

# CORPORATE GOVERNANCE STATEMENT

**APRIL 2020**

# INTRODUCTION

The Board is responsible for establishing and maintaining the Company's corporate governance framework, the key features of which are set out in Section 1.

In establishing and maintaining its corporate governance framework, the Board continues to refer to the 3rd edition of the ASX Corporate Governance Councils' Corporate Governance Principles & Recommendations (Recommendations). This corporate governance statement discloses the extent to which the Company follows the recommendations. The Company follows each Recommendation where the Board has considered the Recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a Recommendation, the Board has made appropriate statements reporting on the adoption of the Recommendation. Where, after due consideration, the Company's corporate governance practices do not follow a Recommendation, the Board has explained its reasons for not following the Recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the Recommendations.

This Corporate Governance Statement together with the following additional documents, are available on the Company's website at [www.nusantararesources.com](http://www.nusantararesources.com).

- Board Charter
- Code of Conduct
- Securities Trading Policy
- Diversity Policy
- Disclosure and Communication Policy
- Whistleblower Policy
- Audit and Budget Committee terms of reference
- Financing Committee terms of reference

The Company will report against the 4th edition of the ASX Corporate Governance Principles and Recommendations for the calendar year ending 31 December 2020.

## **1. Introduction**

### **1.1 Roles and responsibilities of the Board, Company Secretary and Senior Executives (Recommendations 1.1 and 1.4)**

The Company has established the functions reserved to the Board, and those to be delegated to senior executives and has set out these functions in its Board Charter.

### **1.2 Skills, experience, expertise and period of office of each Director (Recommendation: 2.2)**

A profile of each Director setting out their skills, experience, expertise and period of office is included in the Company's Annual Report.

### **1.3 Director independence (Recommendations: 2.3, 2.4, 2.5)**

It is the Company's policy that the Board comprises individuals with a range of knowledge, skills and experience which are appropriate to the objectives of the Company.

A profile of each Director setting out their skills, experience, expertise and period of office will be included in the Company's Annual Report.

The Chairman, Mr Greg Foulis was considered independent until he was appointed as an Executive Director (previously non-executive) on 1 May 2019 for a temporary transitional period following the resignation of the Managing Director. Mr Foulis will not qualify as an independent director for a period of three (3) years following his return to his non-executive role.

Non-executive Director, Mr Rob Hogarth is considered to be independent.

Mr Robin Widdup and Mr Richard Ness are non-executive directors who do not meet the definition of independent due to their roles with substantial shareholders Lion Selection Group Limited and PT Indika Energy Tbk respectively.

Chief Executive Officer, Mr Neil Whitaker and Mr Boyke Abidin are Executive Directors of the Company.

As the board has one independent Director (as defined by the ASX Principles) and five non-independent Directors, the Company does not comply with the requirement that a majority of the Board should be independent. The Board believes that, given the size of the Company, the nature of its operations and the ability of all incumbent Directors to bring an independent judgment to bear in Board deliberations, the current Board composition is appropriate for the Company in its present stage of development and allows for the best utilisation of the experience and expertise of its members.

Any director having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.

The Board will review its composition continually as the Company's circumstances change.

### **1.4 Induction and appropriate professional development opportunities for Directors (Recommendation 2.6)**

The Company has a program for inducting new directors and provide appropriate professional development

opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

### **1.5 Selection and (Re) Appointment of Directors (Recommendation: 1.2, 1.3, 2.2)**

In determining candidates for the Board, the board will evaluate the mix of skills, experience, expertise and diversity of the existing Board. In particular, the Board will seek to identify the particular skills and diversity that will best increase the Board's effectiveness. Consideration will also be given to the balance of independent Directors. Any appointment made by the Board will be subject to ratification by shareholders at the next general meeting. Prior to the appointment of a new Director the Board will undertake appropriate checks to ensure that the person's character, experience and education is appropriate for the position which will include criminal history and bankruptcy checks.

Each Board member has a written letter of appointment or executive contract setting out the terms of their appointment.

Each Director other than a Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment or three years following that Director's last election or appointment (whichever is the longer).

However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one Director or one third of the total number of Directors (rounded down) must resign. A Director who retires at an annual general meeting is eligible for re-election at that meeting.

Reappointment of Directors is not automatic.

## **2. Board Committees**

### **2.1 Nomination Committee, Audit Committee, Remuneration Committee, Risk Committee (Recommendations: 2.1, 4.1, 8.1, 7.1, & 7.4)**

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate Nomination, Remuneration or Risk Committees at this time, preferring at this stage to manage these areas through the full board of Directors.

Matters typically dealt with by a Nomination, Remuneration and Risk Committee will be dealt with by the full Board in accordance with adopted charters, policies or procedures.

The Board established an Audit and Budget Committee and a Financing Committee in early 2019. The terms of reference for these Committees are disclosed on the Company's web site. The Audit and Budget Committee is comprised of three non-executive directors and is chaired by an independent director who is not the Chairman of the Board. The Financing Committee is comprised of the Chairman and two non-executive directors and is chaired by the Chairman of the Board. The Committees are not comprised of a majority of independent directors.

The Board intends to establish a Sustainability Committee once a decision is made to commence development of the Awak Mas Gold Project. In addition, as the Company's activities increase in size, scope and nature, the

appointment of separate or special committees will be reviewed by the Board and implemented as appropriate.

## **2.2 Remuneration of Directors and Executives (Recommendation 8.1, 8.2, 8.3)**

Details of remuneration, including the Company's policy on remuneration, will be contained in the 'Remuneration Report' which will form part of the Company's Annual Report.

The Company's policy is to remunerate non-executive Directors at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive Directors is not linked to individual performance. The maximum aggregate amount of fees (including superannuation payments) that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting.

There are no termination or retirement benefits for non-executive Directors (other than for superannuation).

From time to time the Company, with shareholder approval, may grant equity incentives to non-executive Directors. The grant of equity incentives is designed to attract and retain suitably qualified non-executive Directors.

Executive remuneration will consist of a base salary and performance incentives.

Short term performance incentives in the form of performance-based payments tied to achievement of pre-determined milestones or one-off bonuses in the form of cash or shares may be paid to recognise and reward exception performance.

Long term performance incentives may include options, performance rights, or other equity-based products granted at the discretion of the Board subject to obtaining the relevant approvals. The grant of equity-based products is designed to recognise and reward efforts as well as to provide additional incentive to continue those efforts for the benefit of the Company and may be subject to the successful completion of performance hurdles.

The Company's Securities Trading Policy includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity-based remuneration schemes

## **3. Performance Evaluation**

The Company was listed on the ASX on 2 August 2017. Performance evaluations for the year, including 2017 and 2018 were completed for the Board in late 2018. Due to the personnel and operational changes no performance evaluations have been recently completed for senior executives. A Company-wide performance evaluation is currently in progress.

### **3.1 Senior executives (Recommendations: 1.7)**

The Chief Executive Officer will conduct a performance evaluation of the senior executives on a yearly basis to review performance against the senior executive's responsibilities through a formal process involving an annual formal meeting with each senior executive and ongoing informal monitoring throughout each financial

year.

The performance of the Chief Executive Officer will be reviewed by the Board.

## **3.2 Board, its Committees and individual Directors (Recommendations: 1.6)**

An informal process has been established to review and evaluate the performance of the Board. Given the size of the Company, the Board is continuously reviewing the role of the Board, assessing its performance over the previous period, including comparison with others, and examining ways in which the Board can better perform its duties.

The review incorporates the performance of the Board. Similar procedures to those for the Board review will be applied to evaluate the performance of the Board Committees.

The Chairman will have primary responsibility for conducting performance appraisals of non-executive Directors in conjunction with each non-executive Director.

## **4. Ethical and responsible decision making**

### **4.1 Code of Conduct (Recommendation: 3.1)**

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

### **4.2 Diversity (Recommendation: 1.5)**

The Company has established a Diversity Policy, which provides the Board with objectives for achieving diversity that is appropriate for the Company.

The Board considers due to the size of the Company setting measurable diversity objectives is not appropriate with its practice currently being to hire the most appropriate candidate for the position to be filled having regard to the activities to be undertaken in the role. As the Company increases in size the Board will consider setting measurable objectives.

### **4.3 Integrity of Financial Reporting (Recommendations: 4.1, 4.2, 4.3)**

The Company established an Audit and Budget Committee early in 2019 as explained in 2.1 above. The full Board retains responsibility for verifying and safeguarding the integrity of its corporate reporting. The full Board will assess any proposal to appoint or remove the auditor and will ensure that the engagement partner rotates in accordance with the Corporations Act.

The Chief Executive Officer and Chief Financial Officer (or equivalent) provide a declaration to the Board in accordance with section 295A of the Corporations Act and assure the Board that such declaration is founded on a sound system of risk management and internal controls and that the system is operating effectively in all material respects in relation to financial reporting risks.

A representative of the Company's auditor is available at Annual General Meeting's to answer any questions regarding the conduct of the audit and the preparation and content of the auditors' report.

#### **4.4 Continuous Disclosure (Recommendation: 5.1)**

The Company has established a Disclosure and Communications policy designed to ensure compliance with ASX Listing Rules disclosure requirements and accountability at a senior executive level for that compliance.

The Disclosure and Communications Policy requires amongst other matters that:

- the Board to receive all announcements under listing rule 3.1 promptly after they are made; and
- a presentation is not to contain material new information unless it is first released to the market.

#### **4.5 Shareholder Communication (Recommendations: 6.1, 6.2, 6.3, 6.4)**

The Company has designed a communications policy for promoting effective communication with shareholders, receiving communications from shareholders, including by electronic means, and encouraging shareholder participation at general meetings and at the annual general meeting.

#### **4.6 Risk Management (Recommendations: 7.1, 7.2, 7.3, 7.4)**

The Company has not established a Risk Committee or a formal internal audit function.

The Board has adopted a Risk Management Framework and a Risk Management, Internal Compliance and Control Policy, which sets out the Company's risk management and control framework. Under the policy, the Board is responsible for the oversight of the Company's risk management and control framework and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management.

The Company is currently exploring and evaluating the Awak Mas Gold Project. Until development of the mining operation commences, environmental disturbance will be minimized. The Board intends to establish a Sustainability Committee once a decision is made to commence development of the Awak Mas Gold Project.

The Board will receive a periodic report from management as to the effectiveness of the Company's management of identified risks, including identified weaknesses or incidents and will review the Company's risk framework, at least annually to satisfy itself that it continues to be sound and appropriate for the Company's size and levels of operations.

## 5. ASX Corporate Governance Council recommendations checklist

The following table sets out the Company's position with regard to adoption of the Principles & Recommendations:

Principle and Recommendations		Comply – Yes / No
<b>Principle 1: Lay solid foundations for management and oversight</b>		
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes
1.2	Background checks and information to be given for elections	Yes
1.3	Written contracts of engagement	Yes
1.4	Company Secretary accountable to Board through Chairperson	Yes
1.5(a)	Diversity Policy	Yes
1.5(b)(c)	Measurable Objectives in Diversity Policy and disclosure of and progress towards achieving them	No The Board considers that due to the size of the Company setting measurable diversity objectives is not appropriate with its practice currently being to hire the most appropriate candidate for the position to be filled having regard to the activities to be undertaken in the role.
1.6	Evaluation of Board	Yes, a review was conducted in late 2018, early 2019 and will reoccur in 2020.
1.7	Evaluation of Senior Executives	The inaugural review was commenced in early 2019 following the Board evaluation but was not completed due to personnel and operational changes. These will be completed during 2020.
<b>Principle 2: Structure the Board to add value</b>		
2.1	The Board should establish a nomination committee.	No Due to its current size the Company has not established a nomination committee. The full Board will undertake the activities normally undertaken by a nomination committee.
2.2	Skills Matrix	Yes
2.3	Disclose independence and length of service	Yes
2.4	A majority of the Board should be independent directors.	The Board has more non-independent directors than independent directors and as such the Company does not comply with the requirement that a majority of the Board should be independent. The Board believes that, given the size of the Company, the nature of its operations and the ability of all incumbent Directors to bring an independent judgment to bear in Board deliberations, the current Board composition is appropriate for the Company in its present stage of development and allows for the best utilisation of the experience and expertise of its members.  Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.
2.5	The chair should be an independent director and should not be the same person as the CEO of the entity.	No, the independent non-executive Chairman was appointed to an executive role when the Managing Director resigned 1 May 2019. The Chairman remains in this executive role during the transition to the new Chief Executive Officer and will not qualify as independent for a period of three (3) years following his return to a non-executive position.
2.6	Induction and professional development of directors	Yes
<b>Principle 3: Promote ethical and responsible decision-making</b>		
3.1	Companies should establish a code of conduct	Yes

Principle and Recommendations		Comply – Yes / No
<b>Principle 4: Safeguard integrity in financial reporting</b>		
4.1	The Board should establish an audit committee.	No. The Board established an Audit and Budget Committee in early 2019. The terms of reference for this Committee is disclosed on the Company's web site. The Committee is comprised of three non-executive directors and chaired by an independent director who is not the Chairman of the Board. However, the Committee is not comprised of a majority of independent directors.
4.2	Declaration from chief executive officer and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act.	Yes
4.3	External Auditor to be available at AGM	Yes
<b>Principle 5: Make timely and balanced disclosure</b>		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements.	Yes
<b>Principle 6: Respect the rights of shareholders</b>		
6.1	Information of website	Yes
6.2	Investor relations program	Yes
6.3	Facilitate participation at general meetings	Yes
6.4	Facilitate electronic communications	Yes
<b>Principle 7: Recognise and manage risk</b>		
7.1	The Board should establish a risk committee	No Due to its current size the Company has not established a risk committee. The full Board will undertake the activities normally undertaken by a risk committee.
7.2	Conduct annual risk review	Risks are reported and considered as required at Board meetings. A risk review was conducted in the Awak Mas Gold Project definitive feasibility study completed in 2018. The inaugural Corporate Risk review was conducted April 2019 following listing on the ASX in August 2017.
7.3	Internal audit function	No Due to its current size the Company has not established an internal audit function. The Board has responsibility for the oversight of the Company's risk management and control framework. The Board delegates day-to-day management of risk to the Chief Executive Officer, who is responsible for identifying, assessing, monitoring and managing risks.
7.4	Disclose exposure to economic, environmental and social sustainability risks	Yes
<b>Principle 8: Remunerate fairly and responsibly</b>		
8.1	The Board should establish a remuneration committee.	No Due to its current size the Company has not established a remuneration committee. The full Board will undertake the activities normally undertaken by a remuneration committee.
8.2	Disclose remuneration policy	Yes
8.3	Disclose policy on hedging equity incentive schemes	Yes