

# **Metallica Minerals Limited**

**ACN 076 696 092**

## **Corporate Governance Statement - 2018**

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## **1. Introduction**

The ASX Listing Rules require listed companies to include a statement disclosing the extent to which they have complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition) in the reporting period in their Annual Report or URL links to where this statement is located. These recommendations are guidelines designed to produce an efficiency, quality or integrity outcome. The recommendations are not prescriptive so that if a company considers that a recommendation is inappropriate having regard to its own circumstances, the company has the flexibility not to follow it. Where a company has not followed all the recommendations, the company must identify which recommendations have not been followed and explain what policies and practices it has in place in that regard.

A table has been included at the end of this statement which sets out the ASX Best Practice Recommendations and states whether Metallica Minerals Limited (the Company or Metallica) has complied with each recommendation in the reporting period. Where the Company considered it was not appropriate to comply with a particular recommendation the reasons are set out in the notes referenced in the table including an explanation of the policies and practices it has in place. A full copy of the Company's Corporate Governance Charter is available on the Company's website at [www.metallicaminerals.com.au](http://www.metallicaminerals.com.au). In this statement, the reporting period means the period of 12 months to 30 June 2018. This statement was approved by the Board of Directors on 29 June 2018.

## **2. The Board of Directors**

### **2.1. Role of the Board**

Generally, the powers and obligations of the Board are governed by the *Corporations Act 2001* and the general law. Without limiting those matters, the Board expressly considers itself responsible for the following:

- Ensuring compliance with the Corporations Act 2001, ASX Listing Rules (where appropriate) and all relevant laws;
- The Company's culture,
- Developing, implementing and monitoring operational and financial targets for the Company;
- Appointment of appropriate staff, consultants and experts to assist in the Company's operations specifically, including the selection and monitoring of a Chief Executive Officer or Managing Director;
- Ensuring appropriate financial and risk management controls are implemented;
- Approving and monitoring financial and other reporting;
- Setting, monitoring and ensuring appropriate accountability for directors' and executive officers' remuneration;
- Establishing and maintaining communications and relations between the Company and third parties, including its shareholders and ASX by delegating such a role to the Managing Director/Chief Executive Officer or Company Secretary as relevant;
- Implementing appropriate strategies to monitor performance of the Board in implementing its functions and powers;
- Oversight of the Company including its framework of control and accountability systems to enable risk to be assessed and managed;
- Appointing and removing the Chief Executive Officer and/or Managing Director;
- Appointing and removing the Chief Financial Officer and the Company Secretary;
- Input into and final approval of the management's development of corporate strategy and performance objectives;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- Monitoring senior management's performance, implementation of strategy and ensuring appropriate resources are available;
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- Approval of the annual budget;

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- Monitoring the financial performance of the Company;
- Liaising with the Company's external auditors in conjunction with the Audit & Risk Management Committee;
- Monitoring, and ensuring compliance with, all of the Company's legal obligations;
- Approving and monitoring financial and other reporting;
- Appointing and overseeing relevant Committees where appropriate to assist in the above functions and powers.

**2.2. Role of management**

The Board has delegated responsibilities and authorities to the Managing Director and/or Chief Executive Officer to enable them to conduct the Company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits or do not form part of the approved budget, require Board approval. An evaluation of the performance of senior management during the financial year, being the Chief Executive Officer, has been undertaken at a Board Meeting of the Company by the non-executive Directors, with the Chairman then discussing this review separately with the CEO. This is considered to be an appropriate process as the Company is in the exploration, evaluation and development stage therefore it is not possible to evaluate performance against revenue or profit targets.

**2.3. Composition of the Board**

At the date of this report the Board comprises the Managing Director, one non-executive Director and the Chairman.

Director	Appointed	Non-Executive	Independent	Retiring at 2018 AGM	Seeking re-election at 2018 AGM
Mr. Peter Turnbull	12 December 2016	Yes	Yes	No	No
Mr. Steven Boulton	25 January 2017	Yes	Yes	No	No
Mr. Simon Slesarewich	17 April 2018	No	No	No	No

The Directors are subject to re-election by shareholders. All Directors (except a Managing Director, if there is one) are subject to re-election by rotation within every three years, or if appointed to fill a casual vacancy or recruited since the date of the last AGM. The Company's Constitution provides that one-third of the Directors retire by rotation each Annual General Meeting of Shareholders (AGM). Those Directors who are retiring may submit themselves for re-election by shareholders, including any Director appointed to fill a casual vacancy or recruited since the date of the last AGM.

Details of the skills, experiences and expertise of each Director are set out in the Company's Annual Report.

The following table provides detail on the key skills and experience that Metallica requires from its Board, and the extent to which these attributes are currently represented on the Board.

1. Strategic skills		Representation on the Metallica Board*
Resources Sector	Management, advisory or Board level experience in the resources sector in Australia or overseas.	3
Strategy	Experience in developing, implementing and monitoring strategic business plans	3
Mergers and Acquisitions	Experience in the acquisition and sale of local or overseas resources assets (including farm-in and farm-out processes) as well as mergers, acquisitions and other corporate transactions.	2
Project Development	Experience in developing substantial exploration and production projects in the resources, oil and gas, or energy industries.	3

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International	Experience in conducting business in international jurisdictions including having a conceptual understanding of various regulatory frameworks.	3
<b>2. Operational skills</b>		
Geological, Geophysical and Engineering	Experience in analysing geological and geophysical models and/or engineering data to inform oversight of exploration, production and corporate opportunities.	1
Commercial / Operations/Production	Experience in decision making and control of commercial scale production and operations in the resources sector.	2
Legal	Legal experience, preferably with commercial and contracting experience in the resources sector	1
Financial	Experience in financial management and accounting practices in the resources sector in Australia or overseas.	2
HSSE, Sustainability, Diversity and Culture	Successful experience in relation to: <ul style="list-style-type: none"> <li>• Workplace health, safety and environmental management and the design, implementation and oversight of HSSE Management Systems,</li> <li>• Fostering appropriate levels of diversity across boards, management teams and staff (including in relation to gender, age, culture, skills and experience, personality and the like)</li> </ul>	3
<b>3. Governance skills</b>		
Stakeholder Engagement and Investor Relations	Experience in successfully engaging with internal and external stakeholders at all levels.	2
Governance frameworks, Compliance and Culture	Experience in the design, implementation and oversight of effective governance frameworks including in relation to compliance and risk management processes, development of good corporate culture (including in relation to safety and anti-bribery and corruption practices).	2

\*Based on Board membership at 30 June 2018

**2.4. Independence of Non-Executive Directors**

The Board considers an independent director to be a non-executive director who meets the criteria for independence included in the ASX Best Practice Recommendations. The Board considers that Mr P Turnbull, and Mr S Boulton meet these criteria, noting that although 1 million shares and 500,000 options are held by Mr Boulton, this is not considered material to his independence. Mr P Turnbull holds 222,500 shares, and this is also not considered material to his independence

**2.5. Director access to independent professional advice**

The Company acknowledges that Directors require high quality information and advice on which to base their decisions and considerations. With the prior approval of the Chairman, all Directors have the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors. If the Chairman is unable or unwilling to give approval, Board approval will be sufficient.

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### **2.6. Director selection and succession planning**

The Board Charter sets out the overarching principles regarding director selection and succession planning. The nominations process involves working within a formal procedure for the nomination, selection, appointment and re-election of Directors. The procedure is set out in the Nomination Committee Charter located in the Corporate Governance section of the company website.

### **2.7. Director induction and continuing education**

All new directors are appointed through a written agreement with the Company that sets out their duties, rights and responsibilities. In addition, the Board is responsible for ensuring that new directors are provided with a comprehensive induction programme that includes business briefings and site visits. The full Board conducted a site visit to the Urquhart Bauxite project in which the Company has a 50% interest, in September 2017.

The Board encourages directors to continue their education and maintain the skills required to discharge their duties by providing professional development opportunities. The Company meets all reasonable costs of continuing director education.

### **2.8. Board meetings**

The number of meetings of the company's Board of Directors ('the Board') held during the reporting period, and the number of meetings attended by each director holding office at 30 June 2018 were:

	<b>Full Board</b>	
	Attended	Held
P Turnbull	14	14
W Ruobing- S Zhang attended as alternate Director	6	9
S Boulton	13	13
S Slesarewich	2	2

Held: represents the number of meetings held during the time the director held office

## **3. Board Committees**

After taking into account the absence of complexity in the group's activities and the size of the Board, the Board decided on 30 June 2015 that a formally constituted Audit & Risk Committee and a Remuneration Committee are no longer appropriate. The Board as part of its role will undertake the responsibilities of these Board committees and will carry out the functions set out in their respective charters to ensure that their objectives are met unless and until Board Committees are reinstated.

## **4. Performance, evaluation and remuneration**

### **4.1. Board performance evaluations**

An evaluation of the Board's performance is undertaken annually by the Board. This is an internal process and does not generally involve external review of the Board or its performance.

### **4.2. Director and Executive remuneration**

Details about the remuneration structure and the remuneration paid to the Directors and Senior Executives during the reporting period are set out in the Company's Financial Statements.

## **5. Risk management and internal controls**

### **5.1. Managing business risk**

The Board constantly monitors the operational and financial aspects of the Company's activities and is responsible for the implementation and ongoing review of business risks that could affect the Company. Duties in relation to risk management that are conducted by the Directors include but are not limited to:

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- regularly review the internal assessment of corporate and project risk, including updated risk registers and the Company's Risk Policy;
- initiate action to prevent or reduce the adverse effects of risk;
- control further treatment of risks until the level of risk becomes acceptable;
- identify and record any problems relating to the management of risk;
- initiate recommend or provide solutions through designated channels;
- verify the implementation of solutions;
- communicate and consult internally and externally as appropriate; and
- to inform investors of material changes to the Company's risk profile.

Ongoing review of the overall risk management program (inclusive of the review of adequacy of treatment plans) is conducted by external parties where appropriate.

The Board ensures that recommendations made by the external parties are investigated and, where considered necessary, appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified.

During the financial year ended 30 June 2017, the Company reviewed its risk management procedures. The review process resulted in the completion of an updated Risk Management Policy, Risk Register and a Risk Management Framework which forms the basis of the risk management and internal control system to manage the Company's material business risk and report to it on whether those risks are being identified and managed effectively. The Risk Register identified risk in the broad categories of operations management, asset management, environment, compliance/financial reporting, strategic management, ethical conduct, reputation, occupational health and safety/human resources, IT/technology, finance/business continuity, tenements/resource statements and stakeholder communications. A copy of the Risk Management Policy and Framework are publicly available on the Company's web site at [www.metallicaminerals.com.au](http://www.metallicaminerals.com.au).

The Board has required management to design and implement a risk management and internal control system to manage the group's material business risks. The Company updated its Risk Management Policy and Risk Management Framework in the financial year ended 30 June 2017, and has identified the material business risks affecting the Company and has delegated responsibilities for those material business risks to senior staff members.

The Board has received reports including a Risk Register from management as to the effectiveness of the Company's management of its business risks. .

The Board requires management to report to it on whether material business risks are being managed effectively.

#### **5.2. Internal audit**

The Company does not have an internal audit function. The size of the Company and the nature of its activities do not warrant an internal audit function. The Board considers it appropriate to engage external advisors (independent of the external auditor) as appropriate from time to time to undertake various tasks that an internal audit function would perform. No external advisors were engaged during the financial year ended 30 June 2018 to undertake internal audit activities.

The Managing Director/Chief Executive Officer and the Chief Financial Officer are primarily responsible for reporting to the Board on a regular basis in relation to whether the Company's material business risks are being managed effectively by way of the Company's risk management and internal control systems.

#### **5.3. Material risks**

The Group is engaged in mineral exploration, evaluation and project development, and during the reporting period progressed the Urquhart Bauxite Project which it holds 50% of, toward the grant of a Mining Lease. These activities expose the Group, directly and indirectly to environmental, social and economic sustainability risks, which may materially impact the Group's ability to create or preserve value for shareholders over the short, medium or long term.

The Board monitors its exposure to risks, including economic, social and environmental sustainability risks.

#### **5.4. Chief Executive Officer and Chief Financial Officer Certifications**

In accordance with section 295A of the Corporations Act 2001, the Chief Executive Officer and Chief Financial Officer have provided a written statement to the Board in respect of each half and full year financial period that:

- The Company's financial records have been properly maintained.
- The financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company.
- Their view provided on the company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board.
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board acknowledges that the internal control assurances from the Chief Executive Officer and Chief Financial Officer are not absolute and can only be provided on a reasonable basis after having made due enquiries. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not, and cannot be, designed to detect all weaknesses in control procedures.

### **6. Governance documents**

#### **6.1. Ethical standards**

As part of the Board's commitment to the highest standard of conduct, the Company adopts a Code of Conduct to guide executives, management and employees in carrying out their duties and responsibilities. The Code of Conduct is included in the Company's Corporate Governance manual and covers such matters as:

- responsibilities to shareholders;
- compliance with laws and regulations;
- relations with customers and suppliers;
- ethical responsibilities;
- employment practices, including equal opportunity;
- anti-bribery and corruption; and
- responsibility to the environment and the community.

#### **6.2. Continuous disclosure and shareholder communication**

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market. In accordance with continuous disclosure requirements under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner. All information disclosed to the ASX is posted on the Company's website [www.metallicaminerals.com.au](http://www.metallicaminerals.com.au).

Shareholders are forwarded documents according to their preferences as notified to the Share Registry, including Notices to each Annual General Meeting or General Meeting held during each year, the Annual Report of the Company, Notice of Meetings and Explanatory Memorandum and Proxy Forms, and are invited to attend each shareholder meeting. The Company's External Auditor is also invited and is present at Annual General Meetings to answer any queries shareholders may have with regard to the audit and preparation and content of the Audit Report.

The Company actively encourages shareholders to provide their email contact details so that they can receive all ASX releases as they are released to the market.

#### **6.3. Trading policy**

A copy of the Company's Share Trading Policy is included on the Company's website [www.metallicaminerals.com.au](http://www.metallicaminerals.com.au).

**Table A – Corporate Governance Recommendations**

The table below summarises the Company's compliance with the Corporate Governance Recommendations during the reporting period. Where the Company has complied with a recommendation in full for the whole of the reporting period, this is indicated with a "Yes" in the appropriate column. Where the Company considered it was not appropriate to comply with a particular recommendation, this is indicated with a "No" and the Company's reasons are set out in the corresponding note at the end of the table.

	<b>Description</b>	<b>Complied</b>	<b>Note</b>
1.1	Formalise and disclose the functions reserved to the Board and those delegated to senior executives. These functions are set out under Role of the Board and Role of Management in this Statement.	Yes	
1.2	Undertake appropriate checks before appointing a person, or putting forward to shareholders a candidate for election, as a director. Provide shareholders with all material information in the Company's possession relevant to a decision on whether or not to elect or re-elect a director.	Yes	
1.3	Each director and senior executive should have a written agreement setting out the terms of their appointment.	Yes	
1.4	The Company Secretary should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	Yes	
1.5	Establish a policy concerning diversity and disclose the policy or a summary of that policy. Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity in accordance with the diversity policy and progress towards achieving them.	No	1
1.6	Disclose the process for periodically evaluating the performance of the board, its committees and individual directors. Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	
1.7	Disclose the process for evaluating the performance of senior executives and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with the process.	Yes	
2.1	The Board should establish a Nomination Committee.	No	2
2.2	Disclose the Board's skills matrix.	Yes	
2.3	Disclose the names of the Directors who are independent and the length of service of each Director.	Yes	
2.4	A majority of the Board should be independent directors.	Yes	3
2.5	The Chairperson should be an independent director and should not be the same person as the CEO.	Yes	
2.6	Establish a program for inducting new directors and provide appropriate professional development opportunities for Directors to develop and maintain their skills and knowledge needed to perform their role as Directors effectively.	Yes	
3.1	Establish a code of conduct and disclose the code or a summary of the code.	Yes	
4.1	The Board should establish an Audit Committee.	No	4
4.2	Disclose whether the Board has received assurance from Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	
4.3	Ensure that the external auditor attends the AGM and is available to answer questions from shareholders relevant to the audit.	Yes	
5.1	Establish and disclose written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements.	Yes	
6.1	Provide information about the Company and its governance to investors via the Company website.	Yes	

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	<b>Description</b>	<b>Complied</b>	<b>Note</b>
6.2	Design and implement a communication strategy to promote effective communication with the shareholders.	Yes	
6.3	Disclose the policies and processes it has in place to facilitate and encourage participation at shareholder meetings.	Yes	
6.4	Provide shareholders with the option to receive communications from, and send communications to, the Company and its share registry electronically.	Yes	
7.1	Establish a Risk Committee.	No	4
7.2	The Board or a committee of the Board should review the risk management framework at least annually and disclose whether such a review has taken place.	Yes	
7.3	Disclose whether the Company has an internal audit function, how it is structured and what role it performs.	Yes	
7.4	Disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and, if it does, how the Company manages or intends to manage those risks.	Yes	
8.1	Establish a Remuneration Committee.	No	4
8.2	Disclose the policies and practices regarding the remuneration of non-executive Directors and senior executives.	Yes	
8.3	For equity-based remuneration schemes, the Company should have policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme and disclose the policy or summary of it.	Yes	

**Notes**

- The Company has not established a formal diversity policy; however the Company is committed to equal opportunity and has an Equal Opportunity policy.

At 30 June 2018 the Company has 3 directors and only 3 employees. There are no female Directors on the Board at the present time. The proportion of female employees to male employees within the Group as at 30 June 2018 was 33.33% female and 66.67% male.

During the 2018 year no appointments were made which would alter the gender diversity within senior management.

The Directors have considered the impact on shareholder's interests relating to good governance, of the absence of a formal diversity policy. The Board is satisfied that shareholder's interests nevertheless continue to be served.
- The Company does not have a Nomination Committee of the Board of Directors. The Board acts as the Nomination Committee and the Directors believe that this is appropriate given the size of the Company and its particular circumstances.

The nominations process involves working within a formal procedure for the nomination, selection, appointment and re-election of Directors. The procedure is set out in the Nomination Committee Charter located in the Corporate Governance section of the company website.

The size and composition of the Board, and its mix of skills and capabilities is expected to change as the Company delivers on its strategy and as the company evolves. The Board, as a whole, aims to ensure that it always has an appropriate diversity of experience and expertise consistent with the objectives of the Company and this continuously reviewed by the Board.
- The Company now has a majority of independent Directors. At the date of this report the Board comprises the Managing Director and two non-executive Directors. The Chairman and Mr. Boulton are both independent Directors.
- The Board had established two committees, the Remuneration Committee and the Audit & Risk Committee, to assist with the effective discharge of its duties. Both committees functioned under specific charters approved by the Board which detailed their respective roles, duties and membership requirements.

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Following the retirement of Mr D K Barwick (a Previous Chairman) on 30 June 2015, the Board comprised of three directors and only one of whom was independent. Consequently, the Board no longer had the structure to ensure that the representation of directors on the respective board committees fully complies with the requirements of the relevant Corporate Governance Council recommendations. After taking into account the absence of complexity in the group's activities and the size of the Board, the Board decided on 30 June 2015 that a formally constituted Audit & Risk Committee and a Remuneration Committee are no longer appropriate. The Board as part of its role will undertake the responsibilities of these Board committees and will carry out the functions set out in their respective charters to ensure that their objectives are met.

The Company's Auditor rotates the Audit Engagement Partner and Engagement Quality Control Reviewer at least every 5 years in accordance with the Code of Ethics issued by the APESB and The Corporations Act 2001.