



EMERALD
RESOURCES NL

CORPORATE GOVERNANCE STATEMENT
AS AT 30 June 2020

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CORPORATE GOVERNANCE STATEMENT

As at 30 June 2020

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.

Emerald has implemented the ASX Corporate Governance Council's Fourth Edition Corporate Principles (4th Edition) and Recommendations. Accordingly, this Corporate Governance Statement has been prepared on the basis of disclosure under the 4th Edition of these principles. Details of the Company's compliance with these principles are summarised in the Appendix 4G announced to ASX in conjunction with the Annual Report. 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. The information in this statement is current as at 30 June 2020.

Background

Emerald has a highly experienced Board and management team, undoubtedly one of the best credentialed gold development teams in Australia with a proven history of developing projects successfully, quickly and cost effectively. They are a team of highly competent mining engineers and geologists who have overseen the successful development of gold projects in developing countries such as the Bonikro Gold Project in Cote d'Ivoire for Equigold NL and more recently, Regis Resources Ltd, in a corporately responsible manner.

Emerald recognises the importance of its people in building a strong and successful organisation, particularly in developing a new operation. To achieve this, Emerald has focussed on developing the right culture across the organisation, which is strongly based on a Board, Executive team and key staff who demonstrate the right attributes, qualities and share a strong belief of the benefits of our engagement and development in Cambodia for our employees and the Cambodian people in general.

High performance and open communication are strong aspects of our culture and we have been instilling this in our teams in Perth and Cambodia with regular discussions to ensure our team know what is expected of them, both operationally and behaviourally, and are recognised for their good work.

Emerald's purpose is to create long-term stakeholder and shareholder value through the sustainable discovery, acquisition and development of natural resources, primarily in the gold mining field. The Board is targeting the highest standards of corporate governance to continue their track record of delivering this value.

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

Charters, Policies and Procedures

- Board Charter
- Audit Committee Charter
- Remuneration Committee Charter
- Anti-Corruption and Bribery Policy
- Code of Conduct
- Diversity Policy
- Human Rights Policy
- Policy and Procedure for Selection and (Re)Appointment of Directors
- Policy on Assessing the Independence of Directors
- Performance Evaluation Policy
- Procedure for the Selection, Appointment and Rotation of External Auditor
- Policy on Continuous Disclosure
- Risk Management Policy
- Securities Trading Policy
- Shareholder Communication Policy
- Whistleblower Policy

1. Principle 1 | Lay solid foundations for management and oversight

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 to retain full and effective control of the Company.

1.1. 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.

1.2. 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.

1.3. 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.

1.4. Terms of Appointment

1.4.1. 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 officer's insurance arrangements;
- other directorships and time commitments; and
- board performance review.

1.4.2. Managing Director and Executive Director

The Managing Director and Executive Director have signed executive services agreements. For further information in relation to the terms of these agreements, refer to the Remuneration Report included in the Annual Report for the year ended 30 June 2020.

1.5. 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.

The Company Secretary is Mr Mark Clements (appointed 20 August 2014). Mr Clements has an extensive range of experience in capital management, finance, financial reporting, corporate strategy and governance across a range of industries. He is a Fellow of the Institute of Chartered Accountants in Australia, Fellow of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors. He is company secretary for a number of diversified ASX listed companies and is non-executive director of MSM Corporation International Limited. He was previously Executive Chairman of MOD Resources Limited which was recently acquired by Sandfire Resources Limited.

Mr Clements' extensive corporate experience has strengthened the independence on the Board and he has been appointed as Chair of the Audit Committee and serves as a member of the Company's Remuneration Committee.

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

1.6. 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 policy 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 of the Company's wholly owned subsidiary in Cambodia includes a female director and the Company is represented by females in managerial roles in finance and administration and environment.

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 Board acknowledges the recent ACSI policy proposal calling for listed companies to set a timeframe for achieving gender balanced boards. However, due to the size of the Company and stage of growth, 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.

The Company has not set or disclosed a measurable objective for achieving at least 30% of directors of each gender on the Board. However, in principle, the Company is committed to;

- a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;

- improved employment and career development opportunities for women;
- a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
- awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect of diversity.

Diversity Table

	Total workforce	Senior management	Board
Full time male	27	6	2
Full time female	5	0	0
Part time male	5	5	3
Part time female	1	1	0
	38	12	5
% of females	15.8%	8.3%	0.0%

The following senior positions within the Company are currently held by female employees;

- Director – Renaissance Minerals (Cambodia) Limited
- Finance and Administration Manager
- Environment Manager
- Financial Controller

During the reporting period several female candidates were considered as part of the Board competencies analysis for the independent Non-executive director position following Mr Ross Williams resignation, effective 12 June 2020. These candidates were not selected due to their unavailability due to existing commitments, conflicts of interest or concerns in relation to over-boarding.

1.7. Performance Review

1.7.1. Board and Board Committees

A performance review of the Board, individual Directors (including the Managing Director), committees of the Board, the company and management 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 2020 was conducted in accordance with the Performance Evaluation Policy.

1.7.2. 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, Executive Director and senior executive's performance and effectiveness was conducted in the year ended 30 June 2020.

For further information in relation to the respective remuneration of the Managing Director, Executive Director and key management personnel, refer to the Remuneration Report included in the Annual Report for the year ended 30 June 2020.

1.8. 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 independent, Non-executive Chairman, Mr Simon Lee AO will stand for re-election by rotation (last re-elected in November 2018) and independent, Non-executive director, Mr Mark Clements will stand for re-election as a director appointment since the last Annual General Meeting.

The remaining directors who have previously offered themselves for re-election, excluding the Managing Director, are Non-executive director, Mr Ross Stanley (last re-elected in November 2019) and Executive Director, Mr Michael Evans (last re-elected in November 2018).

1.9. 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.

1.10. 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.

1.11. 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.

1.12. 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 2020.

2. Principle 2 | Structure the Board to be effective and add value

2.1. Composition of the Board

The Board members as at the date of this report are:

Name	Position	Length of Service	Independent
Mr Simon Lee AO	Non-Executive Chairman	6.2 years	Yes
Mr Morgan Hart	Managing Director	6.2 years	No
Mr Michael Evans	Executive Director	2.0 years	No
Mr Ross Stanley	Non-Executive Director	6.2 years	No
Mr Mark Clements	Non-Executive Director and Company Secretary	0.3 years	Yes

The ASX guidance requires a majority of the Board to be independent directors. The ASX guidance on factors relevant to an assessment of independence includes interest, positions, associations or relationships which might interfere with, or reasonably seen to interfere with, a director's capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of the entity and its security holders generally.

In accordance with this guidance, two of the five Directors are considered independent, being Mr Simon Lee AO (Independent Chairman – appointed 20 August 2014) and Mr Mark Clements (Non-Executive Director - appointed 12 June 2020). 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. The Board is of the opinion that this relationship does not materially influence or could reasonably be perceived to materially influence his capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the entity and its security holders generally. Mr Clements is a director of Balion Pty Ltd which provides company secretarial services to the Company on commercial arms length basis. He also provides company secretarial services to a number of other ASX listed companies via services agreements with Balion Pty Ltd. The Board is of the opinion that this relationship does not materially influence or could reasonably be perceived to materially influence his capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the entity and its security holders generally. Mr Ross Stanley (appointed 20 August 2014) is not considered to be independent due to his substantial shareholding in the Company. Mr Morgan Hart (appointed as a Director on 30 July 2014 and Managing Director on 20 August 2014) and Mr Michael Evans (appointed as Executive Director on 3 October 2018) do not meet the criteria for an independent director due to their executive roles.

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 Board acknowledges that it is not comprised by a majority of independent directors. However, the Chairman is independent and the Board comprises directors who each have extensive technical, financial and commercial expertise. As the Company transitions from an explorer to producer, the Board will set about identifying and assessing suitable independent Non-executive director candidates to complement the existing competencies of the Board to drive performance, create shareholder value and lead ethically by example.

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.

2.2. Board Competencies

The Board have agreed upon a number of competencies that can be applied to the Company's industry and current stage of growth and next phase of development. The Board periodically assesses individual competencies via a Board Skills Matrix to highlight the importance of various Board competencies and current capabilities of the Board and ensure those skill sets are complemented by additional industry expertise in the sector pursued as to consider future competencies that may be required for a potential future board composition.

The Board Skills Matrix is an important driver to formalise the Director nomination processes. It was applied during the reporting period as several candidates were considered for the independent Non-executive director position following Mr Ross Williams resignation. On 12 June 2020, Mr Mark Clements was appointed as independent Non-executive Director. The Board is of the opinion that Mr Clements has the relevant skills and expertise, including core corporate and industry experience to complement the existing skill sets on the Board.

The skills assessment of the current Board is judged below;

Board Skills Matrix

SKILL	NUMBER OF DIRECTORS HOLDING THIS SKILL
Resources industry experience	5
Mineral industry experience	5
Strategy	5
Mergers and acquisitions	4
Finance	4
Risk Management	5
International relations	4
Capital management/Project financing	5
Sustainable development	5
Previous board experience	4
Governance	5
Policy	5
Executive leadership	5
Remuneration	4

The competencies that the current Board members have formulated their analysis are based upon the criteria judged as important by the Board given the Company's current stage of growth, in conjunction with independent industry guidance as follows:

- **Resources Industry Experience** - experience in the resources industry, including broad knowledge of exploration, operations, project development, markets, shipping and competition.
- **Mineral Industry Experience** - specific experience in the gold industry, including an in-depth knowledge of exploration, operations, project development, markets, shipping, competitors and relevant technology.

- **Strategy** – identifying and critically assessing the strategic opportunities and threats to the organisation and developing and implementing successful strategies in context to an organisation’s policies and business objectives.
- **Mergers & Acquisition** – experience managing, directing or advising on mergers, acquisitions, divestments and portfolio optimisations.
- **Finance** – senior executive or other experience in financial accounting and reporting, internal financial and risk controls, corporate finance and restructuring corporate transactions.
- **Risk Management** - experience working with and applying broad risk management frameworks in various countries, regulatory or business environments, identifying key risks to an organisation, monitoring risks and compliance and knowledge of legal and regulatory requirements.
- **International Relations** – senior management or equivalent experience (particularly transactional) working in politically, culturally and regulatory diverse business environments.
- **Capital Management & Project Financing** – experience with projects involving contractual negotiations, significant capital outlays, procuring project investment and securing partners with long investment horizons.
- **Sustainable Development** – senior management or equivalent experience in economic, social and environmental sustainability and workplace health and safety practices.
- **Previous Board Experience** – serving on boards of varying size and composition in varying industries and for a range of organisations. Awareness of global practices, benchmarking, some international experience.
- **Governance** – implementing the high standards of governance in a major organisation that is subject to rigorous governance standards and assessing the effectiveness of senior management.
- **Policy** – identifying key issues for an organisation and developing appropriate policy parameters within which the organisation should operate.
- **Executive Leadership** – experience in corporate structuring, overseeing strategic human capital planning, evaluating the performance of senior management, industrial relations, organisational change management and sustainable success in business at senior level.
- **Remuneration** – experience in remuneration strategy, remuneration governance frameworks, Corporations Act and employment law, performance and incentive schemes.

2.3. 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.

As the Company transitions to become a producer, the Board will focus on a measured process to ensure it maintains a strong, well-credentialed Board to oversee the Company’s next growth phase at the Okvau Gold Project and other prospective global gold projects that are value accretive for shareholders.

As with the appointment of the independent Non-executive Director during this reporting period, the Board Skills Matrix will form an integral basis in the identification and assessment of suitable candidates based on readily available information on respective backgrounds, current Board positions and visible competencies. The Board currently performs the role of a Nomination Committee given the Company’s size and stage of growth. However this will be reviewed to ensure there is a continued emphasis on board membership which aligns with the Company’s corporate culture and addresses independence and diversity.

2.4. Director induction and ongoing professional development

The Company has a formal induction program for Directors 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 Company, Directors are expected to already possess a level of both industry and commercial expertise before being considered for a directorship.

Directors are provided with the opportunity to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively, access employees of the business and access to any information they require about the business including access to regular news articles and publications where considered relevant.

3. Principle 3 | Instill a culture of acting lawfully, ethically and responsibly

Directors, officers, employees and consultants to the Company are required to observe high standards of behaviour 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.

Emerald recognises the importance of its people in building a strong and successful organisation, particularly in developing a new operation.

To achieve this, Emerald has focussed on developing the right culture across the organisation, which is strongly based on a Board, Executive team and key staff who demonstrate the right attributes, qualities and share a strong belief of the benefits of our engagement and development in Cambodia for our employees and the Cambodian people in general.

High performance and open communication are strong aspects of our culture and we have been instilling this in our teams in Perth and Cambodia with regular discussions to ensure our team know what is expected of them, both operationally and behaviourally, and are recognised for their good work.

3.1. Code of Conduct

The Company's Code of Conduct Policy has been endorsed by the Board and applies to all Directors and Employees. The Code may be viewed at the Company's website, and it covers the following:

- the pursuit of the highest standards of ethical conduct in the interests of shareholders and other stakeholders;
- usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure;
- employment practices such as employment opportunity, the level and structure of remuneration and conflict resolution;
- responsibilities to the community;
- compliance with all legislation affecting the operations and activities of the consolidated entity, both in Australia and overseas;
- conflicts of interest;
- corporate opportunities such as preventing directors and key executives from taking advantage of property, information or position for personal gain;
- confidentiality of corporate information;
- protection and proper use of the Company's assets;
- compliance with laws; and
- reporting of unethical behaviours.

3.2. Whistleblower Policy

In line with the Code of Conduct, the Company has a Whistleblower Policy which has been endorsed by the Board and ensures that persons who make a report in good faith can do so without fear of intimidation, disadvantage or reprisal. The Whistleblower Policy assists to create a culture within the Company that

encourages our people to speak up and raise concerns regarding breaches of internal rules or policy, or conduct that is illegal, unacceptable or undesirable, or concealment of such conduct relating to the Company, its branches, directors, officers, and employees. It encourages the reporting of behaviour that may result in financial or non-financial loss, or reputational damage to the Company and plays a key role in detecting reportable conduct and maintaining good corporate governance.

3.3. Anti-Bribery and Corruption Policy

The Company's Anti-Bribery and Corruption Policy has been endorsed by the Board and applies to Directors, officers, employees and consultants to the Company requiring all business to be conducted in an honest and ethical manner and in accordance with all applicable laws, rules and regulations in all jurisdictions in which Emerald operates.

Emerald recognises the importance of ethical conduct and protecting human rights and the Company's impact on the environment. The Company is committed to adhering to internationally recognised and accepted standards and responsible business conduct such as the UN Guiding Principles on Business and Human Rights, the UN Sustainable Development Goals, the International Finance Corporation ("IFC") Performance Standards and OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

3.4. 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.

3.5. 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 effect 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.

4. Principle 4 | Safeguard the integrity of corporate reports

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

The Board receives a declaration from the Managing Director and Chief Financial Officer in relation to these corporate reports on the propriety of compliance on internal controls and reporting systems and ensures that they are working efficiently and effectively in all material respects.

4.1. Audit Committee

The Board has a separate 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 responsibilities of the Committee are set out in a formal Charter approved by the Board. The Charter sets out the purpose, membership, responsibilities, authority and reporting requirements of the Committee.

The Audit Committee consists of three members, the majority of which are considered independent, including independent Non-executive director, Mr Mark Clements (Chair) (effective 12 June 2020), independent Non-executive director, Mr Simon Lee AO and Non-executive director, Mr Ross Stanley. During the majority of the reporting period, the Committee was chaired by independent Non-executive director Mr Ross Williams (resigned 12 June 2020).

Mr Clements is a Fellow of the Institute of Chartered Accountants in Australia and has significant experience in relation to managing external audit processes, liaising with and assessing the performance of external auditors, liaising with management on financial matters and understanding the regulatory framework governing financial reporting, compliance and disclosure. He previously worked for an international accounting firm. All members of the Committee have an extensive range of experience in capital management, finance, financial reporting, corporate strategy and governance across a range of industries.

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.

There were two Audit Committee meetings held during the year ended 30 June 2020 which were attended by all members of the Committee.

4.2. Selection, Appointment and Rotation of External Auditor

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.

5. 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.

6. Principle 6 | Respect the rights of security holders

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 can 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 stage of growth.

7. 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 delegates day-to-day management of risk to the Managing Director and Executive Director, who are 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 and Executive 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.

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 regularly 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 (or equivalent) provide a declaration to the Board in accordance with section 295A of the Corporations Act and have 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.

The Board monitors the adequacy of its risk management framework annually to ensure that it continues to be sound and deals adequately with contemporary and emerging risks and that Emerald is operating with due regard to the risk appetite set by the Board and discloses that reviews have taken place at the end of each reporting period. All members of the Board have an extensive range of experience in mining, human resource and capital management, finance, financial reporting, corporate strategy and governance across a range of industries to apply to the risk evaluation process.

7.1. 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. Non-executive director, Mr Clements is a Fellow of the Institute of Chartered Accountants in Australia and previously worked for an international accounting firm and all members of the Board have an extensive range of experience in capital management, finance, financial reporting, corporate strategy and governance across a range of industries.

7.2. Sustainability Risks

The Company has a detailed risk matrix which it regularly reviews, it highlights critical risk factors the Company faces at any particular time. The principal risks highlighted are what would typically be expected for an exploration company transitioning into the development phase along a path to production and includes;

- Reliance on key executives;
- Inability to access new exploration capital;
- Volatility in gold prices and applicable exchange rates (mainly USD);
- Delays in equipment fabrication or mobilisation to site;
- Failing to appropriately manage local stakeholder relations;
- Unsuccessful exploration results;
- Legislature changes in jurisdictions in which the Company operates.

As the Company expands its activities either within the Okvau Gold Project 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. All members of the Board have an extensive range of experience in mining, human resource and capital management, finance, financial reporting, corporate strategy and governance across a range of industries to apply to the risk evaluation process.

Details of the Company's sustainability activities are set out in the section headed "Sustainability" in the current financial year's Director's Report.

7.3. Environmental and Social Risks

The Company strives to operate in accordance with the highest standards of environmental practice and comply in all material respects with applicable environmental laws and regulations. Such regulations typically cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations.

The Environmental Management System for the Okvau Gold Project is well developed and has been substantially implemented throughout the construction phase of the Project. An Environmental Compliance Register of all ESIA and management plan commitments, monitoring and mitigation actions are being continually reviewed and maintained.

The Company has adopted a Human Rights Policy which applies to all Directors, officers, employees and consultants that work with the Company. The policy seeks to ensure that the Company operates in an ethical and transparent manner in all business dealings and that the Company has a mechanism for staff to alert management should any issues or incidents occur.

The Board monitors the adequacy of its environmental and social risk management to ensure that it continues to be sound and deals adequately with contemporary and emerging risks. All members of the Board have an extensive range of experience in mining, human resource and capital management, finance, financial reporting, corporate strategy and governance across a range of industries to apply to the risk evaluation process.

Details of the Company's environmental activities and commitment to human rights are set out in the section headed "Sustainability" in the current financial year's Director's Report.

8. Principle 8 | Remunerate fairly and responsibly

The Company has 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 Stanley (Chair), Mr Simon Lee AO and Mr Mark Clements (12 June 2020). For the majority of the reporting period, the Committee included independent director Mr Ross Williams (resigned 12 June 2020). The Remuneration Committee did not engage an independent remuneration consultant to review the Company's policy on remuneration in the current reporting period but will consider this going forward as the Company becomes a producer.

The responsibilities of the Committee are set out in a formal Charter approved by the Board. The Charter sets out the purpose, membership, responsibilities, authority and reporting requirements of the Committee.

Details of the remuneration policy are contained in the Remuneration Report included in the Directors' Report of the year ended 30 June 2020 Annual Report.

In relation to the remuneration of Non-executive directors, the Company's policy is to pay at market rates for comparable companies for time, commitment and responsibilities. In accordance with ASX Corporate Governance Recommendations and to safeguard the interests of shareholders, fees for non-executive directors are not linked to the performance of the Company to maintain independence and impartiality. Non-executive directors are not incentivised by short term or long-term incentives. The Company does not pay retirement allowances to non-executive directors and Non-executive directors do not receive separate remuneration for serving on a committee.

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. 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.

With regard to the remuneration of executives, pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness. Short term performance incentives may include a cash bonus payable upon achievement of agreed upon key performance indicators on financial and non-financial metrics relating to the key drivers of the Company. Long term performance incentives may include premium priced options granted to senior executives and key staff in accordance with an agreed upon remuneration mix following a recommendation from the Managing Director and approval of the Remuneration Committee and Board. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and are subject to vesting conditions and employment retention.

The Company is entering an important phase and we believe that the remuneration framework is appropriate and fit-for-purpose based on the Company's development and growth profile and to drive and deliver the outcomes desired by all shareholders.

The Company's key strategic objective is the development of and ultimately the production from the Company's Okvau Gold Project in Cambodia targeting safety, environment, sustainability and community. Given the Company's current size and in an exploration and development stage, the Remuneration Committee has focused upon utilising the Company's Incentive Option Plan approved by shareholders on 23 November 2017 to provide long-term incentives for the KMP and senior management in 2019 to drive alignment of the Company's key objective to remuneration outcomes, rather than short-term cash incentives which will be tied to performance against relevant targets in FY21.

Authorised by the Emerald Board.

Morgan Hart
Managing Director
Dated: 25 September 2020
Review Date: 30 June 2021