



## CORPORATE GOVERNANCE STATEMENT AS AT 21 SEPTEMBER 2018

In fulfilling its obligations and responsibilities to its various stakeholders, the Board of Emerald Resources NL is a strong advocate of corporate governance. The Board has adopted corporate governance policies and practices consistent with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" (Recommendations) where considered appropriate for a company of Emerald's size and complexity.

The 3rd edition of the ASX Corporate Governance Principles and Recommendations was introduced on 27 March 2014 and took effect for a listed entity's first full financial year ending on or after 1 July 2014. Accordingly this Corporate Governance Statement has been prepared on the basis of disclosure under the 3<sup>rd</sup> edition of these principles with a table included at the back of this statement detailing the Company's compliance with these principles during the period.

This statement describes how Emerald has addressed the Council's guidelines and eight corporate governance principles and where the Company's corporate governance practices depart from a recommendation, the Company discloses the reason for adoption of its own practices on an "if not, why not" basis.

Given the size and stage of development of the Company and the cost of strict compliance with all the recommendations, the Board has adopted a range of modified procedures and practices which it considers appropriate to enable it to meet the principles of good corporate governance. At the end of this statement is a checklist setting out the recommendations with which the Company does or does not comply. The information in this statement is current as at 21 September 2018.

The following governance-related documents can be found on the Company's website at [www.emeraldresources.com.au](http://www.emeraldresources.com.au), under the section marked "Corporate Governance".

### Charters

- Board
- Policies and Procedures
- Code of Conduct
- Anti-Corruption and Bribery Policy
- Policy and Procedure for Selection and (Re)Appointment of Directors
- Policy on Assessing the Independence of Directors
- Securities Trading Policy
- Risk Management Policy
- Procedure for the Selection, Appointment and Rotation of External Auditor
- Policy on Continuous Disclosure
- Shareholder Communication Policy
- Diversity Policy

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## **Principle 1 | Lay solid foundations for management & oversight Role and Responsibilities of Board & Management**

The main function of the Board is to lead and oversee the management and strategic direction of the Company. The Board regularly measures the performance of Management in implementation of the strategy through regular Board meetings.

Emerald has adopted a formal board charter delineating the roles, responsibilities, practices and expectations of the Board collectively, the individual directors and Management.

The Board of Emerald ensures that each member understands its roles and responsibilities and ensures regular meetings so as to retain full and effective control of the Company.

### **Role of the Board**

The Board responsibilities are as follows:

- Setting the strategic aims of Emerald and overseeing Management's performance within that framework;
- Making sure that the necessary resources (financial and human) are available to the
- Company and Management to meet its objectives;
- Overseeing and measuring Management's performance of the Company's strategic plan;
- Selecting and appointing a Managing Director (or equivalent) with the appropriate skills to help the Company in the pursuit of its objectives;
- Controlling and approving financial reporting, capital structures and material contracts;
- Ensuring that a sound system of risk management and internal controls is in place;
- Setting the Company's values and standards;
- Undertaking a formal and rigorous review of the Corporate Governance policies to ensure adherence to the ASX Corporate Governance Council principles;
- Ensuring that the Company's obligations to shareholders are understood and met;
- Ensuring the health, safety and well-being of employees in conjunction with Management, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to assure the well-being of all employees;
- Ensuring an adequate system is in place for the proper delegation of duties for the effective day to day running of the Company without the Board losing sight of the direction that the Company is taking;
- Establishing a diversity policy and setting objectives for achieving diversity.

### **Delegation to Management**

Other than matters specifically reserved for the Board, responsibility for the operation and administration of the Company has been delegated to the Managing Director. This responsibility is subject to an approved delegation of authority which is reviewed regularly and at least annually.

Internal control processes are designed to allow management to operate within the parameters approved by the Board and the Managing Director cannot commit the Company to additional activities or obligations in excess of these delegated authorities without specific approval of the Board.

### **Election of Directors**

The Board is responsible for overseeing the selection process of new directors, and will undertake appropriate checks before appointing a new director, or putting forward a candidate for election as a director. All relevant information is to be provided in the Notice of Meeting seeking the election or re-election of a director including:

- biographical details including qualifications and experience;
- other directorships and material interests;
- term of office;
- statement by the board on independence of the director;
- statement by the board as to whether it supports the election or re-election; and
- any other material information.

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## Terms of appointment

### *Non-Executive Directors*

To facilitate a clear understanding of roles and responsibilities all non-executive directors have signed letter of appointment. This letter of appointment letter includes acknowledgement of:

- director responsibilities under the Corporations Act, Listing Rules, the Company's Constitution and other applicable laws;
- corporate governance processes and Company policies;
- board and board committee meeting obligations;
- conflicts and confidentiality procedures;
- securities trading and required disclosures;
- access to independent advice and employees;
- confidentiality obligations;
- directors fees;
- expenses reimbursement;
- directors and officers insurance arrangements;
- other directorships and time commitments; and
- board performance review.

### *Managing Director and Executive Director*

The Managing Director and Executive Director have signed executive services agreements. For further information refer to the Remuneration Report included in the Annual Report for the year ended 30 June 2018.

## Role of Company Secretary

The Company Secretary is accountable to the Board for:

- advising the Board and committees on corporate governance matters;
- the completion and distribution of board and committee papers;
- completion of board and committee minutes; and
- the facilitation of director induction processes and ongoing professional development of directors.

All directors have access to the Company Secretary who has a direct reporting line to the Chairman.

## Diversity

The Board values diversity in all aspects of its business and is committed to creating a working environment that recognises and utilizes the contribution of its employees. The purpose of this is to provide diversity and equality relating to all employment matters. The Company's policy is to recruit and manage on the basis of ability and qualification for the position and performance, irrespective of gender, age, marital status, sexuality, nationality, race/cultural background, religious or political opinions, family responsibilities or disability. The company opposes all forms of unlawful and unfair discrimination.

The Board acknowledges the absence of female participation on the Board of Directors. However, the Board has determined that the composition of the current Board represents the best mix of Directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.

The Company has not set or disclosed measurable objectives for achieving gender diversity. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity as it operates in a very competitive labour market where positions are sometimes difficult to fill. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

### Diversity Table

	<b>Total workforce</b>	<b>Senior management</b>	<b>Board</b>
Full time male	26	6	1
Full time female	5	0	0
Part time male	6	5	4
Part time female	1	1	0
	<b>38</b>	<b>12</b>	<b>5</b>
<b>% of females</b>	<b>15.8%</b>	<b>8.3%</b>	<b>0.0%</b>

## **Performance review**

### *Board and board committees*

A review of the Board's performance and effectiveness is conducted annually and the performance of individual directors is undertaken regularly. The Board has the discretion for these reviews to be conducted either independently or on a self-assessment basis.

The review focuses on:

- strategic alignment and engagement;
- board composition and structure;
- processes and practices;
- culture and dynamics; relationship with management; and
- personal effectiveness

A formal review of the Board's performance and effectiveness in respect of the year ended 30 June 2018 did not occur.

### *Managing Director and senior executives*

Performance evaluation of the Managing Director and Executive Director, senior executives and employees is undertaken annually through a performance appraisal process which involves reviewing and assessment of performance against agreed corporate and individual key performance indicators and deliverables.

A formal review of the Managing Director and senior executive's performance and effectiveness in respect of the year ended 30 June 2018 did not occur.

For further information refer to the Remuneration Report included in the Annual Report for the year ended 30 June 2018.

## **Retirement and rotation of directors**

Retirement and rotation of directors are governed by the Corporations Act 2001 and the Constitution of the Company. Each year, one third of directors must retire and may offer themselves for re-election. Any casual vacancy filled will be subject to shareholder vote at the next Annual General Meeting of the Company. It is intended that Mr Simon Lee AO and Mr Justin Tremain will stand for re-election by rotation at the Company's 2018 Annual General Meeting.

## **Independent Professional Advice**

Each director of the Company or a controlled entity has the right to seek independent professional advice at the expense of the Company or the controlled entity. However prior approval of the Chairman is required which will not be unreasonably withheld.

## **Access to employees**

Directors have the right of access to any employee. Any employee shall report any breach of corporate governance principles or Company policies to the Managing Director who shall remedy the breach. If the breach is not rectified to the satisfaction of the employee, they shall have the right to report any breach to an independent director without further reference to senior executives of the Company.

## **Directors' and officers' liability insurance**

Directors' and officers' liability insurance is maintained by the Company for the Directors and senior executives at the Company's expense.

## **Board meetings**

The frequency of board meetings and the extent of reporting from management at board meetings are as follows:

- a minimum of four scheduled meetings are to be held per year;
- other meetings will be held as required;
- meetings can be held where practicable by electronic means;
- information provided to the Board includes all material information related to the operations of the Company including exploration, development and production operations, budgets, forecasts, cash flows, funding requirements, investment and divestment proposals, business development activities, investor relations,
- financial accounts, taxation, external audits, internal controls, risk assessments, people and health, safety and environmental reports and statistics;
- once established, the Chairman of the appropriate board committee will report to the next subsequent board meeting the outcomes of that meeting and the minutes of those committee meetings are also tabled.

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are set out in the Directors' Report included in the Annual Report for the year ended 30 June 2018.

## **Principle 2 | Structure the Board to add value Composition of the Board**

The names of the directors of the Company and their qualifications are set out in the section headed "Information on Directors" in the current financial year's Director's Report.

The composition of the Board has been structured so as to provide Emerald with an adequate mix of directors with industry knowledge, technical, commercial and financial skills together with integrity and judgment considered necessary to represent shareholders and fulfill the business objectives of the Company.

The ASX Corporate Governance Council guidelines recommend that the Board should constitute of a majority of independent directors and that the Chairperson should be independent. The Board currently consists of five directors of whom two are considered independent, being Mr Simon Lee AO (Independent Chairman – appointed 20 August 2014) and Mr Ross Williams (Non-Executive Director - appointed 4 October 2013). Mr Ross Stanley is not considered independent due to his substantial shareholding in the Company. Mr Simon Lee AO is considered independent as he is not a director, shareholder or involved in the management of SHL Pty Ltd which is a substantial holder. Mr Morgan Hart (appointed Managing Director on 20 August 2014) and Mr Justin Tremain (Non-Executive Director appointed 31 January 2018; Executive Director from 27 September 2016 to 31 January 2018) do not meet the criteria for an independent director due to their current or previous executive roles.

Whilst the Company does not have a majority of independent directors and has not prepared a skills matrix, the Board comprises directors who each have extensive technical, financial and commercial expertise for the sector in which the Company operates.

## **Nomination of other Board Members**

Membership of the Board of Directors is reviewed on an on-going basis by the Chairperson of the Board to determine if additional core strengths are required to be added to the Board in light of the nature of the Company's businesses and its objectives. The Board does not have a separate Nomination Committee and does not believe it is necessary in a Company of Emerald's size.

## **Director induction and ongoing professional development**

The Company does not have a formal induction program for Directors but does provide Directors with information pack detailing policies, corporate governance and various other corporate requirements of being a director of an ASX Listed company. Due to the size and nature of the business, Directors are expected to already possess a level of both industry and commercial expertise before being considered for a directorship of the Company. Directors are provided with the opportunity to access employees of the business and any information as they require about the business including being given access to regular news articles and publications where considered relevant.

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### **Principle 3 | Promote ethical and responsible decision-making Code of Conduct**

Directors, officers, employees and consultants to the Company are required to observe high standards of behavior and business ethics in conducting business on behalf of the Company and they are required to maintain a reputation of integrity on the part of both the Company and themselves. The company does not contract with or otherwise engage any person or party where it considers integrity may be compromised.

#### **Conflicts of Interest**

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director or the interests of any other party in so far as it affects the activities of the Company and to act in accordance with the Corporations Act if conflict cannot be removed or if it persists. That involves taking no part in the decision making process or discussions where that conflict does arise.

#### **Trading in Company Securities**

Directors are required to make disclosure of any share trading. The Company policy in relation to share trading is that officers are prohibited to trade whilst in possession of unpublished price sensitive information concerning the Company or within a period of the release of results i.e. the blackout period. That is information which a reasonable person would expect to have a material affect on the price or value of the Company's shares. An officer must receive authority to acquire or sell shares with the directors or the Company Secretary prior to doing so to ensure that there is no price sensitive information of which that officer might not be aware. The undertaking of any trading in shares must be notified to the ASX.

### **Principle 4 | Safeguard integrity in financial reporting**

Emerald has a financial reporting process which includes half year and full-year results which are signed off by the Board before they are released to the market.

The Board did not have a separate Audit Committee for the majority of the year as it did not believe it is necessary in a company of Emerald's size. However given the significant steps toward project development, in May 2017, it was resolved to form an Audit Committee to manage the financial oversight as well as advise on the modification and maintenance of the Company's financial reporting, internal control structure, external audit functions, and appropriate ethical standards for the management of the Company.

The Audit Committee consists of three members, the majority of which are considered independent. Mr Ross Stanley (Chair), Mr Simon Lee AO and Mr Ross Williams.

In discharging its oversight role, the Audit Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

The Managing Director and Chief Financial Officer report in writing on the propriety of compliance on internal controls and reporting systems and ensures that they are working efficiently and effectively in all material respects.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Audit Committee is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Audit Committee may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee.

The Company's external auditor attends each Annual General meeting and is available to answer questions from shareholders relevant to the conduct of the external audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company and the independence of the auditor.

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### **Principle 5 | Make timely and balanced disclosure**

Emerald has adopted a formal policy dealing with its disclosure responsibilities. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The policy also addresses the Company's obligations to prevent the creation of a false market in its securities. Emerald ensures that all information necessary for investors to make an informed decision is available on its website.

The Managing Director has ultimate authority and responsibility for approving market disclosure which, in practice, is exercised in consultation with the Board and Company Secretary.

In addition, the Board will also consider whether there are any matters requiring continuous disclosure in respect of each and every item of business that it considers.

### **Principle 6 | Respect the rights of shareholders**

The Board's fundamental responsibility to shareholders is to work towards meeting the Company's objectives so as to add value for them. The Board maintains an investor relation program which will inform shareholders of all major developments affecting the Company by:

- preparing half yearly and yearly financial reports;
- preparing quarterly cash flow reports and reports as to activities;
- making announcement in accordance with the listing rules and the continuous disclosure obligations;
- posting all of the above on the Company's website;
- annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the annual report, if requested, together with notice of meeting and proxy form; and
- voluntarily releasing other information which it believes is in the interest of shareholders.

The Annual General Meeting enables shareholders to discuss the annual report and participate in the meetings either by attendance or by written communication. The Company provides all shareholders with a Notice of Meeting so they can be fully informed and be able to vote on all resolutions at the Annual General Meeting. Shareholders are able to discuss any matter with the directors and/or the auditor of the Company who is also invited to attend the Annual General Meeting.

Shareholders have the option to receive all Company and share registry communications electronically, and may also communicate with the Company by emailing the Company via its website. All shareholders have the ability to request copies of ASX releases, all of which are published and available on the Company's website immediately after they are released to ASX.

The Company regularly reviews its stakeholder communication policy and endeavours to maintain a program appropriate for a company of its size and complexity.

### **Principle 7 | Recognise and Manage Risk**

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegate's day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

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The Board does not have a separate Risk Management Committee as the Board monitors and reviews the integrity of financial reporting and the Company's internal financial control systems. Management assess the effectiveness of the internal financial control on an annual basis and table concerns and recommendations at Board meetings were required.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- Establishment of financial control procedures and authority limits for management;
- Approval of an annual budget;
- Adoption of a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- Adoption of a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.
- Maintenance and review of a risk register to identify the Company's material business risks and risk management strategies for these risks. The risk register is reviewed half yearly and updated as required. Management reports to the Board on material business risks at each Board meeting.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the material business risks of the Company. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks for the Reporting Period.

The Managing Director and Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and has assured the Board that such declaration 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 risks.

#### **Internal Audit**

The Company does not have an internal audit function as the Board believes the business is neither the size nor complexity that requires such a function. The Board is currently responsible for monitoring the effectiveness of internal controls, risk management procedures and governance.

#### **Sustainability Risks**

The Company has a detailed risk matrix which it regularly reviews and which highlights critical risk factors the Company faces at any particular time. The principal risks highlighted are what would typically be expected for a small listed exploration company and include;

- Reliance on key executives
- Inability to access new exploration capital
- Volatility in gold prices and applicable exchange rates (mainly USD)
- Unsuccessful exploration results
- Exposure to other operators, be it through Joint Venture agreements or actions of those operators in an operational sense
- Legislature changes in jurisdictions the Company operates in

As the Company expands its activities either within existing projects or with the addition of new projects, it is expected that the sustainability risks will change accordingly. The Board reviews the overall sustainability of both the gold industry and more specifically, the Company, in its normal course of business and therefore does not produce a separate sustainability report.



### **Principle 8 | Remunerate fairly and responsibly**

The Company did not have a Remuneration Committee for the majority of the financial year. However given the significant steps toward project development, in May 2017, it was resolved to form a Remuneration Committee to monitor and review the remuneration policy of the Company. The Remuneration Committee consists of three members, the majority of which are considered independent. Mr Ross Williams (Chair), Mr Simon Lee AO and Mr Ross Stanley. The Remuneration Committee will engage an independent remuneration consultant to review the Company's policy on remuneration as and when required.

Details of the remuneration policy are contained in the Remuneration Report included in the Directors' Report of the year ended 30 June 2018 Annual Report. The Company's policy is to remunerate non-executive directors at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. From time-to-time the Company may grant options to non-executive directors. The grant of options is designed to recognise and reward efforts as well as to provide non-executive directors with additional incentive to continue those efforts for the benefit of the Company.

The maximum aggregate amount of fees (including superannuation payments) that can be paid to non-executive directors is subject to approval by the shareholders at general meeting.

Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options and / or performance rights granted at the discretion of the Remuneration Committee and subject to obtaining the relevant approvals. The grant of options and / or performance rights is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles. Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness.

Non-executive directors may be entitled to a termination benefit of up to 6 months of base fees dependent upon circumstances when the engagement is terminated.



Morgan Hart  
Managing Director

Dated: 21<sup>st</sup> September 2018

Review Date: 30<sup>th</sup> September 2019