

# Alicanto Minerals Limited

## Corporate Governance Statement

Current as at 28 September 2016

Responsibility for Alicanto Minerals Limited ("AQL") corporate governance rests with the board of directors of AQL ("the Board"). This statement describes AQL's position in relation to each of the recommendations set by the ASX Corporate Governance Council ("Recommendations"). The Recommendations are set out in the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition)*.

AQL is substantially compliant with the Recommendations and the key elements of AQL corporate governance framework as at the review date are set out below.

### Principle 1: Lay solid foundations for management and oversight

#### 1.1 The role of the Board and Management

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

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following;

- appointment of the Chief Executive Officer / Managing Director and other senior executives and the determination of their terms and conditions including remuneration and termination;
- driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- approving the annual, half yearly and quarterly accounts;
- approving significant changes to the organisational structure;
- approving the issue of any shares, options, equity instruments or other securities in the Company (subject to compliance with the ASX Listing Rules if applicable);
- ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them (in accordance with the ASX Listing Rules if applicable); and
- meeting with the external auditor, at their request, without management being present.

To assist the Board carry out its functions, the Company has adopted a Board Charter. A copy is available for inspection on the Company's website.

### **1.1 The role of the Board and Management (continued)**

The Board Charter also sets out the key roles and responsibilities of senior management. Specifically, the Board Charter delegates the day to day management of AQL to the Managing Director. The Managing Director may delegate these responsibilities which include;

- developing business plans, budgets and company strategies for consideration by the Board and to the extent approved by the Board, implementing those strategies;
- operating the business of the Company within the parameters determined by the Board and keeping the Board promptly informed of all developments material to the Company and its business;
- where proposed transactions, commitments or arrangements to be undertaken by management exceed limits authorised by the Board, referring the matter to the Board for consideration and approval;
- identifying and managing operational risks and formulating strategies for managing those risks for consideration by the Board;
- managing the Company's financial and other reporting mechanisms and control and monitoring systems to ensure that they capture all relevant material information on a timely basis and are functioning effectively;
- ensuring that the Board is provided with sufficient information on a timely basis in relation to the Company's business and in particular, in relation to the Company's performance, financial condition, operating results, risks and prospects to enable the Board to discharge its duties; and
- implementing the policies, processes and codes of conduct approved by the Board.

### **1.2 Appointment and re-election of Board members**

The Constitution sets out the process of appointment, retirement and re-election of directors.

Before a person is appointed director or put forward to shareholders as a candidate for election as a director, AQL ensures that appropriate checks are undertaken including checks as to the person's character, experience, education and criminal record.

The Board will provide shareholders with all material information in the possession of AQL relevant to a decision on whether or not to elect or re-elect a person as a director.

### **1.3 Written agreements**

All AQL's directors and senior executives have entered into written appointment agreements with AQL.

### **1.4 Company Secretary**

In accordance with the Board Charter, the decision to appoint or remove the Company Secretary is to be made or approved by the Board. The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

### **1.5 Diversity**

In May 2012, AQL adopted a Diversity Policy that includes, but is not limited to, factors such as gender, age, ethnicity and cultural background. A copy of the Diversity Policy is available for inspection on the Company's website.

The Diversity Policy states that the setting of any measurable objectives is the responsibility of the Board. The Board will review measurable objectives, if any, and the progress against the objectives annually.

At the end of the current reporting period, no measurable objectives have been set by the Company given the size and nature of the Company's operations.

As at 30 June 2016, the proportion of women on the Board and in senior management positions was nil (2015: nil). The proportion of women in our overall workforce was 9.5% (2015: 19%).

## 1.6 Board Evaluation

It is the policy of the Board to conduct annual evaluations of its effectiveness and that of individual Directors. Each Directors performance is appraised personally by the Chairman and in a meeting led by another Director, the Chairman's performance is assessed. The objective of this evaluation is to provide best practice corporate governance to the Company given the composition of the Board.

The Directors confirm that the annual evaluation has taken place during the current year and was overseen by the Chairman. The evaluation process of the Chairman was led by the other Non-Executive Director.

## 1.7 Performance evaluation of senior executives

It is the Company's policy is to conduct annual evaluations of the performance of senior executives. The annual evaluation is conducted by the full Board. The Directors confirm that an evaluation has been undertaken by the Board during the current period.

## Principle 2: Structure the board to add value

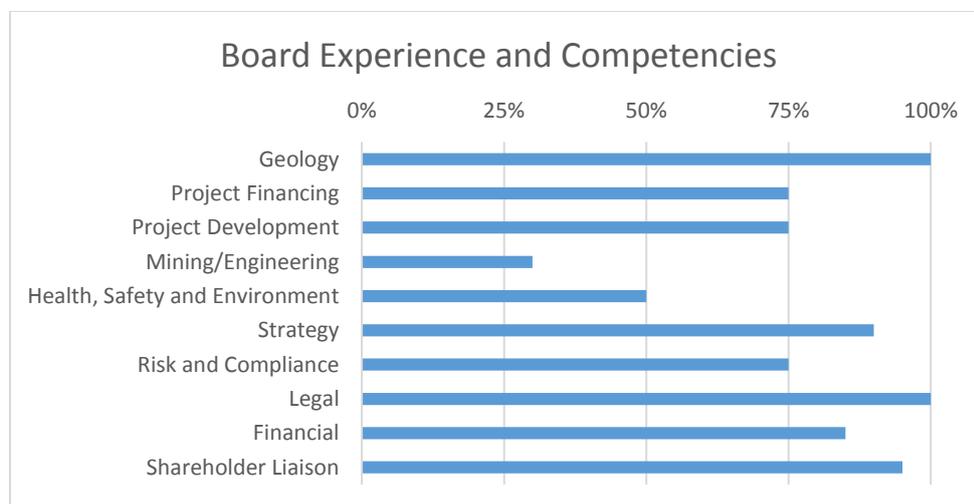
### 2.1 Nomination committee

The Company has not established a Nomination Committee as the Board only consists of three (3) members. It is considered that the establishment of a Nomination Committee would not be a more efficient mechanism than the full Board performing the role and responsibilities of the Nomination Committee.

The Company has adopted a Nomination Committee Charter which is available for inspection on the Company's website. The Nomination Committee Charter includes details of the structure and the responsibilities of the Committee. It also states that the Nomination Committee must meet at least once a year. The Board confirm that they have met during the reporting period to undertake the responsibilities of the Nomination Committee.

### 2.2 Board and skills matrix

The Company has a Board skills matrix which is as follows;



To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current nature, size and scale of operations. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills. The names of the Directors and their qualifications and experience are stated in the Directors' Report contained within the June 2016 Annual Report. A copy of the Annual Report is available for inspection on the Company's website.

### **2.3 Size and composition of the Board**

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr D Murcia and Mr H Halliday are Non-Executive Directors of the Company. Mr D Murcia is an independent Director as he meets the following criteria for independence adopted by the Company.

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member. Or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or other group member other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The materiality thresholds are assessed on a case-by-case basis, taking into account the relevant Director's specific circumstances, rather than referring to a general materiality threshold.

Mr D Murcia is the Non-Executive Chairman of the Company and was appointed to the Board on 30 May 2012. He has held the position of Director for 4.1 years as of 30 June 2016 and he meets the Company's criteria for independence. His experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr H Halliday is a Non-Executive Director of the Company and was appointed to the Board on 17 March 2016. He has held the position of Director for 0.3 years as of 30 June 2016 and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr T Schwertfeger is an Executive Director of the Company and was appointed to the Board on 15 September 2014. He has held the position of Director for 1.8 years as of 30 June 2016 and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

### **2.4 Independent Directors**

The Company does not have a majority of the Board independent. The Board comprises of one independent Director and two non-independent Directors.

### **2.5 Independent Chairman**

The Chair is an independent Director and is not the CEO of the entity.

### **2.6 Induction program**

In accordance with the Board Charter, the Company Secretary is responsible for the induction of new Directors. New Directors are provided with the Company's Charters, Policies and other information that will ensure that they are aware of the Company's operations and management.

The Company supports the continuing development of Directors and will provide adequate opportunities as required.

### **Principle 3: Act ethically and responsibly**

#### **3.1 Business conduct and ethics**

The Company has a Code of Conduct which applies to all Directors, senior executives and employees. A copy of the Code of Conduct is available for inspection on the Company's website.

### **Principle 4: Safeguard integrity in corporate reporting**

#### **4.1 Audit committee**

The Company has not established an Audit Committee as the Board only consists of three (3) members. It is considered that the establishment of an Audit Committee would not be a more efficient mechanism than the full Board performing the role and responsibilities of the Audit Committee.

The Company has adopted an Audit and Risk Committee Charter which is available for inspection on the Company's website. The Audit and Risk Committee Charter includes details of the structure and the responsibilities of the Committee. It also states that the Audit and Risk Committee must meet at least two times a year. The Board confirm that they have met during the reporting period to undertake the responsibilities of the Audit and Risk Committee.

#### **4.2 Financial Report Accountability**

The Board, prior to approving the entity's half-year and annual financial statements, has received from the Managing Director and acting 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. However the declaration was not received in relation to the quarterly cash flow reports (Appendix 5Bs) released during the reporting period.

#### **4.3 External auditor at AGM**

The Company has ensured that the external auditor attended its AGM during the reporting period and will again do so for the 2016 AGM. Adequate time will be given to shareholders to ask questions of the external auditors relevant to the audit.

### **Principle 5: Make timely and balanced disclosure**

#### **5.1 Make timely and balanced disclosure**

The Company has adopted a continuous disclosure policy which is available for inspection on the Company's website.

### **Principle 6: Respect the rights of security holders**

#### **6.1 Information on website**

The Company's website is the primary means to provide information to all investors and stakeholders, in addition to the lodgement of all relevant financial and other information with the ASX.

The website provides all relevant information in respect of the Company's Directors, management and projects. It also has a Corporate Governance section on the website which provides all relevant corporate governance documents.

## **6.2 Investor relations**

The Company has implemented a Shareholder Communication Strategy and a Continuous Disclosure Policy which has been implemented to facilitate effective two-way communication with investors. A copy of both of these documents are available for inspection on the Company's website.

## **6.3 Securityholders meetings**

The Company has adopted the ASX Guidelines for Notices of Meetings. These guidelines are available online at [www.asx.com.au](http://www.asx.com.au).

As set out in the Company's constitution, shareholders may attend meetings in person, appoint a proxy, attorney or representative to vote on their behalf or directly vote on the resolutions(s) proposed at the relevant meeting.

## **6.4 Electronic communications**

The Company's website contains a link to subscribe to receive material announcements electronically. Shareholders are also sent a letter from the Company's share registry which gives them the option of receiving key communications and shareholder materials electronically.

## **Principle 7: Recognise and manage risk**

### **7.1 Oversight of risk**

The Company has not established a Risk Committee as the Board only consists of three (3) members. It is considered that the establishment of a Risk Committee would not be a more efficient mechanism than the full Board performing the role and responsibilities of the Risk Committee.

The Company has adopted an Audit and Risk Committee Charter which is available for inspection on the Company's website. The Audit and Risk Committee Charter includes details of the structure and the responsibilities of the Committee. It also states that the Audit and Risk Committee must meet at least two times a year. The Board confirm that they have met during the reporting period to undertake the responsibilities of the Risk Committee.

A risk management plan has been developed and implemented by Alicanto. The plan provides a framework for systematically understanding and identifying the types of business risks threatening Alicanto as whole and specific business activities within the Company. A risk register has been developed through the implementation and review of the risk management plan which has identified material business risk of the Company. The risk register also provides the controls in place to mitigate the material business risks and managements assessment of residual risk.

The board believes that it has a thorough understanding of the Company's key risks and is managing them appropriately. A copy of the company's risk management statement is available from the corporate governance section of the company's website.

### **7.2 Implementation of risk management systems and risk review**

The board is responsible for reviewing annually its risk management system. This includes reviewing operational, financial, compliance, systems and risk management procedures. The directors confirm they have completed their annual review for 2016.

### **7.3 Internal audit function**

The Audit and Risk Committee Charter states that the Audit and Risk Committee will determine the extent of internal audit activities required and will monitor the effectiveness of those activities. Currently there is no internal audit activity undertaken.

The Company reviews the Risk Management System at least annually to ensure that it remains appropriate. All material risks identified during the annual review are reported on at each Board meeting to ensure that they are being appropriately managed.

### **7.4 Sustainability risks**

The Company manages its exposure to economic risk while it does not consider that it currently has any material exposure to environmental or social sustainability risks however will monitor the exposure and implement appropriate strategies should the company progress towards development.

The Company recognises the importance of identifying and managing risks and ensuring appropriate controls measures are in place. The Company has established a Risk Management System and system for oversight and management of material business risk.

## **Principle 8: Remunerate fairly and responsibly**

### **8.1 Remunerations committee**

The Company has not established a Remuneration Committee as the Board only consists of three (3) members. It is considered that the establishment of a Remuneration Committee would not be a more efficient mechanism than the full Board performing the role and responsibilities of the Remuneration Committee.

The Company has adopted a Remuneration Committee Charter which is available for inspection on the Company's website. The Remuneration Committee Charter includes details of the structure and the responsibilities of the Committee. It also states that the Remuneration Committee must meet at least annually. The Board confirm that they have met during the reporting period to undertake the responsibilities of the Remuneration Committee.

### **8.2 Executive versus non-executive remuneration**

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

The value of shares and options were they to be granted to senior executives would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments

The current remuneration policies and practices are set out in the Company's Remuneration Report contained within the June 2016 Annual Report which is available for inspection on the Company's website.

### **8.3 Equity based remuneration**

The Company has adopted a Security Trading Policy which is available for inspection on the Company's website.