



CORPORATE GOVERNANCE STATEMENT
For the year ended 31 December 2018

INTRODUCTION

The Board of Metminco Limited (**Metminco** or the **Company**) is committed to conducting the business of Metminco and entities it controls both ethically and in accordance with principles of good corporate governance. The Board recognises the importance of the eight core principles contained in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition, released in March 2014) ("ASX Principles").

The Company's practices are largely consistent with the ASX Principles. The Board considers that the implementation of a small number of ASX Principles, at this time, is not appropriate for the reasons set out below in relation to the items concerned. The Board uses its best endeavours to ensure that exceptions to the ASX Principles do not have a negative impact on the Company and the best interests of shareholders as a whole.

As required by the ASX Listing Rules, this Corporate Governance Statement (CGS) discloses the extent to which Metminco has followed the ASX Principles during the financial year ended 31 December 2018, as summarised below.

Metminco has also prepared an "ASX Appendix 4G – Key to Disclosures", which reports on the Company's compliance with each of the ASX Principles. This has been lodged with the CGS on the ASX and may be viewed and downloaded from the Company's website.

Additional information about the Company's corporate governance practices and policies is set out on the Company's website at www.metminco.com.au.

The names of the Non-Executive Directors currently in office and their qualifications and experience are stated in the Company's latest Annual Report.

1. Lay solid foundations for management and oversight (ASX Principle 1)

1.1 Board Role and Responsibilities

The Board's primary role is to set the Company's values, direction, strategies and financial objectives and to ensure effective monitoring of corporate performance, capabilities and management of risk consistent with creating shareholder value and maintaining effective corporate governance. The Board is also responsible for the appointment, and for monitoring the performance, of the chief executive of the Company, which for 2017 and until 22 March 2018 was the Managing Director. From 23 March 2018 the role of chief executive of the Company was undertaken by the Executive Chairman.

The Board operates in accordance with the Company's Constitution and has adopted a Board charter which outlines a framework for the Board's operation, the matters reserved to the Board and the functions delegated to management. The charter is available on the Company's website.

1.2 & 1.3 Management Role and Responsibilities

Responsibility for the operation and administration of the Company and the implementation of the corporate strategy and budgets approved by the Board is formally delegated by the Board to the Managing Director (from 23 March 2018: Executive Chairman), who is supported by a small team of executives. The performance of the Managing Director is formally reviewed annually and includes agreement on key performance measures for the following year. No performance review was undertaken with the Executive Chairman in 2018.

Newly appointed directors and executives receive formal contracts describing their terms of appointment, duties, rights and responsibilities. The Managing Director (from 23 March 2018: Executive Chairman) conducts annual performance reviews for the executives reporting directly to him. No performance review was undertaken by the Executive Chairman during 2018.

1.4 *Company Secretary*

The Company Secretary is accountable directly to the Board, through the Chairman or, in his absence, the other board members, on all matters to do with the proper functioning of the Board.

1.5 *Diversity*

The Board has adopted a Diversity Policy, which is available on the Company's website. This policy affirms the Board's commitment to workplace diversity for the Company (including gender diversity). The policy does not include requirements for the Board to establish measurable objectives for achieving gender diversity or for the Board to assess annually both the objectives and progress in achieving them. This was not reviewed in 2018 due to the reduced level of mineral exploration activity and will be reviewed in 2019.

Given the size of the Company and the challenges of recruiting appropriately qualified staff in a regional area, the Board considers it unrealistic to commit to a specific level of diversified person participation in the Company's workforce on an ongoing basis.

There are no female members of the Board at the date of this report. If a vacancy arises or the Board is expanded in future, the Board will consider a diverse range of candidates who will be assessed on merit based on their judgment, skills, experience with business and other organisations of a comparable size, the interplay of the candidate's experience with the experience of other Board members and the extent to which the candidate would be a desirable addition to the Board and its committees.

The table below sets out the proportion of women in the Company as at 31 December 2018.

| As at 31 December 2018 | No. of women in the role | Total number of staff in the role | % women of total staff in role |
|---|--------------------------|-----------------------------------|--------------------------------|
| Non-executive directors | 0 | 2 | 0% |
| Senior executives | 1 | 6 | 12% |
| Senior management (direct report to Executive Chairman) | 0 | 3 | 0% |

1.6 & 1.7 *Performance Evaluation*

The Board periodically undertakes an annual performance evaluation process led by the Chairman. The review process typically involves all directors completing a questionnaire, which allows for additional comments or identification of any issues relating to the Board's or a committee's operation. The results of the review are confidentially summarised and distributed and then discussed with directors at a meeting of the Board. The purpose of the review is to assess the strengths and weaknesses of the Board and Committees and to identify areas that might be improved, which are addressed through an action plan. The board was refreshed in 2018. No performance evaluation process was completed in 2018.

2. **Structure the Board to add value (ASX Principle 2)**

2.1 & 2.2 *Board Composition and Expertise*

Following the resignation of the Chairman on 3 August 2017 there was no formally appointed Chairman of the Company. At board meetings, an independent non-executive director fulfilled the role for the duration of the meeting.

Following board changes in March 2018 and the appointment of two new directors at the 28th May 2018 AGM, the Board comprises of three directors: The Executive Chairman (acting as Managing Director) and two independent non-executive directors. This will continue until a suitable replacement for the Managing Director is recruited subject to the size and operational scale of the Company. Details of the current directors of the Company, and the period for which each director has held office, are set out in the Directors' Report in the Company's latest Annual Report.

The Board aims to ensure that it has a mix of skills and capabilities among its members, including technical skills, business development experience and financial management experience. The Board considers that the



directors collectively bring the range of skills, knowledge and experience necessary to direct the Company. The size and composition of the Board, and its mix of skills and capabilities, is expected to change as the Company evolves.

Details of the skills, experience and expertise of the directors are set out in the Directors' Report in the Company's latest Annual Report.

2.1(a) Remuneration and Nomination Committee

The Board does not have a Remuneration and Nomination ("R&N") Committee this responsibility has been assumed by the Board given the size and scale of the Company. The Board, where required, takes a structured review on remuneration and nomination issues. The Board would resolve to make nominations of new directors and remuneration as needed.

The role and responsibilities of the R&N Committee that now resides in the main Board are set out in on the Company's website. As a result, the Company did not meet Recommendation 8.1 of the ASX Principles insofar as the R&N Committee existence nor did it comprise at least three independent members.

Given the current size and scale of the Company and Board, the Directors consider that the movement of the R&N Committee function back to the Board, is appropriate to discharge its mandate effectively.

2.3 to 2.5 Director Independence

The Board reviews the independence of directors in light of interests disclosed to the Board from time to time and at least once a year. A director is regarded as independent if that director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment. When determining the independent status of a director, the Board has regard to the existence of any of the relationships listed in Box 2.3 of the ASX Principles.

Dr Roger Higgins and Mr Glenister Lamont are considered to be independent directors under the guidelines in ASX Principle 2. Mr Kevin Wilson is not regarded as independent under the guidelines in Principle 2, as he is an executive of the Company. Accordingly, the Company does not meet Recommendation 2.5 of the ASX Principles, insofar as the chair is not an independent director. Despite this, the Board considers that its composition is appropriate for the size and scale of the Company and its activities, and that the Company benefits from Mr Wilson's long-standing experience in the resources and finance industries. Mr Wilson also considers that he brings quality, independent judgment to bear on all relevant issues falling within the scope of the role of chairman.

As the Company evolves, the Board will consider separating the role of Chairman and Managing Director and the appointment of additional independent directors when appropriate.

2.6 Retirement and re-election of Directors / appointment of new Directors

The Company's Constitution states that at each annual general meeting, one third of the Company's directors, excluding the Managing Director, retire by rotation automatically. Directors who retire as required may offer themselves for re-election by shareholders. Any director appointed to fill a casual vacancy since the date of the previous annual general meeting must also submit themselves to shareholders for election at the next annual general meeting.

The Company will undertake appropriate background checks and screening checks prior to nominating a person for election by shareholders, and will provide to shareholders all material information in its possession concerning a person standing for election or re-election as a director in the explanatory notes accompanying the notice of meeting. New directors will receive a letter of appointment, setting out the terms of their appointment, including their powers, rights and obligations, and will participate in an induction program to assist them to understand Metminco's business and the particular issues it faces.



Professional Advice

In accordance with the Board Charter, each director has the right to seek independent professional advice to assist them to carry out their duties as directors, at the expense of the Company, after consultation with the Chairman. No independent professional advice was sought during the financial year.

All directors also have direct access to the management of the Company, including the Company Secretary.

3. Act ethically and responsibly (ASX Principle 3)

3.1 Code of Conduct

The Board has adopted a Code of Conduct that sets the standard of ethical behaviour required of the Company's directors and employees. The Code of Conduct is available on the Company's website.

4. Safeguard integrity in corporate reporting (ASX Principle 4)

4.1 Audit and Risk Committee

The Board has an Audit and Risk Committee. Its role and responsibilities are set out in its charter, which is posted on the Company's website. The Committee is chaired by Mr Glenister Lamont, who is an independent non-executive director with substantial experience in the mining industry globally. The other committee members during 2018 were Mr Vergara-Irarrazaval (retired 28th May 2018) and Dr Roger Higgins. The attendance of Mr Lamont, Dr Roger Higgins and Mr Vergara-Irarrazaval are described in detail in the Directors' Report. The Audit and Risk Committee met only once during the year as stated in the Directors' Report.

Although the Audit and Risk Committee has an independent chair, the structure of the Audit and Risk Committee consisted of two independent non-executive directors during part of 2018 and not three as stated under Recommendation 4.1 of the ASX Principles. As at the date of this report, given the current size and scale of the Company and the Board, the Directors consider that current structure of the Audit and Risk Committee is appropriate to discharge its mandate effectively.

4.2 Management Assurances in relation to Financial Reporting

The Board has received statements in writing from the Executive Chairman and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act (that the financial records of the Company have been properly maintained, comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company) 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 reporting risks.

The Board considers that it was appropriate for the declaration to be made by the Executive Chairman and the Chief Financial Officer, as the senior executives of the firm at the time of completion of the 2018 financial accounts and both were involved in their compilation due to recent changes in the executive structure of the Company.

4.3 External Auditor

The Company's independent external auditor is Grant Thornton Audit Pty Ltd. The Audit and Risk Committee oversees the terms of engagement of the Company's external auditor, including provisions directed at maintaining the independence of the external auditor and in assessing whether the provision of any proposed non-audit services by the external auditor is appropriate. The Company requires the rotation of the external audit engagement partner at least every five years. The external auditor attends the Company's annual general meetings 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 (ASX Principle 5)

5.1 Continuous Disclosure to ASX

The Company has an obligation under the ASX Listing Rules to ensure that all investors have equal and timely access to factual, material information concerning the Company, presented in a clear and balanced way. The Company has a Market Disclosure Policy that includes procedures designed to ensure compliance with the ASX Listing Rules' disclosure requirements, the rules and regulations of the AIM market (the Company shares were removed from listing on AIM on 4th October 2018) and to ensure accountability at senior executive level for the compliance. This policy is available on the Company's website.

6. Respect the rights of security holders (ASX Principle 6)

6.1 Shareholder Communication

Mechanisms used by the Company for communicating with shareholders include:

- the Company's annual report, which is distributed to shareholders if they have elected to receive a printed version or is otherwise available for viewing and downloading from the Company's website;
- the Company's quarterly activities reports;
- the Company's half-year financial report;
- the Company's annual general meeting and other general meetings called to obtain shareholder approval for significant corporate actions, as appropriate;
- Company announcements;
- the Company's website; and
- direct email alerts of ASX releases and other information to shareholders and other interested parties who register their email address via the Company's website.

The Company provides information about itself and its governance to investors via its website. The Company posts all shareholder-related information and Company ASX announcements (other than disclosures of a routine compliance nature) on the Company's website in an accessible manner.

Shareholders may send communications to, and receive communications from, the Company and its share registry electronically. The contact email addresses for the Company and its share registry, Link Market Services Limited, are info@Metminco.com.au and registrars@linkmarketservices.com.au, respectively.

Shareholders may elect to receive Annual Reports and other shareholder communications electronically by contacting the Company's share registry.

6.2 & 6.4 Shareholder Meetings

The key forum for two-way communication between the Company and its shareholders is its annual general meetings. The Board encourages shareholders attending annual and other general meetings to ask questions of the directors regarding the Company's governance and business performance and, at the annual general meetings, of the external auditor regarding the conduct of the audit and the contents of the audit report. Shareholders who are unable to attend the annual or other general meetings may submit questions and comments before the meeting to the Company and/or to the external auditor (in the case of annual general meetings).

In addition, the Company welcomes questions from shareholders at any time and these are answered promptly unless the information requested is market sensitive and not in the public domain.



7. Recognise and manage risk (ASX Principle 7)

The Board defines risk to be any event that, if it occurs, will have a material impact (whether financial or non-financial) on the Company's ability to achieve its objectives.

The material risks facing the Company are described further in the Operating and Financial Review in the Company's latest Annual Report.

7.1 & 7.2 Risk Management Roles and Responsibilities

The Board is responsible for overseeing the effectiveness of risk management systems. The Board has established the Audit and Risk Committee to have responsibility for overseeing the Company's implementation of its risk management policies.

Day-to-day responsibility for risk oversight and management was delegated to the Managing Director (from 23 March 2018: Executive Chairman), who is primarily responsible for identifying, monitoring and communicating risk events to the Board and responding to risk events.

Given the size of the Company, the implementation of the policies and practices outlined above and the existence of open channels of communication between the Board and management, the Board does not consider it necessary to have separate, stand-alone risk management and control systems designed by management which are reported to the Board.

The Board monitors, on an ongoing basis, whether the Company is operating within the Board's risk appetite. This is enabled by management's regular formal and informal reports to the Board in relation to material business risks, the Board's familiarity with the Company's operations and the Board's active involvement in determining the Company's strategic direction. The Board did not formally review the Company's risk management framework during the 2018 as it considered a formal review would not be beneficial given the size and operations of the business. This matter will be further reviewed in 2019 to determine if a Risk Oversight Policy would be beneficial.

7.3 Internal Audit

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 and seeking 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. The Board delegates to the Managing Director (from 23 March 2018: the Executive Chairman) the authority to implement any non-strategic amendments to risk management systems as required as a result of changed circumstances, or where the potential for improvement has been identified, reporting all such matters to the Board for consideration at its next meeting.

7.4 Environmental and Social Sustainability Risk

The Board does not have a Safety, Health and Sustainability Committee but has assumed this responsibility.

8. Remunerate fairly and responsibly (ASX Principle 8)

8.1 Remuneration & Nomination Committee

The Board's R&N Committee is responsible for determining compensation arrangements for directors, including the Executive Chairman, and reviewing compensation arrangements for senior executives. This function was undertaken by the Board in 2018. The details of the Remuneration Policies are set out on the Company's website.

As a result, the Company did not meet Recommendation 8.1 of the ASX Principles insofar as the R&N Committee did not formerly exist as a separate committee with at least three members.



Given the current size of the Company and Board, the Directors consider that the re-absorption of the R&N Committee back to the main Board is appropriate to discharge its mandate effectively.

8.2 & 8.3 Structure of Non-executive Director Remuneration and Executive Remuneration

The structure of non-executive directors' remuneration is distinguished from that of the chief executive and senior executives. The Board assesses the appropriateness of the nature and amount of emoluments on a periodic basis by reference to relevant market conditions, and may take advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

The Executive Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The Executive Chairman of the Company is remunerated by way of a total salary package which includes a balance of fixed remuneration (including statutory superannuation) and performance-based remuneration. This is in the form of cash bonuses linked to short-term performance targets and allotments from the Company's Long Term Incentive Plan ("LTIP") from time to time, with performance options or performance rights in the Company. These are offered in connection with long-term performance objectives appropriate to the Company's circumstances and goals. Any allotment is approved by the two independent non-executive directors. The Executive Chairman is not present at any discussions relating to the determination of his own remuneration.

Non-executive directors are remunerated by way of fixed annual fees (within the aggregate fee limit approved by shareholders) and can participate in the performance-based remuneration in the form allotments of performance rights or options from the Company's LTIP. They may also receive fees for additional services provided to the Company. The non-executive directors do not receive any retirement benefits, other than statutory superannuation.

The senior executives of the Company are remunerated by way of a total salary package which includes a balance of fixed remuneration (including statutory superannuation) and performance-based remuneration in the form of cash bonuses, linked to short term performance targets and equity-based remuneration. This is in the form of allotments from the LTIP of with performance options or performance rights in the Company. These are offered in connection with long-term performance objectives appropriate to the Company's circumstances and goals.

Further details about the 2018 remuneration of the non-executive directors, the Executive Chairman and other senior executives are set out in the Remuneration Report in the Company's latest Annual Report.