

# FREEHILL MINING LIMITED

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Freehill Mining Limited (*Freehill Mining or the Company*) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the ASX Corporate Governance Council's **Corporate Governance Principles and Recommendations: 3<sup>rd</sup> Edition** (*the Principles*), the corporate governance statement reports on the Company's adoption of the Principles on an exception basis. This statement provides specific information whereby disclosure is required of any recommendations that have not been adopted by the Company, together with the reasons why they have not been adopted. Freehill Mining's corporate governance principles and policies are therefore structured with reference to the Principles, which are as follows:

- 1: Lay solid foundations for management and oversight.
- 2: Structure the board to add value.
- 3: Act ethically and responsibly.
- 4: Safeguard integrity in corporate reporting.
- 5: Make timely and balanced disclosure.
- 6: Respect the rights of security holders.
- 7: Recognise and manage risk.
- 8: Remunerate fairly and responsibly.

This corporate governance statement is in respect of the 12 month period ending 30 June 2019, and is current as at 30 September 2019.

### 1. Lay Solid Foundations for Management and Oversight

#### ***Recommendation 1.1: The Board and Senior Management - Roles and Responsibilities***

The Board is responsible for the overall corporate governance of the Company.

The Board monitors the operational and financial position and performance of the Company and oversees its business strategy, including approving the strategic objectives, plans and budgets of the Company. The Board is committed to protecting and optimising performance and building sustainable value for Shareholders. In conducting business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, and its Directors, officers and personnel operate in an appropriate environment of corporate governance.

Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices that it believes are appropriate for the Company's business and that are designed to promote the responsible management and conduct of the Company.

#### **Board Charter**

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the Board's composition;
- the Board's role and responsibilities;
- the relationship and interaction between the Board and management; and
- the authority delegated by the Board to management and Board committees.

The Board's role is to represent and serve the interests of Shareholders by overseeing and appraising the Company's strategies, policies and performance. This includes:

- overseeing the financial and human resources the Company has in place to meet its objectives and protecting and optimising Company performance and building sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- reviewing management performance;

- setting, reviewing and ensuring compliance with the Company's values and governance framework (including establishing and observing high ethical standards); and
- ensuring Shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

The management function is conducted by, or under the supervision of, the Chief Executive Officer, Mr Peter Hinner, as directed by the Board (and by other officers to whom the management function is properly delegated by the Board). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time when they consider it appropriate.

The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chairman or the Board as a whole.

#### **Recommendation 1.2: Board Nominations**

The Board will consider nominations for the appointment or election of Directors that may arise from time to time, having regard to the skills and experience required by the Company and procedures outlined in the Company's Constitution and the *Corporations Act 2001* (Cth).

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election, as a Director. Candidates are assessed through interviews, meetings and background and reference checks (which may be conducted both by external consultants and by Directors) as appropriate.

The Company gives shareholders all material information in its possession relevant to the decision on whether or not to elect (or re-elect) a Director, either in the notice of the meeting at which the election of the Director is to be held, or by including in the notice a clear reference to the location on the Company's website, Annual Report or other document lodged with ASX where the information can be found.

#### **Recommendation 1.3: Terms of Appointment - Directors and Senior Executives**

Each new Non-Executive Director will receive a letter formalising their appointment and outlining the material terms of their appointment.

Executive officers will generally have written employment agreements with the Company setting out their duties, obligations and remuneration.

The Board is responsible for determining and reviewing the remuneration of the Directors, the Non-Executive Chairman and the executive officers of the Company.

#### **Recommendation 1.4: The Company Secretary**

The Company Secretary is appointed by the Board and is responsible for developing and maintaining the systems and processes that are appropriate for the Board to fulfil its role. The Company Secretary is responsible to the Board for ensuring compliance with Board procedures and governance matters. The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary is also responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

#### **Recommendation 1.5: Diversity**

The Company has not adopted a formal diversity policy and therefore, has not set measurable objectives for achieving gender diversity. The Board is of the view that the size of the Company and the scale and nature of its operations does not currently lend itself to an effective and meaningful application of such a policy. However, the Board intends to reconsider the adoption of a formal diversity policy periodically.

The table below sets out the respective proportions of men and women on the Board, in senior executive positions and across the organisation as a whole.

	<b>Number</b>	<b>Percentage</b>
Women in the whole organisation	Nil	0%
Men in the whole organisation	8	100%
Women in senior executive positions	Nil	0%
Men in senior executive positions	2	100%
Women on the board	Nil	0%
Men on the board	4	100%

### **Recommendations 1.6 and 1.7: Performance Review and Evaluation**

The Board reviews and evaluates the performance of the Board and the Board committees. The process is to involve the assessment of all of the Board's key areas of responsibility. The Board's contribution as a whole is reviewed and areas where improvement can be made are noted. The performance evaluation process is as follows:

- (a) each Director will periodically evaluate the effectiveness of the Board and its committees and submit observations to the Chairman;
- (b) the Chairman of the Board will make a presentation incorporating his assessment of such observations to enable the Board to assess, and if necessary, take action;
- (c) the Board will agree on development and actions required to improve performance;
- (d) given the small size of the Company and the scale and nature of its current level of operations, the Board has considered and believes that the current mix of skills and diversity as outlined in the Directors' Report is adequate. The Board will continue to monitor the mix of skills and diversity it is looking to achieve periodically;
- (e) outcomes and actions will be minuted; and
- (f) the Chairman will assess during the year the progress of the actions to be achieved.

This process aims to ensure that individual Directors and the Board as a whole contribute effectively in achieving the duties and responsibilities of the Board. The performance of the Board, individual Directors and key executives takes place from time to time in accordance with the process set out above.

## **2. Structure the Board to Add Value**

### **Recommendation 2.1: Nomination Committee**

Due to the small size of the Board and the Company's current level of operations, the Company does not have a separate nomination committee.

### **Recommendation 2.2: Skills, Knowledge and Experience**

Directors are appointed based on the specific business, corporate and governance skills and experience required by the Company. The Board recognises the need for Directors to have a relevant blend of skills and personal experience in a range of disciplines required for the proper management and oversight of the Company's operations, having regard to the scale and nature of its activities.

The Board seeks to ensure that its membership includes an appropriate mix of Directors with experience in the mining and resources sector, general management, accounting and finance and corporate affairs.

### **Recommendations 2.3, 2.4 and 2.5: Independent Directors and Independent Chairman**

The Board considers a Director to be independent where he or she is independent of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with the exercise of their unfettered and independent judgement. The Board will consider the materiality of any given relationship on a case-by-case basis.

The Company's Board Charter sets out guidelines to assist in considering the independence of Directors and has adopted a definition of independence that is based on that set out in the Principles.

At the date of this statement, the Board comprises of four Directors, comprising the independent Non-Executive Chairman (Mr Raymond Mangion), two Executive Directors and one non-independent Non-Executive Director (Mr Samuel Duddy). Mr Wayne Johnstone was a member of the Board from as an independent Non-Executive Director from 30 November 2018 until 29 August 2019. The Board considers that Mr Ray Mangion is free from any business or any other relationship that could materially interfere with the independent exercise of his judgement and is able to fulfil the role of an independent Director. For the period 30 November 2018 to 29 August 2019, the Board consisted of two independent and three non-independent Directors. As at the date of this statement, the Company does not comply with Corporate Governance Principle 2.4, that the majority of Directors should be independent. Only one director is independent because other Directors are either employed by the Company in an executive capacity or are associated with substantial shareholders. The Board believes that it is impractical at this stage to comply with this recommendation. The Board believes that each director brings an independent mind and judgement to bear on all Board decisions, notwithstanding that the Chairman and a majority of the Board are not independent. All directors are able to and do review and challenge the assumptions and performance of management to ensure decisions taken are in the best interest of the Company. The Board continues to monitor the independence of its members and periodically considers the potential for independent appointments.

Mr Ray Mangion has been a Board member since 24 March 2015 and Chairman since 12 July 2018, and Mr Samuel Duddy has been a Board member since 9 July 2018. Mr Paul Davies has been a Board member since 24 March 2015 and Mr Peter Hinner has been a Board member since 31 July 2018.

The Board regularly reviews the independence of each Non-Executive Director.

### **Recommendation 2.6: Induction of New Directors**

The Company has a programme for inducting new Directors. This includes giving new Directors a full briefing about the nature of the business, current issues, the corporate strategy and the expectations of the Board concerning the performance of Directors and access to all employees to gain full background on the Company's operations. Directors are encouraged to attend director training and professional development courses, as may be required to enable them to develop and maintain the skills and knowledge needed to effectively perform their roles as Directors, at the Company's expense (as approved by the Chairman and or the Board, as appropriate and applicable).

### **3. Act Ethically and Responsibly**

#### ***Recommendation 3.1: Code of Conduct***

The Board recognises the need to observe the highest standards of ethics, integrity and behaviour. Accordingly, the Board has adopted a formal Code of Conduct that outlines how the Company expects its employees and Directors to behave during the course of their employment in dealing with employees, suppliers and customers of the business. The key aspects of this Code are to:

- comply with all Company policies, procedures, rules and regulations;
- be honest and fair in dealings with customers, clients, co-workers, Company management and the general public;
- protect from unauthorised use any information, records or other materials acquired during the course of employment with the Company; and
- respect the Company's ownership of assets and property.

### **4. Safeguard Integrity in Financial Reporting**

#### ***Recommendation 4.1: The Board should establish an Audit Committee.***

The Board has established an Audit and Risk Committee. Under the Board Charter, this committee must consist of a minimum of three members of the Board and a majority of independent Directors.

The Audit and Risk Committee comprises:

- Mr Ray Mangion as Chairman;
- Mr Paul Davies; and
- Mr Sam Duddy.

Recommendation 4.1 recommends that the audit committee should be chaired by an independent director who is not the chair of the board. Due to the small composition of the Board, Mr Raymond Mangion who is the Chairman of the Board also serves as the Chairman of the Audit and Risk Committee, and the committee does not have a majority of independent Directors, as Mr Raymond Mangion is the only independent member of the Board. Therefore, the composition of the Audit and Risk Committee does not currently comply with Recommendation 4.1.

The Board intends to regularly review composition of the Audit and Risk Committee.

The Audit and Risk Committee's responsibilities include:

- overseeing the Company's relationship with the external auditor and the external audit function generally;
- overseeing the Company's relationship with the internal auditor and the internal audit function generally;
- overseeing the preparation of the financial statements and reports;
- overseeing the Company's financial controls and systems; and
- managing the process of identification and management of risk.

Non-committee members, including members of management and the external auditor, may attend all or part of a meeting of the committee at the invitation of the committee chair.

#### ***Recommendation 4.2: Approval of Financial Statements***

Mr Paul Davies as the Company's Chief Financial Officer, has declared to the Board that in his opinion, the financial records of the Company have been properly maintained, that the financial statements comply with the Australian Accounting Standards and give a true and fair view of the financial position and performance of the Company. The declaration also confirms that their opinion has been formed on the basis of a sound system of risk management and internal control.

Mr Paul Davies has also declared to the Board that the Company's risk management, internal compliance and control system is operating efficiently and effectively in all material respects.

#### ***Recommendation 4.3: Auditor Attendance at AGM***

The Company's external Auditor attends the Company's AGMs and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

## **5. Make Timely and Balanced Disclosure**

***Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.***

The Board is aware of its obligation to keep the market fully informed of any information the Company becomes aware of concerning the Company, which may have a material effect on the price or value of the Company's securities, subject to certain exceptions.

The Company has adopted a Continuous Disclosure Policy that establishes procedures aimed at ensuring the Company fulfils its obligations in relation to the timely disclosure of material price-sensitive information.

The Company also aims to communicate all important information relating to the Company to its Shareholders. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time. To achieve this, the Company will communicate information regularly to Shareholders and other stakeholders through a range of forums and publications, including the Company website, at the annual general meeting, and through the Company's annual report and ASX announcements.

## **6. Respect the Rights of Security Holders**

***Recommendation 6.1: Communication to Shareholders and Investors***

The Company aims to communicate all important information relating to the Company to its Shareholders. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time. To achieve this, the Company communicates information regularly to Shareholders and other stakeholders through a range of forums and publications, including the Company's website, at the annual general meeting, through the annual report and ASX announcements.

***Recommendation 6.2: Investor Relations Program***

Traditionally, the key forum for two-way communication between the Company and its shareholders is its AGM. The Board encourages shareholder participation at the Company's AGM and other general meetings of shareholders and the Chairman encourages questions and comments from shareholders and seeks to ensure that shareholders are given ample opportunity to participate. Shareholders who are unable to attend the AGM or a general meeting may submit questions and comments before the meeting to the Company and/or to the Auditor (in the case of the AGM).

***Recommendation 6.3: Shareholder participation at General Meetings***

The Company is committed to promoting communication with shareholders and encouraging Shareholders to participate at General Meetings via different forums (through its website, ASX Announcements and direct communication or through the Registry).

***Recommendation 6.4: Electronic Communication***

Shareholders may elect to receive Annual Reports electronically.

Shareholders may send communications to and receive communications from the Company and its Share Registry electronically. The contact email address for the Company is [pdavies@freehillmining.com](mailto:pdavies@freehillmining.com) and Shareholders may submit electronic queries to the Company's Share Registry via its website <http://www.automic.com.au>.

## **7. Recognise and Manage Risk**

***Recommendation 7.1: Risk Committee***

The Audit and Risk Committee oversees the risk management of the Company.

The Board has procedures in place to recognise and manage risk in accordance with Recommendation 7.1. Monthly reporting of financial performance is in place as are policies to manage credit, foreign exchange and other business risks.

The Company is committed to the proper identification and management of risk. Freehill Mining regularly conducts technical meetings that are attended by directors and executive officers. Freehill Mining also regularly undertakes reviews of its risk management procedures which include implementation of a system of internal sign-offs to ensure not only that Freehill Mining complies with its legal obligations, but that the Board and ultimately shareholders can take comfort that an appropriate system of checks and balances is in place regarding those areas of the business which present financial or operating risks.

Details of the composition and charter of the Audit and Risk Committee are set out in section 4 above.

The Code of Conduct sets out the Company's commitment to maintaining the highest level of integrity and ethical standards in all business practices.

#### ***Recommendation 7.2: Risk Management Framework***

The Company's management is responsible for providing leadership and direction, for establishing a context which fosters a risk management culture and for ensuring business, financial and risk management approaches are integrated during the planning, implementation and reporting of major ventures at all levels within the organisation.

At the Company's board meetings and technical meetings, the Company regularly undertakes reviews of its risk management procedures, which include implementation of a system of internal approvals to ensure not only that it complies with its legal obligations, but that the Board and shareholders can take comfort that an appropriate system of checks and balances is in place in those areas of the business that present financial or operating risks. As part of this risk management process, the Company's management has reported to the Board in relation to its management of the Company's material business risks.

#### ***Recommendation 7.3: Internal Audit Function***

The Company does not have an independent internal audit function. Due to the nature and size of the Company's operations, the expense of an independent internal auditor is not considered to be appropriate.

The Board performs all key elements of an internal audit function, including:

- evaluating, seeking and obtaining reasonable assurance that risk management, control, and governance systems are functioning as intended and will enable the Company's objectives and goals to be met;
- evaluating information security and associated risk exposures;
- evaluating regulatory compliance programmes with consultation from external legal counsel; and
- evaluating the Company's preparedness in case of business interruption.

#### ***Recommendation 7.4: Exposure to Risks***

The Company regularly undertakes reviews of risks that may be material to its business. The review examines the processes and procedures that are in place to continually manage existing risks and identifies new risks that have or may arise including the processes and procedures that the Company must initiate to control and/or mitigate these risks from impacting upon the performance of the Company.

The Company recognises, in particular, the environmental and social risks to which it may be exposed. The Company considers environmental risk to be the ability to continue its undertakings without compromising the health of the ecosystems in which it operates. The Company views social sustainability as the ability to continue operations in a manner that is acceptable to social norms. The Board intends to manage all environmental risks in accordance with the Health, Safety and Environment Policy, and all social risks where such risks are identified.

### **8. Remunerate Fairly and Responsibly**

#### ***Recommendation 8.1: Remuneration Committee***

Due to the small size of the Board and the Company's current level of operations, the Company has not established a Remuneration Committee as a subcommittee of the Board.

The Board is responsible for determining and reviewing the remuneration of the Directors, the Chairman and the executive officers of the Company and reviewing the operation of the Company's Employee Equity Incentive Plan. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the Company's operations. In making decisions regarding the appointment of Directors, the Board as a whole periodically assesses that an appropriate mix of skills and experience is represented on the Board.

It is the Company's objective to provide maximum shareholder benefit from the retention of high quality Board members having regard to the Company's level of operations and financial resources. Directors are remunerated with reference to market rates for comparable positions. Remuneration policies for each Non-Executive Director are disclosed in the Directors' Report that is set out in the Annual Report.

The Board may obtain information from, and consult with management and external advisers, as it considers appropriate.

#### ***Recommendation 8.2: Remuneration of Executive and Non-Executive Directors***

The remuneration structure of Non-Executive Directors and executives is disclosed in the Directors' Report within the Annual Report. The remuneration of executives is dependent on the terms of the service agreement with those executives. The remuneration structure of Non-Executive Directors and executives is clearly distinguishable.

**Recommendation 8.3: Equity Based Remuneration**

The Company has adopted an Employee Equity Incentive Plan (*Plan*) in order to assist in the motivation and retention of selected employees of the Company. The Plan is designed to align the interests of eligible employees with those of the Company by providing an opportunity for eligible employees to receive an equity interest in the Company as an award. Under the Plan, eligible employees may be offered performance rights, options, deferred share awards or exempt share awards which may be subject to vesting conditions set by the Board.

The Company has adopted a Securities Trading Policy that is intended to explain the types of conduct in relation to dealings in securities that are prohibited by law and establish procedures for the buying and selling of securities that protect the Company, Directors and employees against the misuse of unpublished information, which could materially affect the price or value of the Company's securities.

The Policy provides that Directors, employees and their connected persons must not:

- deal in the Company's securities when they are aware of 'inside' information;
- deal in the Company's securities on a short-term trading basis (except in exceptional circumstances with approval); and
- hedge unvested equity remuneration or vested equity subject to holding locks.

In addition, Directors, certain restricted employees and their connected persons must not deal in the Company's securities during any of the following blackout periods (except in exceptional circumstances with approval):

- 7 days immediately before release of the Company's quarterly report, half year results, full year results and one day immediately following such release;
- 7 days immediately before the Company's Annual General Meeting and one day following such Annual General Meeting; and
- any other period that the Board specifies from time to time.

Directors and certain employees must receive prior approval for any proposed dealing in the Company's securities (including any proposed dealing by one of their connected persons) within these periods, and in all instances, buying or selling securities is not permitted at any time by any person who possesses 'inside' information.

The Corporations Act prohibits the key management personnel of an ASX listed company established in Australia, or a closely related party of such personnel, from entering into an arrangement that would have the effect of limiting their exposure to risk relating to an element of their remuneration that either has not vested or has vested but remains subject to a holding lock.