

Corporate Governance Statement FY19



Overview of Governance

As a Board, we believe that a strong corporate governance framework and culture translates to a strong company that delivers for its shareholders.

The directors and management of Caprice Resources Limited (**Caprice** or **the Company**) are committed to conducting business in an ethical, fair and transparent manner in accordance with high standards of corporate governance.

Caprice reports against the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Principles**) and unless otherwise stated, complies with the ASX Principles.

1. Board of Directors

1.1 Role and responsibilities

The Board of Directors is responsible for guiding and monitoring Caprice on behalf of shareholders by whom they are elected and to whom they are accountable.

The Board is responsible for, and has the authority to determine all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company.

The monitoring and ultimate control of the business of the Company is vested in the Board. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of the Company's shareholders. The specific responsibilities of the Board include:

- overseeing the Company, including its control and accountability systems;
- appointment, evaluation, rewarding and if necessary the removal of the Managing Director (or equivalent), the Company Secretary and senior management personnel;
- in conjunction with members of the senior management team, to develop corporate objectives, strategies and operations plans and to approve and appropriately monitor plans, new investments, major capital and operating expenditures, use of capital, acquisitions, divestitures and major funding activities;
- establishing appropriate levels of delegation to executive Directors to allow them to manage the business efficiently;
- monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level, to understand at all times the financial and operating conditions of the Company, including the reviewing and approving of annual budgets;

- monitoring the performance of senior management, including the implementation of strategy, and ensuring appropriate resources are available to them;
- identifying areas of significant business risk and to ensure that the Company is appropriately positioned to manage those risks;
- overseeing the management of safety, occupational health and environmental matters;
- satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, and internal control processes are in place and functioning appropriately;
- ensuring that appropriate internal and external audit arrangements are in place and operating effectively;
- having a framework in place to help ensure that the Company acts legally and responsibly on all matters consistent with the code of conduct; and
- reporting accurately to shareholders, on a timely basis.

The Board may not delegate its overall responsibility for the matters listed above, which it has designated as Matters Reserved for Board. However, the responsibility for the day-to-day operation and administration of the Company is delegated by the Board to the Managing Director (or equivalent). The Board ensures that the Managing Director and the management team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess their performance.

Whilst there is a clear division between the responsibilities of the Board and management, the Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including

- Board approval and monitoring of a strategic plan;
- approval of budgets and monitoring actual performance against budget; and
- procedures are in place to incorporate presentations at each Board meeting by financial, operations, exploration and marketing management, as appropriate.

1.2 Board Composition

Caprice is committed to ensuring that the composition of the Board continues to comprise directors who, as a whole, possess the diversity of skills and experience required to fulfil the role and responsibilities of the Board. The Board also has access

to, and ability to engage with, senior executives who may also attend Board and Board Committee meetings by invitation.

The Board currently comprises three directors, two of whom are non-executive.

Non-Executive Directors	Independent	Appointed	Gender
Bryn Hardcastle	Yes	20 March 2018	Male
David Church	Yes	18 October 2018	Male

Executive Director	Independent	Appointed	Gender
Scott Patrizi	No	12 June 2018	Male

Although Mr Hardcastle is a principal of the legal firm that provides advice to the Company, the Board does not consider that this interferes with Mr Hardcastle's independence in his role as Non-Executive Chairman.

Details of the qualifications and experience of the current directors and prior directors are set out in the 2019 Annual Report.

Skills and Experience

In considering the composition of the Board, directors take into account the appropriate characteristics needed by the Board to maximise its effectiveness and the blend of skills, knowledge and experience necessary for the present and future needs of the Company.

The Board believes that having a range of different skills, backgrounds and experience enables a broad range of viewpoints which facilitates effective governance and decision making.

The Board's Remuneration & Nomination Committee has primary responsibility for conducting assessments of the current mix of skills and experience of directors, taking into account the business and strategic needs of the Company, as well as the broader succession planning issues for both the Board and management. Given the current size of the Company, the full Board operates as the Remuneration & Nomination Committee.

A summary of the Board's current skills matrix is as follows with the number of directors with an expert level noted is available on the Company's website.

To the extent that skills are not directly represented on the Board, they are augmented through management and external advisers.

The Board also considers personal attributes required of all directors include integrity and ethics, effective listening and communication skills, to be a contributor and team player, demonstration of commitment and critical and innovative thinking.

1.3 Independence

Directors are expected to bring independent views and judgement to the Board's deliberations. The Board recognises the special responsibility of non-executive directors for monitoring executive management and providing independent views.

Directors of Caprice are considered to be independent if they satisfy the following criteria:

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

The Board has determined that, in respect of the 2019 financial year, Bryn Hardcastle and David Church were independent of executive management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement or compromise their ability to act in the best interests of the Company. The majority of the Board was therefore considered independent for the 2019 financial year.

The Board has adopted guidelines based on the factors set out in the ASX Principles in assessing the independent status of a director. The independence of each director is considered on a case by case basis from the perspectives of both the company and the director. Materiality is assessed by reference to each director's individual circumstances, rather than by applying general materiality thresholds. In summary, the test of whether a relationship could, or could be perceived to, materially interfere with the independent exercise of a director's judgement is based on the nature of the relationship and the circumstances of that director. The Board may determine that a director is independent notwithstanding the existence of an interest, position, association or relationship of the type described in Box 2.3 of the ASX Principles. However, in such a case, the Board will disclose why it is of the opinion that the interest, position, association or relationship does not compromise the independence of the director. The Board considers that Bryn Hardcastle, while a principal of the legal firm that provides advice to the Company, is independent.

All legal advice provided to the Company is done so by an independent partner of the firm.

The Board assesses the independence of its new directors upon appointment and otherwise on an annual basis. Each director is obliged to immediately inform the company of any fact or circumstance which may affect the director's independence.

1.4 Director Appointment and Induction

Directors (other than a Managing Director) appointed by the Board must stand for election at the Annual General Meeting following their appointment and are subject to shareholder re-election at least every three years. The Company undertakes appropriate checks before appointing 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.

New directors are provided with a formal letter of appointment that sets out the key terms and conditions of appointment including, among other things, duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding involvement with Board Committee work. New directors also participate in a formal induction program which includes site visits, one-on-one meetings with relevant members of management and provision of relevant policies, charters and other materials.

All directors are expected to maintain the skills required to discharge their obligation to the Company, including undertaking continuing education and relevant training. The Company periodically reviews existing directors' need to undertake personal development to maintain the skills and knowledge required to perform their roles effectively.

1.5 Company Secretary

The Company Secretary is directly accountable to the Board through the Chairman on all matters regarding the proper functioning of the Board. As the Company does not currently have a formal Chairman, the Company Secretary is accountable to the Non-Executive Directors. The Company Secretary is appointed and removed by the Board.

The Company Secretary is also responsible for ensuring compliance of Board procedures and advising the Board on governance matters.

All directors have access to the Company Secretary for advice and support services as required. In addition to these responsibilities, the Company Secretary is responsible for oversight of the share registry services provided by Automic Registry Services.

1.6 Diversity

The Company is committed to actively managing diversity as a means of enhancing the Company's performance by recognising and utilising the contribution of diverse skills and talent from its directors, officers and employees.

Diversity involves recognising and valuing the unique contribution people can make because of their individual background and different skills, experiences and perspectives, including persons with co-existing domestic responsibilities. Diversity may result from a range of factors including age, gender, ethnicity, cultural background or other personal factors. The Company values the differences between its people and the contribution these differences make to the Company.

It is the responsibility of the Board to foster an environment where:

- Individual differences are respected.
- The ability to contribute and access employment opportunities is based on performance, skill and merit.
- Inappropriate attitudes, behaviours and stereotypes are confronted and eliminated.

The Company encourages diversity in employment, and in the composition of its Board, as a means of ensuring the Company has an appropriate mix of skills and talent to conduct its business and achieve the Company's goals.

Specifically, the Company will provide equal opportunities in respect to employment and employment conditions, including:

- **Hiring:** The Board will ensure appropriate selection criteria based on diverse skills, experience and perspectives is used when hiring new staff, including Board members. Job specifications, advertisements, application forms and contracts will not contain any direct or inferred discrimination. The Board is empowered to engage professional consultants to assist in the hiring process by presenting diverse candidates to the Company for consideration.
- **Training:** All internal and external training opportunities will be based on merit and in light of Company and individual needs. The Board will consider senior management training and executive mentoring programs to develop skills and experience to prepare employees for senior management and Board positions.
- **Career Advancement:** All decisions associated with career advancement, including promotions, transfers, and other assignments, will meet the Company's needs and be determined on skill and merit.

The Company's gender diversity across senior executives, and the Company, is 75% male; 25% female. Senior executives are identified as the Board and the Company Secretary.

The Company's Diversity Policy can be accessed through the Corporate Governance section of the Company's website.

1.7 Evaluating Board and Senior Executive Performance

During the development phase of the Company, the Board continuously assesses the performance of the Board, the appropriate size, composition and terms and conditions of appointment of directors.

The level of remuneration for non-executive directors is considered with regard to practices of other public companies and the aggregate amount of fees approved by shareholders.

The Board has established processes to review its own performance and the performance of individual directors and the committees of the Board, annually, and changes are implemented as required.

The Board has a formal policy with regard to the evaluation of performance which is available through the Corporate Governance section of the Company's website.

A review of the skills and appropriateness of the current directors was undertaken in respect of the reporting period and will be undertaken again as the Company evolves in line with its growth strategy.

The Managing Director (or equivalent) is responsible for assessing the performance of the key executives within the Company. This is to be performed through a formal process involving an annual formal meeting with each senior executive and ongoing informal monitoring throughout each financial year. As the Company only listed on the Company in December 2018, a review was not undertaken during the 2019 financial year. Annual reviews will commence in the 2020 financial year.

2. Board Committees

Caprice has a well-structured governance framework that delegates consideration of specific matters to nominated Board Committees.

Due to the current size of the Board, the full Board acts as each Committee at this stage of the Company's development and therefore Board meetings are considered to be Committee meetings where required. The Company notes this is not in compliance with the ASX Guidelines.

2.1 Audit Committee

The Committee is governed by a charter which is available through the Corporate Governance section of the Company's website. The Company also has in place processes for the removal and appointment of external auditors and rotation of the audit partner.

The Company does not comply with the recommendation that all members of the Committee be non-executive due to the small size of the Board.

2.2. Remuneration & Nomination Committee

The Committee is governed by a charter which is available through the Corporate Governance section of the Company's website.

2.3 Risk Committee

The Committee is governed by a charter which is available through the Corporate Governance section of the Company's website.

3. Business Ethics & Integrity

Caprice's commitment to doing business with integrity and honesty is built on its values, the professionalism of its employees and collective determination to act with integrity, accountability and transparency at all times.

The Board has adopted a Code of Conduct, Securities Trading Policy, Social Media Policy, Whistleblower Policy, Continuous Disclosure Policy and Shareholder Communication Policy (Code and Policies), which detail frameworks for acceptable corporate behaviour. There have been no material breaches of the Code and Policies.

The Code and Policies are subject to periodic review and can be accessed on the Company's website.

3.1 Code of Conduct

The Code of Conduct aims to encourage the appropriate standards of conduct and behaviour of the directors, officers, employees and contractors (collectively called the employees) of the Company.

Employees are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The general principles of the Code are:

- Employees of the Company must act honestly, in good faith and in the best interests of the Company as a whole.
- Employees have a duty to use due care and diligence in fulfilling the functions of their position and exercising the powers attached to their employment.
- Employees must recognise that their primary responsibility is to the Company's shareholders as a whole.

- Employees must protect the assets of the Company to ensure availability for legitimate business purposes and ensure all corporate opportunities are enjoyed by the Company.
- Employees must not take advantage of their position for personal gain, or the gain of their associates.
- Directors have an obligation to be independent in their judgements.
- Confidential information received by employees in the course of the exercise of their duties remains the property of the Company. Confidential information can only be released or used with specific permission from the Company.
- Employees have an obligation, to comply with the spirit as well as the letter, of the law and with the principles of this code.

The following additional comments apply to directors of the Company and aim to ensure directors have a clear understanding of the Company's expectations of their conduct:

- **Fiduciary duties**
All directors have a fiduciary relationship with the shareholders of the Company. A director occupies a unique position of trust with shareholders, which makes it unlawful for directors to improperly use their position to gain advantage for themselves.
- **Duties of directors**
Each director must endeavour to ensure that the Company is properly managed so as to protect and enhance the interests of all shareholders. To this end, directors need to devote sufficient time and effort to understand the Company's operations.

Directors should ensure that shareholders and the ASX are informed of all material matters which require disclosure and avoid or fully disclose conflicts of interest.
- **Conflict of interest**
At all times a director must be able to act in the interests of the Company. Where the interests of associates, the personal interest of a director or a director's family may conflict with those of the Company, then the director must immediately disclose such conflict and either:
 - (i) eliminate the conflict, or
 - (ii) abstain from participation in any discussion or decision-making process in relation to the subject matter of the conflict.

Executive directors must always be alert to the potential for a conflict of interest between their roles as executive managers and their fiduciary duty as directors.

- Insider trading
Information concerning the activities or proposed activities of the Company, which is not public and which could materially affect the Company's share price must not be used for any purpose other than valid Company requirements.

3.2 Securities Trading Policy

The shares of Caprice Resources Limited are listed on the ASX.

The Board has implemented a policy for the Company that outlines:

- when directors, senior management and other employees of the Company may deal in the Company's securities;
- when directors, senior management and other employees of the Company may deal in securities of another publicly traded entity (because they may obtain inside information about another entity's securities while performing their duties for the Company); and
- procedures to reduce the risk of insider trading.

3.3 Whistleblower Policy

A Whistleblower Protection Policy has been adopted by the Board to ensure concerns regarding unacceptable conduct including breaches of the Company's Code of Conduct can be raised on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment. The Company is committed to creating and maintaining a culture of corporate compliance and ethical behaviour in which employees are responsible and accountable and behave with honesty and integrity.

The purpose of this Policy is to promote responsible whistle blowing about issues where the interests of others, including the public, or of the organisation itself are at risk and also to set out the requirements for the management and investigation of any reports of improper conduct.

Employees are encouraged to report any conduct (whether actual or potential) which:

- represents a danger to the public;
- breaches any internal policy or code of the Company;
- constitutes dishonest, fraudulent, illegal or corrupt activity, including bribery;
- constitutes theft, drug distribution, sale or use, violence, assault, intimidation, criminal damage to property;
- constitutes harassment, discrimination, victimisation or bullying;
- is potentially damaging to the Company, its employees or a third party such as unsafe work practices, environmental damage, health risks or abuse of the Company's property or resources;

- may cause the Company financial loss, damage its reputation or be otherwise detrimental to the Company's interests;
- causes, or threatens to cause, detriment to anyone because that person knows, believes or suspects that a Report has been, or might be, made under this Policy; or
- indicates any other misconduct or an improper state of affairs or circumstances in relation to the Company.

3.4 Social Media Policy

Caprice has implemented a Social Media Policy to regulate the use of social media by people associated with Caprice or its subsidiaries. The Policy covers the use of electronic media for engagement within and between the Company and the market by directors, contractors and employees of the Company and the Company's subsidiaries.

To preserve the reputation and integrity of Caprice and its subsidiaries, this Policy will apply to the wide range of technologies commonly referred to as 'social media' which fundamentally are no different to other forms of communication, but do represent a risk as well as an opportunity because they can connect large numbers of people with relative ease. The rationale for the Policy is to manage the risks associated with the use of technology platforms and tools of this nature.

The Policy outlines requirements for compliance with confidentiality, governance, legal, privacy and regulatory parameters when using social media to conduct Company business.

3.5 Continuous Disclosure Policy

The Company's Continuous Disclosure Policy is designed to ensure that procedures are in place so that the ASX (the securities exchange in which the Company's securities are listed) is properly informed of matters which may have a material impact on the price at which the securities are traded.

The Company is committed to:

- complying with the general and continuous disclosure principles contained in the Corporations Act and the ASX Listing Rules;
- preventing the selective or inadvertent disclosure of material price sensitive information;
- ensuring shareholders and the market are provided with full and timely information about the Company's activities;
- ensuring that all market participants have equal opportunity to receive externally available information issued by the Company.

3.6 Shareholder Communication Policy

The Company recognises the value of providing current and relevant information to its shareholders.

The Managing Director (or equivalent) and Company Secretary have the primary responsibility for communicating with shareholders.

Information is communicated to shareholders through:

- continuous disclosure to relevant stock markets of all material information;
- periodic disclosure through the annual report (or concise annual report), half year financial report and quarterly reporting of exploration, production and corporate activities;
- notices of meetings and explanatory material;
- the annual general meeting;
- periodic newsletters or letters from the Chairman or Managing Director; and
- the Company's website at www.capriceresources.com.

The Company encourages shareholders to communicate with both the Company and the share registry electronically.

The Company is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market.

4. Risk Management Practices

Effective assurance and risk management practices help Caprice to achieve its strategic objectives, enable compliance with its legal obligations and protect the best interests of the Company and its shareholders.

4.1 Integrity of Reporting

The Board and management have established controls that are designed to safeguard the Company's interests and the integrity of its reporting. These include accounting, financial reporting, safety, and other internal control policies and procedures which are directed at monitoring whether the Company complies with regulatory requirements and community standards.

In accordance with the Company's system of internal sign offs prior to approval of its financial statement for a relevant period, both the Managing Director and the CFO (or equivalent) provide declarations to the Board that, having made appropriate enquiries, in their opinion:

- the financial records of the Group have been properly maintained;
- the financial statements of the Group comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group; and
- that the opinion has been formed on the basis of a sound system of risk management and internal control that is operating effectively.

These declarations were received by the Managing Director and the CFO (or equivalent) in respect of the Company's half year ended 30 December 2018 and full year ended 30 June 2019.

In addition, comprehensive practices have been adopted to require that:

- capital expenditure, transaction and other commitments above a certain size obtain Managing Director and Board approval (as required under the Company's formal delegation of authority); and
- business transactions are properly authorised and executed.

The Company's full year financial statements are subject to an external audit by an independent, professional auditor who also reviews the company's half-yearly financial statements.

Caprice currently engages RSM Australia Partners as its independent external auditor. In accordance with statutory requirements, the lead partner on the Company's audit is required to rotate at the completion of a five-year term. The lead partner also attends the Company's AGM and is available to answer questions from shareholders relevant to their audit of the Company.

4.2 Risk Identification and Management

The Board has established policies for the oversight and management of material business risks and internal controls.

The Board has adopted the following key elements for the oversight and management of material business risks:

- The Board reviews the Company's risk management policy and framework on an annual basis to seek to ensure that it remains sound. Such a review took place in the 2019 financial year.
- The Board's risk register, containing material financial and non-financial risks, is systematically and formally reviewed by the Board, the Company's management team and each of the key business and functional units within the Company on (at least) an annual basis.
- Each of the key identified risks are then systematically reviewed by the Company's management team during the year to seek to ensure controls remain sound and improvement actions are progressed.
- Formal risk reporting is provided to the Board on an ongoing basis.

The Company is not yet of the size to warrant an internal audit function.

4.3 Corporate Sustainability

The Board and management are committed to ensuring that the Company's operations reflect sustainable business practices. The Board acknowledges that proper management of the Company's financial, environmental and social impacts is fundamental to the success and well-being of the business and its stakeholders.