

## CORPORATE GOVERNANCE STATEMENT 2020

The Board of Errawarra Resources Ltd (the **Company** or **Errawarra**) is responsible for the overall corporate governance of the Company and its subsidiaries (the **Group**). The Board believes that good corporate governance helps ensure the future success of the Group, adds value to stakeholders and enhances investor confidence. The Board guides and monitors the business affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The ASX document 'Corporate Governance Principles and Recommendations 4th Edition' (**Recommendations**) published by the ASX Corporate Governance Council applies to listed entities with the aim of enhancing the credibility and transparency of Australia's capital markets. The Board has assessed the Group's current practice against the Principles and Recommendations and other than the matters specified below under "If Not, Why Not" Disclosure, all the best practice recommendations of the ASX Corporate Governance Council have been applied.

This Corporate Governance Statement (**Statement**) discloses the extent to which the Company has followed the Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation. This Statement should be read in conjunction with the Company's Corporate Governance Plan (**CG Plan**) on its website <https://www.errawarra.com/>.

### PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

#### Recommendation 1.1: Disclose a Board Charter

**Comply: Yes**

Errawarra's Board Charter contained in the CG Plan details the respective role and responsibilities of the Company's Board and management and those matters expressly reserved to the Board and to management.

#### Recommendation 1.2: Undertake appropriate checks before appointing a Director or Senior Executive and provide Material Information to Security Holder

**Comply: Yes**

The Company undertakes appropriate checks before appointing a Director or senior executive or endorsing the election of any prospective Director and provides security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director by providing biographical details of candidates including relevant qualifications, experience and skills and details of any other material directorships currently held by the candidate and in the case of a candidate standing for election as a Director for the first time:

- ◆ confirmation that the Company has conducted appropriate checks into the candidate's background and experience which have been satisfactory; and
- ◆ if the Board considers that the candidate will, if elected, qualify as an independent Director, a statement to that effect.

#### Recommendation 1.3: Establish a Written Agreement with each Director and Senior Executive setting out the Terms of their Appointment

**Comply: Yes**

Errawarra's Nomination Committee Charter contained in the CG Plan requires the Nomination Committee (or, in its absence, the Board) to ensure that each Director and senior executive is personally a party to a written agreement which sets out the terms of that Director's or senior executive's appointment.

The Company has written agreements with each of its Directors and senior executives.

#### Recommendation 1.4: The Company Secretary should be Accountable Directly to the Board, through the Chair

**Comply: Yes**

Errawarra's Board Charter contained in the CG Plan outlines the roles, responsibilities and accountability of the Company Secretary. In accordance with this, the Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.



**Recommendation 1.5: Disclose a Diversity Policy and Set Measurable Objectives for Achieving Gender Diversity** **Comply: Partially**

Errawarra's Diversity Policy contained in the CG Plan provides a framework to establish and achieve measurable diversity objectives, including in respect of gender diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives, if considered appropriate, and to assess annually both the objectives (if any have been set) and the Company's progress in achieving them.

Given the current small size of the Board and the Company's operations, the Board does not presently intend to set measurable gender diversity objectives because:

- (i) the Board does not anticipate there will be a need to appoint any new Directors or senior executives due to the limited nature of the Company's existing and proposed activities and the Board's view that the existing Directors and senior executives have sufficient skill and experience to carry out the Company's plans;
- (ii) if it becomes necessary to appoint any new Directors or senior executives, the Board will consider the application of the measurable diversity objectives and determine whether, given the small size of the Company and the Board, requiring specified objectives to be met will unduly limit the Company from applying the Diversity Policy as a whole and the Company's policy of appointing the best person for the job; and
- (iii) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the Company defines "senior executive" for these purposes) for each financial year will be disclosed in the Company's Annual Report.

**Recommendation 1.6: Disclose whether a Performance Evaluation of the Board was undertaken in the Reporting Period** **Comply: Partially**

The Company's Nomination and Remuneration Committee (or, in its absence, the Board) is responsible for evaluating the performance of the Board, its committees and individual Directors on an annual basis. It may do so with the aid of an independent adviser. The process for this is set out in the Nomination Committee Charter contained in the CG Plan.

Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it. No performance evaluation was undertaken in the reporting period.

**Recommendation 1.7: Disclose whether a Performance Evaluation of its Senior Executive was undertaken in the Reporting Period** **Comply: Partially**

The Company's Nomination and Remuneration Committee (or, in its absence, the Board) is responsible for evaluating the performance of the Company's senior executives on an annual basis. A senior executive, for these purposes, means key management personnel (as defined in the Corporations Act) other than a non-executive Director. The process for this is set out in the Nomination Committee Charter contained in the CG Plan.

Evaluation of the senior executive is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it. No performance evaluation was undertaken in the reporting period.

## **PRINCIPLE 2: STRUCTURE OF THE BOARD TO BE EFFECTIVE AND ADD VALUE**

**Recommendation 2.1: Establish a Nomination Committee** **Comply: Partially**

Errawarra's Nomination Committee Charter contained in the CG Plan provides for the creation of a Nomination Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director.

The Company does not have a Nomination Committee as the Board considers that the Company will not currently benefit from its establishment. In accordance with the Board Charter, the Board carries out the duties that would ordinarily be carried out by the Nomination Committee under the Nomination Committee Charter, including the following processes to address succession issues and to ensure the Board has the appropriate balance of skills, experience, independence and knowledge of the Company to enable it to discharge its duties and responsibilities effectively:

- (i) devoting time at least annually to discuss Board succession issues and updating the Company's Board skill matrix; and
- (ii) all Board members being involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.

## **Recommendation 2.2: Board Skill Matrix**

**Comply: Partially**

Errawarra's Nomination Committee Charter contained in the CG Plan requires the Nomination Committee (or, in its absence, the Board) to prepare a Board skill matrix setting out the mix of skills that the Board currently has (or is looking to achieve) and to review this at least annually against the Company's Board skill matrix to ensure the appropriate mix of skills to discharge its obligations effectively, to add value and to ensure the Board has the ability to deal with new and emerging business and governance issues.

The Company's objective is to have an appropriate mix of expertise and experience on our Board so that it can effectively discharge its corporate governance and oversight responsibilities. It is the Board's view that the current Directors possess an appropriate mix of relevant skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the Company's strategic objectives. The Company intends to disclose the board skill matrix in the future annual Corporate Governance Statements.

The Board Charter requires the disclosure of each Board member's qualification and expertise. The Board and senior executive relevant skills and experience are available in the Company's Annual Report.

## **Recommendation 2.3: Independent Directors**

**Comply: No**

Errawarra's Board Charter contained in the CG Plan requires the disclosure of the names of Directors considered by the Board to be independent. The Company will disclose the names of the Directors considered by the Board to be independent. This disclosure will be made in the Annual Report and on the Company's website. The Board currently consists of four Directors (one Non-Executive Chairman, two Non-Executive Directors and one Executive Directors) of whom all Directors are considered non-independent.

The Company will disclose in its Annual Report and the Company's website any instances where this applies and an explanation of the Board's opinion why the relevant Directors are considered to be independent.

Errawarra's Annual Report will disclose the length of service of each Director as at the end of each financial year.

## **Recommendation 2.4: Majority Independent Directors**

**Comply: No**

Errawarra's Board Charter contained in the CG Plan requires that, where practical, the majority of the Board should be independent.

The Board currently consists of four Directors (one Non-Executive Chairman, two Non-Executive Directors and one Executive Directors) of whom all Directors are considered non-independent. The Board does not currently consider an independent majority of the Board to be appropriate given the speculative nature of the Company's business and its limited scale of activities, means the Company only needs, and can only commercially sustain the current Board size.

## **Recommendation 2.5: The Chair of the Board should be an Independent Director and, in particular, should not be the same person as the Managing Director/Chief Executive Officer**

**Comply: Partially**

Errawarra's Board Charter contained in the CG Plan provides that, where practical, the Chair of the Board should be an independent Director and should not be the Managing Director.

The Chair of the Company is not an independent Director but is not the same person as the Managing Director.

## **Recommendation 2.6: A Program for Inducting New Directors and for Periodically Reviewing Existing Directors to undertake Professional Development**

**Comply: Partially**

Errawarra's Board Charter contained in the CG Plan requires that the Nomination Committee (or, in its absence, the Board) be responsible for the approval and review of induction, continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.

The Company Secretary is responsible for facilitating inductions and professional development including receiving briefings on material development in laws, regulations and accounting standards relevant to the Company.

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## **PRINCIPLE 3: INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY**

### **Recommendation 3.1: Articulate and Disclosure its Values**

**Comply: Yes**

The Group are committed to conducting all of its business activities fairly, honestly with a high level of integrity, and in compliance with all applicable laws, rules and regulations. The Board, management and employees are dedicated to high ethical standards and recognise and support the Group's commitment to compliance with these standards.

The Company's values are set out in its Code of Conduct contained in the CG Plan and are available on the Company's website. All employees are given appropriate training on the Company's values and senior executives will continually reference such values.

### **Recommendation 3.2: Disclose a Code of Conduct and be Informed of any Material Breaches**

**Comply: Yes**

Errawarra's Code of Conduct contained in the CG Plan applies to the Directors, senior executives and employees.

Any material breaches of the Code of Conduct are reported to the Board or a committee of the Board.

### **Recommendation 3.3: Disclose a Whistleblower Policy and be Informed of any Material Incidents**

**Comply: Yes**

Errawarra's Whistleblower Policy contained in the CG Plan is disclosed on the Company's website. Any material incidents of the Whistleblower Policy are reported to the Board or a committee of the Board.

### **Recommendation 3.4: Disclose an Anti-Bribery and Corruption Policy and be Informed of any Material Breaches**

**Comply: Yes**

Errawarra's Anti-Bribery and Corruption Policy contained in the CG Plan is disclosed on the Company's website. Any material breaches of the Anti-Bribery and Corruption Policy are reported to the Board or a committee of the Board.

## **PRINCIPLE 4: SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS**

### **Recommendation 4.1: Establish an Audit Committee**

**Comply: Partially**

Errawarra's Audit and Risk Committee Charter contained in the CG Plan provides for the creation of an Audit and Risk Committee (if it is considered it will benefit the Company), with at least three members, all of whom must be non-executive Directors, and the majority of whom must be independent Directors. The Audit and Risk Committee must be chaired by an independent Director who is not the Chair of the Board.

The Company does not have an Audit and Risk Committee as the Board considers that the Company will not currently benefit from its establishment. In accordance with the Board Charter, the Board carries out the duties that would ordinarily be carried out by the Audit and Risk Committee under the Audit and Risk Committee Charter including the following processes to independently verify the integrity of the Company's periodic reports which are not audited or reviewed by an external auditor, the process for the appointment and removal of the external auditor and the rotation of the audit engagement partner by:

- (i) devoting time at Board meetings to fulfilling the roles and responsibilities associated with maintaining the internal audit function and arrangements with external auditors; and
- (ii) all Board members being involved in the Company's audit function to ensure proper maintenance and integrity of all financial reporting.

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

**Comply: Yes**

The Company's Audit and Risk Committee requires the CEO and CFO (or, if none, the person(s) fulfilling those functions) to provide a declaration of each quarter, half and full year financial period:

- ◆ that the Group's financial records have been properly maintained;
- ◆ that the Group's financial statements, in all material respects, are complete and present a true and fair view of the financial condition and operational results of the Group and are in accordance with the relevant accounting standards;
- ◆ that the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- ◆ that the Group's risk management and internal compliance and control systems are operating effectively in all material respects.

The Company obtains a sign off on these terms for each of its financial statements in each financial year.

### **Recommendation 4.3: Verification of Integrity of Financial Report**

**Comply: Yes**

The Group is committed to providing clear, concise, timely and effective disclosure. This procedure applies to any report produced by the Group and is as follows:

- ◆ each report is prepared by, or under the supervision of, subject-matter experts;
- ◆ material statements in each report are reviewed by the relevant functional and divisional heads to ensure that they are accurate, not misleading, and meet Errawarra's corporate policy and regulatory requirements, and that the report contains no material omissions;
- ◆ information about the Group's resources is only included in a report if the information complies with the ASX Listing Rules;
- ◆ information in a report that relates to financial projections, statements as to future financial performance or changes to the policy or strategy of the Group (taken as a whole) must be approved by the Board; and
- ◆ each draft report is reviewed by the Executive Chairman, Chief Financial Officer and/or the Company Secretary before its release.

## **PRINCIPLE 5: MAKE TIMELY AND BALANCES DISCLOSURE**

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### **Recommendation 5.1: Disclose a Continuous Disclosure Policy**

**Comply: Yes**

Errawarra's Continuous Disclosure Policy contained in the CG Plan is disclosed on the Company's website.

### **Recommendation 5.2: Board receives Market Announcement Promptly**

**Comply: Yes**

Errawarra's Continuous Disclosure Policy contained in the CG Plan requires all members of the Board receives material market announcements promptly after they have been made.

### **Recommendation 5.3: Investor or Analyst Presentation Released to ASX ahead of the Presentation**

**Comply: Yes**

The Company releases any substantive investor or analyst presentation on the ASX Market Announcements Platform ahead of the presentation.

## **PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS**

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### **Recommendation 6.1: Provide Information of the Company and its governance on the Website**

**Comply: Yes**

The Company provides information about itself and its governance to investors via its website and complies with Listing Rule 3.1 in relation to publication of all relevant documents and reports.

Errawarra's policies, charter and statements are available on its website <https://www.errawarra.com>.

### **Recommendation 6.2: Investor Relations Program to Facilitate Effective Two-Way Communication**

**Comply: Yes**

Errawarra's Shareholder Communications Strategy contained in the CG Plan aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to security holders and is available on the Company's website.

### **Recommendation 6.3: Encourage Participation at Meetings**

**Comply: Yes**

The Company encourages shareholders to participate at all general meeting and Annual General Meetings of the Company.

### **Recommendation 6.4: Resolutions at a Meeting to be Decided by Poll**

**Comply: Yes**

Errawarra's Constitution provides for all substantive resolutions to be determined by a poll rather than a show of hands. The number of votes for or against a resolution is both reported in the Company's Minutes and announced to ASX in accordance with the provisions of the ASX Listing Rules.

### **Recommendation 6.5: Option to Receive and Send Communication Electronically**

**Comply: Yes**

Errawarra's Shareholder Communications Strategy contained in the CG Plan provides that security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. ASX announcements will be uploaded on the Company's website immediately after it has been lodged with ASX.

Shareholder queries should be referred to the Company Secretary at first instance.

## **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

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### **Recommendation 7.1: Establish a Risk Committee**

**Comply: Partially**

Errawarra's Audit and Risk Committee Charter contained in the CG Plan provides for the creation of an Audit and Risk Committee (if it is considered it will benefit the Company), with at least three members, all of whom must be non-executive Directors, and the majority of whom must be independent Directors. The Audit and Risk Committee must be chaired by an independent Director who is not the Chair of the Board.

The Company does not have an Audit and Risk Committee as the Board considers that the Company will not currently benefit from its establishment. In accordance with the Board Charter, the Board carries out the duties that would ordinarily be carried out by the Audit and Risk Committee under the Audit and Risk Committee Charter including the process to oversee the Group's risk management framework. The Board will devote time at Board meetings to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the Group's Risk Management Framework and associated internal compliance and control procedures.

### **Recommendation 7.2: Risk Management Framework and Periodic Review**

**Comply: Yes**

Errawarra's Audit and Risk Committee Charter contained in the CG Plan requires that the Audit and Risk Committee (or, in its absence, the Board) should, at least annually, satisfy itself that the Group's Risk Management Framework continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board.

The Board has a number of mechanisms in place to ensure management's objectives and activities are aligned by the Board. These include but are not limited to the following:

- ◆ Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- ◆ Implementation of Board approved operating plans and Board monitoring of the progress against budgets that is reviewed at every board meeting.

Errawarra's CG Plan requires the Company to disclose at least annually whether such a review of the Group's Risk Management Framework has taken place.

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

**Comply: Yes**

Errawarra's Audit and Risk Committee Charter contained in the CG Plan provides for the Audit and Risk Committee (or in its absence, the Board) to monitor and periodically review the need for an internal audit function, as well as assessing the performance and objectivity of any internal audit procedures that may be in place.

The Company does not have an internal audit function. The Board considered the process employed pursuant to the Audit and Risk Committee Charter and Risk Management Framework are sufficient for evaluating and continually improving the effectiveness of its risk management and internal control processes given the size and complexity of the current business.

### **Recommendation 7.4: Material Economic, Environmental and Social Risk**

**Comply: Yes**

Errawarra's Audit and Risk Committee Charter contained in the CG Plan requires the Audit and Risk Committee (or in its absence, the Board) to assist management to determine whether the Company has any potential or apparent exposure to environmental or social risks and, if it does, put in place management systems, practices and procedures to manage those risks.

The Group's exploration operations is such that it could be seen to be constantly exposed to economic, environmental and social risks. The Board respects the rights and beliefs of all stakeholders and it is part of the Group's culture to have open, honest and constant two way communication with stakeholders and to operate fully within the laws of the jurisdictions the Group operates within. The Group maintains high standards with regards its environmental and social practices and is constantly striving to improve its engagement and information processes. The Board will continue to monitor these risks.

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## **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

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### **Recommendation 8.1: Establish a Remuneration Committee**

**Comply: Partially**

Errawarra's Remuneration Committee Charter contained in the CG Plan provides for the creation of a Remuneration Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom must be independent Directors and must be chaired by an independent Director.

The Company does not have a Remuneration Committee as the Board considers that the Company will not currently benefit from its establishment. In accordance with the Board Charter, the Board carries out the duties that would ordinarily be carried out by the Remuneration Committee under the Remuneration Committee Charter including the process to set the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive. The Board will devote time at an annual Board meeting to assess the level and composition of remuneration for Directors and senior executives.

### **Recommendation 8.2: Disclose Policies and Practices Regarding the Remuneration of the Non-Executive Directors, Executive Directors and Other Senior Executives**

**Comply: Yes**

The Company's CG Plan requires the Board to disclose its policies and practices regarding the remuneration of Directors and senior executives, which is disclosed in the remuneration report contained in the Company's Annual Report.

### **Recommendation 8.3: Equity Based Remuneration Scheme**

**Comply: Yes**

The Company has an equity-based remuneration scheme. The Company does not permit the use of derivatives to limit the economic exposure of the plan. A summary of the equity-based remuneration scheme is contained in the Company's Annual Report.

## **OTHER PROCESSES**

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### **Independent Professional Advice**

Directors of the Company are expected to exercise considered and independent judgement on matters before them and may need to seek independent professional advice. A director with prior written approval from the Chairman may, at the Group's expense obtain independent professional advice to properly discharge their responsibilities.