



Mont Royal Resources Limited  
(ACN 625 237 658)

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## Corporate Governance Statement

For the year ended 30 June 2019

Mont Royal Resources Limited (**MRZ** or the **Company**) and the Board of Directors of the Company (**Board**) are committed to achieving and maintaining high standards of performance and corporate governance.

MRZ supports the 3<sup>rd</sup> Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**). The Company is required to report against the 3<sup>rd</sup> Edition of the ASX Recommendations (which were published on 27 March 2014) from the reporting period ending 30 June 2019.

The Company's practices are largely consistent with the ASX Recommendations. The Board considers that the implementation of a small number of ASX Recommendations is not appropriate, for the reasons set out below in relation to the items concerned. The Board uses its best endeavours to ensure that exceptions to the ASX Recommendations do not have a negative impact on the Company and the best interests of shareholders as a whole.

The directors of the Company (**Directors**, being either Non-Executive Directors or Executive Directors) are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

As required by the ASX Listing Rules, MRZ's main corporate governance policies and practices are summarised below, having regard to the ASX Recommendations. Details of the Company's corporate governance plan and related documents, are available at [www.montroyalres.com/corporate-governance/](http://www.montroyalres.com/corporate-governance/).

The Company has also prepared an ASX Appendix 4G - Key to Disclosures (which reports on the Company's compliance with each of the ASX Recommendations). The key has been lodged with this corporate governance statement on ASX and may be viewed and downloaded at [www.montroyalres.com/announcements/](http://www.montroyalres.com/announcements/).

This corporate governance statement is current as at 25 September 2019 and has been approved by the Board.

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

## 1.1 Board of Directors and Senior Management - Roles and Responsibilities

### ASX Recommendation 1.1

A listed entity should disclose:

- (a) the respective roles and responsibilities of its board and management; and
- (b) those matters expressly reserved to the board and those delegated to management.

The Board has adopted a formal charter that details the functions and responsibilities of the Board and management (**Board Charter**).

As provided for in Part A of the Board Charter, the Board is responsible for all matters relating to the running of the Company, and more specifically, all matters relating to the policies, practices, management and operations of the Company. In addition to decisions requiring approval pursuant to the respective Committee Charters, the following decisions must be approved by the Board:

- (a) Directors acquiring or selling shares of the Company;
- (b) issuing shares of the Company;
- (c) acquiring, selling or otherwise disposing of property in excess of the amount set out in the Company's approval matrix;
- (d) founding, acquiring or selling subsidiaries of or any company within the Company, participating in other companies, or dissolving or selling the Company's participation in other companies (including project joint ventures);
- (e) acquiring or selling patent rights, rights in registered trademarks, licences or other intellectual property rights of the Company;
- (f) founding, dissolving or relocating branch offices or other offices, plants and facilities;
- (g) starting new business activities, terminating existing business activities or initiating major changes to the field of the Company's business activities;
- (h) approving and/or altering the annual business plan (including financial planning) for the Company or any part of the Company;
- (i) taking or granting loans which exceed the amount set out in the Company's approval matrix;
- (j) granting securities of any type;
- (k) granting loans to Company officers or employees and taking over guarantees for the Company's officers and employees;

- (l) entering into agreements for recurring, voluntary or additional social benefits, superannuation agreements or agreements for general wage and salary increases;
- (m) determining the total amount of bonuses and gratuities for Company officers and employees;
- (n) determining the appointment, termination, prolongation of employment or amendment to conditions of employment of members of the Board; and
- (o) granting or revoking a power of attorney or limited authority to sign and/or act on behalf of the Company.

The detail of some board functions will be handled through Board Committees as and when the size and scale of operations requires such Committees. However, the Board as a whole is responsible for determining the extent of the powers residing in each Committee and is ultimately responsible for accepting, modifying or rejecting Committee recommendations.

The CEO or Executive Director (as a delegate of the Board) is responsible for the effective leadership and day-to-day operations and administration of the Company.

The responsibilities of the Board as a whole, the Chair, individual Directors and the functions delegated to Senior Management are set out in more detail in Part A of the Company's Board Charter, which is available on the Corporate Governance page of the Company's website [www.montroyalres.com/corporate-governance](http://www.montroyalres.com/corporate-governance).

## 1.2 Board nominations

### ASX Recommendation 1.2

A listed entity should:

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Board will consider nominations for appointment or election of Directors that may arise from time to time, having regard to the skills and experience required by the Company and procedures outlined in the Company's constitution and the *Corporations Act 2001* (Cth).

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election, as a Director. Candidates are assessed through interviews, meetings and background and reference checks (which may be conducted both by external consultants and by Directors) as appropriate.

The Company gives shareholders all material information in its possession relevant to the decision whether or not to elect or re-elect a Director, either in the notice of meeting and explanatory statement for the relevant meeting of shareholders which addresses the election or re-election of the Director, or by including in the notice a clear reference to the location on the Company's website, Annual Report or other document lodged with ASX where the information can be found.

### 1.3 Directors and Senior Executives - Terms of appointment

#### **ASX Recommendation 1.3**

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Under Part A clause 2.4 of the Board Charter, the Company must have a written agreement with each Director and senior executive setting out the terms of their appointment.

Each Non-Executive Director receives a letter formalising their appointment and outlining the material terms of their appointment. The Non-Executive Directors of the Company have not been appointed for a fixed term. Each Non-Executive Director has signed a letter of appointment.

Each Executive Director and each senior executive has signed an executive service agreement or executive consultancy agreement setting out their duties, obligations and remuneration.

The Company Secretary (who is engaged on a part-time basis under a retainer agreement) has entered into a consultancy agreement with the Company setting out his role, responsibilities and remuneration.

### 1.4 Company Secretary

#### **ASX Recommendation 1.4**

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

As set out in Part A clause 5 of the Board Charter, the Company Secretary is accountable to the Board, through the Chair, on all governance matters and reports directly to the Chair as the representative of the Board. The Company Secretary has primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively. The Company Secretary is Shaun Menezes (appointed 6 August 2018), whose qualifications and experience are stated in the Company's latest Annual Report.

## 1.5 Diversity

### ASX Recommendation 1.5

A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- (b) disclose that policy or a summary of it; and
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:
  - (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
  - (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under the Act.

The Board, Senior Management and workforce of the Company currently comprises individuals that are culturally diverse and who possess an appropriate blend of qualifications and skills. The Company recognises the positive advantages of a diverse workplace and is committed to:

- (a) creating a working environment conducive to the appointment of well-qualified employees, Senior Management and Board candidates; and
- (b) identifying ways to promote a corporate culture which embraces diversity.

The small size of, and low turnover within, the Company's workforce are such that it cannot realistically be expected to reflect the degree of diversity within the general population. Given those circumstances, and the current nature and scale of the Company's activities, the Board has determined that it is not practicable to set measurable objectives for achieving gender diversity. The Board monitors the extent to which the level of diversity within the Company is appropriate on an ongoing basis and periodically considers measure to improve it. The Board will further consider the establishment of objectives for achieving gender diversity as the Company develops and its circumstances change.

The Board has delegated the responsibility of monitoring and ensuring workplace diversity to the Executive Director.

The table below sets out the proportion of women in the Company at 30 June 2019.

As at 30 June 2019	No. of women employees	Total No. of employees	% of women employees
Board	Nil	3	Nil
Senior Executive	Nil	1	Nil
Whole organisation	Nil	4	Nil

For the purposes of these statistics, Senior Executive has been defined as any employee reporting directly to the Executive Director.

## 1.6 Board performance review and evaluation

### ASX Recommendation 1.6

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board, regularly monitors its performance and the performance of the Directors and Board committees throughout the year. This may occur through an internal review led by the Chair, or be performed with the assistance of external advisers as considered appropriate. The Chair also speaks to Directors individually regarding their role and performance as a Director.

No performance evaluation review with respect to the Board, its committees or the individual Directors was undertaken during the year as the Company is newly incorporated and has only recently listed on ASX on the 3 May 2019.

## 1.7 Senior executive performance review and evaluation

### ASX Recommendation 1.7

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

All senior executives are subject to an annual performance evaluation. Each year, senior executives (including the CEO or Executive Director) will establish a set of performance targets. These targets are aligned to overall business goals and the Company's requirements of the position. In the case of the CEO or Executive Director, these targets are negotiated between the CEO (or Executive Director) and the Board and approved by the whole Board.

An informal assessment of progress is carried out throughout the year. A full evaluation of an executive's performance against the agreed targets takes place annually. This

will normally occur in conjunction with goal setting for the coming year. As the Company is committed to continuous improvement and the development of its people, the results of the evaluation form the basis of the executive's development plan. Performance pay components of executives' packages are also dependent on the outcome of the evaluation.

No performance evaluation review with respect to the Board, its committees or the individual Directors was undertaken during the year as the Company is newly incorporated and has only recently listed on ASX on the 3 May 2019.

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## 2. Principle 2: Structure the Board to add value

### 2.1 Nomination committee

#### ASX Recommendation 2.1

The board of a listed entity should:

- (a) have a nomination committee which:
  - (1) has at least three members, a majority of whom are independent directors; and
  - (2) is chaired by an independent director,and disclose:
  - (3) the charter of the committee;
  - (4) the members of the committee;
  - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a nomination committee, disclose that fact and the process it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Company recognises that Recommendation 2.1 of the ASX Recommendations suggests the establishment of a Nomination Committee and associated Charter. However, in view of the small size of the Company's Board, the Board in its entirety (with abstentions from relevant Directors where there is a conflict of interest) acts effectively as Nomination Committee and there is no need to further subdivide it. As such, a Nomination Committee is an unnecessary measure for the Company.

The Board as a whole reviews the size, structure and composition of the Board including competencies and diversity, in addition to reviewing Board succession plans and continuing development.

## 2.2 Skills, knowledge and experience

### ASX Recommendation 2.2

A listed entity should disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Board is structured to facilitate the effective discharge of its duties and to add value through its deliberations. It seeks to achieve a Board composition with a balance of diverse attributes relevant to the Company's operations and markets, including skills sets, background, gender, geography and industry experience. In addition to those general skills expected for Board membership, the following skills have also been identified as being necessary: experience in operational management, exploration and geology, mining engineering, project delivery, finance, corporate governance and equity capital markets. The Board is comfortable with the skills matrix represented by the current Board.

A profile of each Director setting out their skills, experience and period of office is set out in the Directors' Report of the latest Annual Report.

## 2.3 Independence and length of service

### ASX Recommendation 2.3

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 (Factors relevant to assessing the independence of a director) but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- (c) the length of service of each director.

As at 30 June 2019, the Board consisted of:

Name	Role	Independent?	Date appointed
Gary Lawler	Non-Executive Chairman	Yes	15 October 2018
Michael O'Keeffe	Non-Executive Director	Yes	9 October 2018
Peter Ruse	Executive Director	No	26 March 2018

Gary Lawyer and Michael O'Keeffe are regarded as independent Non-Executive Directors.

Peter Ruse is not considered independent on the basis that he is an executive of the Company. Despite this, the Board believes that he is able, and does make, quality and



independent judgments in the best interest of the Company on all relevant issues before the Board.

The Board assesses the independence of Directors annually, or more frequently if circumstances require.

A copy of the definition of independence adopted by the Company is annexed to the Company's Corporate Governance Plan at Annexure A, available on the Company's "Corporate Governance" page of the Company's website at [www.montroyalres.com/corporate-governance/](http://www.montroyalres.com/corporate-governance/).

## **2.4 Majority of independent Directors**

### **ASX Recommendation 2.4**

A majority of the board of a listed entity should be independent directors.

As shown in the table at section 2.3 above, a majority of the Board is independent, with two of the three Directors being independent.

## **2.5 Independent Chair**

### **ASX Recommendation 2.5**

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Gary Lawler, who was appointed as Chair in October 2018, is an independent Non-Executive Director. His qualifications and experience are stated in the Company's latest Annual Report. He does not perform the role of CEO of the Company.

A copy of the definition of independence adopted by the Company is annexed to the Company's Corporate Governance Plan at Annexure A, available on the Company's "Corporate Governance" page of the Company's website at [www.montroyalres.com/corporate-governance/](http://www.montroyalres.com/corporate-governance/).

## **2.6 Induction and professional development**

### **ASX Recommendation 2.6**

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

As referred to in Part D of the Board Charter, new directors go through an induction process which includes meeting with key executives, tours of the premises, an induction package and presentations. The Company also expects all Directors and the CEO (or Executive Director) to commit to at least 2 days of professional development each year and allocates an annual budget to encourage Directors to participate in training and development programs.

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

#### 3.1 Code of conduct

**ASX Recommendation 3.1**

A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and
- (b) disclose that code or a summary of it.

The Company seeks to encourage and develop a culture which will maintain and enhance its reputation as a valued corporate citizen of the countries where it operates and an employer which personnel enjoy working for.

The Company has established a Code of Conduct that sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standards of behaviour expected from its Directors and employees. The Code of Conduct sets out policies in relation to various corporate and personal behaviour including safety, discrimination, respecting the law, anti-corruption, interpersonal conduct and conflict of interest.

While the Code of Conduct seeks to prescribe standards of behaviour for all Company personnel to observe, it does not, and understandably cannot, identify every ethical issue that an individual might face. The Code of Conduct's objective is to provide a framework for decisions and actions in relation to ethical conduct in employment, to safeguard the Company's reputation and to make clear the consequences of breaching the Code of Conduct.

A copy of the Company's Code of Conduct is available on the "Corporate Governance" page of the Company's website, [www.montroyalres.com](http://www.montroyalres.com).

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

### 4.1 Audit committee

#### ASX Recommendation 4.1

The board of a listed entity should:

- (a) have an audit committee which:
  - (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
  - (2) is chaired by an independent director, who is not the chair of the board,and disclose:
  - (3) the charter of the committee;
  - (4) the relevant qualifications and experience of the members of the committee; and
  - (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

As a consequence of the size and composition of the Company's Board (comprising two non-executive directors and one executive director) the Board does not have a stand-alone audit committee.

The Board as a whole has responsibilities typically assumed by an audit committee, including but not limited to:

- (a) verifying and safeguarding the integrity of the Company's stakeholder reporting;
- (b) reviewing and approving the audited annual and reviewed half-yearly financial reports;
- (c) reviewing the appointment of the external auditor, their independence and performance, the audit fee, any questions of their resignation or dismissal and assessing the scope and adequacy of the external audit; and
- (d) a risk management function (refer Section 7.1 for further details).

That is, matters typically dealt with by an audit committee are dealt with by the full Board.

## 4.2 CEO and CFO declarations

### ASX Recommendation 4.2

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and 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.

Under the Company's Risk Management Policy, which is available on the "Corporate Governance" page of the Company's website, [www.montroyalres.com](http://www.montroyalres.com), the CEO /Executive Director (being the CEO equivalent) and CFO will provide a written declaration of assurance that in their opinion, the financial records of the Company for any financial period have been properly maintained, comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

In the financial year ended 30 June 2019, Executive Director and CFO declarations were obtained in relation to the issue of all of the Company's financial statements, being the Company's Annual Report for the year ended 30 June 2019.

## 4.3 External auditor

### ASX Recommendation 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

As part of the Company's Shareholder Communications Strategy, which is available on the "Corporate Governance" page of the Company's website, [www.montroyalres.com](http://www.montroyalres.com), the external auditor's lead engagement partner will attend each annual general meeting (in person or by teleconference) to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.

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# 5. Principle 5: Make timely and balanced disclosure

## 5.1 Continuous disclosure to ASX

### ASX Recommendation 5.1

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or a summary of it.

The Company has established a Continuous Disclosure Policy which is designed to guide compliance with ASX Listing Rule disclosure requirements, and to ensure that all Directors, senior executives and employees of the Company understand their

responsibilities under the policy. The Continuous Disclosure Policy is available on the "Corporate Governance" page of the Company's website, [www.montroyalres.com](http://www.montroyalres.com).

The Continuous Disclosure Policy:

- (a) raises awareness of the Company's obligations under the continuous disclosure regime;
- (b) establishes a process to ensure that information about the Company which may be market sensitive and which may require disclosure is brought to the attention of Continuous Disclosure Committee, being the person/s primarily responsible for ensuring the Company complies with its continuous disclosure obligations, in a timely manner and is kept confidential; and
- (c) sets out the obligation of Directors, officers and employees of the Company to ensure that the Company complies with its continuous disclosure obligations.

The Board has designated the Continuous Disclosure Committee (comprising the Company Secretary, Executive Director or CEO, and the Chair of the Board) as the persons primarily responsible for ensuring that the Continuous Disclosure Policy is implemented and that all relevant information is disclosed as required.

In accordance with the Company's Continuous Disclosure Policy, all information provided to ASX for release to the market is also posted to the Company's website, [www.montroyalres.com/announcements/](http://www.montroyalres.com/announcements/).

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to ASX as well as communicating with ASX.

In accordance with the Corporations Act and ASX Listing Rule 3.1, the Company immediately notifies ASX of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities, subject to exceptions permitted by that rule. A reasonable person is taken to expect information to have a material effect on the price or value of the Company's securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

All staff are required to inform their reporting manager of any potentially price-sensitive information concerning the Company as soon as they become aware of it. Reporting managers are in turn required to inform the Executive Director of any potentially price-sensitive information.

In general, the Company will not respond to market speculation or rumours unless required to do so by the law or by the ASX Listing Rules.

The Company may request a trading halt from ASX to prevent trading in its securities if the market appears to be uninformed. The Executive Director and, where the Executive Director is not available, the Company Secretary (in consultation with the Board), are authorised to determine whether to seek a trading halt.

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

### 6.1 Information available on the Company's website

#### ASX Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

The Board aims to ensure that the Company's shareholders are informed of all major developments affecting the Company's state of affairs.

The Company keeps investors informed through its website, [www.montroyalres.com](http://www.montroyalres.com), which contains information on the Company, the Board and the corporate governance policies and procedures of the Company. Through its website, investors will be able to access copies of the Company's annual, half-yearly and quarterly reports (for at least three historical years), announcements to the ASX, notices of meeting, presentations and key media coverage, once these documents are released.

### 6.2 Investor relations

#### ASX Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communications with investors.

The Company has a Shareholder Communication Strategy which is available on the "Corporate Governance" page of the Company's website, [www.montroyalres.com](http://www.montroyalres.com). The Shareholder Communication Strategy encourages shareholder participation and engagement with the Company. This strategy also facilitates communication directly between shareholders and the Company, with any shareholder queries coordinated through the Company Secretary.

### 6.3 Shareholders' meetings

#### ASX Recommendation 6.3

A listed entity should disclose the policies and procedures it has in place to facilitate and encourage participation at meetings of security holders.

The Shareholder Communication Strategy encourages shareholder participation at shareholders' meetings. Shareholders are provided with all notices of meeting prior to meetings. The Company's lead auditor is also made available for questions at the annual general meeting. Shareholders are also always given the opportunity to ask questions of the Directors and management, either during or after shareholders' meetings.

## 6.4 Electronic communications

### ASX Recommendation 6.4

A listed entity should give security holders the option to receive communication from and send communications to, the entity and its security registry electronically.

The Company provides information through its website, enabling security holders to email the Company and to receive Company announcements by email. The share registry also provides (through its website, links to which can be found on the Company's website) the ability to email the share registry and to receive documents by email from the share registry.

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## 7. Principle 7: Recognise and manage risk

### 7.1 Risk committee

#### ASX Recommendation 7.1

The board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:
  - (1) has at least three members, a majority of whom are independent directors; and
  - (2) is chaired by an independent director, and disclose:
    - (3) the charter of the committee;
    - (4) the members of the committee; and
    - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

As a consequence of the size and composition of the Company's Board (comprising two non-executive directors and one executive director) the Board does not have a stand-alone risk committee.

The Board as a whole has responsibilities typically assumed by a risk committee, including but not limited to:

- (a) ensuring that an appropriate risk-management framework is in place and is operating properly; and
- (b) reviewing and monitoring legal and policy compliance systems and issues.

That is, matters typically dealt with by a risk committee are dealt with by the full Board.

## 7.2 Internal control

### ASX Recommendation 7.2

The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

The Company is committed to the identification, monitoring and management of risks associated with its business activities and has established policies in relation to the implementation of practical and effective control systems. The Company has established a Risk Management Policy, which is available on the "Corporate Governance" page of the Company's website, [www.montroyalres.com](http://www.montroyalres.com).

Under the Company's Risk Management Policy, the Board reviews all major strategies and purchases for their impact on the risks facing the Company and makes appropriate recommendations. The Company also undertakes an annual review of operations to update its risk profile, which normally occurs in conjunction with the strategic planning process. A review has not taken place this reporting period.

## 7.3 Internal audit

### ASX Recommendation 7.3

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Company does not have an independent internal audit function. Due to the nature and size of the Company's operations, and the Company's ability to derive substantially all of the benefits of an independent internal audit function in the manner disclosed below, the expense of an independent internal auditor is not considered to be appropriate.

The Board performs all key elements of an internal audit function, including:

- (a) evaluating and seeking and obtaining reasonable assurance that risk management, control and governance systems are functioning as intended and will enable the Company's objectives and goals to be met;
- (b) evaluating information security and associated risk exposures;
- (c) evaluating regulatory compliance programs with consultation from internal and external legal counsel;



- (d) evaluating the Company's preparedness in case of business interruption; and
- (e) providing oversight of the Company's anti-fraud programs.

The Board delegates to the Executive Director the authority to implement any non-strategic amendments to risk management systems required as a result of changed circumstances, or where the potential for improvement has been identified; reporting all such matters to the Board for consideration at its next meeting. The Executive Director may also seek recommendations from appropriate Senior Executives where strategic changes to risk management and internal control processes are required.

## 7.4 Risk management

### **ASX Recommendation 7.4**

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks, and if it does, how it manages or intends to manage those risks.

As discussed above, the Company identifies and manages material exposures to economic, environmental and sustainability risks in a manner consistent with its Risk Management Policy, which is available on the "Corporate Governance" page of the Company's website, [www.montroyalres.com](http://www.montroyalres.com).

The following categories of risks have been identified as being specific risks which have the potential to have an adverse impact on the Company's business: market risks, financial, treasury and finance and exploration and development risk.

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## 8. Principle 8: Remunerate fairly and responsibly

### 8.1 Remuneration committee

#### ASX Recommendation 8.1

The board of a listed entity should:

- (a) have a remuneration committee which:
  - (1) has at least three members, a majority of whom are independent directors;
  - (2) is chaired by an independent director,and disclose:
  - (3) the charter of the committee;
  - (4) the members of the committee; and
  - (5) as at the end of each reporting period, the number of times the committee has met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

As a consequence of the size and composition of the Company's Board (comprising two non-executive directors and one executive director) the Board does not have a standalone Remuneration Committee.

The Board as a whole has responsibilities typically assumed by a remuneration committee, including but not limited to:

- (a) reviewing the remuneration (including short- and long-term incentive schemes and equity-based remuneration, where applicable) and performance of Directors;
- (b) setting policies for Senior Executive remuneration, setting the terms and conditions of employment for Senior Executives, undertaking reviews of Senior Executive performance, including setting goals and reviewing progress in achieving those goals; and
- (c) reviewing the Company's Senior Executive and employee incentive schemes (including equity-based remuneration) (where applicable) and making recommendations to the Chairman on any proposed changes.

That is, matters typically dealt with by a remuneration committee are dealt with by the full Board.

## 8.2 Remuneration policy

### ASX Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Board Charter sets out the policies and practices of the remuneration of Non-Executive Directors, Executive Directors and other senior executives.

Gary Lawler and Michael O'Keeffe are paid a fixed annual fee for their service to the Company as Non-Executive Directors.

Peter Ruse receives a fixed base salary and other fixed benefits under his employment agreement with the Company.

All Directors are potentially eligible to participate in the Company's employee securities incentive plan available from [www.montroyalres.com/corporate-governance](http://www.montroyalres.com/corporate-governance).

Further details of the remuneration of the Directors and other executives are set out in the Remuneration Report (which forms part of the Director's Report contained in the Company's 30 June 2019 Annual Report).

## 8.3 Equity-based remuneration scheme

### ASX Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- (b) disclose that policy or a summary of it.

The Company's Trading Policy prohibits the hedging of unvested performance share rights and vested securities that are subject to disposal restrictions at all times, irrespective of trading windows. This is in line with the requirements of the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* (Cth), and is intended to prevent transactions which could have the effect of distorting the proper functioning of performance hurdles or reducing the intended alignment between management's and shareholders' interests.

For the purposes of this policy, hedging includes the entry into any derivative transaction within the meaning given in section 761D of the Corporations Act (such as options, forward contracts, swaps, futures, warrants, caps and collars) and any other transaction in financial products which operate to limit (in any way) the economic risk associated with holding the relevant securities.

The Trading Policy is available on the "Corporate Governance" page of the Company's website, [www.montroyalres.com/corporate-governance/](http://www.montroyalres.com/corporate-governance/).