

# Statement of Corporate Governance for the Year Ended 30 June 2020

This Corporate Governance Statement is current as at 30 September 2020 and has been approved by the Board of Sky Metals Limited ('the Company') and its controlled entities (together with the Company, 'the Group') on that date. A copy can be found on the Company's website at [www.skymetals.com.au/index.cfm/company/corporate-governance/](http://www.skymetals.com.au/index.cfm/company/corporate-governance/).

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, which comply with the Australian Stock Exchange ('ASX') Corporate Governance Principles and Recommendations ('Recommendations') unless otherwise stated.

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Company ('the Board') is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Group's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board supports the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council ('Council'). Whilst the Group's practices are largely consistent with the Council's guidelines, the Board considers that the implementation of some recommendations are not appropriate having regard to the nature and scale of the Group's activities and size of the Board. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Group and the best interests of shareholders as a whole. When the Group is not able to implement one of the Council's recommendations the Group applies the 'if not, why not' explanation approach by applying practices in accordance with the spirit of the relevant principle.

The following discussion outlines the ASX Corporate Governance Council's eight principles and associated recommendations and the extent to which the Group complies with those recommendations.

Details of all of the Council's recommendations can be found on the ASX website at [www.asx.com.au](http://www.asx.com.au).

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

#### **Board role and responsibilities**

The Board is responsible for and has the authority to determine, all matters relating to the policies, practices, management and operations of the Group. The Board is also responsible for the overall corporate governance and management oversight of the Group and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Group as a whole.

The Board also ensures that the Group complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Group.

Where the Board considers that particular expertise or information is required, which is not available from within their members, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the role of the Board, the principal functions and responsibilities of the Board include the following:

- formulation and approval of the strategic direction, objectives and goals of the Group;
- the prudential control of the Group's finances and operations, monitoring the financial performance and approving budgets and major expenditures of the Group;
- the resourcing, review and monitoring of performance of senior management;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market;
- the establishment and maintenance of appropriate ethical standards;
- overseeing the integrity of the accounting and corporate reporting systems and the external audit process;
- approving the Group's remuneration framework; and
- monitoring the effectiveness of corporate governance practices.

Having regard to the current size of the Group and the nature of its activities and the composition and structure of the Board, those functions usually reserved to management for implementing the strategic objectives of the Group are the responsibility of the Chief Executive Officer or Managing Director but if no Chief Executive Officer / Managing Director is in office then the responsibility is of the Executives Directors.

The Company has followed Recommendation 1.1 by establishing the functions reserved to the Board and those delegated to senior executives as disclosed above.

#### **Appointment as a Director**

The Company has followed Recommendation 1.2 by ensuring that the appointment of Directors who will come before shareholders for re-election at the Company's Annual General Meeting are suitable for the Group and equipped with the knowledge and information to discharge their roles adequately. In addition, the Company ensures that all relevant information is disclosed in the notice of meeting to enable shareholders to make a decision on whether or not to elect or re-elect a Director.

The Company has followed Recommendation 1.3 by having a written agreement with each Director and senior executive setting out the terms of their employment.

#### **Company Secretary**

The Company has followed Recommendation 1.4 by ensuring that the Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

#### **Diversity**

The Company's Board does take into account the gender, age, ethnicity, and cultural background of potential Board members, Company executives and employees. However, given the small size of the Group, a formal diversity policy has not been established and therefore Recommendation 1.5 has not been followed. The Company is not a Relevant Employer (as defined by the Workplace Gender Equality Act) and advises that one woman is employed directly by the Company, none as key management personnel.

#### **Board performance review and evaluation**

The Board has a policy to ensure that the Directors are equipped with the knowledge and information they need to effectively discharge their responsibilities. The Chairman monitors the performance of the Board, and individual Directors on an on-going basis and speaks to Directors individually regarding their role as a Director. In doing so, the Company has followed Recommendation 1.6.

## Senior executives' performance review and evaluation

Having regard to the size of the Group and the small number of employees, the Board undertakes an on-going assessment of the performance of the Company's senior executives throughout the year, and through annual performance assessments. In doing so, the Company has followed Recommendation 1.7.

## Principle 2 – Structure the Board to add value

### Board of Directors – composition and structure

Having regard to the size of the Group and the nature of its activities, the composition and structure of the Board is adequate to discharge its responsibilities and duties.

### Nomination Committee

The objective of a Nomination Committee is to make recommendations to the Board regarding various matters including board succession, recruitment, induction, professional development, performance evaluation, recommending an appropriate balance of skills, knowledge, experience, independence and diversity as required. A Nomination Committee has not been established however, in accordance with Recommendation 2.1, the full Board has the responsibility for and performs the functions of a Nomination Committee.

### Skills of the Board

The Board has a relevant blend of business and corporate experience at director level as required by the Group for effective decision-making. Directors are appointed based on the specific operational, corporate and governance skills required by the Group. The Company follows Recommendation 2.2 by disclosing the Directors' qualifications, experience, date of appointment and independence status, below, and in the Directors' Report section of the Annual Report.

#### Board skill matrix

Area	Competence	Norman Seckold	Rimas Kairaitis	Richard Hill
Business Finance	Business strategy, financial literacy, executive management	✓	✓	✓
Investment	Corporate mergers and acquisitions, corporate financing, portfolio management	✓	✓	✓
Technical	Geology & project development in the resources sector	✓	✓	✓
Leadership	Experience in public listed companies having the ability but not limited to setting Board directives and representing the Group appropriately	✓	✓	✓

### Board composition and independence

The Company follows Recommendation 2.3 by disclosing information in the table below and the Directors' qualifications, experience, date of appointment and independence status in the Directors' Report section of the Annual Report.

## Details of Directors

Name of Director	Term in office	Qualifications	Status
Norman A. Seckold	Since December 2001	Bachelor of Economics	Non-executive Chairman
Rimas Kairaitis	Since June 2019	Bachelor Applied Science (GEOLOGY) 1992 (Hons 1st Class) University Medal	Independent Non-executive Director
Richard Hill	Since June 2019	B.Juris, Bachelor of Laws Bachelor of Science (Hons 1st Class)	Independent Non-executive Director

As two of the Company's three Directors are classified as Independent Directors, the Company complies with Recommendation 2.4. It is the Board's opinion that all Directors bring to the Board their uncompromised independent judgement, irrespective of whether they are classified as independent or not.

### Chairman and CEO

Mr Seckold is considered to be not independent as he acted as Executive Chairman within the last three years. Mr Seckold is currently Non-executive Chairman, and is not the Company's CEO.

Recommendation 2.5 is followed in part because the Chairman, whilst not independent, does not hold the position of Managing Director or Chief Executive Officer.

### Directors' induction and education

In accordance with Recommendation 2.6 the Company encourages Directors to continue their professional development to assist them in performing their role effectively and has a policy to comprehensively induct each new Director or officer, and provide each with a copy of the following documents:

- Code of Conduct;
- Continuous Disclosure Policy;
- Share Trading Policy; and
- Shareholders Communication Policy.

## Principle 3 – Act ethically and responsibly

### Code of Conduct Policy and ethical standards

All Directors, executives and employees are expected to act with the utmost integrity and objectivity in carrying out their duties and responsibilities, endeavouring at all times to enhance the reputation and performance of the Group. Every employee has direct access to a Director to whom they may refer any ethical issues that may arise from their employment. The Company has followed Recommendation 3.1 and has adopted a formal Code of Conduct policy which is available on the Company's website at <http://www.skymetals.com.au/index.cfm/company/corporate-governance/sky-metals-code-of-conduct-policy/>.

### Access to Group information and confidentiality

All Directors have the right of access to all relevant Group books and to the Group's executive management. In accordance with legal requirements and agreed ethical standards, Directors and executives of the Group have agreed to keep confidential information received in the course of exercising their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

## **Share dealings and disclosures**

The Group has adopted a policy relating to the trading in Company securities. The Board restricts Directors, executives and employees from acting on material information until released to the market. Directors are required to consult with the Chairman prior to dealing in securities in the Company or other companies with which the Company has a material relationship.

Trading in Company securities by Directors, executives or employees is not permitted at any time whilst in the possession of price sensitive information that is not already available to the market. In addition, the Corporations Act prohibits the purchase or sale of securities whilst a person is in possession of inside information.

## **Conflicts of interest**

To ensure that Directors are at all times acting in the best interests of the Group, Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Group; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot, or is unwilling to remove a conflict of interest then the Director must, as required by the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters about which the conflict relates.

## **Related party transactions**

Related party transactions include any financial transaction between a Director and the Group as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. The Group also discloses related party transactions in its financial statements as required under relevant Accounting Standards.

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

### **Audit Committee**

Having regard to the size of the Group and the nature of its activities and the composition and structure of the Board, an Audit Committee has not been established, however, in compliance with Recommendation 4.1, the full Board has the responsibility for and performs the following functions of an Audit Committee:

- the adequacy of the corporate reporting processes;
- evaluation from time to time the effectiveness of the financial statements;
- the appointment and removal of the external auditor;
- the scope and adequacy of the external audit and the rotation of the audit engagement partner;
- risk management and compliance procedures;
- the appropriateness of the accounting judgement exercised by management; and
- ensuring that independent judgement is always exercised.

### **CEO and CFO declarations**

The Company has followed Recommendation 4.2. The Board has determined that CEO and the Company Secretary are the appropriate persons to make the CEO and CFO declarations as required under section 295A of the Corporations Act.

The declaration confirms that the internal control system is operating effectively in all material respects, the financial records of the Group have been properly maintained and the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group.

### **External Auditor and the AGM**

The Company has followed Recommendation 4.3. The Group's external auditor attends the Company's AGM and is available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report.

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

### **Continuous Disclosure Policy**

The Company has followed Recommendation 5.1 and has adopted a formal Continuous Disclosure Policy which is available on the Company's website at <http://www.skymetals.com.au/index.cfm/company/corporate-governance/sky-metals-continuous-disclosure-policy/>.

### **Continuous Disclosure to the ASX**

The Board has designated CEO and the Company Secretary as being responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX. Accordingly, the Company will notify the ASX promptly 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; and
- that 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.

Announcements are made in a timely manner, are factual and do not omit material information in order to avoid the emergence of a false market in the Company's securities.

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

The Company has followed Recommendation 6.1 by keeping investors informed through the Company's website at <http://www.skymetals.com.au/>, and on the ASX website, [www.asx.com.au](http://www.asx.com.au), under ASX code 'SKY' regarding information about the Group, the Board, policies, reports and ASX announcements.

The Company has followed Recommendations 6.2 and 6.3 by designing a communications program to promote effective communication with shareholders and to encourage their participation at general meetings.

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders and the market through:

- the Annual Report which is distributed to shareholders (usually with the Notice of Annual General Meeting);
- the Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- the half-yearly financial statements;
- quarterly activities and cash flow reports; and
- other announcements released to the ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders or made available through the Company's website.

The Company has followed Recommendation 6.4 by actively promoting communication with shareholders through a variety of measures, including the use of the Company's website and email and electronically through the share registry on <https://www-au.computershare.com/Investor/#Home>.

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

### **Risk Committee**

Having regard to the size of the Group and the nature of its activities and the composition and structure of the Board, a Risk Committee has not been established, however, in compliance with Recommendation 7.1, the full Board has the responsibility for and performs the functions of a Risk Committee.

The full Board is responsible for the identification, monitoring and management of significant business risks, assessment of the Group's insurance program and the implementation of appropriate levels of internal control, recognising, however, that no cost effective internal control system will preclude all errors and irregularities.

### **Risk management**

The Company has followed Recommendation 7.2, whereby the full Board regularly throughout the year reviews and monitors systems of external and internal controls and areas of significant operational, financial and property risk, and ensures arrangements are in place to contain such risks to acceptable levels.

### **Internal audit function**

Having regard to the size of the Group and the nature of its activities, an internal audit function has not been established, however, in compliance with Recommendation 7.3, it is disclosed that the full Board carries out the risk management and internal audit functions.

### **Risks and risk management**

In compliance with Recommendation 7.4, the material manageable risks which the Group is exposed to include operational risks, capital risks and human resources risks as follows:

- obtaining government approvals;
- geological and environmental issues;
- the ability to raise additional capital; and
- recruiting and retaining qualified personnel.

The full Board is responsible to oversee the risk management function and the CEO is in charge of implementing an appropriate level of control to mitigate these risks within the Group. The full Board reviews all major Group strategies and decisions and takes appropriate actions on a continuous basis.

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

### **Remuneration Committee**

Having regard to the size of the Group and the nature of its activities, and the composition and structure of the Board, a Remuneration Committee has not been established, however, in compliance with Recommendation 8.1, the full Board has the responsibility for and performs the following Remuneration Committee reviews:

- executive Director and senior executive remuneration;
- non-executive Directors remuneration;
- performance measurement policies and procedures;
- superannuation arrangements;
- incentive plans;
- equity based plans;
- termination policies and procedures; and
- remuneration public disclosures.

## Remuneration policy

In compliance with Recommendation 8.2, it is disclosed that the Group remunerates its Directors and senior executives based on fixed and incentive based salary packages to reflect the short and long-term objectives of the Group.

The following remuneration guidelines have been adopted to ensure that remuneration arrangements are equitable, appropriate, and not excessive:

- Directors' remuneration is put to shareholders at the Annual General Meeting;
- the full Board approves the salary packages paid to senior executives;
- consultants are engaged as required pursuant to service agreements;
- the full Board ensures that fees, salaries and emoluments are in line with general standards for publicly listed companies of the size and type of the Group; and
- all salaries of Directors and key management personnel are disclosed in the Annual Report.

The CEO's remuneration is made up of:

- fixed remuneration; and
- equity based remuneration when invited by the Board to participate in the Company's incentive plan.

The non-executive Directors remuneration is made up of:

- fixed remuneration;
- superannuation in accordance with legislation if Directors' fees are pay through payroll; and
- equity based remuneration when invited by the Board to participate in the Company's incentive plan.

The Company does not have a policy specifically excluding participants from entering into transactions which limit economic risk. It is however understood that the equity-based remuneration is provided to executives and Non-executive Directors on the basis that they are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.