



# COPPERMOLY Limited

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## CORPORATE GOVERNANCE STATEMENT

30 June 2019

This Corporate Governance Statement of Coppermoly Limited (**Coppermoly** or **the Company**) has been prepared in accordance with the 3rd Edition of the Australian Securities Exchange's (**ASX**) Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council (**ASX Principles and Recommendations**). The Company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in either this statement, our website or our Annual Report, can be found on our website at [www.coppermoly.com.au/corporate/corporate.htm](http://www.coppermoly.com.au/corporate/corporate.htm).

This statement has been approved by the Company's Board of Directors (**Board**) and is current as at 26 September 2019.

The ASX Principles and Recommendations and the Company's response as to how and whether it follows those recommendations are set out below.

### **Principle 1 - Lay solid foundations for management and oversight.**

**Recommendation 1.1: A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.**

The Board is ultimately accountable for the performance of the Company and provides leadership and sets the strategic objectives of the Company. It appoints all senior executives and assesses their performance. It is responsible for overseeing all corporate reporting systems, remuneration frameworks, governance issues, and stakeholder communications. Decisions reserved for the Board relate to those that have a fundamental impact on the Company, such as acquisitions and divestments, any material changes in business operations, and capital raising transactions.

Management is responsible for implementing the Board's strategy, day-to-day operations, and ensuring that all risks and performance issues are brought to the Board's attention. They must operate within the risk and authorisation parameters set by the Board.

**Recommendation 1.2: A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.**

The Board has established a policy for the Nomination and Appointment of Directors and the Company undertakes reference checks prior to the appointment of a Director, or putting a person forward as a candidate, to ensure that the person is competent, experienced, and would not be impaired in any way from undertaking the duties of Director. Where appropriate, the Company seeks advice from external advisors in connection with the suitability of applicants for Board appointment and provides shareholders with relevant information for their consideration about the attributes of the candidates as well as whether the Board supports an appointment or re-election.

**Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.**

The terms of the appointment of each Director and senior executives are agreed upon and set out in a written agreement at the time of appointment.

## CORPORATE GOVERNANCE STATEMENT

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**Recommendation 1.4: The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.**

Given the limited number of employees engaged by Coppermoly, Coppermoly's company secretary fulfils a broad range of management responsibilities in addition to core company secretarial duties. As a result, where:

- (a) Coppermoly has a Managing Director or CEO, the company secretary reports to the Board through the Managing Director or CEO (as applicable); or
- (b) Coppermoly does not have a Managing Director or CEO, the company secretary reports directly to the Board through the Chairman or, if there is no Chairman, the Board as a whole.

The company secretary is accessible to all Directors.

**Recommendation 1.5: A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.**

The Company has established a Diversity Policy, which is available on the Company's website. In summary the Diversity Policy encourages the bringing together of people of different gender, age, ethnicity and cultural backgrounds who possess a diverse range of experiences and perspectives. The Company's principle activities are carried out in a foreign country with unique cultural and traditional heritage. In PNG the Company employs an entirely PNG National workforce.

Although the Company seeks to promote diversity, including gender diversity, within the group as positions and appropriate candidates become available, due to the limited number of people currently employed by the Company, it does not currently require that the Board set any measurable objectives for achieving gender diversity.

As at the date of this report, 20% of the organisation's employees were women (80% men); 0% of Board positions were occupied by women (100% men) and 0% of senior executive positions were occupied by women (100% men). For this purpose, the Board defines a senior executive as a person who makes, or participates in the making of, decisions that affect the whole or a substantial part of the business or has the capacity to affect significantly the Company's financial standing.

No entity within the consolidated group is a 'relevant employer' for the purposes of the *Workplace Gender Equality Act 2012* and so no Gender Equality Indicators are disclosed.

**Recommendation 1.6: A listed entity should (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

The Company periodically reviews the Board and Committee performance against certain standards. However, due to the limited resources and the size of the Company no formal performance review process was conducted during the reporting period.

**Recommendation 1.7: A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

The Company periodically reviews the performance of its senior executives against agreed performance measures. Where the Company has a Managing Director or CEO, the Board undertakes this review in respect of the Managing Director or CEO, and the Managing Director/CEO undertakes the same assessments of the Company's other senior executives. During the reporting period the Board reviewed the performance of the Company's senior executives on an informal basis.

## CORPORATE GOVERNANCE STATEMENT

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### Principle 2 - Structure the board to add value

**Recommendation 2.1: The board of a listed entity should:**

**(a) have a nomination committee which:**

- (1) has at least three members, a majority of whom are independent directors; and**
- (2) is chaired by an independent director,**

**and disclose:**

- (3) the charter of the committee;**
  - (4) the members of the committee; and**
  - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.**

The Board considers that the Company is not currently of a sufficient size to justify the formation of a separate Nomination Committee, so the Board as a whole performs the role of a Nomination Committee. The Company's Policy for Nomination and Appointment of Directors is available on the Company's website. Under the policy, the criteria for determining the identification and appointment of suitable candidates for the Board shall include the quality of the individual, their background of experience and achievements, their credibility within the Company's scope of activities, and their ability to undertake Board duties and responsibilities.

Where necessary, the Board seeks advice from external advisors in connection with the suitability of applicants for Board membership.

**Recommendation 2.2: A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.**

The Board's skills matrix indicates the mix of skills, experience and expertise that are considered necessary at Board level for optimal performance of the Board. The matrix reflects the Board's objective to have, where possible, an appropriate mix of industry and professional experience. External consultants may be brought in with specialist knowledge to address areas where this is an attribute deficiency in the Board.

The table below details the balance achieved with the current Board composition in terms of skills required for the Company.

<b>Skill &amp; Experience</b>	<b>Directors (out of 5)</b>
Exploration & Geology <ul style="list-style-type: none"><li>• Geological qualifications</li><li>• Exploration experience</li><li>• Membership of industry related organisations</li></ul>	2
Commercial <ul style="list-style-type: none"><li>• Business experience and/or qualifications</li></ul>	5
Financial <ul style="list-style-type: none"><li>• Accounting or finance qualification</li><li>• Financial literacy</li></ul>	4
Fundraising <ul style="list-style-type: none"><li>• Experience in raising funds for a public company</li></ul>	4
Executive management <ul style="list-style-type: none"><li>• Experience as an executive in a public company</li></ul>	5

## CORPORATE GOVERNANCE STATEMENT

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**Recommendation 2.3: A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.**

Details of the Board of Directors, their appointment dated, length of service, and independence status is as follows:

<b>Director's name</b>	<b>Appointment date</b>	<b>Length of service at reporting date</b>	<b>Independence status</b>	<b>Non-executive</b>
Mr Kevin Grice	15 July 2014	5 years, 2 months	Independent	Yes
Mr Jincheng Yao	5 March 2015	4 years, 6 months	Not independent	Yes
Dr Wanfu Huang	11 March 2015	4 years, 6 months	Not independent	No
Mr Zule Lin	11 April 2016	3 years, 5 months	Not independent	Yes
Mr Xuan Jian	28 August 2019	1 month	Not Independent	Yes

The Board may determine that a Director is independent notwithstanding the existence of an interest, position, association or relationship of the kind identified in the examples listed under Recommendation 2.3 of the ASX Principles and Recommendations. No current Director has been deemed independent through this process.

**Recommendation 2.4: A majority of the board of a listed entity should be independent directors.**

Having regard to the response to Recommendation 2.3 above, the majority of the Board at the reporting date were not independent.

**Recommendation 2.5: The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.**

The Chairman of the Board is Mr Kevin Grice who is an independent non-executive director.

**Recommendation 2.6: A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.**

New Directors undertake an induction program coordinated by the Company Secretary that briefs and informs the Director on all relevant aspects of the Company's operations and background. The Company does not currently have any formal Director development program in place.

### **Principle 3 - Act ethically and responsibly**

**Recommendation 3.1: A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.**

The Company maintains codes of conduct for its Directors, senior executives and employees. In summary, the code requires that each person act honestly, in good faith and in the best interests of the Company; exercise a duty of care; use the powers of office in the best interests of the Company and not for personal gain, declare any conflict of interest; safeguard Company's assets and information and undertake any action that may jeopardise the reputation of Company.

The codes are available on the Company's website.

## CORPORATE GOVERNANCE STATEMENT

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### Principle 4 - Safeguard integrity in corporate reporting

**Recommendation 4.1: The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.**

The Board maintains an Audit Committee, the current members of which are:

<b>Committee member</b>	<b>Executive Status</b>	<b>Independence Status</b>
Mr Kevin Grice - Chair	Non-Executive	Independent
Dr Wanfu Huang	Non-Executive	Not-independent
Stephen Kelly	CFO / Company Secretary	Not-independent

The Chair of the Committee is independent, although the majority of the Committee is not considered independent and not all members are Non-Executive Directors, thereby not completely satisfying this recommendation. The qualifications and experience of the Committee members are detailed in the 'Information on Directors' and 'Company Secretary' sections of the Directors' report in the Company's Annual Report. The number of Committee meetings held and attended by each Director is disclosed in the 'Directors' Meetings' section of the Directors' report.

The Charter of the Committee is available at the Company's website.

**Recommendation 4.2: The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.**

The Managing Director and the Company's CFO provided the Board with the required declarations.

**Recommendation 4.3: A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.**

The audit engagement partner attends the AGM and is available to answer questions from shareholders relevant to the audit.

### Principle 5 - Make timely and balanced disclosure

**Recommendation 5.1: A listed entity should (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.**

The Company maintains a written policy that outlines the responsibilities relating to the Directors, officers and employees in complying with the Company's disclosure obligations. The Continuous Disclosure Policy requires all executives and Directors to inform the CEO or, in his absence, the Company Secretary of any potentially material information as soon as practicable after they become aware of that information. No member of the Company shall disclose market sensitive information to any person unless they have received acknowledgement from the ASX that the information has been released to the market.

The Company's Continuous Disclosure Policy is available on Coppermoly's website.

## CORPORATE GOVERNANCE STATEMENT

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### Principle 6 - Respect the rights of security holders

**Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.**

The Company maintains information in relation to governance documents, Directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on the Company's website.

**Recommendation 6.2 and 6.3: A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors (6.2).**

**A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders (6.3).**

The Company maintains a shareholder communication policy that describes the approach taken by the Company to communicate with investors. The Company aims to ensure that shareholders are informed of all major developments affecting the group.

Significant announcements and reports submitted to the ASX are posted on the Company's website. The Company also maintains an investor mailing list to email significant announcements.

Shareholders are also able to submit questions to the Company via email.

The Company encourages shareholders to attend its general meetings. Shareholders who are unable to attend the Company's general meetings are able to appoint proxies in advance of the meeting.

**Recommendation 6.4: A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.**

The Company's share registry manages the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the Company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders.

Shareholders not already receiving information electronically can elect to do so through the share registry, Boardroom Pty Limited at [www.boardroomlimited.com.au/](http://www.boardroomlimited.com.au/).

### Principle 7- Recognise and manage risk

**Recommendations 7.1 & 7.2: The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework (7.1).**

**The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place (7.2).**

The Company does not currently have a dedicated Risk Committee. In the past the Company has had a combined Planning and Operations, and Risk Management Committee. However, with the reduction in Board and senior executive numbers, the function of the Planning and Operations, and Risk Management Committee is now performed at Board level. Due to the size and composition of the Board and executive, the Board considers it more efficient and effective to perform the functions of the Risk Management Committee at Board level rather than committee level.

The Board reviews the company's risk management framework annually to ensure that it is still suitable to the company's operations and objectives and that the company is operating within the set risk parameters. There were no significant recommendations made from the latest review undertaken for the year ended 30 June 2017.

## CORPORATE GOVERNANCE STATEMENT

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**Recommendation 7.3: A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.**

The Company does not currently have a separate internal audit function. The Audit Committee and the Board have determined that because of the limited resources of the Company and the scope of the risks involved it is more appropriate for the Audit Committee to monitor the need for a separate internal audit function. Under the Audit Committee Charter, the committee's parameters include monitoring the need for an internal audit function along with how the function should be structured and what role it would perform. The Audit Committee also monitors the Company's internal control processes, including risk management. The Audit Committee reports back to the Board any substantive issues arising out of its internal control and risk monitoring.

The Company's external auditors undertake a half year review and full year audit as required under the Corporations Act 2001. The Audit Committee have regular meetings and contact with the external auditors during the year for the review and audits.

**Recommendation 7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.**

Refer below for disclosures relating to the Company's material business risks (including any material exposure to economic, environmental or social sustainability risks). Refer to commentary at Recommendations 7.1 and 7.2 for information on the Company's risk management framework.

### Material business risks

The Company recognises that the management of risk is a critical component for Coppermoly achieving its purpose of delivering growth in shareholder value. The Company has a framework to identify, understand, and manage risks. The material business risks that could have an adverse impact on Coppermoly's business include exposure to economic, political, environmental and social sustainability risks. The nature of the material risks and, where appropriate, how such risks are managed is set out below. This list is neither exhaustive nor in order of importance.

### Funding risk

There is no certainty that Coppermoly can raise additional capital, or that it will be able to do so on favourable terms. If Coppermoly is able to raise additional capital, it may be required to do so at a significant discount to the prevailing share price. If this occurs, this may significantly dilute existing Shareholders. If Coppermoly cannot raise additional capital through the issue of additional Securities, it may be forced to dispose of some or all of its interest in one of more of its assets. If Coppermoly is required to dispose of assets in those circumstances to a third party, such disposal could possibly be on unfavourable terms, including price. If Coppermoly is not able to raise additional funding in a timely manner through either the issue of additional Securities or the disposal of assets, it could also have a significant and detrimental effect on the financial position and viability of the Company. To reduce these risks as much as possible the Company is striving to find the balance between cost savings and maintaining resources to allow for future operations when needed.

### Exploration Licence extension risk

Copper Quest PNG Limited, the Company's wholly owned subsidiary, is the legal holder of three Exploration Licences, with the following expiry dates:

Exploration Licences:

1. EL 1043 (Nakru) has been granted for a two year term ending on 7 December 2020.
2. EL 2379 (Simuku) has been granted for a two year term ending on 10 September 2019. In June 2019 the Company submitted an application to renew EL 2379 for a further two year term;

## CORPORATE GOVERNANCE STATEMENT

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3. EL 2514 (Makmak) has been granted for a two year term ending on 11 September 2019. In June 2019 the Company submitted an application to renew EL 2514 for a further two year term;
4. EL 2578 (Kori River) has been granted for a two year term expiring on 25 February 2021.

The process for Exploration Licence extensions requires the approval at a Warden's Hearing, followed by consideration and recommendation by the Mining Advisory Council and the final approval by the Papua New Guinean Minister of Mining. Shareholders should be aware that, pending extension, granted Exploration Licences remain in force until a determination is made.

There is a risk that extension of the Company's exploration licences will not be extended, or that the terms of the extension will not be favourable to Coppermoly.

### Key sensitivities of Coppermoly's licences

The future success of Coppermoly is largely dependent on the success of the WNB Projects. The WNB Projects are subject to the following key sensitivities:

1. the delineation of sufficient copper/gold resources so as to result in the viable extraction and processing of copper/gold from the WNB Projects;
2. copper, gold and other relevant material commodity prices;
3. mining and processing costs of copper, gold and other ores;
4. the capital cost to construct any required processing plant and associated facilities or the cost of transporting any extracted materials to a third party's processing facility;
5. national/provincial/local governments' stakes that may be included in any subsequent development agreement; and
6. consent from the customary landowners or other parties for access to exploration licences.

There is also no guarantee that Coppermoly will be able to obtain all of the necessary approvals, permits, licences and consents required to develop its projects.

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

**Recommendation 8.1: The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.**

The Board considers that the Company is not currently of a size to justify the formation of a separate Remuneration Committee. Accordingly, the Board as a whole oversees the Company's Remuneration Policy and monitors remuneration outcomes to promote the interests of shareholders by attracting, rewarding, motivating and retaining Directors and senior executives. The Company's Remuneration Policy is available on the Company's website.

Where necessary, the Board also seeks advice from external advisors on the appropriateness of remuneration packages.

## CORPORATE GOVERNANCE STATEMENT

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**Recommendation 8.2: A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.**

Non-executive Directors can be remunerated by way of cash fees, superannuation contributions and non-cash benefits in lieu of fees. Due to the Company's limited resources no Director is currently receiving any Directors' fees. All Directors' fees are currently being accrued in the accounts of the Company and will only be paid when the resources of the Company permit. Directors' fees accrued up to March 2017 will be exchanged for ordinary shares in the Company, subject to shareholders' approval at the 2017 AGM.

The level of remuneration reflects the anticipated time commitments and responsibilities of the position. Performance based incentives are not available to Non-executive Directors. Executive Directors and other senior executives can be remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates and, where used, performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives. Further details in relation to the Company's remuneration policies are contained in the Remuneration Report, within the Directors' report in the Company's Annual Report.

**Recommendation 8.3: A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.**

The Company's Securities Trading Policy provides that Directors, key management personnel, employees and contractors of Coppermoly Ltd and Copper Quest (PNG) Ltd who hold Coppermoly securities under an incentive plan, offered by Coppermoly from time to time, must not sell, create a security interest in, or otherwise dispose or deal with their Coppermoly securities, or any of their interests in any of those Coppermoly securities, without the prior written consent from Coppermoly.

Coppermoly Directors and key management personnel are also prohibited from entering into transactions which limit the economic risk of participating in invested entitlements. This prohibition includes hedging of unvested options or any other activity which may negate the incentive such options provide.