

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance of the Company. The Board guides and monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The ASX document '*Corporate Governance Principles and Recommendations 4<sup>th</sup> Edition*' published by the ASX Corporate Governance Council applies to listed entities with the aim of enhancing the credibility and transparency of Australia's capital markets. The Principles and Recommendations can be viewed at [www.asx.com.au](http://www.asx.com.au). The Board has assessed the Group's current practice against the Principles and Recommendations and other than the matters specified below under "*If Not, Why Not*" Disclosure, all the best practice recommendations of the ASX Corporate Governance Council have been applied.

Please refer to the Company's website ([www.hannans.com](http://www.hannans.com)) for Hannans' Governance Statements and Policies.

In relation to departures by the Company from the best practice recommendations, Hannans makes the following comments:

**Principle 1:** Lay solid foundations for management and oversight

- 1.5** *A listed entity should have a diversity policy which includes requirements for 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.*

The Board is responsible for establishing and monitoring on an annual basis the achievement against gender diversity objectives and strategies, including the representation of women at all levels of the organisation.

The proportion of women within the Group as at 30 June 2020 was as follows:

Employee	Management	Board of Hannans
50%	0%	20%

The Company has five directors, one executive director (who is contracted to the Company) and two casual employees. The Board has determined that the composition of the current Board represents the best mix of Directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management. The Company has not set or disclosed measurable objectives for achieving gender diversity. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity. Every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

- 1.6** *Companies should disclose, in relation to each reporting period, whether a performance evaluation of the Board was undertaken in the reporting period in accordance with that process.*

Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it. No performance evaluation was undertaken in the reporting period.

- 1.7** *Companies should disclose, in relation to each reporting period, whether a performance evaluation of its senior executives was undertaken in the reporting period in accordance with that process.*

Evaluation of the senior executives is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it. No performance evaluation was undertaken in the reporting period.

**Principle 2:** Structure the Board to add value

- 2.1** *The Board should establish a nomination committee*

The Board as a whole decides on the choice of any new director upon the creation of any new Board position and if any casual vacancy arises. Decisions to appoint new directors will be minuted. The Board will identify candidates and assess their skills in deciding whether an individual has the potential to add value to the Company. The Board may also seek independent advice to assist with the identification process. The Board considers that this process is appropriate given the size and the complexity of the Group's affairs. Until the situation changes the Board will carry out any necessary nomination committee functions.

- 2.4** *The majority of the Board should be independent directors*

The Board consists of one Non-Executive Chairman, three Non-Executive Directors and an Executive Director. There are no independent directors on the Board. Details of their skills, experience and expertise and the period of office held by each Director have been included in the Directors' Report. The number of Board meetings and the attendance of the Directors are set out in the Directors' Report.

The Board considers that the composition of the existing Board is appropriate given the scope and size of the Group's operations and the skills matrix of the existing Board members. The Board will continue to monitor whether this remains appropriate as the scope and scale of its activities evolves and expands.

## CORPORATE GOVERNANCE STATEMENT (cont'd)

- 2.5** *The Chair of the Board should be an independent director and, in particular, should not be the same person as the Managing Director/Chief Executive Officer*

The current Chair of the Company is Mr Jonathan Murray. Mr Murray does not satisfy the ASX Corporate Governance Principles and Recommendations definition of an independent director however the Board considers Mr Murray's role as Non-Executive Chairman essential to the success of the Group in its current stage, wherein the Group continues to refine its focus on the strategic development of the business. Over time, it is proposed that the Chair position will transition to an independent non-executive director.

**Principle 4:** Safeguard integrity of corporate reporting

- 4.1** *The Board should establish an audit committee*

The Board as a whole meets with the auditor to identify and discuss the areas of audit focus, appropriateness of the accounting judgement or choices exercised by management in preparation of the financial statements. The Board may also seek independent advice as and when required to address matters pertaining to appointment, removal or rotation of auditor. The Board considers that this process is appropriate given the size and the complexity of the Group's affairs. It is not considered necessary to have a separate audit committee.

**Principle 7:** Recognise and manage risk

- 7.1** *The Board should establish a risk committee*

The Company is constantly monitoring risks associated with the economy, industry and company due to their role as professional fund managers, lawyers, in-country specialists and shareholders with a view to managing risks and identifying threats. This process is on-going. The preparation of the Board pack and its timely distribution is a key element of this process along with monthly cash flow budgets, management discussions and informal communications between the Board and management via telephone, email and in person. The Board considers that this process is appropriate given the size and complexity of the Group's affairs. It is not considered necessary to have a separate risk committee.

- 7.2** *The Board should review the entity's risk management framework and disclose at each reporting period*

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be part of this process and as such the Board has not established a separate risk management committee. The Board considers that this process is appropriate given the size and the complexity of the Group's affairs.

The Board has a number of mechanisms in place to ensure management's objectives and activities are aligned by the Board. These include but are not limited to the following:

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| ∂ Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk. | ∂ Implementation of Board approved operating plans and Board monitoring of the progress against budgets that is reviewed at every board meeting. |
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- 7.3** *The Company should establish an internal audit function*

The Company reviews its risk and internal control processes on a continual informal basis and works alongside auditors at half year and year end reviews to identify the Company's risks, systems and procedures. The Company may also seek independent advice to assist with the identification of risks and processes if and when required. The Board considers that this process is appropriate given the size and the complexity of the Group's affairs. It is not considered necessary to have an internal audit function. Nonetheless it remains committed to effective management and control of these factors.

- 7.4** *The Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and how it manages or intends to manage those risks*

The nature of the Group's exploration operations is such that it could be seen to be constantly exposed to economic, environmental and social risks. The Board and Management have respect for the rights and beliefs of all stakeholders and it is part of the Group's culture to have open, honest and constant two way communication with stakeholders and to operate fully within the laws of the jurisdictions the Group operates within. The Group maintains high standards with regards its environmental and social practices and is constantly striving to improve its engagement and information processes. The Board and Management will continue to monitor these risks to the Group.

## CORPORATE GOVERNANCE STATEMENT (cont'd)

**Principle 8:** Remunerate fairly and responsibly

**8.1** *The Board should establish a remuneration committee*

The Board as a whole may appoint an independent working group comprising consultants, Directors and/or the Company Secretary to review and make recommendations to the board in relation to the remuneration framework as well as identify candidates and assess their skills in deciding whether an individual has the potential to add value to the Company. The Board considers that this process is appropriate given the size and the complexity of the Group's affairs. It is not considered necessary to have a separate nomination or remuneration committee. Until the situation changes the Board of Hannans will carry out any necessary remuneration committee functions.

**8.3** *The listed entity which has an equity-based remuneration scheme should have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme and disclose the policy.*

The Company has an equity-based remuneration scheme in place in the form of an employee share option plan. The Company prohibits participants in equity-based remuneration plan from entering into transactions which limit the economic exposure of participating in the plan, whether through the use of derivatives or otherwise.

### Independent Professional Advice

Directors of the Company are expected to exercise considered and independent judgement on matters before them and may need to seek independent professional advice. A director with prior written approval from the Chairman may, at the Group's expense obtain independent professional advice to properly discharge their responsibilities.

### Executive Director (ED) and Group Finance Officer Declaration

The ED and Group Finance Officer provide the following declaration to the Board in respect of each quarter, half and full year financial period:

- ∂ that Hannans financial records have been properly maintained;
- ∂ that Hannans' financial statements, in all material respects, are complete and present a true and fair view of the financial condition and operational results of Hannans and the Group and are in accordance with the relevant accounting standards;
- ∂ that the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- ∂ that Hannans' risk management and internal compliance and control systems are operating effectively in all material respects.