



## Corporate Governance Statement – 27 October 2017

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### Approach to Corporate Governance

Alkane Resources Ltd ACN 000 689 216 (**Company**) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3<sup>rd</sup> edition (**Principles & Recommendations**). The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, 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 instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at [www.alkane.com.au](http://www.alkane.com.au), under the section marked "Corporate Governance":

#### Charters

- Board
- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Management Committee

#### Policies and Procedures

- Policy and Procedure for the Selection and (Re)Appointment of Directors
- Process for Performance Evaluations
- Policy on Assessing the Independence of Directors
- Diversity Policy (summary)
- Code of Conduct (summary)
- Policy on Continuous Disclosure (summary)
- Compliance Procedures (summary)
- Procedure for the Selection, Appointment and Rotation of External Auditor
- Shareholder Communication and Investor Relations Policy
- Risk Management Policy (summary)
- Policy for Trading in Company Securities
- Induction Program

The Company reports below on whether it has followed each of the recommendations during the 2017 financial year (**Reporting Period**). The information in this statement is current at 27 October 2017. This statement was approved by a resolution of the Board on 27 October 2017.



## 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, those matters expressly reserved to the Board and those delegated to management and has documented this in its *Board Charter*.

### Recommendation 1.2

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The checks which are undertaken, and the information provided to shareholders are set out in the Company's *Policy and Procedure for the Selection and (Re)Appointment of Directors*.

### Recommendation 1.3

The Company has a written agreement with each director and senior executive setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Managing Director, any of its directors, and any other person or entity who is related party of the Managing Director or any of its directors has been disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

### Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board as outlined in the Company's *Board Charter*. The Company's Secretary's role is also outlined in the consultancy agreement between the Company Secretary and the Company.

### Recommendation 1.5

The Company has a Diversity Policy, which includes requirements for the full Board in its capacity as the Nomination Committee to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them.

The Board has also adopted a Diversity Strategy, which details the Company's measurable objectives for achieving gender diversity in accordance with the Diversity Policy. The following table outlines the objectives that have been set by the Board, together with the Board's progress towards achieving them:

Measurable Objective	Progress towards achievement during Reporting Period
<b><i>Structural/procedural</i></b>	
Periodic review of Diversity Policy	Reviewed 21 June 2016.
Periodic review of Diversity Strategy	Reviewed 23 August 2017
Assign responsibility for the Diversity Policy and its administration, monitoring and review	Responsibility for administration and monitoring of the Diversity falls within the Company Secretary's duties with review of the policy being the responsibility of the Board
<b><i>Initiatives and programs</i></b>	
Review Policy and Procedure for Selection and (Re)Appointment of Directors and Board performance evaluation process	Reviewed 21 June 2017.
Succession planning to incorporate diversity issues	Succession planning remains an ongoing process on an informal basis. Equal opportunity is a higher priority, but special attention in regard to seeking female candidates for the Board.
Consider the inclusion of diversity issues in KPIs	Incorporation of diversity issues in the development of KPIs has not yet occurred. This remains a future dated consideration.
Develop HR policies and processes incorporating diversity issues	The development of policies and processes specifically incorporating diversity issues has not yet been achieved. Existing Company policies encourage gender equality and incorporate prohibitions on discrimination and harassment in the workplace and in recruitment practices.



Review workplace and cultural practices	Education and participation in cultural events is ongoing.
Ensure recruitment practices are compliant with Diversity Policy and Strategy	This remains an ongoing process.
Contribute to enhanced local workforce	On-the-job training is provided for positions at the Tomingley Gold Operations with plans for a similar approach when the Dubbo Project proceeds with proposals for participation in local vocational education programs in hand.
Provide opportunities for career development	The Company has continued to provide a number of employees with professional development opportunities including attendance at courses, payment of tuition fees, time off work for study purposes and assistance with research materials.
Consider provision of budget for formal career development program	The Company does not have an overarching budget or formal career development program, individual departmental budgets make provision for career development.
<b>Specific diversity targets</b>	
Increase the representation of women at Board level: ideally of the next two Board appointments at least one should be female with appropriate skills and attributes	There were no Board appointments during the Reporting Period, but candidates for new appointments were shortlisted for Board rejuvenation to occur post balance date. At least one female was on that shortlist.
Increase the representation of women at management level: ideally of the next two management appointments at least one should be a female with appropriate skills and attributes	There were no new manager role appointments during the Reporting Period.
Increase the representation of women at professional/technical level: ideally of the next two professional/technical appointments at least one should be a female with appropriate skills and attributes	Appointments are made in accordance with the growth and development of the Company. During the Reporting Period female participation at professional/technical level decreased.
In general, aim for and encourage the recruitment of at least 20% of new personnel to be female	Overall for FY2017 appointments to non-manager roles totalled 108 with 19 being females

The respective proportions of men and women on the Board, in senior executive positions and across the whole organisation are set out in the following table. "Senior executive" for these purposes refers to Key Management Personnel (excluding Board members):

Category	Total	Number of women	% women
Whole organisation (including Board and senior executives)	200	33	17
Board	4	0	0
Senior Executive <sup>1</sup> positions (excluding Board)	3	1	33

<sup>1</sup> includes consultant Company Secretary

The Company's 2016-2017 report to the Workplace Gender Equality Agency can be viewed in the Corporate Governance section of the Company's website.

#### **Recommendation 1.6**

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors.

During the Reporting Period an evaluation of the Board and its committees took place in accordance with the process disclosed in the Company's *Process for Performance Evaluations*. In carrying out his evaluation the Chairman noted that objectively quantifiable KPIs do not apply in the case of non-executive directors and consequently he did not extend the 2017 annual Board evaluation to the performance of individual directors.



### **Recommendation 1.7**

The Managing Director is responsible for evaluating the performance of senior executives.

The full Board in its capacity as the Nomination Committee is responsible for evaluating the Managing Director.

During the Reporting Period evaluations of senior executives and the Managing Director took place in accordance with the process disclosed in the Company's *Process for Performance Evaluations*.

## **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. Although the Board has not established a separate Nomination Committee, it has adopted a Nomination Committee Charter, which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Nomination Committee. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company's Nomination Committee Charter. Separate meetings of the full Board in its capacity as the Nomination Committee are held, and minutes of those meetings are taken. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

Details of director attendance at meetings of the full Board, in its capacity as the Nomination Committee, during the Reporting Period, are set out in a table in the Directors' Report on page 32 of the Company's 2017 Annual Report.

### **Recommendation 2.2**

The composition of the Board during the Reporting Period included directors with technical, operational, finance and broking and general business skills and experience. The Board believes that these skills have been adequate for the Company's status in the past, but that augmenting the Board with additional members would enhance diversity and the depth of experience and expertise required as the Dubbo Project is progressed and the Company matures. The Board has been actively seeking additional Board members with complementary qualities and a proposed new director with strong technology and corporate credentials has been nominated for election by shareholders at the Annual General Meeting. Special attention continues to be placed on seeking female candidates with complementary skill sets for new Board positions.

### **Recommendation 2.3**

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles & Recommendations.

The independent directors of the Company during the Reporting Period were John Dunlop, Anthony Lethlean and Ian Gandel (deemed independent by the Board). Subsequent to the Reporting Period John Dunlop retired from the Board.

During the Reporting Period, the Board undertook a review of the independence of each of its non-executive directors and resolved (in the absence of the relevant non-executive director) that notwithstanding their respective length of service of ten years or more, each non-executive director is considered to be independent.

In addition, Mr Gandel is a substantial shareholder (as defined in the Corporations Act 2001 (Cth)) of the Company. The Board considers that Mr Gandel's interest as a substantial shareholder of the Company is consistent with that of other shareholders and that his shareholding does not cause potential for real conflict between his interests and the majority of the other shareholders of the Company nor affect his ability to exercise independent judgment and therefore the Board considers him to be independent.

The length of service of each director is set out in the Directors' Report on pages 27-28 of the Company's 2017 Annual Report.



#### **Recommendation 2.4**

During the Reporting Period the Board had a majority of directors who were independent. Subsequent to the Reporting Period and as at the date of this report this is no longer the case with a process of re-structuring and rejuvenation of the Board underway. Recruitment of additional independent non-executive directors is progressing with the nomination of a proposed new director put to shareholders for election at the Annual General Meeting

#### **Recommendation 2.5**

The independent Chair of the Board during the Reporting Period was John Dunlop. Subsequently Ian Gandel (deemed independent by the Board) assumed the Chair.

The Board has also appointed Mr Lethlean as senior independent director to:

- assume the role of Chair when the Chair is unable to act;
- assist the Board in reviewing the performance of the Chair and the Managing Director;
- participate in communication with shareholders and to provide a separate channel of communication for security holders (especially where those communications concern the Chair);
- coordinate the activities of the independent directors; and
- serve on, and as required chair, any regular or special committees of the Board.

#### **Recommendation 2.6**

The Company has an induction program that it uses when new directors join the Board and when new senior executives are appointed. The goal of the program is to assist new directors to participate fully and actively in Board decision-making at the earliest opportunity and to assist senior executives to participate fully and actively in management decision-making at the earliest opportunity. The Company's *Induction Program* is disclosed on the Company's website.

The full Board in its capacity as the Nomination Committee 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 and the Board committees effectively using a Board skills matrix. Where any gaps are identified, the full Board in its capacity as the Nomination Committee considers what training or development should be undertaken to fill those gaps. In particular, the full Board in its capacity as the Nomination Committee 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. Directors also receive ongoing education on developments in accounting standards.

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

#### **Recommendation 3.1**

The Company has established a Code of Conduct for its directors, senior executives and employees, which is disclosed on the Company's website.

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

#### **Recommendation 4.1**

The Board has established an Audit Committee. The members of the Audit Committee during the Reporting Period were Mr Lethlean (Chair), Mr Dunlop and Mr Gandel, all of whom were independent non-executive directors. The Audit Committee was at all times during the Reporting Period, structured in compliance with Recommendation 4.1. Subsequent to the Reporting Period, with the retirement of Mr Dunlop and re-structuring of the Board, the Audit Committee is no longer compliant pending the augmentation of the Board with additional non-executive directors and re-composition of the committee.

The Company has also established a Procedure for the Selection, Appointment and Rotation of its External Auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.



Details of director attendance at Audit Committee meetings during the Reporting Period are set out in a table in the Directors' Report on page 32 of the Company's 2017 Annual Report.

The Board has adopted an Audit Committee Charter which describes the Audit Committee's role, composition, functions and responsibilities.

#### **Recommendation 4.2**

Before the Board approved the Company financial statements for the half year ended 31 December 2016 and the full-year ended 30 June 2017 and each of the quarters ending 30 September 2016, 31 December 2016, 31 March 2017 and 30 June 2017, it received from the Managing Director and the Chief Financial Officer a declaration 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**

Under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the audit report is considered, and to be represented by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit. Each year, the Company advises the Company's auditor of the date of the Company's annual general meeting. In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chair allows a reasonable opportunity for the members as a whole at the meeting to ask the auditor (or its representative) questions relevant to the conduct of the audit; the preparation and content of the 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. The Chair also allows a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

A representative of the Company's auditor, Pricewaterhouse Coopers, attended the Company's annual general meeting held on 16 November 2016.

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

#### **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 *Policy on Continuous Disclosure* and *Compliance Procedures* are disclosed on the Company's website.

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

#### **Recommendation 6.1**

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

#### **Recommendation 6.2**

The Company has designed and implemented an investor relations program to facilitate effective two-way communication with investors. The program is set out in the Company's *Shareholder Communication and Investor Relations Policy*.

#### **Recommendation 6.3**

The Company has in place a *Shareholder Communication and Investor Relations Policy* which outlines the policies and processes that it has in place to facilitate and encourage participation at meetings of shareholders.

#### **Recommendation 6.4**

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



The Company's contact email address ([info@alkane.com.au](mailto:info@alkane.com.au)) is published on the website. The website also provides a "contact us" facility, a subscription facility for Company updates and a link to the share registry's website from which shareholders can download a range of relevant forms. Shareholders can register with the share registry to access their personal information and shareholding details via the internet.

## Principle 7 – Recognise and manage risk

### Recommendation 7.1

The Board has established a Risk Management Committee which is not structured in compliance with Recommendation 7.1. During the Reporting Period only two of its members were on the Board. In forming the Risk Management Committee, the Board considered a committee comprised of the persons tasked with management of the principal areas of responsibility within the Company, chaired by the independent Chairman of the Board, to be a more valuable tool in assisting the Board in its overall management of risk.

The members of the Risk Management Committee during the Reporting Period were the Chair, the Managing Director, the General Manager NSW, the Chief Geologist, the Commercial Manager, the Operations Manager - Tomingley Gold Operations, the Chief Operating Officer and the Chief Financial Officer.

Subsequent to the Reporting Period and following a number of changes to the management structure and the Board, the committee is currently comprised of the senior independent director, the Managing Director, the General Manager NSW, the Commercial Manager, the Chief Financial Officer, and the Tomingley Gold Operations Site Safety and Training Manager.

The committee extends an open invitation to all other Directors to attend meetings of the Risk Management Committee as observers.

The Board has adopted a Risk Management Committee Charter which describes the Risk Management Committee's role, composition, functions and responsibilities.

During the Reporting Period there were four meetings of the Risk Management Committee. Attendance at those meetings is detailed below:

Committee Member	No of meetings this year/since appointment	No of meetings attended	Committee Member	No of meetings this year/since appointment	No of meetings attended
Chairman	4	4	Chief Operating Officer	4	4
Managing Director	4	4	Chief Financial Officer	4	2
Commercial Manager	4	4	Chief Geologist	4	4
General Manager NSW (Risk Co-Ordinator)	4	3	Operations Manager - TGO	4	4

### Recommendation 7.2

The Risk Management Committee reviews the Company's risk management framework quarterly 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. The Risk Management Committee carried out these reviews during the Reporting Period.

### Recommendation 7.3

The Company does not have an internal audit function. The Audit Committee is tasked with overseeing the evaluation and improvement of the effectiveness of the Company's risk management and internal control processes. The Audit Committee reviews the Company's policies and procedures to assess, monitor and manage financial risks; liaises with management and the external auditors; and monitors the management of material business risks through interaction with management and the Risk Management Committee. Periodically management commissions external consultants to perform diagnostics and reviews of internal controls and IT maturity and cyber security.





#### **Recommendation 7.4**

The Company operates in the mineral resources sector and is subject to a variety of risks that have the potential to have a material impact on the economic, environmental and social sustainability of its business. These risks include, but are not limited to:

- Economic sustainability risks

##### Commodity price and exchange rate fluctuations

Currently the Company's revenues are generated from the sale of gold and therefore it is exposed to fluctuations in the Australian dollar gold price. The Company has a financial risk management program in place using derivative instruments, which include but may not be limited to Australian denominated gold forward contracts. The program is administered by a Treasury Committee chaired by the chairman of the Audit Committee and routine reports on the hedgebook are provided to the Board.

Risk minimisation for future sales of the critical metals and associated products from the Company's Dubbo Project includes negotiation of strategic supply and off-take agreements. The diversity of the proposed product stream from the project also contributes to mitigating revenue risks.

##### Operational and project execution risks

Operational risks such as unanticipated operational and technical difficulties encountered in exploration, development and production activities including adverse weather conditions, mechanical failures, industrial or environmental accidents, industrial disputes, unexpected supply shortages, etc. are managed through a comprehensive framework for management of those risks incorporating planning and reporting processes.

Project execution risks for the Dubbo Project are monitored and managed through a rigorous project execution plan, conservative modelling, a strict strategy for contract management and the engagement of appropriately qualified and experienced consultants.

##### Funding risks

Access to adequate project financing for the Dubbo Project on commercially acceptable terms is a significant area of risk for the Company. Risk management includes the engagement of experienced corporate and financial advisors; rigorous financial modelling, budgeting and planning; maintenance of ongoing lines of communications with potential sources of finance including off-take partners, international export credit agencies and other investors.

- Environmental sustainability risks

As with most resources projects, the Company's activities have the potential to impact on the environment giving rise to substantial costs for environmental rehabilitation, damage, control and losses. Exploration, development and operational activities are subject to State and Federal laws and regulations concerning the environment. The Company strives to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. In achieving its aim of maintaining stable functioning ecosystems in the environs of its activities, the Company uses careful design; creation of biodiversity offsets; progressive rehabilitation; and rigorous monitoring, management and report plans.

- Social sustainability risks

The Company strives to retain its social licence to operate and to minimise reputational and social sustainability risks by maintaining a stakeholder engagement strategy which includes supporting the development of more resilient regional communities, dedicated environmental and community liaison officers, communications forums and information dissemination. Failure to adequately manage community relations may have the potential to interfere with or disrupt the Company's operations.

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

#### **Recommendation 8.1**

The Board has established a Remuneration Committee. The Remuneration Committee was at all times during the Reporting Period structured in compliance with Recommendation 8.1 and Listing Rule 12.8 as it comprised three independent non-executive directors, Messrs Dunlop, Lethlean and Gandel. Subsequent to the Reporting Period, with the retirement of Mr Dunlop and re-structuring of the Board, the Remuneration Committee is no longer





compliant pending the augmentation of the Board with additional non-executive directors and re-composition of the committee.

The Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee.

**Recommendation 8.2**

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report and commences at page 32 of the Company's 2017 Annual Report. This disclosure includes a summary of the Company's policies regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.

**Recommendation 8.3**

The Company's Securities Trading Policy includes a provision prohibiting participants entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under any equity based remuneration plans.