

# Corporate Governance Statement

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## BMG Resources Limited ACN 107 118 678 (Company)

### Overview

The Company's Board of Directors (**Board**) is responsible for the overall corporate governance of the Company, and it recognises the need for the highest standards of ethical behaviour and accountability. It is committed to administering its corporate governance structures to promote integrity and responsible decision making. Accordingly, the Company has, where appropriate, sought to adopt the 'Corporate Governance Principles and Recommendations' (Third Edition) (**ASX Recommendations**) published by the ASX Corporate Governance Council.

The corporate governance principles and practices adopted by the Company may depart from those generally applicable to ASX-listed companies under ASX Recommendations where the Board considers compliance is not appropriate having regard to the nature and size of the Company's business.

The Company sets out below its "if not why not" report in relation to those matters of corporate governance where the Company's practice departs from the ASX Recommendations to the extent that they are currently applicable to the Company. This statement is current as at 30 September 2019 and has been approved by the Board.

### ASX Corporate Governance Principles and Recommendations

#### 1. **Principle 1: Lay a solid foundation for management and oversight – companies should establish and disclose the respective roles and responsibilities of board and management and how their performance is monitored and evaluated**

##### 1.1 **Recommendation 1.1**

A listed entity should disclose:

- (a) the respective roles and responsibilities of its board and management; and
- (b) those matters expressly reserved to the board and those delegated to management.

#### ***Compliance with ASX Recommendation: followed***

The Company has adopted a Board Charter.

Under the board charter, the Board is responsible for the overall operation and stewardship of the Company and its subsidiaries and, in particular, is responsible for:

- (a) appointment, evaluation, rewarding and if necessary, the removal of key management of the Company;
- (b) in conjunction with management, the development of corporate objectives, strategy and operations plans, and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- (c) establishing appropriate levels of delegation to senior management to allow for senior management to manage the business efficiently;
- (d) 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;

- (e) monitoring the performance of senior management including the implementation of strategy, and ensuring appropriate resources are available;
- (f) via management, developing an appreciation of areas of significant business risk and ensuring that the Company is appropriately positioned to manage those risks;
- (g) overseeing the management of safety, occupational health and environmental matters;
- (h) 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;
- (i) 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;
- (j) ensuring that appropriate internal and external audit arrangements are in place and operating effectively;
- (k) ensuring that a framework is in place so that the Company acts legally and responsibly on all matters; and
- (l) reporting to shareholders.

The responsibility for the day-to-day operation and administration of the Company is delegated by the Board to senior management. The Board ensures that the senior management team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of senior management and executive directors.

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:

- (a) Board approval and monitoring of a strategic plan;
- (b) approval of annual and semi-annual budgets and monitoring actual performance against budget; and
- (c) procedures are in place to incorporate presentations to each Board meeting by financial, operations, exploration and marketing management.

A copy of the Board Charter is available at <http://www.bmgl.com.au/corporate/corporate-governance.html>

## 1.2 Recommendation 1.2

A listed entity should:

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
- (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.

### ***Compliance with ASX Recommendation: followed***

The Company has adopted a policy entitled Procedures for Selection and Appointment of Directors, which outlines the procedures it follows for the selection and appointment of new Directors.

In the circumstances where the Board believes there is a need to appoint a Director, whether due to the retirement of a Director or the growth or increased complexity of the Company, the Company's

policy states that certain procedures will be followed, including the following:

- (a) determine the skills and experience appropriate for the appointee having regard to those of the existing Directors and any other likely changes to the Board;
- (b) agree the process and timetable for seeking such a person, which may involve an external search firm;
- (c) a short list of candidates will be prepared for the Board's consideration and interview. The selection process will encourage visitation to the Company's operating sites and an understanding of management information systems. Candidates will be assessed on the following bases:
  - (i) competencies and qualification;
  - (ii) independence;
  - (iii) other directorships;
  - (iv) time availability;
  - (v) contribution to the overall balance of the composition of the Board; and
  - (vi) depth of understanding of the role of and legal obligations, of a director

The Company includes in its notices of meeting a brief biography of each Director who stands for election or re-election. The biography sets out the relevant qualifications and professional experience of the nominated Director for consideration by shareholders.

The Procedures for Selection and Appointment of Directors is reviewed annually and is available at <http://www.bmg.com.au/corporate/corporate-governance.html>

### 1.3 Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

***Compliance with ASX Recommendation: followed***

On appointment to the Board, all Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board Policies and Terms, and sets out the key terms governing their engagement or employment by the Company.

### 1.4 Recommendation 1.4

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

***Compliance with ASX Recommendation: followed***

The Company Secretary reports directly, and is accountable, to the Board through the Managing Director in relation to all governance matters.

The Company Secretary advises and supports the Board members on general governance matters, implements adopted governance procedures, and coordinates circulation of meeting agendas and papers.

## 1.5 Recommendation 1.5

A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- (b) disclose that policy or a summary of it; and
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
  - (i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
  - (ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

### ***Compliance with ASX Recommendation: partly followed***

The Company has adopted a Diversity Policy pursuant to which, among other things, the Board establishes, and reviews on an annual basis, measurable objectives for achieving improvement in the diversity mix of the workforce and particularly gender diversity, takes action to prevent and stop discrimination, bullying and harassment, and actively monitors recruitment, promotions and turnover.

The Company currently employs only five individuals, the Company does not currently employ any females.

The Company has not formally established diversity targets and as result does not disclose the Company's progress towards achieving such targets. As the Company has minor operations at this stage, the board considers that this position is appropriate.

A copy of the Diversity Policy is available at <http://www.bmgl.com.au/corporate/corporate-governance.html>

## 1.6 Recommendation 1.6

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

### ***Compliance with ASX Recommendation: not followed***

The Company does not have in place a formal process for evaluation of the Board, its committees and individual Directors.

The small size of the Board and the nature of the Company's activities make the establishment of a formal performance evaluation strategy unnecessary. Other than evaluation of the performance of the Directors by the Company's Nomination and Remuneration Committee, which is conducted in the context of remuneration reviews, pursuant to the Board Charter, performance evaluation is a discretionary matter for consideration by the entire Board and in the normal course of events the Board will review performance of the management, Directors and the Board as a whole.

## 1.7 Recommendation 1.7

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

### **Compliance with ASX Recommendation: not followed**

The Company does not have in place a formal process for evaluation of its executives.

The Company's comparatively small size and the nature of its activities make the establishment of a formal performance evaluation strategy unnecessary. As with evaluation of Directors and as set out in the Board Charter, performance evaluation for executives is a discretionary matter for consideration by the entire Board and in the normal course of events the Board will review performance of the executives and management as a whole.

## 2. Principle 2: Structure the Board to add value – a listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively

### 2.1 Recommendation 2.1

The board of a listed entity should:

- (a) have a nomination committee which:
  - (i) has at least three members, a majority of whom are independent directors; and
  - (ii) is chaired by an independent director,and disclose:
  - (iii) the charter of the committee;
  - (iv) the members of the committee; and
  - (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

### **Compliance with ASX Recommendation: 2.1(a) partly followed**

The Company has a Remuneration and Nomination Committee which consists of three Directors, being Mr Malcolm Castle, Mr Greg Hancock and Mr Simon Trevisan. Mr Castle and Mr Hancock are independent, Mr Trevisan is not independent. The Company has passed a resolution so that the Company Secretary, Mr Sean Meakin, may sit on the Remuneration and Nomination Committee if required.

The Committee is chaired by Mr Simon Trevisan, he is not an independent director, and therefore the Company only partly follows this recommendation.

The membership of the Remuneration and Nomination Committee, its meetings and the attendees at those meetings is disclosed annually in the Directors' Report in the Company's Annual Report.

The Remuneration and Nomination Committee Charter is available at <http://www.bmgl.com.au/corporate/corporate-governance.html>

## 2.2 Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

### ***Compliance with ASX Recommendation: not followed***

The Company does not currently have a skills or diversity matrix in relation the Board members. The Board considers that such a matrix is not necessary given the current size and scope of the Company's operations. The Board may adopt such a matrix at a later time as the Company's operations grow and evolve.

## 2.3 Recommendation 2.3

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- (c) the length of service of each director.

### ***Compliance with ASX Recommendation: followed***

The Company has two Directors who satisfy the criteria for independence as outlined in Recommendation 2.3, being Mr Greg Hancock and Mr Malcolm Castle.

The Board currently comprises the following members:

#### **(a) Mr. Gregory Hancock – Non-Executive Chairman**

The Board (excluding Mr Hancock) considers Mr Hancock to be independent as Mr Hancock holds no shares in the Company and is not involved in the day-to-day management of the Company.

#### **(b) Mr Bruce McCracken – Managing Director**

The Board (excluding Mr McCracken) does not consider Mr McCracken to be independent as he is an executive employee of the Company.

#### **(c) Mr Simon Trevisan – Non-Executive Director**

The Board (excluding Mr Trevisan) does not consider Mr Trevisan to be independent because of his significant shareholding in the Company and interest in the Administration Services Agreement between the Company and Tribis Group as disclosed.

#### **(d) Mr Malcolm Castle – Non-Executive Director**

The Board (excluding Mr Castle) considers Mr Castle to be independent as Mr Castle holds a small number of shares in the Company and is not involved in the day-to-day management of the Company.

## 2.4 Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

### ***Compliance with ASX Recommendation: not followed***

Two of the four members of the Company's Board are independent, being Mr Greg Hancock and Mr Malcolm Castle.

## 2.5 Recommendation 2.5

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

### ***Compliance with ASX Recommendation: followed***

The Chairman of the Company, Mr Greg Hancock is an independent director. The Company does not have a CEO, The Managing Director is Mr Bruce McCracken.

## 2.6 Recommendation 2.6

A listed entity should have 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.

### ***Compliance with ASX Recommendation: not followed***

It is the Company's policy, as stated in the Company's Procedures for Selection and Appointment of Directors, that all new Directors receive an induction appropriate to their experience. The Board also seeks to ensure that all of its members understand the Company's operations, including regular site visits. The Directors attend, on behalf of the Company and otherwise, technical and commercial seminars and industry conferences which enable them to maintain their understanding of industry matters and technical advancements.

However, the Company does not currently have a formal induction program for new Directors nor does it have a formal professional development program for existing Directors. The Board does not consider that a formal induction program is necessary given the current size and scope of the Company's operations. The Board may adopt such a program in the future as the Company's operations grow and evolve.

**3. Principle 3: Act ethically and responsibly – a listed entity should act ethically and responsibly**

**3.1 Recommendation 3.1**

A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and
- (b) disclose that code or a summary of it.

***Compliance with ASX Recommendation: followed***

The Board believes that the success of the Company has been and will continue to be enhanced by a strong ethical culture within the organisation.

Accordingly, the Company has established a Code of Conduct (**Code**) which aims to develop a consistent understanding of, and approach to, the desired standards of conduct and behaviour with which the Directors, officers, managers, employees and consultants of the Company are expected to comply.

The Code sets out the following general principles:

- (a) Employees of the Company must act honestly, in good faith and in the best interests of the Company as a whole.
- (b) 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.
- (c) Employees must recognise that their primary responsibility is to the Company's shareholders as a whole.
- (d) Employees must not take advantage of their position for personal gain, or the gain of their associates.
- (e) Directors have an obligation to be independent in their judgments.
- (f) 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.
- (g) Employees have an obligation, to comply with the spirit as well as the letter of the law and with the principles of this code.

In addition to compliance with the general principles set out above, the Directors are expected to satisfy the higher standard of conduct that is becoming of a director, including with respect to fiduciary duties, conflicts of interest and insider trading.

The Code outlines the procedure for reporting any breaches of the Code and the possible disciplinary action the Company may take in respect of any breaches.

A copy of the Code is available at <http://www.bmgl.com.au/corporate/corporate-governance.html>



4. **Principle 4: Safeguard integrity in corporate reporting – a listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting**

4.1 **Recommendation 4.1**

The board of a listed entity should:

- (a) have an audit committee which:
  - (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
  - (ii) is chaired by an independent director, who is not the chair of the board, and disclose:
    - (iii) the charter of the committee;
    - (iv) the relevant qualifications and experience of the members of the committee; and
    - (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

**Compliance with ASX Recommendation: not followed**

The Company has adopted an Audit and Risk Committee Charter and has an Audit and Risk Committee, which carries out the function of a separate audit committee.

The Audit and Risk Committee is comprised of two non-executive Directors, Mr Greg Hancock and Mr Simon Trevisan. Mr Hancock, who is the Chairman of the Board is independent. The Chairman of the committee is Mr Simon Trevisan, he is not independent.

Having regard to the size of the Company's Board, being four directors, including one who is an executive director, the directors have appointed Mr Sean Meakin, who is the Company Secretary and a Chartered Accountant to serve as the third member of the Audit and Risk Committee.

The membership of the Audit and Risk Committee and the relevant qualifications and experience of its members are disclosed in the Company's Annual Report, its meetings and the attendees at those meetings is disclosed annually in the Directors' Report in the Company's Annual Report.

The Audit and Risk Committee Charter is available at <http://www.bmgj.com.au/corporate/corporate-governance.html>

4.2 **Recommendation 4.2**

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO 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.

**Compliance with ASX Recommendation: followed**

As a matter of practise, the Company obtains declarations from its Managing Director before its financial statements are approved substantially in the form referred to in ASX Recommendation 4.2. The Company does not have a CFO, but the Managing Director fulfils that function.

#### 4.3 Recommendation 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

***Compliance with ASX Recommendation: followed***

In accordance with the Company's Shareholder Communications Policy, the Company requests that its external auditor attends each Annual General Meeting of the Company and is available to answer questions from shareholders in relation to the conduct of the audit and the preparation and content of the auditor's report.

#### 5. Principle 5: Make timely and balanced disclosure – a listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities

##### 5.1 Recommendation 5.1

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or a summary of it.

***Compliance with ASX Recommendation: followed***

The Company is a "disclosing entity" pursuant to section 111AR of the Corporations Act and, as such, complies with the continuous disclosure requirements of Chapter 3 of the ASX Listing Rules and section 674 of the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company is required to disclose to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is committed to observing its disclosure obligations under the Corporations Act and its obligations under the ASX Listing Rules. All relevant information provided to ASX will be posted on the Company's website.

The Company has adopted a Continuous Disclosure Policy, the purpose of which is to:

- (a) ensure that the Company, as a minimum, complies with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules and, as much as possible, seeks to achieve and exceed best practice;
- (b) provide shareholders and the market with timely, direct and equal access to information issued by the Company; and
- (c) promote investor confidence in the integrity of the Company and its securities.

A copy of the Continuous Disclosure Policy is available at <http://www.bmgil.com.au/corporate/corporate-governance.html>

**6. Principle 6: Respect the rights of security holders – A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively**

**6.1 Recommendation 6.1**

A listed entity should provide information about itself and its governance to investors via its website.

**Compliance with ASX Recommendation: followed**

Information on the Company's corporate governance, including copies of its various corporate governance policies and charters, is available at <http://www.bmgl.com.au/corporate/corporate-governance.html>

**6.2 Recommendation 6.2**

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

**Compliance with ASX Recommendation: followed**

The Company has a Shareholder Communications Policy to facilitate effective two-way communication with its shareholders and potential investors. This policy establishes procedures for shareholder queries to be made to the Company Secretary generally at any time and also provides that shareholders are to be provided with opportunities to put questions to the Board at general meetings.

A copy of the new Shareholder Communications Policy is available at <http://www.bmgl.com.au/corporate/corporate-governance.html>

**6.3 Recommendation 6.3**

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

**Compliance with ASX Recommendation: followed**

As noted above, the Company has adopted a Shareholder Communications Policy.

In accordance with the Shareholder Communications Policy, the Company supports shareholder participation in general meetings and seeks to provide appropriate mechanisms for such participation. As a matter of practise, in its notices of meeting, the Company encourages those shareholders who cannot attend general meetings in person to appoint proxies on their behalf.

The Company's Shareholder Communications Policy sets out the Company's procedures in relation to shareholder participation.

Mechanisms for encouraging and facilitating shareholder participation will be reviewed regularly to encourage the highest level of shareholder participation.

**6.4 Recommendation 6.4**

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

***Compliance with ASX Recommendation: followed***

The Company considers that communicating with shareholders by electronic means is an efficient way to distribute information in a timely and convenient manner.

The Company has, as a matter of practise, provided new shareholders with the option to receive communications from the Company electronically and the Company encourages them to do so. Existing shareholders are also encouraged to request communications electronically.

All shareholders that have opted to receive communications electronically are provided with notifications by the Company when an announcement or other communication (including annual reports, notices of meeting etc) is uploaded to the ASX announcements platform.

**7. Principle 7: Recognise and manage risk – a listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework**

**7.1 Recommendation 7.1**

The board of a listed entity should:

- (a) have a committee or committees to oversee risk each of which:
  - (i) has at least three members, a majority of whom are independent directors; and
  - (ii) is chaired by an independent director,and disclose,
  - (iii) the charter of the committee;
  - (iv) the members of the committee; and
  - (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

***Compliance with ASX Recommendation: not followed***

The Company has adopted an Audit and Risk Committee Charter and has an Audit and Risk Committee, which carries out the function of a separate risk committee.

The Audit and Risk Committee is comprised of two non-executive Directors, Mr Greg Hancock and Mr Simon Trevisan. Mr Hancock, who is the Chairman of the Board is independent. The Chairman of the committee is Mr Simon Trevisan, he is not independent.

Having regard to the size of the Company's Board, being four directors, including one who is an executive director, the directors have appointed Mr Sean Meakin, who is the Company Secretary and a Chartered Accountant to serve as the third member of the Audit and Risk Committee.

The membership of the Audit and Risk Committee and the relevant qualifications and experience of its members are disclosed in the Company's Annual Report, its meetings and the attendees at those meetings is disclosed annually in the Directors' Report in the Company's Annual Report.

The Audit and Risk Committee Charter is available at <http://www.bmgl.com.au/corporate/corporate-governance.html>

In addition, the Company has established a Risk Management and Internal Compliance and Control policy (**Risk Management Policy**) for the Company which provides that management is responsible for the day-to-day oversight of risk management strategy and policies, and internal compliance and internal control, and that management has periodic discussions with the Audit and Risk Committee, which then reports its findings and recommendations to the Board. The Board has ultimate responsibility for overseeing the risk management framework of the Company.

The Risk Management Policy is available at <http://www.bmgil.com.au/corporate/corporate-governance.html>

## 7.2 Recommendation 7.2

The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

### **Compliance with ASX Recommendation: partly followed**

Pursuant to the Company's Risk Management Policy and Audit and Risk Committee Charter, Audit and Risk Committee, management and Board all contribute to ongoing assessments of the effectiveness of risk management and internal compliance and control for the Company.

As at the date of this statement, the company has not disclosed the fact that these reviews have been undertaken, but the Company intends to do so on an annual basis going forward.

## 7.3 Recommendation 7.3

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

### **Compliance with ASX Recommendation: 7.3(b) followed**

The Company does not currently have an internal audit function. This function is undertaken by the full Board.

The Company has adopted internal control procedures which are set out in its Audit and Risk Committee Charter. The Company's internal controls include the Audit and Risk Committee overseeing the following:

- (a) the adequacy and effectiveness of the Company's accounting and financial policies and controls, including periodic discussions with management and external auditors, seeking assurance of compliance with relevant regulatory and statutory requirements;
- (b) the Company's financial reporting process and reports on the results of its activities to the Board. Specifically, the Committee reviews with management and the external auditor, the Company's annual and interim financial statements and reports to Shareholders, seeking assurance that the external auditor is satisfied with the disclosures and content of those financial statements; and
- (c) the adequacy of the nature, extent and effectiveness of the internal control processes of the Company.

The Board considers that an internal audit function is not currently necessary given the current size and scope of the Company's operations.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of adopting an internal audit function.

#### 7.4 Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

##### **Compliance with ASX Recommendation: followed**

The Company's primary operation of mineral exploration and development is speculative in nature and has inherent risks. It is subject to various economic, environmental and social sustainability risks, which may materially impact the Company's ability to operate and to generate value for shareholders. The Company has at all times when required by law, disclosed the material risks to which it is subject. These risks include:

- (a) **Exploration:** The success of the Company depends on the delineation of economically mineable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to the Company's exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities. The actual costs of exploration may materially differ from those estimated by the Company.
- (b) **Licence renewal:** The Company cannot guarantee that renewals of valid tenements will be granted on a timely basis, or at all.
- (c) **Future capital requirements:** The Company will need to raise funding for working capital from time to time. However, there is no guarantee that appropriate or adequate funding will be available.
- (d) **Commodity price fluctuations:** The Company's future revenue will depend upon demand and commodity prices.
- (e) **Exchange rate fluctuations:** The international prices of most commodities are denominated in United States dollars, but the expenditure of the Company is and will be taken into account in Australian, United States and Cypriot currencies, exposing the Company to the fluctuations and volatility of the rates of exchange between those currencies and the Australian dollar as determined in international markets.
- (f) **Environmental/government approvals:** The operations and activities of the Company are subject to laws and regulations governing exploration, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters. There is no assurance that such laws and regulations will not have an adverse effect on the operations and activities of the Company.
- (g) **Securities market conditions:** As with all securities markets, the price of the Company's shares and other securities is subject to fluctuations in the market.

The Company has adopted a Risk Management and Internal Compliance and Control policy and other procedures to identify, mitigate and manage these risks. The Company reviews the Risk Management and Internal Compliance and Control policy every two years.

**8. Principle 8: Remunerate fairly and responsibly – companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear**

**8.1 Recommendation 8.1**

The board of a listed entity should:

- (a) have a remuneration committee which:
  - (i) has at least three members, a majority of whom are independent directors; and
  - (ii) is chaired by an independent director,and disclose:
  - (iii) the charter of the committee;
  - (iv) the members of the committee; and
  - (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

***Compliance with ASX Recommendation: 8.1(a) partly followed***

The Company has a Remuneration and Nomination Committee which consists of three Directors, being Mr Malcolm Castle, Mr Greg Hancock and Mr Simon Trevisan. Mr Castle and Mr Hancock are independent, Mr Trevisan is not independent. The Company has passed a resolution so that the Company Secretary, Mr Sean Meakin, may sit on the Remuneration and Nomination Committee if required.

The Committee is chaired by Mr Simon Trevisan, he is not an independent director, and therefore the Company only partly follows this recommendation.

The membership of the Remuneration and Nomination Committee, its meetings and the attendees at those meetings is disclosed annually in the Directors' Report in the Company's Annual Report.

The Remuneration and Nomination Committee Charter is available at <http://www.bmgl.com.au/corporate/corporate-governance.html>

**8.2 Recommendation 8.2**

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

***Compliance with ASX Recommendation: followed***

The Company's policies and practices regarding the remuneration of Executive and Non-Executive Directors and other senior executives is set out in the Remuneration Report contained in the Company's Annual Report for each financial year.

### 8.3 Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- (b) disclose that policy or a summary of it.

***Compliance with ASX Recommendation: not followed***

The Company's equity-based remuneration scheme is limited to the Company's key management personnel and is linked to successfully achieving key milestones in the Company's projects or as otherwise specified by the Board. Due to the small scale of the Company's equity-based remuneration scheme and the sophisticated nature of the participants, the Company has not implemented a policy with respect to those participants entering into transactions to limit the economic risk of participating in the scheme. Should the Company later implement an equity-based remuneration scheme with broader application, it will reassess the need for such a policy.