



MCB RESOURCES
LIMITED

MCB Resources LIMITED

ACN 118 758 946

CORORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance of the Group. The Board guides and monitors business activities and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable. The Group has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with Group's needs. The Corporate Governance Statement has been structured with reference to ASX Corporate Governance Council's Principles and Recommendations (3rd Edition) (**ASX Principles**) to the extent that they are applicable to the Group.

The key information about the Group's corporate governance practices as required under the ASX Principles is set out below, however, further details regarding the Company's corporate governance policies can be found at <https://www.mcbresources.com>.

The information set out in this Corporate Governance Statement is current as at 30 September 2020. This Corporate Governance Statement has been approved by the Board of Directors of MCB Resources Limited (**MCB Resources**) (the **Company**).

1. Board & Management

1.1 Role of the Board

The Board's role is to govern the Company rather than manage it. In governing the Company, the Directors must act in the best interest of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegation of the Board, whilst it is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board's primary role is the protection and enhancement of long-term Shareholder value. Accordingly, the responsibilities which are reserved to the Board to fulfill this role include (without limitation):

- (a) setting goals, formulating strategy and approving business plans for the Group, delegating the appropriate tasks to the relevant management personnel and overseeing the implementation by management of such strategies and plans;
- (b) establishing and monitoring the achievement and performance of management goals and business results of the Group;
- (c) approving annual budgets and key management decisions (such as decisions on major capital expenditure, business acquisitions, restructuring and refinancing);
- (d) monitoring the effectiveness of the overall corporate governance practices of the Group, including matters relating to corporate social responsibility to the extent applicable;
- (e) appointing, removing and creating succession policies for Directors (including the Managing Director) and senior executives and setting appropriate remuneration framework for such personnel;
- (f) set and review policies for shareholder communication and approve reports to shareholders;

- (g) ensuring the integrity of internal control and management information systems, including risk identification and management;
- (h) overseeing the Company's process for making timely and balanced disclosure of all material information concerning the Group that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- (i) approving and monitoring financial and other reporting requirements of the Group, including overseeing the integrity of the Group's accounting and corporate reporting systems, including the external audit.

The Board is also subject to the Code of Conduct which can be found in the Governance section of the Company's website. The Company follows ASX Principle 1.1.

1.2 Role of Management

The role of the Company's management include:

- (a) implementing and managing the Company's business in accordance with the strategies and business plans established by the Board;
- (b) recommending policy and strategic direction of the Company's business for Board approval; and
- (c) conducting the day-to-day operations of the Company.

Each member of management is also subject to the Company's Code of Conduct.

1.3 Selection of Board and senior executive candidates

The Board considers that a formally constituted Nomination Committee is not appropriate for the current size and operations of the Company as the Board, as part of its usual role, oversees the appointment and induction process for Directors, and the selection, appointment and succession planning process of the Directors and executive officers of the Company.

When a vacancy exists or there is a need for particular skills, the Board considers the appropriate skills mix, personal qualities, expertise and diversity required of the position in the context of the Company's operations and goals and determines the selection criteria based on the criteria deemed necessary for the position to produce optimal results. To identify potential candidates for a Board or senior executive vacancy, the Board may take advice from an external consultant and ensures thorough checks are conducted before appointing a person in any capacity. The Board then appoints the most suitable candidate. Any Directors appointed to the Board must stand for election at the next general meeting of shareholders.

The Board ensures that all Directors standing for election or re-election at a general meeting of Shareholders provide all material information regarding their skills, qualifications, experience and business associations for Shareholders' consideration in the relevant notice of meeting.

Upon selecting a Director or senior executive, the Company seeks to enter into a written agreement with the Director or senior executive setting out the terms of their appointment.

The Company is in compliance with ASX Principles 1.2, 1.3 and 2.1.

1.4 Company Secretary

The Company Secretary is accountable to the Board through the Chairman on all matters to do with the proper functioning of the Board. All Directors have access to the Company Secretary to assist with discharging their obligations as Directors. The Company Secretary is responsible for advising the Board on corporate governance matters, managing the company secretarial function, where required attending Board Meetings and taking minutes of such Board Meeting and liaising with the ASX and the share registry as required.

The Company is in compliance with ASX Principle 1.4.

1.5 Diversity Policy

The Board considers that the size and scale of operations of the Company requires careful consideration of the skills, merits and appropriateness of a candidate for a vacant position and on this basis, the implementation of a formal diversity policy is currently not appropriate. The Company's objective is to promote a culture which embraces diversity through ongoing education, succession planning and recognising skills which are not gender specific.

The Company recognises and respects the value of diversity at all levels of the organisation. As the Company grows in size it will consider adopting a formal diversity policy, and in particular committing to setting measurable objectives for attracting and engaging women at the Board level, in senior management and across the whole organisation, however, at this stage, it is not possible to set measurable objectives for the achievement of such goals. The Board will review these issues as the Company's operations increase and personnel requirements are better understood.

Notwithstanding that the Company does not comply with ASX Principle 1.5, the Board discloses the following information regarding the proportion of women appointed to roles within the Company during the reporting period:

- (a) to the Board – nil
- (b) to senior management (including executive directors) – 33%
- (c) to the organisation as a whole – 19%

1.6 Board and Senior Executive Performance Evaluation

The performance and effectiveness of the Board, individual Directors and senior executives are continually reviewed by the Board as part of its responsibilities. Further, the consideration of staff and Board related issues, including performance, are considered by the Board on an as needs basis. If appropriate, these reviews may generate recommendations to the Board, which then votes on such recommendations.

A formal process of Board review requires each director to complete a questionnaire relating to the role, composition, procedures, practices and behaviour of the Board and its members. The Chair of the Board may also meet individually with each Board member to discuss their performance. Non-executive directors may also meet to discuss the performance of the Chair.

In respect of the year ended 30 June 2020, Board members conducted a formal self-assessment on the functioning of the Board. The Board determined that this performance evaluation process is working effectively and achieves the desired outcomes.

The Company is in compliance with ASX Principle 1.6 and 1.7.

2. Structure of the Board

2.1 Composition of the Board

The Directors of the Company that were in office during the year ended 30 June 2020 and at the date of this Corporate Governance Statement, and the length of service of each Director, are as follows:

- The Hon. David Johnston – (Non-Executive Chairman) appointed 18 September 2017 (Independent)
- Mr. Michael Johnston – (Executive Director) appointed 22 July 2019
- Mr. Sean O'Brien – (Non-Executive Director) appointed 11 May 2018 (Independent)
- Mr. Jonathan Reynolds – (Non-Executive Director) appointed 22 July 2019 (Independent)
- Mr. Terry Larkan – (Managing Director) appointed 29 September 2017 (resigned 9 August 2019)
- Mr. Peter Batten – (Technical Director) appointed 22 April 2016 (resigned 5 August 2019)

The composition of the Board is determined based on the following principles:

- (a) a minimum of three Directors, with a broad range of expertise both nationally and internationally;
- (b) Directors must have extensive knowledge of the industries in which the Company operates, and those which do not, should have extensive expertise in significant aspects of auditing and financial reporting, or risk management and financing of public companies;

The Board considers the Company is not currently of a size to justify the formation of a Nomination Committee. The Board as a whole undertakes the process of reviewing the skills base and experience of existing Directors to enable the identification of attributes required in nominating new Directors. Where appropriate, independent consultants will be engaged to identify possible new candidates for the Board.

The Board has established a formal board skills matrix. The Board has identified that the appropriate mix of skills and diversity required of its members to operate effectively and efficiently is achieved by personnel having substantial skills and experience in the following areas:

- Executive Leadership
- Finance / Commerce / Accounting
- ESG, Legal / Regulatory, Policy
- HSE
- Project Development
- Capital Markets
- Technical Skills in Resources

- Commodities Exposure
- Previous Board Experience
- Risk Management and Compliance
- PNG Experience
- Strategy

The Company is in compliance with ASX Principle 2.2.

The Company's Chairman is considered by the Board to be independent. The Board believes the Chairman is able and does bring quality and independent judgements to all relevant issues falling within the scope of the role of Chairman.

The Company is in compliance with ASX Principle 2.3 and 2.5.

During the period up to 22 July 2019, the Company was not in compliance with Principle 2.4 as two out of those four directors that held office during this period held executive roles and as such were not considered independent. From 22 July 2019 onwards, the Company has remained in compliance with Principle 2.4.

Directors having a conflict of interest in relation to a particular item must absent themselves from the Board meeting before commencement of discussion on the topic.

2.2 Induction of Directors

It is the policy of the Company that all new Directors undergo an induction process through which they are given a full briefing on the Company. Where possible this includes meeting with key executives, tours of any premises and induction documentation and presentations. Information conveyed to new Directors include:

- Details of the roles and responsibilities of the Director;
- Access to all corporate governance policies of the Company;
- Formal policies on Director appointment as well as conduct and contribution expectations;
- Guidelines on Board processes and functions;
- Detail of past, recent and likely future developments relating to the Board;
- Background information and contact information for key people in the organisation;
- An analysis of the Company and the industries in which the Company operates;
- A synopsis of the current strategic direction of the Company; and
- A copy of the Constitution on the Company.

In order to achieve continuing improvement in Board performance all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skill gaps where they are identified.

The Company complies with ASX Principle 2.6.

3. Code of Conduct

3.1 Code of Conduct

The Board complies with the Code of Conduct (available at <https://www.mcbresources.com/site/Corporate/corporate-governance>) which aims to develop a consistent understanding of, and approach to, the desired standards of

conduct and behaviour of the Directors, officers, employees and contractors in carrying out their roles for the Company.

Through the Code of Conduct, the Company seeks to encourage and develop a culture of professionalism, honesty and responsibility in order to maintain and enhance the Company's reputation as a valued employer, business operator and "corporate citizen". The Code of Conduct is designed to broadly outline the ways in which the Company wishes to conduct its business. The Code of Conduct does not cover every possible situation that employees may face, but is intended to provide employees with a guide to taking a common-sense approach to any given situation, within an overall framework.

The Company is in compliance with ASX Principle 3.1.

4. Corporate Reporting

4.1 Audit Functions

The Board considers that the current size and operations of the Company does not warrant the constitution of a separate Audit Committee and accordingly, the Board undertakes the responsibilities of an Audit Committee as part of its usual role. The Board has developed an Audit Committee Charter (available at <https://www.mcbresources.com/site/Corporate/corporate-governance>) which seeks to identify the Board's specific responsibilities in discharging the functions ordinarily delegated to an Audit Committee, including (without limitation):

- (a) overseeing, monitoring and reviewing the integrity of the financial reporting of the Company;
- (b) reviewing significant financial reporting judgments; and
- (c) monitoring, reviewing and overseeing the external audit function including matters concerning appointment and remuneration, independence and non-audit services.

The Company also requires the external auditor to attend each Annual General Meeting of the Company and is available to answer questions from Shareholders relating to the audit.

Before the Board approve the Company's financial statements, it seeks the appropriate confirmations from the relevant personnel (ie. CEO and CFO) that, amongst other things, they believe the financial statements give a fair and true view of the financial position and performance of the Company.

The Company complies with ASX Principles 4.1, 4.2 and 4.3.

5. Communications with Shareholders

5.1 Continuous Disclosure Policy

The Board has adopted a Continuous Disclosure Policy (available at <https://www.mcbresources.com/site/Corporate/corporate-governance>) to ensure that the Company complies with the disclosure requirements of the ASX Listing Rules and implements process for identifying matters that a reasonable person would expect to have a material effect on the price of the Company's securities and disclosing such

matters to the ASX and Shareholders via the Company's ASX online platform and, where appropriate, issuing media releases.

The Company Secretary is responsible for overseeing and coordinating the disclosure of information to the ASX, as well as communication with the ASX in accordance with the ASX Listing Rules. In summary, the Continuous Disclosure Policy requires information which may reasonably be expected to have material effect on the price of the Company's securities (and which is not exempted from disclosure under the ASX Listing Rules) to be announced to the ASX promptly after such information comes to the attention of an officer of the Company and without delay. Directors and senior executives monitor all areas of the Company's internal and external operations and are required to report to the Board any information which may require disclosure to ASX.

The Company complies with ASX Principle 5.1.

5.2 Shareholder communications

The Board respects the rights of Shareholders and encourages Shareholder participation at the Annual General Meetings to ensure a high level of accountability of the Board to support the achievement of the Company's strategy and goals. The Board adheres to the Shareholder Communications Policy (available at <https://www.mcbresources.com/site/Corporate/corporate-governance>) and seeks to facilitate the effective exercise of Shareholder rights by:

- (a) communicating effectively with shareholders through release of the information via ASX, the Company's website and General Meetings;
- (b) presenting important issues to Shareholders as single resolutions at a General Meeting to encourage Shareholder participation and engagement with the matters for which the Company is seeking Shareholder approval;
- (c) giving Shareholders ready access to balanced and understandable information about the Company and its business;
- (d) simplifying and encouraging Shareholder attendance and participation at General Meetings by considering the location of General Meetings in relation to the median location of Shareholders and ensuring that Shareholders are given adequate opportunity to ask questions of the Directors or the external auditor at General Meetings;
- (e) requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report;
- (f) ensuring that the phone and email contact details for Company representatives are easily accessible to Shareholders, and that the relevant Company representatives are available to respond to Shareholder enquiries and otherwise engage in an effective two-way communication with the Shareholder;
- (g) maintaining and updating the Company's website (<https://www.mcbresources.com>) with all relevant information relating to the Company's operations and corporate governance policies;
- (h) allowing Shareholders to elect to communicate with (including receiving communications from) the Company and the share registry electronically;

- (i) ensuring the full annual financial report is made available to all Shareholders, in electronic format, and that the annual report includes all relevant information about the operations of the Group during the relevant year, changes in the state of affairs and details of future developments; and
- (j) obtaining Shareholder approval for all matters required to be approved by Shareholders under the ASX Listing Rules and Corporations Act.

Accordingly, the Company complies with ASX Principles 6.1, 6.2, 6.3 and 6.4.

6. Audit and Risk Management

6.1 Risk management processes

The Board consider that the Company is not currently of a size, nor is its affairs of such complexity, to justify the establishment of a separate Risk Management Committee. Instead, the Board, as part of its usual role oversees the risk management systems and processes required to manage the risks applicable to the Company's business. Given their skills, operational experience and industry engagement, management is responsible for making recommendations to the Board regarding the Company's risk profile and risk management strategies and policies, and implementing and overseeing internal compliance and internal control of such policies. Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

The Company has a Risk Management Policy (available at <https://www.mcbresources.com/site/Corporate/corporate-governance>). The objectives of the Company's risk management strategy is to:

- (a) identify risks to the Company and its business;
- (b) ensure the potential rewards of such risks are balanced in accordance with the Company's risk profile and business objectives;
- (c) ensure regulatory compliance is maintained at all times; and
- (d) ensure senior management, the Board and Shareholders understand the risk profile of the Company.

The Board monitors the effectiveness of its risk management framework through various measures, including:

- (a) identifying, assessing and monitoring risks that might impact upon the achievement of the Company's goals and objectives and maintaining a risk register detailing these risks;
- (b) formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls;
- (c) regularly reviewing the Company's financial position and operations and monitoring the share market and share price of the Company's securities and considering the potential factors which may have influenced any fluctuations in the financial position or share price;

- (d) engaging external advisors to ensure the Company's insurance policies are appropriate for its assets and operations; and
- (e) requiring Board approval for any expenditure or revenue commitment in excess of specified values and imposing various process to ensure proper authorisation and execution of business transactions.

The Board regularly considers the effectiveness of the risk management framework at least annually. A review has taken place in the year ended 30 June 2020. The Company is in compliance with ASX Principle 7.2.

6.2 Economic, Environmental and Social Sustainability

MCB Resources is committed to conducting its operations in an environmentally responsible manner.

To achieve this MCB Resources:

- Conducts its activities in a responsible and professional manner, seeking leading practice where appropriate.
- Develops and distributes guidelines and environmental management processes regarding its environmental responsibilities.
- Sets and reviews environmental objectives and performance indicators to ensure continued improvement of its environmental performance.
- Informs employees and contractors of their environmental responsibilities.
- Where possible, protects native flora and fauna in all areas of its operations;
- Identifies potential impacts of its activities and minimises disturbance to the environment.
- Fosters knowledge of and compliance with laws and regulations amongst our staff and contractors.
- Ensures transparency in our environmental performance.

Application of this policy resides with MCB Resources management and all employees sharing responsibility for its implementation.

The Company has policies in place covering the following:

- Safety, Welfare and Health
- Environmental
- Indigenous people and host communities

For further information refer to the MCB Resources Limited Corporate Governance policies on the Company website <https://www.mcbresources.com/site/Corporate/corporate-governance>.

6.3 Internal Audit Function

The Group does not have a formally established internal audit function as the Board, in conjunction with the delegated responsibilities of management discussed at section 6.1 above, continually assess, evaluate and, where necessary, improve the effectiveness of its risk management and internal control processes.

7. Director and Senior Executive Remuneration

7.1 Remuneration of Executive Directors

The Board considers that the Company is not currently of a size or complexity to justify formally constituting a separate Remuneration Committee, and accordingly, the Board, as part of its usual role, oversees the appointment and remuneration of Directors and the Group's executive officers.

Remuneration packages may include a mix of fixed remuneration, performance-based remuneration and equity-based remuneration (where appropriate and subject to all approvals required). In setting remuneration levels, the Board's key considerations include:

- (a) the current market practice for remuneration packages offered for the relevant role;
- (b) offering a remuneration package that is sufficiently competitive to attract and retain appropriately qualified and experienced personnel;
- (c) overall level of remuneration for each Director and executive;
- (d) the Director or senior executive's ability to control the performance of the relevant area;
- (e) the amount and type of incentives within each executive's remuneration;
- (f) ensuring the remuneration package does not incur any excessive financial cost or other risk to the Company; and
- (g) providing adequate performance based incentives, including by equity, commission or other performance based remuneration, to best align the Director or senior executive's interests with those of Shareholders.

The Board may seek independent advice on the appropriateness of remuneration packages given trends in comparative companies both locally and internationally.

Directors may receive a base fee and can be remunerated by way of share and option issues approved under a resolution at a general meeting of shareholders.

The Board reviews the remuneration packages of each Director and senior executive at least annually, particularly in response to any performance or risk related event, and considers market practice to ensure that the remuneration package is not excessive and is appropriate for the role and the relevant Director or senior executive's qualifications, skills and experience. As part of such reviews, the Board also considers alternate remuneration structures which might achieve better financial or performance results for the Company.

The Board has no established retirement or redundancy schemes.

The Company refers to remuneration options granted to a former director, the details of which are set out in the Company's annual report. Whilst the Company's Securities Trading Policy sets out the circumstances in which the Company's directors, executives, employees, contractors, consultants and advisors are prohibited from dealing in the Company's securities, there is no specific policy guidance on whether participants in an equity-based remuneration scheme are permitted to enter into

transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

7.2 Remuneration of Non-Executive Directors

In addition to the general remuneration policy and considerations detailed at section 7.1 above, Non-Executive Directors may receive a base fee and can be remunerated by way of share and option issues if approved under a resolution at a general meeting of shareholders. Non-Executive Directors are to be paid fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non- Executive Directors. Non- Executive Directors are entitled to, but not necessarily paid, statutory superannuation.

Further details regarding the remuneration of the Directors are set out in the Remuneration Report.

7.3 Remuneration of Senior Executives

As detailed as part of the general remuneration policy and considerations detailed at section 7.1 above, the Company is committed to remunerating its senior executives in a manner that is market competitive and consistent with best practice, subject to such remuneration being structured in such a way that it supports the interests of shareholders. Consequently, the remuneration of senior executives may be comprised of the following:

- (a) fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- (b) a performance bonus designed to reward actual achievement of performance objectives or for materially improved Company performance;
- (c) participation in any share/option scheme subject to the terms approved by shareholders; and
- (d) statutory remuneration and entitlements.

By remunerating senior executives through performance and long-term incentive plans in addition to fixed remuneration the Board believes that the interests of senior executives become aligned with those of shareholders and consequently, incentivises the optimum performance of the senior executive and increases Company performance.

The Board may use its discretion with respect to the payment of bonuses, issue of shares or options and other incentive payments.