add any

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efficiency to the process of determining the levels of remuneration for the Directors and key executives. The Board believes it is more appropriate to set aside time at specified Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. In addition, all matters of remuneration will continue to be in accordance with regulatory requirements, especially in respect of related party transactions; that is, none of the Directors will participate in any deliberations regarding their own remuneration or related issues.

**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.

The information provided in the Remuneration Report is audited as required by section 308(3C) of the Corporations Act 2001.

The Directors' salaries are set out in the Directors' Report and published annually. The Group's administrative activities are carried out by contractors under instruction from the Board. Commercial rates are paid. Work performed by Director controlled entities is at commercial rates and disclosed annually. The Group's executives are paid a salary commensurate with their experience and market conditions.

The Board consists of only three members, performance evaluation by a remuneration committee is thus inappropriate. The Board evaluates its own performance on the success of the Group on a yearly basis. The Chairman evaluates the performance of the other Board members annually to assess their suitability and also to ensure that additional Directors are not required. The shareholders also have the right and are given the opportunity to question the Board members formally at meetings or informally by direct contact.

**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.

The Group does not have an equity-based remuneration scheme.

## Explanation for Departure

Should this change, the Board will adopt a new policy. The Board does not place any restrictions on the Directors or staff in trading in the Group's shares other than that no trading is to take place unless all information which is price sensitive is first released to the market. It is the Board's policy to keep the market informed at all times. All Directors, Staff and Contractors are required to acknowledge receipt of a copy of the Group's Securities Trading Policy which sets out guidelines for securities trading by all personnel. The Securities Trading Policy is made available on the Group's website.