

## **SPITFIRE MATERIALS LIMITED - CORPORATE GOVERNANCE STATEMENT - JUNE 2016**

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The Board of Directors of Spitfire Materials limited is responsible for the Corporate Governance of the group. The Company continues to embrace the ASX Principles of Good Corporate Governance and Best Practice Recommendations.

On 27 March 2014, the third edition of Corporate Governance Principles and Recommendations was released. The new edition takes effect for an entity's first full financial year commencing on or after 1 July 2014.

Commensurate with the spirit of the Recommendations, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and Board, resources available and past and current activities of the Company. The Corporate Governance information is available on the Company's website at [www.spitfirematerials.com](http://www.spitfirematerials.com) along with the ASX Appendix 4G, a checklist cross-referencing the ASX Principles and Recommendations to disclosures in this statement, the current company annual report and the Company website.

This statement outlines the main Corporate Governance practices that were in place throughout the 2016 financial year.

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

The Board has adopted a charter which sets out the role and function of the board. The Board has considered and identified the functions reserved to the Board and those functions that are delegated to Senior Executives. A copy of this is available on the Company website. In carrying out its responsibilities and exercising its powers, the Board at all times recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of the Shareholders, as well as its employees, customers, and the community.

The Company has in place a written agreement with each Director and any senior executives or consultants setting out the terms of their appointment. The Board recognises the importance of a formal Performance Evaluation but as the Company consists of only three Directors, it believes that a formal Performance Evaluation is not required at this point in time. Informal discussions are undertaken during the course of the year in relation to the performance of board members and any senior executives.

The Board does not believe that any Director has served on the board for a period which could, or be perceived to, materially interfere with his ability to act in the best interests of the Company.

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If it is necessary to appoint a new Director to fill a vacancy on the Board or to complement the existing Board, a potential base of possible candidates is considered and, if required external consultants may be engaged to assist in the selection process. Appropriate checks are undertaken prior to any appointment including (but not limited to) references, qualifications, criminal record and bankruptcy history. An informal induction program is undertaken by the Company Secretary for any new appointments to the Board. The Company Secretary is accountable to the board on all matters to do with the proper functioning of the board.

All material information about a candidate standing for election or re-election is included in the Notice of meeting to security holders.

Directors are encouraged to undertake continuing education relevant to the discharge of their obligations as Directors of the Company. Subject to prior approval of the Board, the reasonable cost of such education is met by the Company. Directors are regularly briefed on any relevant changes to legislation and practices that may affect the Company.

### **Diversity Policy**

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. Spitfire is a forward thinking and dynamic organisation that holds its people in the highest esteem and considers them to be its greatest asset. The Group is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. Accordingly the Group has established a diversity policy, which is available on the Company's website.

The Company recognises that the mining and exploration industry can often be male dominated in many of the operational sectors and the pool of women with appropriate skills may be limited in some instances, however, the board notes and supports the increase of women involved in the mining and junior exploration sector. Where possible, the Company will seek to identify suitable candidates for board positions from a diverse pool that is not limited by gender, age, ethnicity or cultural background.

This diversity policy outlines requirements for the Board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Accordingly, the Board has developed the following objectives regarding gender diversity and aims to achieve and maintain these objectives over the next five years as/if any director and senior executive positions become vacant and appropriately qualified candidates become available:

	Diversity Objectives		Progress at 30 June 2016	
	No.	%	No.	%
Women appointed to the Board	-	-	-	-
Women to senior management roles	1	25	1	25
Women across the whole organisation	1	20	1	20

The Company conducts its operations as a listed entity in accordance with Principle 1, other than in relation to the matters specified below:

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Recommendation	Notification of Departure	Explanation of Departure
<b>Recommendation 1.6</b>		
A listed entity should :		
(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and	The Board has not conducted a formal Performance Evaluation.	The Board recognises the importance of a formal Performance Evaluation but as the Company consists of only three Directors, it believes that a formal Performance Evaluation is not required at this point in time. The Board undertakes informal discussions during the course of the year. As the Company develops, it will continue to consider the efficiencies and merits of a more formal Performance Evaluation of the Board, its committees and individual Directors.
(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process		

### Principle 2 - Structure the Board to add value

#### Board Composition

The skills, experience and expertise relevant to the position of each Director who is in office are detailed in the annual report of the Company.

The names of the Directors and date of appointments are:

Board of Directors	Date of appointment	Independent
Russell Hardwick	29 May 2007	No
Ian Huitson	9 February 2012	Yes
Dominic Traynor	23 March 2016	Yes

The Company currently has a Board of three Directors comprising a Director/Secretary and two Non-Executive Directors. The name of the independent Directors of the Company are Dominic Traynor and Ian Huitson. The Board seeks a mix of skills suitable for a junior resources company. A summary of the key board skills matrix is set out below:-

Director/Skills	Capital Markets	Resources Industry	Mining/Engineering	Finance/HR	Listed Company
Russell Hardwick	√	√		√	√
Ian Huitson	√	√	√		√
Dominic Traynor	√	√		√	√

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The Board considers that Mr Dominic Traynor and Mr Ian Huitson are independent after reviewing the ASX Corporate Governance Council's definition of independence and considering materiality.

When determining whether a Non-Executive Director is independent, the Director must not fail any of the following materiality thresholds:

- Less than 10% of Company shares are held by the Director and any entity or individual directly or indirectly associated with the Director;
- No material sales are made to or purchases made from any entity or individual directly or indirectly associated with the Director; and
- None of the Director's income or the income of an individual or entity directly or indirectly associated with the Director is derived from a contract with any member of the economic entity other than income derived as a Director of the entity.

Each Director has the right of access to all relevant Company Information and to the Company's Executives and, subject to prior consultation with the Chairman, may seek independent professional advice in the furtherance of their duties as Directors at the Company's expense.

The Company conducts its operations as a listed entity in accordance with Principle 2, other than in relation to the matters specified below:

<b>Recommendation</b>	<b>Notification of Departure</b>	<b>Explanation of Departure</b>
<b>Recommendation 2.1</b> Nomination Committee	The Board has decided not to form a Nomination Committee	The Board continues to believe that no efficiencies or other benefits would be gained by establishing a separate Nomination Committee. In any event, the Board has adopted a Nomination Committee Charter which is equally suited to use by the full Board or a subcommittee. The Board regularly reviews whether it has the appropriate balance of skills, knowledge, and experience suitable for a Company in the junior resources sector.
<b>Recommendation 2.4</b> A majority of the Board should be Independent Directors	For most of the year, the Company did not have a majority of independent Directors	In February 2016, the Company appointed Mr Dominic Traynor as an Independent Director. In May 2016, the Executive Chairman resigned which resulted in the Board having one Director/Secretary and two Non-Executive Directors. The Board recognises the importance of a majority of Independent Directors which may be desirable over the longer term, but will also keep in mind the specific needs of the Company in the short to medium term.

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Recommendation	Notification of Departure	Explanation of Departure
<b>Recommendation 2.5</b> The Chairperson should be an Independent Director	For most of the year the Chairman was an Executive Director	Mr Hamilton acted as the Executive Chairman of the Company until May 2016. The Board had considered the recommendations and preferred to maintain Mr Hamilton as the Chairman because he has been actively involved in the formation and promotion of the Company. The Board recognises the importance of an Independent Chairman which may be desirable over the longer term. The Board will consider the appointment of an Independent Chairman in the future, subject to the scope and requirements of its exploration projects and/or any alternative investments that it makes.

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### Principle 3 – Promote ethical and responsible decision making

The Company has adopted a code of conduct for Directors and Executives with the overriding principle that Directors and Executives must act honestly, in good faith and in the best interest of Spitfire Materials Limited ('the Company') as a whole. A copy of the code of conduct is available on the Company website.

In addition, the Company has adopted a share trading policy regarding Directors and employees trading in its securities of the Company. The overriding principle in dealing with any securities is contained in the insider trading provisions of the Corporations Act and provides that a person cannot buy or sell shares when they are in possession of information which isn't generally available, which could reasonably be expected to have a material effect on the share price of a company if that information was generally available. In addition there are certain closed periods where trading in the Company's securities is not permitted. A copy of the share trading policy is available on the Company website.

### Principle 4 – Safeguard integrity in Financial Reporting

The Board has established an Audit Committee and adopted a formal charter. The purposes of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to the external reporting of financial information, the internal control and operational risk management framework, the independence and effectiveness of audit and compliance with laws and regulations. A copy of the charter is available on the Company website.

The company has two members in the Audit Committee being:

Russell Hardwick (CPA) - Chairman  
Ian Huitson - Independent Director

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During the year, the Audit Committee met twice. The Board reviews the performance of the External Auditor on an annual basis. The Company currently requires the partner managing the audit for the External Auditor be changed within a period of five years from engagement. It is a requirement of the Company that the External Auditor attend the Annual General Meeting of the Company.

The Company conducts its operations as a listed entity in accordance with Principle 4, other than in relation to the matters specified below:

<b>Recommendation</b>	<b>Notification of Departure</b>	<b>Explanation of Departure</b>
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,	The Board has only two Directors on the Audit Committee and is not chaired by an Independent Director	The Board is comprised of three Directors. Two of the Directors have been appointed to the Audit Committee and is chaired by Mr Russell Hardwick (CPA) and includes an Independent Non-Executive Director.

The board, before it approves the financial statements for a financial period, receives from the CEO equivalent and the CFO/Company Secretary 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.

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

The Company is committed to complying with the continuous disclosure obligations of the Corporations Act and the listing rules of Australian Securities Exchange Limited (ASX). The Company has adopted a written policy on disclosure of information, a copy of which can be found on the Company website.

The Company Secretary has been appointed as the person responsible for communications with the Australian Securities Exchange. In addition, the Company Secretary has responsibility for overseeing and coordinating disclosure of information and communicating with the Executive Chairman in relation to continuous disclosure matters.

The company adopted an enhanced securities trading policy that includes specific requirements during closed periods.

**Principle 6 – Respect the rights of Shareholders**

Spitfire Materials Limited recognises the right of Shareholders to be informed of matters, which affect their investments in the Company. The Board aims to ensure that the Shareholders are informed of all major developments affecting the Company. The Company has adopted a written policy on Shareholder communication, a copy of which can be found on the Company website.

The Board encourages participation of Shareholders at the Annual General Meeting and on occasion provides a presentation on the Company which is also lodged with the Australian Securities Exchange Limited (ASX). The Company's share registrar Computershare encourages shareholders to receive communications electronically.

The Company's Auditor, Bentleys, is required to attend the Annual General Meeting and is available to answer questions from Shareholders about the conduct of the annual audit.

**Principle 7 – Recognise and manage risk**

The Company is a junior resource entity at exploration stage with no current production operations. The Board is responsible for risk oversight and management. Day to day responsibility is delegated to the Executive Directors. Management has previously established and implemented a safety management program and has also arranged for an independent review of the program. The Company Secretary and Financial Controller will manage the Company's internal controls and the Audit Committee will oversee financial risk management and internal compliance.

The Director/Company Secretary has declared in writing to the Board, that the financial reporting, risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. Due to the size and level of operations of the Company, the Company does not have a formal internal audit function with any relevant matters considered by the Audit Committee.

The Company does not believe it has any current material exposure to economic, environmental and social sustainability risks but it does monitor Australian and global share and capital markets closely.

The Company conducts its operations in accordance with the Principle 7, other than in relation to the matters specified below:

<b>Recommendation</b>	<b>Notification of Departure</b>	<b>Explanation of Departure</b>
<b>Recommendation 7.1</b> The Board should establish a Risk Committee	The Board has not formed a separate Risk Committee	Due to the size and development phase of the Company, the Board has no formal Risk Committee. All matters pertaining to Risk Management are dealt with by the full Board, taking independent advice if required.

**Recommendation 7.2**

The Board should review the risk management framework at least annually	The Board has not conducted a formal risk review	Due to the size and development phase of the Company, the Board has not conducted a formal risk management review. The Company will consider a more formal risk management review in the future.
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**Principle 8 – Remunerate fairly and responsibly**

Details in relation to the Company’s remuneration policy are disclosed in each Annual and Directors’ Report. The Company conducts its operations in accordance with the Principle 8, other than in relation to the matters specified below:

Recommendation	Notification of Departure	Explanation of Departure
<b>Recommendation 8.1</b> The Board should establish a Remuneration Committee	The Board has not formed a separate Remuneration Committee	Due to the size and development phase of the Company, the Board has no formal Remuneration Committee. All matters pertaining to remuneration are dealt with by the full Board, taking independent advice if required.
<b>Recommendation 8.2</b> Distinguish between structure of Non-Executive Directors remuneration from that of Executive Directors and Senior Executives	The Company has issued incentive options to Non-Executive Directors	<p>The Board acknowledges the grant of Share Options to Directors is contrary to the Recommendations. However, the Board considers the grant of Director Options is reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company’s cash reserves. The Board also notes that it is common in the junior exploration industry to award options to Directors.</p> <p>The Board considers that in view of the financial, legal and other responsibilities assumed by Directors of public companies, the payment of monetary Directors’ fees alone is often not an adequate reward and does not provide an adequate incentive to keep Board members and Directors of the requisite level of experience and qualifications.</p>



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The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options.

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The Company has a policy for Trading in Company Securities, which is binding on all Directors and employees. A copy of this policy is available on the Company's website. In addition the Company prohibits the hedging of any options granted under share option plans. This relates to vested and unvested options. Prohibited hedging practices include put/call arrangements over "in money" options that may limit the risk of participating in the grant of share options. The Board considers such hedging to be against the spirit of the grant of share options and inconsistent with shareholder objectives.

Further information about the Company's corporate governance practices are set out on the Company's website at [www.spitfirematerials.com](http://www.spitfirematerials.com)

This Statement is made with a resolution of the Directors.

Russell Hardwick  
*Director/Secretary*

Dated at Perth this 13<sup>th</sup> day of September 2016.