

# Corporate Governance Statement

## Navarre Minerals Limited

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For the year ended 30 June 2018

### Introduction

The Board of Navarre Minerals Limited (**Navarre** or the **Company**) is committed to conducting the business of Navarre and entity it controls both ethically and in accordance with principles of good corporate governance. The Board recognises the importance of the eight core principles contained in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition, released in March 2014) ("ASX Principles").

The Company's practices are largely consistent with the ASX Principles. The Board considers that the implementation of a number of ASX Principles is not appropriate, for the reasons set out below in relation to the items concerned. The Board uses its best endeavours to ensure that exceptions to the ASX Principles do not have a negative impact on the Company and the best interests of shareholders as a whole.

As required by the ASX Listing Rules, this Corporate Governance Statement (CGS) discloses the extent to which Navarre has followed the ASX Principles during the financial year ended 30 June 2018, as summarised below.

Navarre has also prepared an "ASX Appendix 4G – Key to Disclosures", which reports on the Company's compliance with each of the ASX Principles. This has been lodged with the CGS on the ASX and may be viewed and downloaded from the Company's website.

Additional information about the Company's corporate governance practices and policies is set out on the Company's website at [www.navarre.com.au](http://www.navarre.com.au).

The names of the Non-Executive Directors currently in office and their qualifications and experience are stated in the Company's latest Annual Report.

## **1. Lay solid foundations for management and oversight (ASX Principle 1)**

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### **1.1 Board Role and Responsibilities**

The Board's primary role is to set the Company's values, direction, strategies and financial objectives and to ensure effective monitoring of corporate performance, capabilities and management of risk consistent with creating shareholder value and maintaining effective corporate governance. The Board is also responsible for the appointment, and for monitoring the performance, of the Managing Director.

The Board operates in accordance with the Company's Constitution and has adopted a Board charter which outlines a framework for the Board's operation, the matters reserved to the Board and the functions delegated to management. The charter is available on the Company's website.

### **1.2 Management Role and Responsibilities**

Responsibility for the operation and administration of the Company and the implementation of the corporate strategy and budgets approved by the Board is formally delegated by the Board to the Managing Director, who is supported by a small team of executives. The performance of the Managing Director is formally reviewed annually and includes agreement on key performance measures for the following year. In February 2017, the Board agreed on Key Performance Indicators (KPIs) for both short-term and long-term incentives for the Managing Director for calendar year 2017, and the Managing Director's performance against those KPIs was assessed by the Remuneration & Nomination Committee in early 2018. In February 2018 the Board agreed on KPIs for the both short-term and long-term incentives for the Managing Director for calendar year 2018, and

the Managing Director’s performance against those KPIs will be assessed by the Remuneration & Nomination Committee in early 2019.

Newly appointed executives receive formal employment contracts describing their terms of appointment, duties, rights and responsibilities. The Managing Director would normally be required to conduct annual performance reviews for executives reporting directly to him, however, given the small executive team no formal reviews were conducted in respect of calendar year 2017.

### 1.3 Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

## 2. Structure the Board to add value (ASX Principle 2)

### 2.1 Board Composition and Expertise

As at 30 June 2018, the Board comprised three non-executive directors (including the Chairman) and one executive director (Managing Director). The roles of chairperson and managing director are not exercised by the same individual. Details of the current directors of the Company and the period for which each director has held office, are set out in the Directors’ Report in the Company’s latest Annual Report.

The Board aims to ensure that it has a mix of skills and capabilities among its members, including technical skills, business development experience and financial management experience. The Board considers that the directors collectively bring the range of skills, knowledge and experience necessary to direct the Company. The size and composition of the Board, and its mix of skills and capabilities, is expected to change as the Company evolves.

Details of the skills, experience and expertise of the directors are set out in the Directors’ Report in the Company’s latest Annual Report.

The following table summarises the experience, skills and qualifications of the non-executive directors serving on the Board at 30 June 2018:

<b>Board skills matrix</b>	
Total non-executive directors	3
<b>Experience</b>	
Successful experience in CEO and/or other senior corporate leadership roles	3
Relevant industry (resources, mining, exploration) experience	3
Directorships of other listed entities (last 3 years)	2
<b>Knowledge and skills</b>	
Strategy	3
Governance	3
Finance and risk	3
Mergers and acquisitions	3
<b>Tertiary qualifications</b>	
Economics, law, commerce and/or business	3
Accounting	1
Geology / engineering	1

## **2.2 Director Independence**

The Board reviews the independence of directors in light of interests disclosed to the Board from time to time and at least once a year. A director is regarded as independent if that director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment. When determining the independent status of a director, the Board has regard to the existence of any of the relationships listed in Box 2.3 of the ASX Principles.

Mr Kevin Wilson, Mr John Dorward and Mr Colin Naylor are considered to be independent directors under the guidelines in ASX Principle 2.

As the Company evolves, the Board will consider the appointment of additional independent directors when appropriate.

## **2.3 Remuneration and Nomination Committee**

The Board has a Remuneration and Nomination ("R&N") Committee to provide the Board with a regular, structured opportunity to focus on remuneration and nomination issues. Recommendations for nomination of new directors would be considered by the R&N Committee and approved by the Board as a whole.

The role and responsibilities of the Committee are set out in the Committee's Charter, which is available on the Company's website. The Committee is chaired by Mr Kevin Wilson an independent non-executive director. Given the size of the Board, all members of the Board are members of the R&N Committee. The Directors' Report sets out the attendance of directors at meetings of the R&N Committee.

The structure of the R&N Committee meets Recommendation 2.1 of the ASX Principles insofar as it consists of at least three members the majority of whom are independent and is chaired by an independent director.

## **2.4 Retirement and re-election of Directors / appointment of new Directors**

The Company's Constitution states that at each annual general meeting, one third of the Company's non-executive directors cease to hold office. Directors who retire as required may offer themselves for re-election by shareholders. Any director appointed to fill a casual vacancy since the date of the previous annual general meeting must also submit themselves to shareholders for election at the next annual general meeting.

The Company will undertake appropriate background checks and screening checks prior to nominating a person for election by shareholders, and will provide to shareholders all material information in its possession concerning a person standing for election or re-election as a director in the explanatory notes accompanying the notice of meeting. New directors will receive a letter of appointment, setting out the terms of their appointment, including their powers, rights and obligations, and will participate in an induction program to assist them to understand Navarre's business and the particular issues it faces.

## **2.5 Performance Evaluation**

The Board undertakes an annual performance evaluation process led by the Chairman. The review process typically involves all directors completing a questionnaire, which allows for additional comments or identification of any issues relating to the Board's or a committee's operation. The results of the review are confidentially summarised and distributed and then discussed with directors at a meeting of the R&N Committee (which includes all directors). The purpose of the review is to assess the strengths and weaknesses of the Board and Committees and to identify areas that might be improved, which are addressed through an action plan. The last annual performance evaluation process was undertaken in July 2018.

## 2.6 Professional Advice

In accordance with the Board Charter, each director has the right to seek independent professional advice to assist them to carry out their duties as directors, at the expense of the Company, after consultation with the Chairman. No independent professional advice was sought during the financial year.

All directors also have direct access to the management of the Company, including the Company Secretary.

## 3. Act ethically and responsibly (ASX Principle 3)

### 3.1 Code of Conduct

The Board has adopted a Code of Conduct that sets the standard of ethical behaviour required of the Company's directors and employees. The Code of Conduct is available on the Company's website. Failure to comply with the Code of Conduct may result in the Board requiring the resignation of any director or employee who breaches the Code.

### 3.2 Diversity

The Board has also adopted a Diversity Policy, which is available on the Company's website. This policy affirms the Board's commitment to workplace diversity for the Company (including gender diversity). It includes requirements for the Board to establish measureable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

The Company's objective is to maintain a significant level of female participation in the Company's workforce at all levels, with a particular emphasis on gender diversity in technical roles. Given the size of the Company and the challenges of recruiting appropriately qualified staff in a regional area, the Board considers it unrealistic to commit to a specific level of female participation in the Company's workforce on an ongoing basis. However, the Board supports measures to attract women to the Company, including continuing to offer flexible work arrangements and setting out clear expectations of behaviours for employees that foster a supportive and inclusive work environment.

There are no female members of the Board at the date of this report. If a vacancy arises or the Board is expanded in future, the Board will consider a diverse range of candidates who will be assessed on merit based on their judgment, skills, experience with business and other organisations of a comparable size, the interplay of the candidate's experience with the experience of other Board members and the extent to which the candidate would be a desirable addition to the Board and its committees.

The table below sets out the proportion of women in the Company as at 30 June 2018.

As at 30 June 2018	No. of women in the role	Total number of staff in the role	% women of total staff in role
Non-executive directors	0	3	0%
Senior executives (KMP)	0	2	33%
Senior management (direct report to Managing Director)	1	1	100%
Other	1	1	100%

## **4. Safeguard integrity in corporate reporting (ASX Principle 4)**

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### **4.1 Audit Committee**

The Board has an Audit Committee. Its role and responsibilities are set out in its charter, which is posted on the Company's website. The Committee is chaired by Mr Naylor, who is an independent non-executive director with substantial accounting/financial experience. The other committee members are Mr Dorward and Mr Wilson, both non-executive directors with substantial finance and industry experience. The qualifications of Mr Naylor, Mr Dorward and Mr Wilson and their attendance at meetings are described in detail in the Directors' Report. The Audit Committee met four times during the year as stated in the Directors' Report.

The structure of the Audit Committee meets Recommendation 4.1 of the ASX Principles insofar as it has at least three members, all of whom are non-executive directors and a majority of whom are independent directors, and is chaired by an independent chair who is not chair of the Board. Given the current size of the Company and the Board, and the current stage of development and straightforward structure of the Group, the Directors consider that the Audit Committee is of sufficient size and technical expertise to discharge its mandate effectively.

### **4.2 Management Assurances in relation to Financial Reporting**

The Board has received statements in writing from the Managing Director and the Company's Accountant that the declaration provided in accordance with section 295A of the Corporations Act (that the financial records of the Company have been properly maintained, comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company) 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.

The Board considers that it is appropriate for the declaration to be made by the Managing Director and the Accountant, as the function of Chief Financial Officer is performed by the Accountant under the supervision of the Managing Director.

### **4.3 External Auditor**

The Company's independent external auditor is RSM Australia Partners, which was appointed by shareholders at the 2011 Annual General Meeting in accordance with the Corporations Act. The Audit Committee oversees the terms of engagement of the Company's external auditor, including provisions directed at maintaining the independence of the external auditor and in assessing whether the provision of any proposed non-audit services by the external auditor is appropriate. The Company requires the rotation of the external audit engagement partner at least every five years. The external auditor attends the Company's annual general meetings and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

## **5. Make timely and balanced disclosure (ASX Principle 5)**

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### **5.1 Continuous Disclosure to ASX**

The Company has an obligation under the ASX Listing Rules to ensure that all investors have equal and timely access to factual, material information concerning the Company, presented in a clear and balanced way. The Company has a Continuous Disclosure Policy that includes procedures designed to ensure compliance with the ASX Listing Rules' disclosure requirements and to ensure accountability at senior executive level for the compliance. This policy is available on the Company's website.

## 6. Respect the rights of security holders (ASX Principle 6)

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### 6.1 Shareholder Communication

The Company has a formal policy on shareholder communication, which reflects the Board's objective of maintaining active communication with shareholders as owners of the Company. Mechanisms used by the Company for communicating with shareholders include:

- the Company's annual report, which is distributed to shareholders if they have elected to receive a printed version or is otherwise available for viewing and downloading from the Company's website;
- the Company's quarterly activities reports;
- the Company's half-year financial report;
- the Company's annual general meeting and other general meetings called to obtain shareholder approval for significant corporate actions, as appropriate;
- Company announcements;
- the Company's website; and
- direct email alerts of ASX releases and other information to shareholders and other interested parties who register their email address via the Company's website.

The Company provides information about itself and its governance to investors via its website. The Company posts all shareholder-related information and Company ASX announcements (other than disclosures of a routine compliance nature) on the Company's website in an accessible manner.

Shareholders may send communications to, and receive communications from, the Company and its share registry electronically. The contact email addresses for the Company and its share registry, Boardroom Pty Limited, are [info@navarre.com.au](mailto:info@navarre.com.au) and [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au), respectively.

Shareholders may elect to receive Annual Reports and other shareholder communications electronically by contacting the Company's share registry.

### 6.2 Shareholder Meetings

The key forum for two-way communication between the Company and its shareholders is at annual general meetings. The Board encourages shareholders attending annual and other general meetings to ask questions of the directors regarding the Company's governance and business performance and, at the annual general meetings, of the external auditor regarding the conduct of the audit and the contents of the audit report. Shareholders who are unable to attend the annual or other general meetings may submit questions and comments before the meeting to the Company and/or to the external auditor (in the case of annual general meetings).

In addition, the Company welcomes questions from shareholders at any time and these are answered promptly unless the information requested is market sensitive and not in the public domain.

## 7. Recognise and manage risk (ASX Principle 7)

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The Board defines risk to be any event that, if it occurs, will have a material impact (whether financial or non-financial) on the Company's ability to achieve its objectives. The identification and effective management of risk, including calculated risk taking, is viewed as an essential part of the Company's approach to creating shareholder value.

The key driver of the Company's future prospects is the success of its exploration programs. Therefore, the key risks for the Company include lack of exploration success and/or capital to carry out planned exploration programs. The material risks facing the Company are described further in the Operating and Financial Review in the Company's latest Annual Report.

### **7.1 Risk Management Roles and Responsibilities**

The Board is responsible for overseeing the effectiveness of risk management systems. The Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policy, internal compliance and internal control. Given the size of the Company, the Board considers it appropriate for all Board members to be part of this process and, as such, has not established a separate risk management committee, although the Audit Committee has responsibility for overseeing some aspects of the Company's implementation of its risk management policies (for example, the Company's insurance program). The framework for the Company's approach to risk management is established by the Company's Risk Oversight Policy, which is available on the Company's website. Consistent with this Policy, the Board has established various specific policies and practices designed to identify and manage significant business risks, including:

- detailed monthly financial and operational reporting to the Board;
- approval of budgets;
- policies regarding internal controls and authority levels for expenditure; and
- policies and procedures relating to health, safety and environment.

Day-to-day responsibility for risk oversight and management is delegated to the Managing Director, who is primarily responsible for identifying, monitoring and communicating risk events to the Board and responding to risk events.

Given the size of the Company, the implementation of the policies and practices outlined above and the existence of open channels of communication between the Board and management, the Board does not consider it necessary to have separate, stand-alone risk management and control systems designed by management which are reported to the Board.

The Board monitors, on an ongoing basis, whether the Company is operating within the Board's risk appetite. This is enabled by management's regular formal and informal reports to the Board in relation to material business risks, the Board's familiarity with the Company's operations and the Board's active involvement in determining the Company's strategic direction. The Board undertook a formal review of the Company's risk management framework during the year ended 30 June 2018.

### **7.2 Internal Audit**

The Company does not have an independent internal audit function. Due to the nature and size of the Company's operations, the expense of an independent internal auditor is not considered to be appropriate.

The Board performs all key elements of an internal audit function, including evaluating and seeking reasonable assurance that risk management, control and governance systems are functioning as intended and will enable the Company's objectives and goals to be met. The Board delegates to the Managing Director the authority to implement any non-strategic amendments to risk management systems as required as a result of changed circumstances, or where the potential for improvement has been identified, reporting all such matters to the Board for consideration at its next meeting.

## **8. Remunerate fairly and responsibly (ASX Principle 8)**

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### **8.1 Remuneration & Nomination Committee**

The Board's R&N Committee is responsible for determining compensation arrangements for directors, including the Managing Director, and reviewing compensation arrangements for senior executives. Details of the role and responsibilities of the Committee are set out in the Committee's Charter, which is available on the Company's website.

Given the size of the Board, all members of the Board are members of the R&N Committee. The Committee is chaired by Mr Kevin Wilson an independent chair and consists of a majority of independent directors. Any potential for, or perception of, conflict of interest resulting from the Managing Director's membership of the R&N Committee is addressed by ensuring that the Managing Director withdraws from committee meetings during any discussion of his remuneration arrangements or performance, and takes no part in the discussion or decision-making process in relation to such matters.

The attendance of directors at meetings of the R&N Committee is set out in the Directors' Report in the Company's latest Annual Report.

### **8.2 Structure of Non-Executive Director Remuneration and Executive Remuneration**

The structure of non-executive directors' remuneration is distinguished from that of the Managing Director and senior executives. The R&N Committee assesses the appropriateness of the nature and amount of emoluments on a periodic basis by reference to relevant market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

The non-executive directors are remunerated by way of fixed annual fees (within the aggregate fee limit approved by shareholders) but may also receive fees for additional services provided to the Company. The non-executive directors do not receive any retirement benefits, other than statutory superannuation. The non-executive directors have previously, with the prior approval of shareholders, received options to subscribe for shares in the Company. For a company of the size and limited cash resources of the Company, the grant of options is a useful tool for attracting and retaining quality non-executive directors without diminishing the Company's cash resources. The Board is aware that the ASX Corporate Governance Council's guidelines do not support the issue of options with performance hurdles attached to non-executive directors as part of their remuneration. As the Company grows and its cash resources increase, the Board will review the practice of issuing options to non-executive directors. It should be noted that with the approval of shareholders at the General Meeting held in April 2018, share options were issued to the non-executive directors.

The senior executives of the Company are remunerated by way of a total salary package, including fixed remuneration (including statutory superannuation) and, when appropriate in light of the Company's financial position, performance-based remuneration in the form of cash bonuses linked to clearly specified short-term performance targets. Equity-based remuneration, in the form of options to subscribe for shares in the Company, is also offered in connection with long-term performance objectives appropriate to the Company's circumstances and goals.

Further details about the remuneration of the non-executive directors, the Managing Director and other senior executives are set out in the Remuneration Report in the Company's latest Annual Report. The Remuneration Report also outlines the Company's policy of prohibiting key management personnel from hedging remuneration that is unvested or is vested but subject to a holding lock.