

---

## **CRATER GOLD MINING LIMITED – 2016 CORPORATE GOVERNANCE STATEMENT**

*The Listing Rules of the Australian Securities Exchange require that the Company's Annual Report contain a statement disclosing the extent to which the Company has followed the ASX Corporate Governance Council's Corporate Governance Recommendations ("Recommendations") during the financial year. This can be achieved by reference to a Corporate Governance Statement that is disclosed on the Company's website. For the year ended 30 June 2016, the Company has elected to adopt this approach, publishing its Corporate Governance Statement with relevant policies on the Company's website. This Corporate Governance statement is current as at 30 September 2016.*

*The Recommendations are guidelines rather than prescriptions, and a company has the flexibility not to adopt a particular Recommendation if the company considers it inappropriate to the company's particular circumstances, provided the company explains why it has not followed the particular Recommendation.*

---

### **Principle 1 – Lay solid foundations for management and oversight**

The Corporate Governance Charter adopted by the Board (which can be found on the Company's website) ("the Corporate Governance Charter") provides that the Board's broad functions are to:

- chart strategy and set financial and other targets for the Company and its controlled entities ("the Group");
- monitor the implementation and execution of strategy and performance against financial and other targets;
- appoint and oversee the performance of executive management; and
- generally take an effective leadership role in relation to the Group.

The Board evaluates the performance of senior executives on an ongoing basis.

The Company's executive management is charged with managing and directing the day-to-day operations of the Company's business.

### **Principle 2 – Structure the Board to add value**

The names, skills and experience of the Directors in office at the date of this Statement and the period of office of each Director are set out in on pages 13 to 15 of the Company's 2016 Annual Report. The Directors believe that the composition of the Board is appropriate for its functions and responsibilities. During the year, Director Peter Macnab passed away (December 2015). Mr Richard Johnson was subsequently appointed to the Board (July 2016).

Based on the guidelines accompanying the Recommendations, at the date of this report the Board comprises five non-independent Directors (Messrs Chan, Fermanis, Parker, Lee and Johnson) and one independent director (Mr Sun). Of the five non-independent directors, Chairman Sam Chan is the sole director and shareholder of a substantial shareholder of the Company (and therefore not considered independent according to the guidelines accompanying the Recommendations), Russell Parker is the Company's Managing Director, employed in an executive capacity, Lawrence Lee is the Company's Finance Director, employed in an executive capacity and Richard Johnson and Tom Fermanis are material suppliers of professional consulting services to the Company. The Company recognises that during the year a majority of its directors were not independent but believe that the Board composition was appropriate given the size and nature of the Company's operations.

During the reporting period the Company's chair (Sam Chan) was not an independent director for the reason given above, however the Company believes that it is appropriate in the Company's circumstances that Mr Chan is Chair given the size of his shareholding in the Company, the financial commitment he has made to and financial stake he has in the Company, and the breadth of business experience and contacts he brings to the role.

During the reporting period the Company had a Remuneration & Nomination Committee which consisted of two members, the Committee's chair (non-executive Director Desmond Sun), and non-independent Director Tom Fermanis. The Committee has less than the three members recommended in the Recommendations because it believes the smaller number is appropriate given the Company's size and the nature of the Company's operations. The Committee has a charter which appears on the Company's website.

The Board evaluates the performance of itself, its committees and individual Directors. It has not adopted nor disclosed a Board skills matrix, being of the view that such a matrix is not warranted, given the size and nature of the Company's operations, and the ability of the Board to manage this process in less formalised fashion. The Remuneration and Nomination Committee is also charged with making recommendations to the Board in this regard. During the reporting

period the Board did not undertake a formal evaluation of its performance and the performance of its senior executives as a result of a focus on operational activities, however it intends to do so in the next reporting period.

Any new appointments to the Board are considered for appropriateness, subject to relevant checks and material information in relation to new appointments is provided to shareholders.

### Principle 3 – Promote ethical and responsible decision making

The Company is firmly committed to ethical business practices, a safe workplace and compliance with the law. Fair dealing with the Company's suppliers, advisors, customers, employees and competitors is expected at all levels of the organisation. All Directors, executive management and employees are expected to act with integrity to enhance the performance of the Company.

The Company's Corporate Governance Charter contains a code of conduct which provides a guide to the Company's Directors as to the practices necessary to maintain confidence in the Company's integrity and ethical practices.

The Company is a stated equal opportunity employer, however has not established a policy concerning diversity as such as the Company does not believe it would be appropriate for the Company at this time given the Company's stage of development, the industry in which the Company operates, the Company's size, and the Company's circumstances generally. The Board has not set measurable objectives for achieving gender diversity in accordance with a diversity policy for the foregoing reasons. During the reporting period there were no women on the Company's board or in a senior executive position. The proportion of women employees in the whole organisation was approximately 10% during the reporting period, when including all local staff engaged at the Company's operations in PNG.

### Principle 4 – Safeguard integrity in financial reporting

The Board requires that prior to adoption of the annual accounts the Managing Director and any Chief Financial Officer state in writing to the Board that the consolidated financial statements of the Company and its controlled entities present a true and fair view in all material respects of the Group's financial condition and operational results and are in accordance with applicable accounting standards.

The Audit Committee is a committee of the Board. It is the Audit Committee's responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information, as well as non-financial considerations such as the benchmarking of operational key performance indicators.

During the reporting period the Audit Committee consisted of two members, the Committee's Chair (non-executive Director Desmond Sun), and non-independent Director Lawrence Lee. The Chairman of the Audit Committee was not Chairman of the Board. The Committee has less than the three members recommended in the Recommendations because it believes the smaller number is appropriate given the Company's size and the nature of the Company's operations. The Board believes that, given the Company's size and the financial acumen of the two Committee members, two is an adequate number for the Committee at this time.

The Audit Committee has a formal written charter which sets out the Committee's role and responsibilities, composition, structure and membership requirements.

Details of the names and qualifications of the Audit Committee members and meetings attended by them are provided in the 2015 Annual Report. The Audit Committee Charter is published on the Company's website. The Audit Committee Charter charges the Audit Committee with responsibility for recommending to the Board the appointment, evaluation and termination of the external auditor, and reviewing and discussing with the external auditor all significant relationships the external auditor has with the Company in order to ensure independence of the auditor.

The Company's current auditor complies with its obligations under the Corporations Act 2001 s324DA and consequently an individual who plays a significant role in the audit of the Company will rotate off the audit after five years and will not participate in the audit again for a further two years.

### Principle 5 – Make timely and balanced disclosure

The Company has established policies and procedures designed to ensure compliance with the ASX Listing Rule requirements so that announcements are made in a timely manner, are factual, do not omit material information, are balanced, and are expressed in a clear and objective manner so as to allow investors to assess the information when making investment decisions. The Managing Director and Company Secretary are responsible for interpreting and monitoring the Company's disclosure policy and the Company Secretary is responsible for all communications with the ASX.

The Company's Corporate Governance Charter contains procedures relating to timely and balanced disclosure.

ASX announcements are also published on the Company's website.

## Principle 6 – Respect the rights of shareholders

The Company aims to keep shareholders informed of the Company's performance and all major developments on an ongoing basis. The Company regularly communicates to its shareholders in a timely manner through a communications strategy that consists of:

- relevant disclosures made in accordance with ASX Listing Rule disclosure requirements;
- making documents that have been released publicly available on the Company's website; and
- communicating with shareholders electronically through the Company's web-based application.
- responding in a timely and transparent fashion to all shareholder enquiries.

The Company's website contains a corporate governance section that includes copies of charters adopted by the Company.

The Company routinely requests that the external auditor attend the Company's Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. Shareholders are encouraged to ask questions at all shareholder meetings and are provided fulsome and transparent responses.

Shareholders may elect to communicate electronically with the Company and the share registry.

## Principle 7 – Recognise and manage risk

The Company recognises that it is necessary to undertake activities that involve a level of risk in order to achieve high levels of performance. The Board and Audit Committee are responsible for the oversight of the Group's risk management and control framework.

The size of the Company and the comprehensive nature of its reporting systems have led the Board to conclude that a formal internal audit process would not be cost effective nor reduce risk. The Company has established policies for:

- the oversight of material business risks; and
- the management of material business risks.

A review of these policies for the oversight and management of material business risks was not carried out during the year as a result of a focus on operational activities, however will be carried out in the next reporting period.

The Company has material exposure to a range of economic, environmental and social sustainability risks. These risks are managed in the same manner as other risks to which the Company is exposed.

The Board believes that there are adequate controls to ensure that financial reports provide a truthful and factual position for the Company.

The Managing Director and the Chief Financial Officer are required to make an annual written statement to the Board in accordance with section 295A of the Corporations Act that the section 295A declaration is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material aspects in relation to financial risk.

## Principle 8 – Remunerate fairly and responsibly

The Company had a Remuneration & Nomination Committee during the reporting period. The Committee currently comprises two members, the Committee's chair (non-executive Director Desmond Sun), and non-independent Director Tom Fermanis. Details of the names and qualifications of the Committee members and meetings attended by them are contained in the Directors' Report. The Committee has a charter which is published on the Company's website.

It is the objective of Crater Gold Mining Limited to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. The expected outcomes of the remuneration policy are:

- retention and motivation of key executives;
- attraction of quality management to the Company; and
- performance incentives which allow executives to share the rewards of the success of the Company.

The Company has not adopted a policy governing 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. The Board intends to investigate and implement a policy of this nature in the forthcoming year.

The Company's non-executive Directors receive Director's fees. Non-executive Directors are not entitled to any retiring allowance payable upon their retirement as a Director of the Company. The details of the Directors' and senior executives' remuneration are set out in the Directors' Report.