

corporate governance statement

The Board of Directors of the Company is responsible for the corporate governance of Aeon Metals Limited and its subsidiaries (the Group). The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board has approved this Corporate Governance Statement. This Corporate Governance Statement is current as of 3 October 2017.

In accordance with the ASX Corporate Governance Council's (the "Council's") Principles and Recommendations (3rd edition), the Corporate Governance Statement must contain certain specific information and also report on the Group's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Group, together with the reasons why they have not been adopted. The Group's corporate governance principles and policies are therefore structured with reference to the Council's best practice recommendations.

This Section addresses each of the Corporate Governance Principles and, where the Company has not followed a Recommendation, this is identified with the reasons for not following the Recommendation.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 – Functions reserved to the Board and delegated to Senior Executives

The Company has established functions reserved to the Board and functions delegated to the Managing Director (MD). In essence, all policy is reserved to the Board and the MD is charged with implementing policy set by the Board.

In this context, the functions reserved to the Board include:

- (1) oversight of the Company, including its control and accountability systems;
- (2) appointing and removing the MD (or equivalent), including approving remuneration of the MD and the remuneration policy and succession plans for the MD;
- (3) ratifying the appointment and, where appropriate, the removal of the key management personnel including the Secretary;
- (4) final approval of corporate strategy and performance objectives;
- (5) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- (6) monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- (7) approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- (8) approving and monitoring financial and other reporting;
- (9) appointment and composition of committees of the Board;
- (10) on recommendation of the Audit Committee, appointment of external auditors; and
- (11) initiating Board and director evaluation.

The functions delegated to the MD include:

- (1) implementing the Company's vision, values and business plan;
- (2) managing the business to agreed capital and operating expenditure budgets;
- (3) identifying and exploring opportunities to build and sustain the business;
- (4) allocating resources to achieve the desired business outcomes;
- (5) sharing knowledge and experience to enhance success;
- (6) facilitating and monitoring the potential and career development of the Company's people resources;
- (7) identifying and mitigating areas of risk within the business;
- (8) managing effectively the internal and external stakeholder relationships and engagement strategies; and
- (9) sharing information and making decisions across functional areas.

The Group has a Board Charter, which is available on the Group's website.

Recommendation 1.2 – Information in Relation to Board Candidates

The Board ensures that appropriate checks are undertaken before a person is appointed as a Director, or before a person is put forward to shareholders as a candidate for election as a Director. If the Board concludes that it would be appropriate to consider the appointment of an additional Director, an extensive process is undertaken to identify suitable candidates. That process will involve identifying the skills and experience required of the candidate, compiling lists of potential candidates, identifying a short list of candidates to be interviewed, conducting interviews, obtaining and checking information in relation to the character, experience, education, criminal record and bankruptcy history of the short listed candidates, and selecting a recommended candidate.

The Group provides shareholders with all material information relevant to a decision on whether or not to elect or re-elect a Director by providing all material information concerning the proposed Director in the Notice of Meeting at which candidates are proposed for election or re-election.

Recommendation 1.3 – Written Agreements with Directors and Senior Executives

The Group has letters of appointment with each non-executive Director, and service contracts with the MD and the one other senior executive. Further details are set out in the Remuneration Report. The letters of appointment with the non-executive Directors cover topics including:

- (1) the term of appointment;
- (2) the time commitment envisaged, including committee work;
- (3) remuneration;
- (4) disclosure requirements;
- (5) the requirement to comply with key corporate policies; and
- (6) insurance arrangements.

Recommendation 1.4 – Company Secretary

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The role of the Company Secretary includes:

- (1) advising the Board and its committees on governance matters;
- (2) monitoring that Board and committee policy and procedures are followed;
- (3) coordinating the timely completion and despatch of Board and committee papers;
- (4) ensuring accurate minutes are taken of Board and committee meetings; and
- (5) helping to organize and facilitate the induction and professional development of Directors.

Recommendation 1.5 – Diversity Policy

The Company has established a policy concerning diversity. The Company recognises the need to set diversity measures in each of its operating locations taking into account the differing diversity issues within each geographic location in which it operates.

A copy of the diversity policy is available from the Company's website. Given the relatively small size of the Company's current operations and the difficulties in framing measurable objectives for the fostering of diversity, diversity performance is not currently included in any key performance indicators for the Board or management. However, the Company will report annually on the proportion of women employed by (or consultants to) the Company.

At the date of this report the Company has 3 permanent employees (including the Managing Director) of which one is female.

Two of the employees are male, and are defined as senior management. The Group defines "senior executive positions" as positions held by employees who actively participate in the daily supervision,

planning and administrative processes required by the Company to help meet its objectives.

The Board comprises four directors all of whom are male.

The Group is not a “relevant employer” under the Workplace Gender Equality Act, because the Group had less than 80 employees in Australia for more than 6 months of the year ending June 30, 2017.

Recommendation 1.6 - Process for evaluating the performance of the Board

The Board is responsible for evaluating the performance of Board members both individually and collectively. There is no particular process established other than by on going mutual evaluation of performance. During the 2014-15 year no performance evaluation process was undertaken. The Board appointed 2 new Directors during 2016 and it is expected that a performance review will be undertaken in late 2017.

Recommendation 1.7 – Performance evaluation of Senior Executives

The Group has two senior executives, the MD and the Exploration Manager. It is intended that an evaluation of both these executives will be undertaken late in 2017 after the 2017 drilling program is completed at Walford Creek. The Company does not seek external expertise in making these performance evaluations.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1 – Nomination Committee

The Group has not established a Nomination Committee as the Board considers that given the current size of the Board the functions of a Nomination Committee can be discharged by the full Board. The Company’s priority project is the advancement of Walford Creek and the Board’s prism is to anticipate the particular additional skills the Board may require to discharge its responsibilities effectively in that regard. Until the Company grows significantly, it is anticipated that the process of Board succession and renewal will be implemented by an internal Board process which has operated to date.

Recommendation 2.2 – Board Skills

The Board recognizes that it is important that the Board has an appropriate mix of skills, experience, expertise and diversity. The Board considers it important for the following skills and experience to be represented:

- Experience as a Chief Executive;
- International business experience;
- Financing and accounting experience;
- Operational (including exploration) experience in the resources industries;
- Strategy and strategic marketing experience;
- Corporate governance and risk management experience; and
- Project planning and development experience.

Information about the diversity of the Board is set out under Recommendation 1.5 above.

Recommendation 2.3 – Independence of Directors

The Council defines independence as being free from any interest, position, association or relationship that might influence, or could reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Group and its shareholders generally.

The Board has determined that only one of its four directors is independent.

Mr Lonergan has been determined to be independent as his function of Company Secretary is aligned to the Board and not to management.

Mr Harris is considered to be a non independent Director due to a consultancy arrangement with the OCP Asia Group, the Company's largest substantial shareholder. Mr Collins is a non independent Director because of his executive employment as MD. Mr Wong is not considered to be independent because of his relationship with an entity which has a substantial holding in the Company and which has an exploration joint venture with the Company.

Each individual member of the Board is satisfied that whilst the Company may not comply with Recommendation 2.3, all directors bring an independent judgment to bear on Board decisions.

The length of service of each Director who held office as at 30 June 2017 is as follows:

S Lonergan	13 months
H Collins	66 months
I Wong	14 months
P Harris	33 months

Recommendation 2.4 – Majority of Independent Directors

As noted above in relation to Recommendation 2.3 the Board does not have a majority of independent Directors.

Recommendation 2.5 – The chair should be an Independent Director and not the same person as the CEO

The Company's Chairman, Mr Harris is considered a non independent Director. Mr Harris is not the CEO of the Company.

Recommendation 2.6 – Director Induction and Professional Development

The Group does not have a program for inducting new Directors. Induction arrangements are ad hoc and primarily address the new Directors' concerns including the Chair's role, key contacts, remuneration, indemnities, insurance, access to information and disclosure.

The Board expects Directors to identify and suggest appropriate professional development opportunities to develop and maintain the skills required to perform their roles effectively and necessary and reasonable costs are borne by the Company.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

Recommendation 3.1 – Code of Conduct

The Company has established a code of conduct for its Directors, senior executives and employees concerning:

- (1) the practices necessary to maintain confidence in the Company's integrity;
- (2) the practices necessary to take into account the Company's legal obligations and the expectations of stakeholders; and
- (3) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Code of Conduct is available on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1 – Audit Committee

The Company has established an Audit Committee.

The Company's Audit Committee does not comply with all of the requirements of Recommendation 4.1. The Audit Committee consists of three members, one of whom is an-independent Director. The members of the Audit Committee are currently Messrs. Lonergan (Chairman), Harris and Wong. All Directors are invited to attend Audit Committee meetings.

Two meetings of the Committee were held during the financial year ended 30 June 2017. Further details, including the attendances of the members, are provided in the Directors' Meetings section of the Directors' Report.

The Company has adopted an Audit Committee Charter which sets out its role, responsibilities and membership requirements and reflects the matters set out in the commentary and guidance for Recommendation 4.1.

The Audit Committee Charter is available on the Company's website.

Recommendation 4.2 – Statement from the Chief Executive Officer and the Chief Financial Officer

Before the Board approves the Group's financial statements for a financial period, the Board receives a declaration from the MD in accordance with section 295A of the *Corporations Act 2001* that, in his opinion, the financial records of the Group 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 Group, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3 – Auditor Attendance at AGM

The Group holds an Annual General Meeting of shareholders (AGM) in October or November of each year. The Group ensures that its external auditor attends the AGM and is available to answer questions from shareholders relevant to the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1 – ASX Listing Rule Disclosure Requirements

The Company has established a Continuous Disclosure Policy which sets out the key obligations of directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The policy also provides procedures for internal notification and external disclosures, as well as procedures for promoting understanding of compliance with disclosure requirements.

The Company's Continuous Disclosure Policy is available on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1 – Information on the Group's Website

The Group provides information about itself and its governance to its shareholders via the Company's website. Information about governance is available under the Corporate Governance tab of the website.

Recommendation 6.2 – Investor Relations Program

The Group has an investor relations program to facilitate effective two-way communication with shareholders. The Group's investor relations program includes the following:

- (1) an email link on the Group's website for shareholders to ask questions;
- (2) actively engaging with shareholders at the AGM;
- (3) periodic meetings with institutional investors, analysts and financial media representatives; and
- (4) engagement of professional investor relations consultants to disseminate information.

Recommendation 6.3 – Encouraging Shareholder Participation at AGMs

The Group's processes to encourage shareholder participation at AGMs include providing an email link on the Group's website for shareholders to contact the Company and the provision of convenient, electronic voting for shareholder meetings.

In addition, the Group has adopted a Communications with Shareholders Policy for:

- (1) promoting effective communication with shareholders; and
- (2) encouraging shareholder participation at AGMs.

A copy of the Group's Communications with Shareholders Policy is available on the Group's website.

Recommendation 6.4 – Electronic Communications

The Group gives shareholders the option to receive communications from, and to send communications to, the Group and its share registry electronically. The Group periodically sends communications to those shareholders who have provided an email address. In addition, there is an email link on the Group's website, for shareholders to communicate with the Group electronically.

The Group's share registry, Boardroom Pty Ltd, has similar arrangements that are accessible via its website www.boardroomlimited.com.au.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1 – Risk Management Committee

The Group has not established a Risk Committee but has established policies for the oversight and management of its material business risks as follows:

- (1) the Audit Committee oversees financial risks pursuant to the Audit Committee charter. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators;
- (2) management will oversee the Company's other material business risks at the relevant stage of the Group's development.

Recommendation 7.2 – Risk Management Framework

The Board reviews the group's risk management framework at least annually to satisfy itself that it continues to be sound and operates within the risk parameters set by the Board.

The Board requires management to implement risk management and internal control systems to manage the Company's business risks. The Board requires management to report to it on whether those risks are being managed effectively.

Recommendation 7.3 – Internal Audit

The Group does not have an internal audit function. The processes that the Group employs for evaluating and continually improving the effectiveness of its risk management and internal control processes include the following:

- (1) The Group’s risk management framework addresses the roles and accountabilities of the Board, the Audit Committee and management;
- (2) The Board and Audit Committee oversee the Group’s material business risks;
- (3) The MD is accountable for operational risk management, safety, health, environment and community matters;
- (4) The Audit Committee oversees financial risks pursuant to its Charter. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

Recommendation 7.4 - Economic, Environmental and Social Sustainability Risks

The categories of risk to which the Group has exposure include economic, environmental and social sustainability risks.

At this stage of the Group’s development these risks are largely environmental and social. The Group manages these risks as follows:

- (1) The Group takes expert external advice on environmental issues which may impact on the development of its projects;
- (2) The Group fosters a mutually advantageous relationship with affected landholders and aboriginal interests;
- (3) The Group manages environmental risks by adopting environmental management programs for each of its sites; and
- (4) The Group recognises that a strong mutual relationship with each community in which it operates is necessary for successful operations. In addition, the Group recognises the importance of maintaining its reputation with all of its stakeholders including shareholders, regulatory authorities, communities, customers and suppliers. The Group strives to build relationships with each of the communities in which it operates.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1 – Remuneration Committee

The Company has not established a Remuneration Committee as the Board considers, given the current simplicity of the Group, that the function can be best discharged by the Board. The processes employed in setting remuneration is by reference to comparable companies in the market, particularly as informed by published remuneration surveys, always as tempered by the financial resources available to the Company.

Recommendation 8.2 – Remuneration of Executive Directors, Executives and Non-Executive Directors

The Company complies with Recommendation 8.2 by clearly distinguishing the structure of non-executive directors’ remuneration from that of executive directors and senior executives. Non-executive directors’ fees are fixed, currently being \$180,000 pa for the non-executive Chairman and \$50,000 pa for the two non executive Directors. Aggregate Directors fees for all non-executive directors is not to exceed \$375,000 per annum.

Neither the non-executive directors nor the executives of the Company receive any retirement benefits, other than applicable statutory superannuation contributions.

Details of the remuneration of the MD (being the only executive Director) during the financial year are set out in the Remuneration Report section of the Directors' Report. The fixed remuneration paid to the MD is clearly distinguished from the fees paid to Non-Executive Directors.

Recommendation 8.3 – Use of Derivatives and Similar Transactions

The Group's equity based remuneration arrangements are based on limited recourse, term loans to fund share placements at market prices on the date of allotment. Because these arrangements are essentially downside liability free for participants, the Group has no policy precluding participants entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under this equity-based remuneration scheme. Dealing in shares under the scheme is otherwise regulated by the Group's share trading policy available on the Company's website.