

## **CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE, 2018**

### **1.1 Introduction**

The Australian Stock Exchange ("ASX") Listing Rules ("Listing Rules") require a listed entity to include in its Annual Report a statement on corporate governance practices disclosing the extent to which it has followed the "best practice" corporate governance recommendations set by the ASX Corporate Governance Council. If the entity has not followed any of the recommendations, it must identify them and give reasons why. It must state the period during which the recommendations were followed. For this purpose, Listing Rules Guidance Note 9A sets out the 8 essential corporate governance principles and the applicable "best practice recommendations".

The concept of "*corporate governance*" is the systems, policies and procedures under which an entity is directed and managed. The benefits of good corporate governance are accountability, systems of control and the encouragement to create value.

There is no single model of good corporate governance. Corporate governance will evolve as an entity's circumstances change and must be tailored to its circumstances.

### **1.2 Compliance with ASX Listing Rule 4.10.3**

Listing Rule 4.10.3 and Guidance Note 9A reflect ASX policy that it is "*appropriate to focus on disclosure of corporate governance practices rather than prescribe adoption of a particular practice*". Therefore, an entity's obligation is to highlight areas of departure from the recommendations: the "*if not, why not?*" approach.

### **1.3 The Company's approach**

The Board and senior management of ISentric Limited (the "Company") are committed to acting responsibly, ethically and with high standards of integrity as the Company endeavours to create shareholder value. To achieve this goal, the Board is developing for the adoption of corporate governance practices and policies that are appropriate to the needs of the Company given its size, complexity and ownership structure and the skills of Directors and managers and the geographic locality of the Company's mining exploration concessions.

The table below summarises the "best practice" recommendations and the Company's current practice, including explanations in the instances where the Company does not comply.

**Recommendation**

**ISentric's Limited current position**

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| <p>1.1 Establish and disclose the functions reserved to the Board and those delegated to management</p> | <p>Given the present size of the Company, the Board takes an active role in overseeing management functions and responsibilities. The Board is responsible for:</p> <ul style="list-style-type: none"> <li>▪ overseeing the performance and activities of the Company through agreed goals and strategy;</li> <li>▪ assessing performance against Board approved budgets, targets and strategies;</li> <li>▪ overseeing the management of the Company's business;</li> <li>▪ overseeing appropriate controls, systems and procedures within the Company to manage the risks of its businesses and compliance with all regulatory and prudential requirements including, without limitation, occupational health and environmental issues;</li> <li>▪ reviewing matters of general corporate governance;</li> <li>▪ appointing and removing the Managing Director;</li> <li>▪ ratifying the appointment and, where appropriate, the removal of the Company Secretary;</li> <li>▪ the Company Secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board</li> <li>▪ monitoring senior Management's performance and implementation of the Board approved strategies, and ensuring appropriate succession planning is in place;</li> <li>▪ approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;</li> <li>▪ approving and monitoring material financial and other reporting; and</li> <li>▪ setting delegated spending limits.</li> </ul> <p>The day to day management is delegated to the Managing Director and the Company's management team.</p> |
| <p>1.2 Disclose the process for evaluating performance of senior executives.</p>                        | <p>The performance of senior executives is reviewed annually by the Managing Director who reports the results of the review to the Board.</p>  |
| <p>1.3 Report on recommendation 1</p>   | <p>Please refer to the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.</p>   |

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| 2.1 | A majority of the Board should be independent Directors   | The Board consists of four independent and Non-Executive Directors and two Executive Director's.  |
| 2.2 | The chair should be an independent Director   | The Company's Chairperson, Mr Lim Keong Yew, is an Independent Director.  |
| 2.3 | The roles of the chair and chief executive officer should not be exercised by the same individual   | The Company's Chief Executive Officer is Mr Sean Tham who is not the Chairperson.   |
| 2.4 | The Board should establish a nomination committee   | The Board has not established a nomination committee as, due to the Company's size and its operations, the Board considers a separately established committee is not warranted and its functions and responsibilities can be adequately and efficiently discharged by the Board as a whole. |
| 2.5 | Disclose the process for evaluating the performance of the Board, its committees and individual Directors.  | The Board has not established and at this stage, does not intend to establish a Nomination and Remuneration Committee, due to the Company's current size and its operations.  |
| 2.6 | 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 | The Board has not established and at this stage, due to the Company's current size and its operations.  |

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| 2.7 Report on recommendation 2  | <p>The details of the Directors, their experience, qualifications, term of office, and independent status are set out in the Company's Annual Report.</p> <p>There is a procedure agreed by the Board for Directors to take independent professional advice at the expense of the Company.</p> <p>Other reporting requirements pertaining to recommendation 2 can be found in the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.</p> |
| 3.1 Establish a code of conduct and disclose the code or a summary of the code as to:   | <p>The Board recognises there is a need for a "code of conduct" and expects that the actions of its staff reflect the ethical standards of the Company. Accordingly, the Board has established an appropriate policy.</p>   |
| <ul style="list-style-type: none"><li>▪ practices necessary to maintain confidence in the Company's integrity</li><li>▪ practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li><li>▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li></ul> | <p>In summary, staff members are under an obligation to the Company not to place themselves or allow themselves to be placed directly or indirectly in a position where their private interests conflict or could conflict with their responsibilities to the Company. They may not use their positions, the Company's assets or confidential information gained in connection with their employment for personal gain or for the benefit of a family member or any outside party.</p>  |
| 3.2 Companies should establish a policy concerning diversity and disclose the policy  | <p>The Company intends to make each staff appointment after consideration of each candidate's qualifications, experience and proven competence, whilst conscientiously avoiding any discrimination on the basis of, but not limited to, race, creed,</p>  |

or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

colour, gender, age, marital status, religion or physical impairment.

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| 3.3 | Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them. | The Company does not have a formal policy concerning diversity. Given the small size of the Company's workforce, the Board has determined that it is not currently practicable to implement a policy concerning diversity. The Board will further consider the establishment of a diversity policy as the Company grows. |
| 3.4 | Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.                               | The Company has fourteen woman employees. There are no women in senior executive positions or on the board.  |
| 3.5 | Reporting on Recommendations 3   | Details of the code of conduct and trading policy are set out in the Company's website.  |
| 4.1 | The Board should establish an audit committee  | The Board has established an Audit Committee.  |

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| 4.2 | Structure the audit committee so that it consists of only non-executive Directors, a majority of independent Directors, an independent chairperson who is not chairperson of the Board and at least three members   | The Audit Committee has three members all of whom are Non-Executive Directors. The Chairman of the Committee is a Non-Executive Director.   |
| 4.3 | Audit Committee to have a formal Charter  | At present, the Audit Committee does not have a formal charter and this will be reviewed in the future.   |
| 4.4 | Reporting on recommendation 4   | The names and qualifications of each of the members of the Audit Committee, and details of attendance at Audit Committee meetings, are set out in the Company's annual report.  |
| 5.1 | Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies | <p>The Company is committed to fulfilling all legal, statutory and listing disclosure requirements. Written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations, as well as to ensure accountability at a senior management level for that compliance have been established.</p> <p>In respect of its disclosure policy, at each of its meetings, the Board discusses continuous disclosure issues as a standing item and a list of all recent Company announcements is presented.</p> <p>The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairman, who in consultation with the Board (where practicable) and any other appropriate personnel will consider the information and whether disclosure is required and prepare an appropriate announcement.</p> |

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| 5.2 Reporting on recommendation 5  | Please refer to the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.  |
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| 6.1 Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy | In so far as the Company is required to comply with ASX continuous disclosure requirements, the Managing Director (and, in the alternative, the Chairman) has been nominated as the responsible person. The Board reviews and approves all announcements to the ASX.   |
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| 6.2 Reporting on recommendation 6  | Please refer to the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.  |
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| 7.1 Establish policies for the oversight and management of material business risks and disclose a summary of those policies.   | <p>The Board has not established and at this stage, does not intend to establish a Risk Management Committee, due to the Company's size and its operations.</p> <p>At present, the Board regularly reviews the Company's risk management systems and control frameworks, and the effectiveness of their implementation and is in the process of formally establishing a policy for adoption.</p> |

The Company's reports in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. The CFO is also required to report that this statement so made is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

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| <p>7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.</p>             | <p>The Company's CEO and the CFO report in writing to the Board that the statement given is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.</p> |
| <p>7.3 The Board should disclose whether it has received assurance from the CEO (or equivalent) and the CFO (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.</p> | <p>The Board has received written assurance from the CEO and the CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.</p>                                      |



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| 7.4  | Reporting on recommendation 7   | The Company has provided relevant information in this Statement upon recognising and managing risk.   |
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| 8.1  | The Board should establish a remuneration committee   | The Company has a Remuneration Committee which consists of Three Independent Directors who meet when required.  |
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| 8.2  | The remuneration committee should be structured so that it:   | Please refer to the above comments.   |
|      | <ul style="list-style-type: none"><li>▪ consists of a majority of independent directors</li><li>▪ is chaired by an independent director</li><li>▪ has at least three members.</li></ul> |   |
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| 8.3  | Clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives   | Non-executive Directors will be remunerated by cash benefits alone, except where approved by a general meeting of shareholders and will not be provided with retirement benefits (except in exceptional circumstances) and aggregate remuneration will not exceed the amount approved by shareholders (currently \$250,000). Executive Directors may be remunerated by both fixed remuneration and equity performance based remuneration. |
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| 8.4  | Report on recommendation 8  | Relevant information can be found in the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.  |