



## **CORPORATE GOVERNANCE STATEMENT**

The Board of Directors (the 'Board') of Santa Fe Minerals (the 'Company') is responsible for establishing the Company's corporate governance framework, the key features of which are set out in this Corporate Governance Statement.

The Company's corporate governance practices are consistent with the 3rd edition of the ASX Corporate Governance Council Principles and Recommendations (ASX Principles) and this Corporate Governance Statement discloses the extent to which the Company has followed them.

At this stage of the Company's development, implementation of the ASX Principles is not practical in every case given the size and scale of the Company operations. In compliance with the 'if not, why not' reporting system, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted.

The information in this statement is current at 16 September 2019, as approved by a resolution of the Board.

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

#### **Recommendation 1.1**

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management and has documented this in its Board Charter. A copy of the Board Charter is available in the Corporate Governance section of the Company's website.

#### **Recommendation 1.2**

In determining candidates for the Board, consideration is given to the mix of skills, experience, and diversity of the existing Board in addition to the balance of independent Directors.

Before appointing a new Director, the Company will undertake appropriate checks such as a character reference, police clearance certificate, bankruptcy check and any other check it deems appropriate.

Directors are re-elected in accordance with the Company's Constitution and the ASX Listing Rules. Shareholders will be provided with all material information for a Director's election in the Notice of Meeting that would be relevant for shareholders to make a decision on whether or not to elect or re-elect a Director, such as the Director's qualifications, experience and contribution to the Board.

#### **Recommendation 1.3**

Newly appointed Non-Executive Directors receive formal letters of appointment setting out the key terms, conditions, responsibilities and expectations of their appointment. Additionally, the Company enters into employment contracts with each newly employed Senior Executives, setting out in further detail the responsibilities specifically delegated to them.

#### **Recommendation 1.4**

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board as outlined in the Company's Board Charter.

#### **Recommendation 1.5**

The Company is committed to a diverse and inclusive workforce across a wide range of workforce demographics that extends beyond gender. The Board considers that due to the size of the Company, formally documenting the policy concerning gender diversity and the setting of measurable diversity objectives is not appropriate.

The Company provides equal employment opportunities to men and women at all times. Measurable objectives will be considered by the Board when the Company becomes of a size that warrants such objectives. Once established, the Board will review progress against any objectives identified on an annual basis.

The Company currently has a total of 5 employees and Directors, of whom 1 are female. No women currently occupy senior executive or Board positions.

#### **Recommendation 1.6**

The Chairman has the overall responsibility for evaluating the performance of the Board and individual Directors. The process employed by the Chairman for evaluating the performance may involve meeting with each Director privately, ongoing observation and discussion by the Board and the circulation of questionnaires.

Measures against which the performance of the Board and individual Directors will be evaluated include:

- the skills, performance and contribution of individual members of the Board;
- the performance and effectiveness of the Board as a whole;
- awareness of Directors of their responsibilities and duties as Directors of the Company; and
- opportunities for continuing improvement of Board functions.

The Company undertakes a performance evaluation of the Board at least annually. The Company utilised a combination of both individual feedback and performance questionnaires during the 2019 financial year.

#### **Recommendation 1.7**

The Chair is responsible for evaluation of the Board and, when appropriate, Board committees and individual directors. The Board, via the Chair, is responsible for evaluating the Managing Director.

A formal performance evaluation of senior executives was not undertaken in the 2019 financial year. The Board currently comprises 3 Directors and there are no other senior executives.

### **Principle 2: Structure the board to add value**

#### **Recommendation: 2.1**

The Board has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee.

As noted above, the full Board carries out the role of the Nomination Committee. The Board did not officially convene as a Nomination and Remuneration Committee during the 2019 financial year, however nomination and remuneration related discussions occurred from time to time during the year as required.

The Company's objective is to have an appropriate mix of expertise and experience on the Board, and where appropriate its committees, so that the Board can effectively discharge its corporate governance and oversight responsibilities.

**Recommendation: 2.2**

The Company is committed to ensuring that the composition of the Board includes directors who bring an appropriate mix of skills, experience and expertise to Board decision making. The following table summarises the key skills and experience that the Board believes are appropriate for the Company.

<b>Skills and experience</b>	<b>Number of Directors</b>
Successful experience in CEO/Managing Director and/or other Board level roles	2
Relevant industry (resources, mining, exploration) experience	3
Experience and capability in corporate finance, business analysis and financial forecasting	2
Development and implementation of corporate strategy	2

The Board currently comprises of 3 Directors. Details of the directors, including their skills, experience and year of appointment, are detailed on the Company's website and contained in the Remuneration Report which forms part of the Directors' Report.

**Recommendation: 2.3**

During the reporting period, the independence of Directors was measured having regard to the guidance in Box 2.3 of the ASX Principles. Mr Terry Brown is considered independent. Mr Mark Jones and Mr Doug Rose are not independent as they are substantial security holders of the Company and/or act in an executive capacity with the Company.

**Recommendation: 2.4**

The Board does not have a majority of directors who are independent, primarily due to their substantial shareholdings in the Company and/or their executive capacity with the Company.

All Directors bring to the Board the requisite skills which are complementary to those of the other Directors and enable them to adequately discharge their responsibilities and bring independent judgments to bear on their decisions.

The following measures are in place to ensure the decision making process of the Board is subject to independent judgments:

- a standard item on each Board Meeting agenda requires directors to focus on and declare any conflicts of interest in addition to those already declared;
- directors are permitted to seek the advice of independent experts at the Company's expense, subject to the approval of the Chairman;
- all directors must act at all times in the interest of the Company; and
- directors meet as required independently of executive management.

**Recommendation 2.5**

The Chairman of the Board, Mr Mark Jones, is a Non-Executive Director, and is not the same person as the Managing Director of the Company.

**Recommendation: 2.6**

New Directors undergo an induction program in which they are given a full briefing on the Company, its operations and the industry in which it operates.

The Board regularly reviews whether the Directors as a group have the skills, knowledge and familiarity with the Company and its operating environment required to fulfil their role on the Board effectively. Where any gaps are identified, the Board considers what training or development should be undertaken to fill those gaps. In particular, the Board ensures that any director who does not have specialist accounting skills or knowledge has a sufficient understanding of accounting matters to fulfil his or her responsibilities in relation to the Company's financial statements.

### **Principle 3: Promote ethical and responsible decision making**

#### **Recommendation: 3.1**

A Code of Conduct Policy is in place to promote ethical and responsible practices and standards of behaviour expected of the Board, Directors, employees and consultants of the Company when dealing with each other, shareholders, other stakeholders and the broader community. This Policy reflects the Directors' and key officers' intention to ensure that their duties and responsibilities to the Company are performed with the utmost integrity.

The Company has a Securities Trading Policy to minimise the risk of insider trading in the Company's securities. The policy prohibits all employees, officers and Directors of the Company from trading in the Company's securities if they are in possession of inside information. Employees, Officers and Directors must not trade in the Company's securities during closed periods. Trading is generally permitted at other times provided there is no contravention of the insider trading laws.

A copy of the Code of Conduct and Securities Trading Policy is available in the Corporate Governance section of the Company's website.

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

#### **Recommendation: 4.1**

The Board has not established a separate Audit Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Audit Committee.

Accordingly, the Board performs the role of Audit Committee and performs the following responsibilities:

- reviewing and approving statutory financial reports and all other financial information distributed externally;
- monitoring the effective operation of the risk management and compliance framework;
- reviewing the effectiveness of the Company's internal control environment including compliance with applicable laws and regulations;
- the nomination of the external auditor and the review of the adequacy of the existing external audit arrangements; and
- considering whether non audit services provided by the external auditor are consistent with maintaining the external auditor's independence.

As noted above, the full Board carries out the role of the Audit Committee. The Board did not officially convene as an Audit and Risk Committee during the 2019 financial year, however audit-related discussions occurred from time to time during the year as required. The Company will give consideration at an appropriate time in the Company's development, for the creation of an Audit Committee.

#### **Recommendation 4.2**

Prior to Board approval of the quarterly, half-year and annual financial statements, the Managing Director and the Chief Financial Officer must provide a declaration to the Board in accordance with section 295A of the Corporations Act 2001 (Cth) and the statement under Recommendation 4.2 of the ASX Principles.

The declaration states that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated 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.

#### **Recommendation 4.3**

The Company's external auditor attends each Annual General Meeting (AGM) and is available to answer shareholder questions about the conduct of the audit, the preparation and content of the Independent Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

A representative of the Company's auditor, HLB Mann Judd, attended the Company's annual general meeting held on 29 November 2018.

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

#### **Recommendation 5.1**

The Company has established written policies and procedures for complying with its continuous disclosure obligations under the ASX Listing Rules. A summary of the Company's Continuous Disclosure Policy is disclosed on the Company's website.

### **Principle 6: Respect the rights of shareholders**

#### **Recommendation 6.1**

The Company provides information about itself and its governance to investors via its website at [www.santafeminerals.com.au](http://www.santafeminerals.com.au) as set out in its Shareholder Communications Policy.

#### **Recommendation 6.2**

The Company has designed and implemented an investor relations program to facilitate effective two-way communication with investors. The Managing Director engages in informal meetings and telephone calls with a range of investors on a regular basis. A copy of the Company's Shareholder Communications Policy is available in the Corporate Governance section of the Company's website.

#### **Recommendation 6.3**

To encourage shareholder engagement and participation at the AGM, shareholders have the opportunity to attend the AGM, ask questions on the floor, participate in voting and meet the Board and Management in person.

Shareholders who are unable to attend the AGM are encouraged to vote on the proposed motions by appointing a proxy via the proxy form accompanying the Notice of Meeting. Shareholders have the opportunity to submit written questions to the Company and external auditor prior to the commencement of the meeting.

#### **Recommendation 6.4**

Shareholders are given the option to receive communications from, and send communications to, the Company and its share registry electronically.

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

### **Recommendation 7.1**

The Board has not established a separate Risk Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Risk Committee. Accordingly, the Board performs the role of Audit and Risk Committee.

The Board is responsible for effective oversight and management of risks, including but not limited to identification of principal risks and effective management of those risks. Items that are usually required to be discussed by a Risk Committee are marked as separate agenda items at Board meetings when required.

The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit and Risk Committee by ensuring that the director with conflicting interests is not party to the relevant discussions

As noted above, the full Board carries out the role of the Risk Committee. The Board did not officially convene as an Audit and Risk Committee during the 2019 financial year, however risk related discussions occurred from time to time during the year as required.

### **Recommendation 7.2**

The Board reviews the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board.

### **Recommendation 7.3**

The Company does not have an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's Risk Management Policy.

### **Recommendation 7.4**

The Company has material exposure to a number of economic, environmental and social risks, including expenditure levels relative to exploration success, going concern, commodity price fluctuations, performance of activities, retaining key personnel and internal controls.

The Board is responsible for reviewing and ratifying systems of risk management and internal control and compliance, codes of conduct and legal compliance. It uses a number of mechanisms to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

- receiving regular reports on the Company's exploration and financial activities;
- ensuring the executive management team is responsible for developing policies, processes and procedures to identify, prioritise and manage risks related to the Company's activities; and
- the Managing Director reports to the Board on financial risks and financial risk.

Levels of insurance cover on insurance policies maintained by the Company to mitigate some operational risks are disclosed to the Board for review.

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

### **Recommendation 8.1**

The Board has not established a separate Remuneration Committee. Given the current size and composition of the Company, the Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of Remuneration Committee.

The full Board approves all management remuneration including the allocation of options (if any) and involves itself in the nomination, selection and retirement of Directors. No Director may be involved in setting their own remuneration or terms and conditions and in such a case relevant Directors are required to be absent from the full Board discussion.

The Board seeks to ensure that collectively its membership represents an appropriate balance between Directors with experience and knowledge of the Company and Directors with an external or fresh perspective. It shall review the range of expertise of its members on a regular basis and seeks to ensure that it has operational and technical expertise relevant to the operation of the Company.

Directors are re-elected, nominated and appointed to the Board in accordance with the Board's policy on these matters set out in the Remuneration Committee Charter, the Company's Constitution and ASX Listing Rules.

The Company's remuneration philosophy, objectives and arrangements are detailed in the Remuneration Report which forms part of the Directors' Report.

### **Recommendation 8.2**

The Company's policy is to remunerate Non-Executive Directors at a fixed fee for time, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual performance. The maximum aggregate amount of fees (including superannuation payments) that can be paid to Non-Executive Directors is subject to approval by shareholders. There are no termination or retirement benefits for Non-Executive Directors other than for superannuation entitlements. From time to time the Company may permit Non-Executives to participate in equity-based remuneration plans.

Executive remuneration consists of a base salary and in some instances, performance incentives. Long term performance incentives may include options, performance rights or other equity-based schemes granted at the discretion of the Board subject to obtaining the relevant approvals. Equity-based plans are designed to recognise and reward efforts as well as to provide additional incentive to continue those efforts for the benefit of the Company, and may be subject to the successful completion of performance hurdles. Executives are offered a competitive level of base pay at market rates (for comparable companies), which are reviewed at least annually to ensure market competitiveness.

Details of remuneration, including the Company's policy on remuneration, are contained in the Remuneration Report which forms part of the Directors' Report.

### **Recommendation 8.3**

Under the Company's Security Trading Policy, Restricted Persons are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme.