

# MYANMAR METALS LIMITED

ABN: 48 124 943 728

## CORPORATE GOVERNANCE STATEMENT - 2018

This statement outlines the main corporate governance practices in place throughout the period from 1 July 2017 to 30 June 2018, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated. The Corporate Governance Statement is dated 10 October 2018. The Corporate Governance Statement was approved by the Board of Myanmar Metals Limited on 12 October 2018.

The Board of the Company is committed to implementing the highest standards of corporate governance appropriate for a Company of its size, scale and complexity. In determining what those high standards should involve, the Company has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*.

To illustrate where the Company has addressed each of the Council's revised recommendations, the following summary cross-references to each revised recommendation. Details of all of the revised recommendations can be found on the ASX Corporate Governance Council's website.

### Introduction

Myanmar Metals has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's corporate governance practices is set out on the Company's website at [www.myanmarmetals.com.au](http://www.myanmarmetals.com.au) :

- Board Charter (within the Corporate Governance Plan);
- Code of Conduct;
- Securities Trading Policy;
- Performance Evaluation Policy;
- Continuous Disclosure Policy;
- Risk Management Policy;
- Policy on Selection Appointment and Rotation of External Auditors; and
- Diversity Policy.

### Explanations for Departures from Best Practice Recommendations

During the period, the Company has complied with the majority of the Eight Essential Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the Council and as detailed below:

#### 1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

##### **Council Principle 1:**

***A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.***

##### *Council Recommendation 1.1:*

*A listed entity should disclose;*

- *the respective roles and responsibilities of the board and management; and*
- *those matters expressly reserved to the Board and those delegated to management.*

The Company complies with this Recommendation 1.1.

The board has set out the responsibilities of the Board in the Board Charter which can be accessed on the company website. Any functions not reserved for the Board and not expressly reserved for members by the Corporations Act and ASX Listing Rules are reserved for management.

##### *Council 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 complied with this Recommendation 1.2.

The Company completed background checks prior to the appointment of a new director during the period.

The Company believes it is appropriate to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director. Security holders are provided with all material information in the Company's possession relevant to a decision on whether or not to elect or re-elect a director.

*Council 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 Company complied with this Recommendation 1.3.

*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.*

The Company complied with this Recommendation 1.4. The company secretary is also currently a member of the Board.

*Council 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 establish measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving the;*

*(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 partly complies with this Recommendation 1.5.

The Board has adopted a Diversity Policy, a copy of which is available on the Company's website. The Company has a policy not to discriminate on the basis of age, gender, ethnicity, sexuality, physical ability or cultural or religious beliefs.

The Company recognises the benefits arising from employee and board diversity, including accessing different perspectives and ideas and benefitting from a greater pool of talent.

Factors such as gender, race, age or disability are irrelevant and are not taken into account when making employment decisions. In all cases, the person most suited to the position is selected based on their skills and qualifications without bias or prejudice.

Consistent with the Company's policy of non-discrimination, the Board has chosen not to set specific measurable targets for gender diversity.

Consistent with the Company's policy of non-discrimination, the Board has chosen not to report, specific measurable targets for gender diversity.

The Company complies with this recommendation and provides the following disclosure at the date of this statement;

No. of female board members	0	0%
No. of female employees	3	30%
No. of female employees in senior positions	1	14%
No. of female contractors	1	50%
No. of female contractors in senior positions	0	0%

*Council 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.*

<p>The Company does not comply with this Recommendation 1.6.</p> <p>The Board has not adopted an annual evaluation process to measure its own performance or an annual review in relation to the composition and skills mix of the Directors of the Company. The current Board, most of whom were appointed on 19 June 2017, intend to introduce such evaluation processes but to date this has not been completed.</p>
<p><i>Council Recommendation 1.7:</i></p> <p><i>A listed entity should:</i></p> <p><i>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</i></p> <p><i>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</i></p>
<p>The Company does not comply with this Recommendation 1.7.</p> <p>The Board has not adopted an annual evaluation process to measure the performance of its key executives. Currently, other than key executives who are also members of the Board, no key executives have been employed for longer than 12 months.</p>

## 2. STRUCTURE THE BOARD TO ADD VALUE

<p><b>Council Principle 2:</b></p> <p><b><i>A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively</i></b></p>
<p><i>Recommendation 2.1</i></p> <p><i>The board of a listed entity should:</i></p> <p><i>(a) have a nomination committee which:</i></p> <p style="padding-left: 40px;"><i>(1) has at least three members, a majority of whom are independent directors; and</i></p> <p style="padding-left: 40px;"><i>(2) is chaired by an independent director, and disclose:</i></p> <p style="padding-left: 40px;"><i>(3) the charter of the committee;</i></p> <p style="padding-left: 40px;"><i>(4) the members of the committee; and</i></p> <p style="padding-left: 40px;"><i>(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</i></p> <p><i>(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</i></p>
<p>The board complies with this Recommendation 2.1.</p> <p>It was not previously a company policy to have a nomination committee, given the size and scale of Myanmar Metals Limited. The role of a nomination committee was carried out by the full Board. However, the Board agreed to establish a Nomination and Remuneration Committee in August 2018. To date a charter has not been adopted and the committee has not met. The full board considers the appointment of new directors on an informal basis. The Board's policy for the appointment of new directors to the Board can be accessed on the Board Charter at:</p> <p><a href="https://assets.ctfassets.net/hnlfgsjzg6je/2ARCXQtMReUoGSGcS4QaU8/f6a3f8e3ee89c48b112c7c96cf6bcfe0/171006_MYL-Corporate-Governance-Plan-v2.pdf">https://assets.ctfassets.net/hnlfgsjzg6je/2ARCXQtMReUoGSGcS4QaU8/f6a3f8e3ee89c48b112c7c96cf6bcfe0/171006_MYL-Corporate-Governance-Plan-v2.pdf</a></p>
<p><i>Recommendation 2.2</i></p> <p><i>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.</i></p>
<p>The Company does not comply with this Recommendation 2.2.</p> <p>For a Company of Myanmar Metals' size and complexity a board skills matrix is not considered to be necessary.</p>
<p><i>Recommendation 2.3</i></p> <p><i>A listed entity should disclose:</i></p> <p><i>(a) the names of the directors considered by the board to be independent directors;</i></p>

*(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*

The Company complies with Recommendation 2.3.

The skills, experience and expertise relevant to the position held by each director are disclosed in the Directors Report.

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

The Board considers Mr. Lamb not to be an independent director as he is an executive of the Company. Mr Caren was considered to be an independent director until his appointment as an executive in March 2018.

Mr Arndt is not considered to be an independent director as he is an officer of Perilya Limited, which holds a 19.8% interest in the Company.

The Board considers Mr. Moore to be an independent director.

The period of office held by each director as at the date of this statement is as follows;

Mr. Lamb	Appointed 19 June 2017	16 months
Mr. Moore	Appointed 19 June 2017	16 months
Mr. Caren	Appointed 19 June 2017	16 months
Mr. Arndt	Appointed 19 June 2018	4 months

*Council Recommendation 2.4:*

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

The Company complied with this Recommendation until March 2018. The Company has not complied with this Recommendation 2.4 since March 2018.

*Council 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 Company does not comply with Recommendation 2.5.

The Company's Chairperson, Mr Lamb, is considered by the Board not to be independent as he is also an executive of the entity. However, the Board believes that the Chairman is able and does bring quality judgment to all relevant issues falling within the scope of the role of a Chairman.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to necessitate the appointment of an independent Chairman. However, this position may change as the Company develops the Bawdwin project further.

*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.*

The Company does not comply with this Recommendation 2.6.

The Company does not have a policy to provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. The directors have extensive external business involvements. All directors are up to date with current business practices. It is not practical for a Company of Myanmar Metals' size and scale to initiate such a program. New directors are provided with access and directions to the Company's corporate governance manuals and policies.

### **3. ACT ETHICALLY AND RESPONSIBLY**

***Council Principle 3:***

***A listed entity should 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 complies with this Recommendation 3.1.

The Company has adopted a Code of Conduct which can be accessed on the website.

#### **4. SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

**Council Principle 4:**

***A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its 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 Company complies with this Recommendation 4.1.

The Company was not currently considered to be of a size, nor are its affairs of such complexity to justify the operation of a separate Audit Committee. However, the Board agreed to establish an Audit Committee in August 2018. To date a charter has not been adopted and the committee has not met.

Whilst the Company does not have a formally constituted Audit Committee, the board, as part of its usual role, undertakes audit related responsibilities including:

- Reviewing the annual and interim financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs;
- Assessing corporate risk assessment processes;
- Assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. The external auditor provides an annual declaration of independence which is consistent with Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board;
- Addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.
- Reviewing the nomination and performance of the external auditor. The external audit engagement partner will be rotated every five years. Grant Thornton was appointed as the external auditor in 2016;
- Assessing the adequacy of the internal control framework and the Company's code of ethical standards;
- Monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements.

The directors review the performance of the external auditors on an annual basis and normally meet with them during the year to:

- Discuss the external audit plans, identify any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- Review the annual and half-year reports prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents, prior to announcement of result.

*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*

<i>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.</i>
<p>The Company complies with this Recommendation 4.2.</p> <p>The Board receives assurance from the Chief Executive Officer and the Company Secretary in the form of a declaration, prior to approving the financial statements. The board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 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.</p>
<p><i>Recommendation 4.3</i></p> <p><i>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.</i></p>
<p>The Company complies with this Recommendation 4.3.</p> <p>The Company's auditor attended the AGM in 2017 and was available to answer questions from security holders relevant to the audit.</p>

## 5. MAKE TIMELY AND BALANCED DISCLOSURE

<p><b>Council Principle 5:</b></p> <p><b><i>A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.</i></b></p>
<p><i>Recommendation 5.1</i></p> <p><i>A listed entity should:</i></p> <p><i>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</i></p> <p><i>(b) disclose that policy or a summary of it.</i></p>
<p>The Company complies with this Recommendation 5.1.</p> <p>The Company has adopted a Continuous Disclosure Policy which is available on its website.</p>

## 6. RESPECT THE RIGHTS OF SECURITY HOLDERS

<p><b>Council Principle 6:</b></p> <p><b><i>A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.</i></b></p>
<p><i>Recommendation 6.1</i></p> <p><i>A listed entity should provide information about itself and its governance to investors via its website.</i></p>
<p>The Company complies with this Recommendation 6.1.</p> <p>The Company has a new website in place which is current and informative.</p>
<p><i>Recommendation 6.2</i></p> <p><i>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</i></p>
<p>The Company complies with this Recommendation 6.2.</p> <p>The Company has adopted a Shareholder Communication Strategy which is available on its website.</p>
<p><i>Council Recommendation 6.3:</i></p> <p><i>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</i></p>

The Company complies with this Recommendation 6.3.

The Company facilitates and encourages participation at meetings of shareholders by providing a direct voting facility and encourages security holders who are not able to attend meetings to submit questions ahead 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 complies with this Recommendation 6.4.

The Company gives security holders the option to receive communications (specifically annual reports and other correspondence) from the entity and its security registry electronically, insofar as is currently permitted by the Corporations Act.

**7. RECOGNISE AND MANAGE RISK**

**Council Principle 7:**

***A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.***

*Recommendation 7.1*

*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.*

The Company complies with this Recommendation 7.1.

The Company is not currently considered to be of a size, nor are its affairs of such complexity to justify the operation of a separate Risk Committee.

The Company has in place a framework to safeguard Company assets and ensure that business risks are identified and properly managed. It is part of the board's oversight role to oversee the establishment and implementation of the risk management system, and to review the effectiveness of the company's implementation of that system. Due to the size of the company it does not have an internal audit function or a Risk sub-committee of the Board.

The Board monitors the management of risks on an ongoing basis and requires management to design and implement a risk management and internal control system to manage the entity's material business risks. Management is responsible for the identification, assessment, monitoring and management of material risk throughout the company.

*Recommendation 7.2*

*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 Company does not comply with this Recommendation 7.2.

Management did not report to the Board during the period. In future, the Board will require that management report to the Board annually to confirm how each of the company's material business risks is being managed.

*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 complies with this Recommendation 7.3.

The Company does not have an internal audit function.

The Company believes that the risk management framework it has in place will be effective for a company of its scale and complexity, subject to the annual review being performed. The Company is compiling a risk matrix to identify key risks.

#### *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.*

The Company complies with this Recommendation 7.4.

The Company is aware of its impact on the economy, environment and the community and risks to the Company if it does not deal with these matters appropriately. The Board is responsible for determining whether the Company has a material exposure to inter alia, economic, environmental and sustainability risks and, if it does, how it manages or intends to manage those risks.

## **8. REMUNERATE FAIRLY AND RESPONSIBLY**

### **Council Principle 8:**

***A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.***

#### *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 Company complies with this Recommendation 8.1.

It was not previously a company policy to have a remuneration committee, given the size and scale of Myanmar Metals Limited. The role of a remuneration committee was carried out by the full Board. However, the Board agreed to establish a Nomination and Remuneration Committee in August 2018. To date a charter has not been adopted and the committee has not met.

To date, the role of a remuneration committee has been carried out by the full Board. Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The board may seek independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages are largely comprised of fixed remuneration but have also included long term incentives for directors.

The remuneration structures explained below are designed to attract suitably qualified candidates, and to affect the broader outcome of maximising the Company's profitability. The remuneration structures take into account:

- Overall level of remuneration for each director and executive;
- The executive's ability to control the performance of the relevant area; and
- The amount of incentives within each executive's remuneration.

Securities can only be issued to Company Directors under a resolution at a general meeting of shareholders.

Non-Executive Directors may receive a base fee and can be remunerated by way of security issues approved under a resolution at a general meeting of shareholders.

The board has no established retirement or redundancy schemes for directors. There are no unvested entitlements under equity based remuneration schemes.

*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.*

The Company complies with this Recommendation 8.2. These details are disclosed in the Remuneration 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 complies with this Recommendation 8.3.

The Company does not have an equity-based remuneration scheme.