



# CORPORATE GOVERNANCE STATEMENT 2021

This **Corporate Governance Statement** was approved by the Hillgrove Resources Limited Board of Directors on 25 February 2021.

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## **1. PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT & OVERSIGHT**

### **Role of the Board and Management**

The Board is elected by shareholders to represent all shareholders – its primary role being the protection and enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, selection and appointment of the CEO/MD and senior executives, establishing goals for senior executives, monitoring the achievement of these goals, defining policies and monitoring the business of the controlled entity including risk management and internal control, and to ensure it is conducted appropriately and in the best interests of shareholders.

The Board has adopted a Board Charter that sets out the delegations and responsibilities that have been put in place for the Company's executive team and the Board.

The Board of Directors (and, where relevant, any committees established by the Board) have delegated the carriage of the day to day operation and management of the Company's business to the Managing Director/Chief Executive Officer who is authorised, in turn, to delegate such of the powers conferred on him as is deemed appropriate to members of the executive team. The delegation of authority to the Chief Executive Officer and other executives is subject to the limits and restrictions set out in the Delegations of Authority.

In addition to attending the scheduled Board and Board Committee meetings during the year, Directors also spend time regularly with the Company's personnel in order to gain a detailed knowledge and understanding of the Company's operations and associated risks and opportunities. The Board takes part in the Company's strategic planning process, risk management reviews and approves the business plan and budgets of the Company. The Board also receives and reviews comprehensive monthly management, financial and operational reports in relation to the Company performance.

All Directors and senior executives of the Company have in place formal appointment letters describing their terms, duties, rights and responsibilities and entitlements. Upon joining the Company, all Directors also receive an induction pack containing information about the Company including policies and procedures and other necessary information for them to familiarise themselves with the operations of the Company.

### **Director appointments**

The Board will identify suitable candidates with appropriate skills, experience, expertise and diversity to complement the existing Board, in order for the Board to discharge its duties and pursue its business objectives.

The Board will also undertake appropriate checks on any candidate and seek confirmation to ensure that the candidate has sufficient time to fulfil their responsibilities as a director. The Board will provide relevant information on board members seeking re-election to shareholders so as to enable shareholders to make informed decisions.

A written agreement together with a deed of access and indemnity is provided to each incoming director. The agreement sets out the terms of appointment, expectations and responsibilities of the role, remuneration, access to corporate resources and confidentiality requirements.

### **Company Secretary**

The Company Secretary has a direct reporting line to the Chairman of the Board and is accountable to the Board on all governance matters. All Directors of the Board have access to the Company Secretary.

### **Diversity**

The Company is committed to being an inclusive workplace that values and promotes diversity in the workplace and is committed to providing an inclusive workplace and organisational culture that embraces diversity and provides support for broad based equal opportunity programmes, multicultural awareness and representation, and a focus on women in senior management. The Company's current

employment philosophy promotes a culture that values differences, and emphasises tolerance. The Company's workforce is gender, culturally and ethnically diverse.

Currently the Company has no women on the Board or executive team, with 22% women employed in the Company in total. However, as the Company grows and evolves, it will look to increase the participation of women on the Board, executive team, and the broader business in general.

The Company has a Diversity Policy and monitors its performance against its Diversity objectives. For further information please refer to the Company's Diversity Policy which can be found at [www.hillgroveresources.com.au](http://www.hillgroveresources.com.au).

**Assessing board performance**

The Board formally evaluates its performance annually. This process is facilitated by the Nomination Committee via the Chairman of the Committee whereby Board members are evaluated by a questionnaire pertaining to the key skills, experience and level of participation required to understand the risks of the Company. Formal assessment of the Board was completed during the current period.

**Assessing senior executive performance**

The Board sets key performance indicators and targets for the Managing Director/Chief Executive Officer and the other senior executives and review these and the performance against these targets throughout the year as well as formally at the end of the year.

Oversight of the assessment and performance of the Managing Director/Chief Executive Officer and the senior executives is provided by the Remuneration Committee and the Chairman of the Board. Formal assessments of performance for the Managing Director/Chief Executive Officer and the senior executives were completed during the current period.

Further details of how the Company assesses the performance of the Managing Director/Chief Executive Officer and executive team are set out in the Remuneration Report included in the 2020 Annual Report.

## **2. PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

The Board endeavours to ensure it is comprised of a diverse selection of highly qualified and experienced individuals with the highest levels of integrity, suited to the needs of the Company. Each Director is bound by the Company's charters, policies, procedures and codes of conduct, including without limitation, the Company's Securities Trading Policy, Continuous Disclosure Policy and Directors Code of Conduct.

### **Independence**

Best practice recommends that rigid rules regarding what 'does and does not' constitute independence is no longer appropriate. Rather, it is more appropriate to adopt a set of matters to which consideration should be given in order to determine whether or not a Director is independent.

At the time of a Director's appointment and thereafter, the Board considers independence by having regard to the answers to the following questions:

- Is the Director a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company?
- Has the Director, within the last three years, been employed in an executive capacity by the Company or by any related body corporate, or been a Director after ceasing to hold any such employment?
- Within the last three years has the Director been a Principal of a material professional adviser; a material consultant to the Company or a related body corporate, or an employee materially associated with the service provided by such adviser or consultant to the Company?
- Is the Director a material supplier or customer of the Company or any related body corporate or an officer of or otherwise associated directly or indirectly with a material supplier or customer?
- Does the Director have a material contractual relationship with the Company or related body corporate other than as a director of the Company?
- Has the Director served on the Board of Directors for a period that could, or reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company?
- Is the Director free from any interest and any business or other relationship that could, or reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company?

Based on the above considerations, Mr Derek Carter (Chairman) is considered by the Company to be independent. Mr L Wallace (Managing Director/Chief Executive Officer) and Mr M Boyte (Non-Executive Director) are not considered to be independent.

### **Regular assessments**

The Board regularly assesses the independence of its Non-Executive Directors. Each Director of the Company must provide to the Board of the Company all information regarding his or her interests relevant to his or her independence. Where the independence of a Director is lost, this must be immediately disclosed to the market.

### **Nomination committee**

In 2020, following the completion of processing and the focusing of the business strategy to development of the Kanmantoo Underground, a decision was made to reduce the number of Non-Executive Directors on the Board to two in order to reduce costs.

The Board has a Nomination Committee in place. The Chairman of the Nomination Committee is an independent Non-Executive Director and membership consists of the two Non-Executive Directors.

The duties of the Nomination Committee cover the composition and performance of the Board, appointments to the Board of Directors, evaluation of Board performance, appointment and re-election of Directors and succession planning. The Committee usually meets annually. The Committee has a clear charter that sets out its roles, responsibilities and structure. This charter can be found on the Company's website at [www.hillgroveresources.com.au](http://www.hillgroveresources.com.au).

Details of the number of Board and Committee meetings held during the year, and each Director's attendance at those meetings are set out in the Annual Report.

**Skills matrix**

The skills and expertise criteria required to select the current board is shown in the table below.

	BOARD OF DIRECTORS		
	Derek Carter (Chairman)	Murray Boyte	Lachlan Wallace
Appointment Date	April 20	May 19	May 19
<b>Skills &amp; Experience</b>			
ASX Listed Board Experience	✓	✓	✓
Corporate governance	✓	✓	✓
Resources, Mining & Exploration	✓		✓
Project development & management	✓		✓
Financial	✓	✓	
Legal/Commercial	✓	✓	✓

**Induction**

All new directors participate in an induction program which involves senior management. The induction program includes briefings on the Company's strategy, organisation structure, corporate governance practices, risk management framework, culture, charters and policies regarding the required ethical conduct of directors and employees.

The Company supports appropriate professional development opportunities where required for directors and senior management to develop and maintain the skills and knowledge needed to perform their roles effectively.

### **3. PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**

#### **Code of business conduct and directors code of conduct**

All directors, managers and employees of the Company are expected to act with the utmost integrity and objectivity, striving at all times to enhance the performance of the Group and below is a summary of the Company's core policies which apply to Directors and employees.

The Code of Business Conduct was adopted by the Board to define basic principles of business conduct. The Code of Business Conduct requires officers and employees to adhere to the law and various policies of the company referred to in this Code. The standards set out in this Code are a practical set of principles giving direction and reflecting the Company's approach to business conduct. Directors and management monitor compliance and will act on any actions which are inconsistent with this Code. All employees also have an obligation to advise the Company of any illegal or unethical practices of which they become aware.

In addition, to the Code of Business Conduct, directors are also bound by the Directors Code of Conduct which sets out the standards to which each director will adhere whilst conducting his or her duties.

In addition to the Code of Business conduct and Directors Code of Conduct, the Company has the following policies in place to actively promote ethical and responsible decision making. Details of these policies can be found on the Company's website at [www.hillgroveresources.com.au](http://www.hillgroveresources.com.au):

- Company Security Trading Policy;
- Conflicts of Interest Policy;
- Fraud and Corruption Policy; and
- Privacy Policy.

The Board has also committed to adopt the principles of Fame and Good Character with all Directors having completed checks including bankruptcy and insolvency and national crime, and will advise the Company of any changes to their status.

## 4. PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

### Audit and Risk Committee

The Board has an Audit and Risk Committee consisting of the two Non-Executive Directors. The chair of the Committee is not the Chairman of the Board and is comprised of the following:

- Mr M Boyte (Chairman); and
- Mr D Carter.

The Company recognises that the Audit and Risk Committee only has two members and that the Chairman is not considered to be independent. This was a result of a reduction in costs, due to the Company no longer generating revenues from production and focusing its strategy towards the development of the Kanmantoo Underground. The Company expects to rectify this as soon as it practically can.

Details of these Directors' attendance at Audit and Risk Committee meetings are set out in the Annual Report.

The Audit and Risk Committee has appropriate financial expertise and members are financially literate and have an appropriate understanding of the industries in which the Company operates.

The main responsibilities of the Committee are to:

- Review, assess and approve the annual report, the half-year financial report and all other financial information published by the company or released to the market;
- Assist the board in reviewing the effectiveness of the organisation's internal control environment covering:
  - Effectiveness and efficiency of operations
  - Reliability of financial reporting
  - Compliance with applicable laws and regulations;
- Oversee the effective operation of the risk management framework;
- Recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;
- Consider the independence and competence of the external auditor on an ongoing basis;
- Review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- Review and monitor related party transactions and assess their propriety; and
- Report to the board on matters relevant to the committee's role and responsibilities.

The Audit and Risk Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

The Committee has a formal charter which can be found on the Company's website at [www.hillgroveresources.com.au](http://www.hillgroveresources.com.au).

The Board has received assurance from the Managing Director/Chief Executive Officer and the Chief Commercial Officer (acting in the capacity of an interim CFO) for the financial statements and records for the year ended 31 December 2020 in the form of a declaration provided in accordance with s295 of the *Corporations Act 2001*.

In addition, before the Board approves financial statements for any period or approves the release of quarterly reports containing financial information, it receives from the CEO and CCO a declaration that, in their opinion, the financial records of the Company 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.

**External auditors**

The Company and Audit and Risk Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Price Waterhouse Coopers (PwC) were appointed effective 26 May 2017, and it is PwC's policy to rotate audit engagement partners on listed companies in accordance with the requirements of the Corporations Act 2001, which is generally after five years, subject to certain exceptions.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Annual Report and in note 7 (e) to the Financial Statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit and Risk Committee.

The external auditor will 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 audit report.

## **5. PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

The Company is committed to providing relevant up-to-date information to its shareholders and investors in accordance with the continuous disclosure requirements under the ASX Listing Rules. The Company reports periodically to the ASX yearly, half yearly and quarterly. The Company has a Continuous Disclosure Policy, which outlines the processes for identifying information for disclosure. The policy aims to ensure that all market sensitive matters concerning the Company are disclosed on a timely and balanced basis. The Company's Continuous Disclosure Policy is available on the Company's website at [www.hillgroveresources.com.au](http://www.hillgroveresources.com.au).

In relation to the reporting of Mineral Resource and Ore Reserve information the Company uses experts in the form of competent persons in accordance with JORC code requirements. In addition to this expertise, independent consultants are called upon to verify conclusions drawn where appropriate prior to release to the market.

## **6. PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS**

The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs as follows:

- The full annual financial report is lodged with the ASX, and distributed to all shareholders who elect to receive a copy, and includes relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments, in addition to the other disclosures required.
- The half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The half-year financial report is lodged with the ASX and sent to any shareholder who requests it.
- Quarterly reports are also issued covering production status, costs and cash position.

All press releases and presentations that are released publicly to the ASX website at [www.asx.com.au](http://www.asx.com.au) are also available on the Group website at [www.hillgroveresources.com.au](http://www.hillgroveresources.com.au). Each of these releases provides the contact details of the Company and encourages shareholder engagement.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to shareholders as single resolutions. Shareholders are requested to vote on matters such as the appointment and aggregate remuneration of Directors, the granting of performance rights and shares to Directors and changes to the Constitution.

Copies of the Constitution are available to any shareholder who requests it.

## **7. PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

The Board acknowledges it is responsible for the overall internal control framework of the Company and examines the adequacy of the nature, extent and effectiveness of the internal control processes of the Group on an ongoing basis. The Board, via the Audit and Risk Committee, oversees and monitors the Company's audit processes, including the Company's internal financial and business control activities.

### **Audit and Risk Committee**

The Board has an Audit and Risk Committee consisting of the two Non-Executive Directors. The chair of the Committee is not the Chairman of the Board and is comprised of the following:

- Mr M Boyte (Chairman); and
- Mr D Carter.

The Company recognises that the Audit and Risk Committee only has two members and that the Chairman is not considered to be independent. This was a result of a reduction in costs in 2020, due to the Company no longer generating revenues from production and focusing its strategy towards the development of the Kanmantoo Underground. The Company expects to rectify this as soon as it practically can.

Details of these Directors' attendance at Audit and Risk Committee meetings are set out in the Annual Report.

The Committee has a formal charter which can be found on the Company's website at [www.hillgroveresources.com.au](http://www.hillgroveresources.com.au).

### **Management and review of risks**

The risks involved in a diversified resources, exploration and development company, and the specific uncertainties for the Company, are regularly monitored and reviewed.

The Company undertakes corporate risk reviews in order to ensure that risks are evaluated in terms of likelihood and consequence. The specific risks are then assessed in terms of the risk category and assigned risk treatments to manage, mitigate or eliminate the risk.

The risk framework and matrix is reported to and reviewed at least annually by the Audit and Risk Committee and the Board to ensure an appropriate framework is in place and that risk levels and necessary actions are managed in line with the Company's risk tolerance set by the Board.

The Company has in place a Risk Management Policy which also forms part of the internal controls and corporate governance arrangement of the Company. The objective of the Risk Management Policy is to support the objectives of the Company by:

- Identifying risks and formulating actions for management, mitigation or elimination of these risks;
- Promoting a more risk aware culture throughout the company; and
- Protection of the company's assets and image.

A review of the risk management framework was completed during the current period.

### **Internal control framework**

The Company does not have an internal audit function, but does adopt internal processes and procedures for the effective management of risk:

- Monthly management reporting including operations, finances, safety incidents and performance;
- Delegation of authority setting out authority levels for all employees and officers;

- Capital expenditure request process that requires a business case and justification prior to any capital spend;
- Yearly strategic planning and business plan/budget process with all budgets and plans reviewed and approved by the board;
- Safety management; and
- Environmental management.

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

### **Remuneration Committee**

The Remuneration Committee advises the Board on remuneration and incentive policies, and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, senior executives and Non-Executive Directors. The Chairman of the Committee is an independent Non-Executive Director. Committee members receive briefings, as required, from an external independent remuneration expert on recent developments on remuneration and related matters.

The Remuneration Committee has a formal charter that sets out its roles and responsibilities, composition and structure and a Remuneration and Benefits Policy that clearly sets out the structure of and distinguishes between remuneration for Non-Executive Directors, Executive Directors and other key executives. This charter and policy can be found on the Company's website at [www.hillgroveresources.com.au](http://www.hillgroveresources.com.au).

The Remuneration Committee consists of the two Non-Executive Directors:

- Mr D Carter (Chairman); and
- Mr M Boyte.

The Company recognises that the Remuneration Committee only has two members. This was a result of a reduction in costs in 2020, due to the Company no longer generating revenues from production and focusing its strategy towards the development of the Kanmantoo Underground. The Company expects to rectify this as soon as it practically can.

Details of these Directors attendance at Remuneration Committee meetings are set out in the Annual Report.

For further details in relation to Director and executive remuneration please refer to the Remuneration Report in the Annual Report.