

# TERRAMIN AUSTRALIA LIMITED

## Corporate Governance Statement

This statement reports on the main corporate governance practices of Terramin Australia Limited (**Company**) approved by the board. It is current as at 29 March 2018.

The directors of the Company recognise the need for high standards of corporate governance. Accordingly, the Company has adopted the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations since April 2005.

Where the Company's compliance with the Principles and Recommendations is reflected in a separate document or policy, a reference to the location of that document or policy is included in this statement.

References in this statement to "reporting period" are to the financial year ended 31 December 2017.

### **PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

#### **RECOMMENDATION 1.1 – RECOMMENDATION FOLLOWED**

*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 Company's Board Charter sets out (amongst other things): (a) the roles and responsibilities of the Board and of management; (b) the matters expressly reserved to the Board; and (c) the matters delegated to management.

A copy of the Board Charter can be viewed at:

<http://www.terramin.com.au/corporate/charters&policies/Boardcharter>

The Audit & Risk Committee and Nomination & Remuneration Committee have also been referred responsibilities by the Board as set out in each Committee's Charter. The Charters for the Committees can be viewed at:

<http://www.terramin.com.au/corporate/charters&policies/AuditandRiskCommitteecharter>

<http://www.terramin.com.au/corporate/charters&policies/Boardcharter>



## **RECOMMENDATION 1.2 – RECOMMENDATION FOLLOWED**

*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.*

Prior to the appointment of a person, or putting forward to security holders a candidate for election, as a director, the Company undertakes checks which it believes are appropriate to verify a director's character, experience, education, criminal record and bankruptcy history including for new directors:

- background and reference checking;
- requesting information in relation to the person's current and previous positions, directorships, bankruptcy history and any potential conflicts of interests.

The Company ensures that all material information in its possession relevant to a shareholder's decision whether to elect or re-elect a director, including the information referred to in Recommendation 1.2, is provided to shareholders in the Company's Notice of Annual General Meeting.

## **RECOMMENDATION 1.3 – RECOMMENDATION FOLLOWED**

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

Each director and senior executive of the Company has an agreement in writing with the Company which sets out the key terms and conditions of their appointment including their duties, rights and responsibilities and (to the extent applicable) the matters referred to in the commentary to Recommendation 1.3.

## **RECOMMENDATION 1.4 – RECOMMENDATION FOLLOWED**

*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.*

The Company Secretary has a direct line of reporting to the Chairman and is responsible for:

- advising and supporting the Chairman and the Board and its committees to manage the day to day governance framework of the Company;
- assisting with Board effectiveness by monitoring whether applicable Board and committee policies, procedures and charters are followed and coordinating timely completion and despatch of Board agendas and papers; and
- assisting with all matters to do with the proper functioning of the Board including advising on governance matters and assisting with induction and professional development of directors.

The responsibilities of the Company Secretary are set out in the Board Charter located at:

<http://www.terramin.com.au/corporate/charters&policies/Boardcharter>



## RECOMMENDATION 1.5 – RECOMMENDATION NOT FOLLOWED

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:
  - (i) 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
  - (ii) 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 seeks to treat everyone with fairness and respect which includes valuing diversity and difference and acting without prejudice. The Company believes that decision-making is enhanced through diversity and supports and encourages diversity at all levels of the organisation in accordance with the Company's Diversity & Equal Employment Opportunity Policy. A copy of the Diversity & Equal Employment Opportunity Policy is located at:

<http://www.terramin.com.au/corporate/charters&policies/Diversity&EqualOpportunityPolicy>

The Nomination & Remuneration Committee is responsible for recommending to the Board any measurable objectives for achieving gender diversity and reviewing regularly any such objectives and the Company's progress towards achieving them. The Committee reviews and reports to the Board at least annually on the relative proportion of women and men appointed or employed within the Company group. A copy of the Committee Charter is located at:

<http://www.terramin.com.au/corporate/charters&policies/Nominations&RemunerationCommitteeCharter>

Given the size of the Company and status of the Company's exploration and development projects, the directors believe that it is not appropriate at this stage to set measurable objectives in relation to diversity beyond those included in the Diversity & Equal Employment Opportunity Policy. Notwithstanding this, the Company strives to provide the best possible opportunities for current and prospective employees of all backgrounds in such a manner that best adds to overall shareholders value and which reflects the values, principles and spirit of the Diversity & Equal Employment Opportunity Policy. The directors also believe that diversity is a relevant consideration for constitution of an effective Board, as discussed at Recommendation 2.2.

For the reporting year ended 31 December 2017, the Company had a total of:

- 6 female employees out of a total of 17 employees in Australia (not including overseas employees);
- no female employee out of a total of 4 employees in executive positions; and
- no female director out of a total of 5 directors on the Board.



## **RECOMMENDATION 1.6 – RECOMMENDATION NOT FOLLOWED**

*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 Board recognises that as a result of the Company's size and its position as a publicly listed exploration and development company, the assessment of the Board's overall performance and its own succession plan is conducted on an ad hoc basis. Whilst Recommendation 1.6 is not strictly followed the Directors consider that at the date of this report the evaluation process of company directors is appropriate and effective. A more formal process of Board assessment will be considered in the future as the Company develops.

The informal review undertaken by the Board takes into account various matters including those set out in the Board Charter located at:

<http://www.terramin.com.au/corporate/charters&policies/Boardcharter>

The Nomination & Remuneration Committee assists the Board as required with the evaluation of performance of directors.

## **RECOMMENDATION 1.7 – RECOMMENDATION FOLLOWED**

*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 Chief Executive Officer reviews the performance of the senior executives annually with the assistance of the Nomination & Remuneration Committee. These evaluations take into account criteria such as the achievement and performance towards the Company's objectives and (where appropriate) performance benchmarks and the achievement of individual performance objectives. However, the Board also recognises the need for flexibility in defining performance objectives which must reflect the current status of the company (as an exploration and development company) and the development of its projects.

During the reporting period, informal discussions with senior executives regarding their performance were undertaken



## **PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE**

### **RECOMMENDATION 2.1 – RECOMMENDATION FOLLOWED**

*The board of a listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) 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 Company has established a Nomination & Remuneration Committee which comprises 3 non-executive directors, the majority of whom are independent directors (Mr McGuinness and Mr Kennedy) and which is chaired by an independent director (Mr McGuinness).

The Remuneration & Nomination Committee's Charter is located at:

[http://www.terramin.com.au/corporate/charters&policies/  
Nominations&RemunerationCommitteeCharter](http://www.terramin.com.au/corporate/charters&policies/Nominations&RemunerationCommitteeCharter)

The Committee's members, the number of times the Committee met throughout the reporting period and the attendance of the Committee's members at those meetings are set out on page 9 of the 2017 Annual Report.

<http://www.terramin.com.au/latest/2017AnnualReport>

### **RECOMMENDATION 2.2 – RECOMMENDATION FOLLOWED**

*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 regularly evaluates the mix of skills, experience and diversity at the Board level. The Board believes that a highly credentialed Board, with a diversity of background, skills and perspectives, will be effective in supporting and enabling delivery of good governance for the Company and value for the Company's shareholders. The mix of skills comprised in the current Board, and that the Board would look to maintain, and to build on, includes:

- mining industry expertise;
- metallurgy and metals marketing expertise;
- metal processing;
- experience in dealing with joint ventures and high levels of government and regulators;
- high level of business acumen;
- technical expertise (including finance);
- ability to think strategically;
- project management;
- governance experience and expertise.



The Board aspires to have a Board comprised of individuals' diverse experience and expertise and will be mindful of this when making appointments which will also be based on merit.

### **RECOMMENDATION 2.3 – RECOMMENDATION FOLLOWED**

*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.*

In the opinion of the board, to qualify as being “independent”, a director must be independent of management and free of any business or other relationship which could materially interfere or could reasonably be perceived to interfere materially with the Director’s independent exercise of their judgement.

Mr Angelo Siciliano and Mr Feng Sheng were appointed to the Board in January and April 2013, respectively and represent Asipac Group Pty Ltd (**Asipac**) and associated entities. Asipac is a substantial shareholder and financier of the Company. Mr Feng is director and substantial shareholder of Asipac. Mr Siciliano is also the Chief Financial Officer of Asipac. As such, Mr Sheng and Mr Siciliano are not considered by the Board to be independent directors for the purpose of ASX Recommendation 2.3. Mr Sheng was appointed as Executive Chairman in January 2018.

Mr Yaheng Xie represented China Non-Ferrous Metals Industry's Foreign Engineering and Constructions Co. Ltd (**NFC**) on the board of the Company from 18 September 2009 to 2 March 2017. NFC is a substantial shareholder of the Company. By virtue of his position as a representative of a substantial shareholder of the Company, Mr Xie was not considered by the Board to be an independent director for the purpose of ASX Recommendation 2.3.

Since 2 March 2017, Mr Wang Xinyu represents NFC to the board of Terramin. Mr Wang is not considered by the Board to be an independent director for the purpose of ASX Recommendation 2.3. Mr Wang was appointed as Executive Director in January 2018.

Mr Kennedy and Mr McGuinness are both considered by the Board to be independent directors, having regard to the factors set out above.

### **RECOMMENDATION 2.4 – RECOMMENDATION NOT FOLLOWED**

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

The Company currently does not follow the recommendation of principle 2.4 as the Board does not have a majority of independent directors (2 out of the 5 directors are independent).

In accordance with the ASX Recommendations, the independence of a director is assessed by determining whether the 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. The test of whether a relationship or business is material is based on the nature of the relationship or business and on the circumstances and activities of the director. Materiality thresholds are considered by the Board from time to time.



As stated above, Mr Sheng, Mr Siciliano and Mr Wang are not deemed to be independent for the purpose of the ASX Recommendations.

Mr Kennedy and Mr McGuinness are both regarded as independent as they are 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 judgement.

As the business develops, changes to and/or further appointments to the Board may be warranted and the Board will consider the need to appoint independent directors.

## **RECOMMENDATION 2.5 – RECOMMENDATION NOT FOLLOWED**

*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.*

Mr Sheng has been appointed non-executive chairman on 22 May 2015. Mr Sheng is also a principal of Asipac Group, Terramin major shareholder and financier. As such the board has determined that Mr Sheng is not independent. Notwithstanding this, the board also considers that Mr Sheng's role in shareholder and investor liaison are key to the development of the Company. In his role as chairman, Mr Sheng exercised non-executive functions during the calendar year 2017

Mr Sheng was appointed as Executive Chairman of Terramin in January 2018 assuming a executive functions. IN particular in the I mediate term Mr Sheng has been focussing on finalising project approvals from the Algerian regulatory, and the grant of the formal mining lease for the Tala Hamza project.

## **RECOMMENDATION 2.6 – RECOMMENDATION FOLLOWED**

*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.*

All new directors are provided with an induction including comprehensive meetings with the Executive Management, and provision of information on the Company including Company and Board policies and other material documents.

All directors are expected to maintain the skills required to effectively discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education and, if this involves industry seminars and approved education courses, where appropriate, this is paid for by the Company. The Company Secretary under the guidance of the Nomination & Remuneration Committee oversees the induction program for new directors.

## **PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY**

### **RECOMMENDATION 3.1 – RECOMMENDATION FOLLOWED**

*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 has a Code of Conduct that sets out the standards of behaviour expected of all its employees, directors, officers, contractors and consultants. The Code of Conduct is located at:



## **PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

### **RECOMMENDATION 4.1 – RECOMMENDATION FOLLOWED**

*The board of a listed entity should: (a) have an audit committee which: (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) 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 Company has established an Audit & Risk Committee which comprises 3 non-executive directors, the majority of whom are independent directors, and is chaired by an independent director, Mr McGuinness who is not the chair of the Board.

The Audit & Risk Committee's Charter is located at:

<http://www.terramin.com.au/corporate/charters&policies/AuditandRiskCommitteecharter>

The Committee's members and their relevant qualifications and experience, the number of times the Committee met throughout the reporting period and the attendance of the Committee's members at those meetings is set out on page 9 of the 2017 Annual Report.

A copy of the 2017 Annual Report is located at:

<http://www.terramin.com.au/latest/2017AnnualReport>

### **RECOMMENDATION 4.2 – RECOMMENDATION FOLLOWED**

*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 Board has received a declaration in the form set out in Recommendation 4.2 from its CEO and Finance Manager in relation to the financial statements for the financial periods ended 31 December 2017.

### **RECOMMENDATION 4.3 – RECOMMENDATION FOLLOWED**

*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 Company's external auditor attends each AGM of the Company and is always available to answer questions from security holders relevant to the audit.

## **PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE**

### **RECOMMENDATION 5.1 – RECOMMENDATION FOLLOWED**

*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 has a Continuous Disclosure Policy that outlines the processes followed by the Company to ensure compliance with its continuous disclosure obligations and the corporate governance standards applied by the Company in its communications to the market. The Continuous Disclosure Policy can be viewed at:

[http://www.terramin.com.au/corporate/charters&policies/  
ContinuousDisclosurePolicy](http://www.terramin.com.au/corporate/charters&policies/ContinuousDisclosurePolicy)

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

### **RECOMMENDATION 6.1 – RECOMMENDATION FOLLOWED**

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

Information about the Company and its operations is located at:

[www.terramin.com.au](http://www.terramin.com.au)

Information about the Company's corporate governance (including links to the Company's corporate governance policies and charters) is located at:

[www.terramin.com.au/Corporate/Corporate-Governance-Statement/](http://www.terramin.com.au/Corporate/Corporate-Governance-Statement/)

### **RECOMMENDATION 6.2 – RECOMMENDATION FOLLOWED**

*A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

The Company has a Shareholders Communications Policy that outlines the processes followed by the Company to ensure communication with shareholders and the investment community is effective, consistent and adheres to the principles of continuous disclosure. The Shareholders Communications Policy is located at:

[http://www.terramin.com.au/corporate/charters&policies/  
ShareholderCommunicationsPolicy](http://www.terramin.com.au/corporate/charters&policies/ShareholderCommunicationsPolicy)

The Company's Continuous Disclosure Policy also outlines policies and requirements for communications with analysts and investors to ensure that the communications are effective and comply with the Company's continuous disclosure obligations under the Corporations Act and the ASX Listing Rules.

[http://www.terramin.com.au/corporate/charters&policies/  
ContinuousDisclosurePolicy](http://www.terramin.com.au/corporate/charters&policies/ContinuousDisclosurePolicy)



## **RECOMMENDATION 6.3 – RECOMMENDATION FOLLOWED**

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

The Shareholders Communication Policy sets out the policies and processes the Company has in place to facilitate and encourage participation at meetings of security holders. The Company permits shareholders to cast their proxies prior to a General Meeting if they are unable to attend the meeting.

## **RECOMMENDATION 6.4 – RECOMMENDATION FOLLOWED**

*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 gives security holders the option to receive communications from, and send communications to, the Company and its security registry electronically, as provided for in the Company's Shareholder Communications Policy.

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

### **RECOMMENDATION 7.1 – RECOMMENDATION FOLLOWED**

*The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) 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 risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

The Board is responsible for ensuring that management has developed and implemented a sound system of risk management and internal control. The Company has established an Audit & Risk Committee which is responsible for ensuring that there are adequate policies in relation to risk management, compliance and internal control system. The Audit & Risk Committee comprises 3 non-executive directors, the majority of whom are independent directors, and is chaired by an independent director, Mr McGuinness, who is not the chair of the Board.

The Audit & Risk Committee's Charter is located at:

<http://www.terramin.com.au/corporate/charters&policies/AuditandRiskCommitteecharter>

The Committee's members and their relevant qualifications and experience, the number of times the Committee met throughout the reporting period and the attendance of the Committee's members at those meetings is set out on page 9 of the 2017 Annual Report.

A copy of the 2017 Annual Report is located at:



## **RECOMMENDATION 7.2 – RECOMMENDATION FOLLOWED**

*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.*

The Audit, Risk and Compliance monitors the Company's risk management by overseeing management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risk. For this purpose, the Committee:

- reviews group wide objectives in the context of management of corporate risk;
- reviews and, where necessary approves guidelines and policies governing the identification, assessment and management of the company's exposure to risk; and
- review and approves the delegations of financial authorities to management and ensure that such authorities are updated on a regular basis.

Under the Company's Risk Management Policy, the Audit & Risk Committee and management undertake a structured consideration and review of the risk management framework and the material risks faced by, and the risk attitude of, the Company. The Risk Management Policy is located at:

<http://www.terramin.com.au/corporate/charters&policies/RiskManagementPolicy>

In the reporting period the Audit & Risk Committee has not undertaken a specific review of the Company's risk management framework. The board satisfies itself that the company has a sound system of risk management and internal control.

Management regularly reports to the Board in relation to risk management on the basis of the Risk Management Policy. The Board considers that the major business risks are being understood and managed effectively.

The adequacy of risk management policies and measures are continually monitored by the board at directors' meeting and in communication with management. The Company believes this to be appropriate given the size and nature of the Company at this time.

The board will review its risk management framework as its projects receive approval and preparation for mining development starts.

## **RECOMMENDATION 7.3 – RECOMMENDATION FOLLOWED**

*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.*

Terramin is committed to understanding and managing risk and to establishing an organisational culture that ensures risk management is included in all activities, decision making and business processes.



The Audit & Risk Committee meets regularly to receive and consider reports on, and monitor and discuss, known and emerging risk and compliance issues, including non-financial operational and other business risks.

The ongoing mitigation and management of key business risks is a standing item of business on the agenda of the Audit & Risk Committee. Management reports regularly to the Committee on the Company's risk register. Management, is responsible for implementing the risk management framework to ensure the Company's material business risks are managed and for reporting to the Committee on whether those risks are being managed effectively.

In support of the functions of the Audit & Risk Committee, the Company's managers are directly responsible for risk management in their respective areas of accountability, in accordance with the Company's Risk Management Framework.

Operational, financial, legal, compliance, strategic and reputational risks continue to be managed primarily by the Chief Executive Officer, the Commercial and Finance Manager, the Chief Technical Officer and the Legal Counsel as a part of the day-to-day management of the Company's affairs. Where appropriate, these risks are managed with the support of relevant external professional advisers.

The Company has an established Risk Management Framework based on the Australian Standard for Risk Management AS/NZ 31000:2009, which is aimed at the systematic identification, assessment, treatment, communication and monitoring of risk within all areas of the Company.

The Chief Executive Officer, the Commercial and Finance Manager and the Chairman of the Audit & Risk Committee are primarily responsible for reporting to the Board on a regular basis in relation to whether the Company's material business risks are being managed effectively by way of the Company's risk management and internal control systems.

As set out in the Company's Risk Management Policy (under the heading "Risk Management Framework"), given the Company's current size and nature of its operations, the Board considers may engage external advisors (independent of the external auditor) as appropriate from time to time to perform the internal audit function. These external advisers report to either the Audit & Risk Committee or the Board. The Risk Management Policy is located at:

<http://www.terramin.com.au/corporate/charters&policies/RiskManagementPolicy>

The Audit & Risk Committee is responsible for monitoring and reviewing the effectiveness and objectivity of the internal audit function.

#### **RECOMMENDATION 7.4 – RECOMMENDATION FOLLOWED**

*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.*

The Company undertakes minerals exploration and mining development and, as such, faces risks inherent to its business, including economic, environmental and social sustainability risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term.

One of the Company's core values is safety; it prioritises safety and health to people, the environment and community. The Company views sustainable and responsible business practices as an important long term driver of performance and shareholder value and is



committed to transparency, fair dealing, responsible treatment of employees and partners and positive interaction with the community.

The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management Policy), which is developed and updated to help manage these risks. Copies of some of these policies regarding the management of specific risks are located at:

<http://www.terramin.com.au/corporate/charters&policies>

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

### **RECOMMENDATION 8.1 – RECOMMENDATION FOLLOWED**

*The board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose (iii) the charter of the committee; (iv) the members of the committee; and (v) 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 risk 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 remuneration is appropriate and not excessive.*

The Company has an established Nomination & Remuneration Committee which has 3 non-executive directors, the majority of whom are independent directors and which is chaired by an independent director. Recommendation 2.1 sets out, or provides the location of, the information referred to in paragraph (a)(iii) – (v) in Recommendation 8.1.

### **RECOMMENDATION 8.2 – RECOMMENDATION FOLLOWED**

*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.*

The Company's policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives is set out in the Nomination & Remuneration Committee Charter and in the Remuneration Report contained in the 2017 Annual Report. The Remuneration & Nomination Committee Charter can be viewed at:

[http://www.terramin.com.au/corporate/charters&policies/  
NominationandRemunerationCommitteeCharter](http://www.terramin.com.au/corporate/charters&policies/NominationandRemunerationCommitteeCharter)

A copy of the 2017 Annual Report is located at:

<http://www.terramin.com.au/latest/2017AnnualReport>

### **RECOMMENDATION 8.3 – RECOMMENDATION FOLLOWED**

*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 has an equity-based remuneration scheme. The Company's Securities Trading Policy provides that participants in the scheme must not enter into any



transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested equity interest. The Securities Trading Policy is located at:

<http://www.terramin.com.au/corporate/charters&policies/ShareTradingPolicy>

