

MITHRIL RESOURCES LTD

Corporate Governance Statement

Introduction

The Board of Directors is responsible for the corporate governance of Mithril Resources Ltd (the Company) and its controlled entities (the Group). The Group operates in accordance with the corporate governance principles as set out by the ASX Corporate Governance Council and required under ASX listing rules.

The Group details below the corporate governance practices in place at the end of the financial year, all of which comply with the principles and recommendations of the ASX corporate governance council unless otherwise stated. Some of the charters and policies that form the basis of the corporate governance practices of the Group may be located on the Group's website, <http://www.mithrilresources.com.au/corpgovernance.php>.

On 27 March 2014, the ASX Corporate Governance Council released the 3rd Edition of its Corporate Governance Principles and Recommendations (3rd Edition Recommendations). The Group has reviewed its corporate governance and reporting practices under these principles during the year ended 30 June 2015. The disclosures in this Corporate Governance Statement reflect this and, as at the date of this statement, the Group complies with the 3rd Edition Recommendations (unless otherwise stated).

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1

The relationship between the Board and senior management is critical to the Group's long-term success. The Directors are responsible to the shareholders for the performance of the group in both the short and the longer term and seek to balance objectives in the best interests of the group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the group is properly managed.

The responsibilities of the board include:

- providing strategic guidance to the group including contributing to the development of and approving the corporate strategy;
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- overseeing and monitoring the organisational performance and the achievement of the group's strategic goals and objectives;
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the company's auditors;
- appointment and performance assessment of the Managing Director (MD);
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team, including the Company Secretary;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organisation;
- overseeing the operation of the group's system for compliance and risk management reporting to shareholders; and
- ensuring appropriate resources are available to senior management.

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

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the Managing Director. This delegation is reviewed on an annual basis.

A performance assessment for senior executives took place during the year in accordance with the Groups agreed policy. Briefly, this involved the review of staff performance against agreed KPI's and feedback was received from the Board where appropriate.

Departures from Principle 1:

Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The Group has entered into an employment agreement with its Managing Director, Mr David Hutton and all other senior executives are subject to employment agreements with standard commercial terms. The remaining Directors (all non-executives) have not entered into formal contracts, but their remuneration has been set by way of resolution by the Board and their responsibilities are outlined within this Corporate Governance Statement. The Company believes this to be appropriate given the size and nature of the Company.

Recommendation 1.5 – Diversity

The Group has not yet developed or disclosed a formal diversity policy and therefore has not complied with recommendation 1.3. The Company believes this to be appropriate at this time, but notes it uses diversity as a driver for staff recruitment. The total proportion of men and women on the board, in senior positions and across the whole organisation is listed below:

Category	Men	Women
Board	3	-
Senior Management (excluding the Managing Director captured above)	1	-
Whole Organisation	1	2

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Recommendation 1.6 – Review process for evaluating the Board

The Group does not have a formal process for periodically evaluating the performance of its Board and therefore has not complied with recommendation 1.6. The Board however notes that it continually evaluates the composition and performance of the Board at Board meetings.

Principle 2: Structure the board to add value

Board composition

At the date of this statement the Board consists of the following directors:

- Mr Graham Ascough, Non-Executive Chairman (Appointed 29 November 2012)
- Mr David Hutton, Managing Director (Appointed 18 June 2012)
- Mr Donald Stephens, Non-Executive Director/Company Secretary (Appointed 26 April 2002)

The Board considers this to be an appropriate composition given the size and development of the Group at the present time. The names of Directors including details of their qualifications and experience are set out in the Directors' Report of the Annual Report and also available on the Company's website.

The Group undertakes appropriate checks before appointing a person to the Board of the Company. All material information relevant to the decision as to whether or not to elect or re-elect a director is submitted for review by members in the Group's Notice of Annual General Meeting.

The Group has a policy for inducting all new Directors, which includes access to discussions with the Company's Managing Director and senior staff, as well as copies of relevant corporate policies and documentation. The Group additionally supports all Directors by allowing the reimbursement for appropriate professional development opportunities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Independence

The board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the board. Those Directors who have interests in specific transactions or potential transactions do not receive board papers related to those transactions or potential transactions, do not participate in any part of a directors meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other directors. Each director is required by the Company to declare on an annual basis the details of any financial or other relevant interests that they may have in the Company.

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The Board has determined that Mr Graham Ascough (the Company's Chairman) is independent given he has no other material relationship with the Group other than his directorship. Messrs Donald Stephens and David Hutton are not considered independent given that Mr Hutton is employed in an executive capacity and Mr Stephens is a related party of a material contractor (HLB Mann Judd (SA) Pty Ltd) to the Group.

The Group's desired mix of skills and competence is listed below. The Board considers its current composition adequately meets these required competencies.

Area	Competence
Leadership	Business Leadership, Public Listed Company Experience
Business and Finance	Accounting, Audit, Business Strategy, Competitive Business Analysis, Corporate Financing, Financial Literacy, Mergers and Acquisitions, Risk Management, Tax – Australia
Sustainability and Stakeholder Management	Community Relations, Corporate Governance, Health & Safety, Human Resources, Remuneration
Technical	Geological Qualifications, Mining/Exploration experience

Departures from Principle 2

Recommendation 2.1 – Nomination Committee

The board has not established a nomination and remuneration committee in accordance with recommendation 2.1 of the Corporate Governance Principles and Recommendations. The board takes ultimate responsibility for these matters and continues to monitor the composition of the committee and the roles and responsibilities of the members. The Group however is conscious of ensuring succession planning for the Group is dealt with at a Board level. The Board (in conjunction with its continual review of performance) continually reviews the size, composition and diversity of the Board and the mix of existing and desired competencies across Board members. In conducting these reviews, the skills matrix listed above is used to enable the Board to assess the skills and experience of each director and the combined capabilities of the Board.

Recommendation 2.4 - A majority of the board of a listed entity should be independent directors

As listed above, the Board presently consists of one independent Director out of a total of three Directors. The Company therefore has not complied with Recommendation 2.4 in that a majority of Directors are not independent.

The Board considers its current structure to be an appropriate composition of the required skills and experience, given the experience of the individual directors and the size and development of the Group at the present time. Each individual member of the Board is satisfied that whilst the Company may not comply with Recommendation 2.4, all directors bring an independent judgment to bear on Board decisions.

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Principle 3: Act ethically and responsibly

Code of conduct

The Company has developed a Code of Conduct and Ethics (the Code) which has been fully endorsed by the board and applies to all Directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders.

In summary, the Code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

Share Trading Policy

The Company has a Share Trading Policy which outlines the restrictions, closed periods and processes required when Directors, Managing Director and key management personnel trade company securities. Broadly, it restricts the purchase and sale of Company securities by Directors and employees during the following time periods:

- I. the period between the end of the March, June, September and December quarters and the release of the Company's quarterly report to ASX for so long as the Company is required by the Listing Rules to lodge quarterly reports; and
- II. 24 hours after the following events:
 - a. Any major announcements;
 - b. The release of the Company's quarterly, half yearly and annual financial results to the ASX; and
 - c. The Annual General Meeting and all other General Meetings.

Any transactions undertaken in the above mentioned periods must be notified to the Board in advance.

The Directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

A copy of the Trading Policy is available on the company's website:

<http://www.mithrilresources.com.au/pdfs/Securities%20Trading%20Policy%20FINAL.pdf>

Principle 4: Safeguard integrity in financial reporting

Audit, Business Risk and Compliance Committee

The audit committee consists of the following directors:

Mr Graham Ascough (Committee Chairman) (Chairman and Non-Executive Director)

Mr David Hutton (Managing Director)

Mr Donald Stephens (Non-Executive Director and Company Secretary)

Details of these Directors' qualifications and attendance at Audit, Business Risk and Compliance committee meetings are set out annually in the Directors' report included in the Annual Report.

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All members of the Audit, Business Risk and Compliance Committee are financially literate and have an appropriate understanding of the industries in which the group operates.

The audit committee operates in accordance with a charter which is available on the Group's website.

The main responsibilities of the committee are to:

- view, assess and approve the annual reports, the half-year financial report and all other financial information published by the company or released to the market;
- assist the board in reviewing the effectiveness of the organisation's internal control environment covering:
 - ⇒ effectiveness and efficiency of operations;
 - ⇒ reliability of financial reporting; and
 - ⇒ compliance with applicable laws and regulations.
- oversee the effective operation of the risk management framework;
- recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;
- consider the independence and competence of the external auditor on an ongoing basis;
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- review and monitor related party transactions and assess their propriety; and
- report to the board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the Audit, Business Risk and Compliance committee:

- receives regular reports from management and the external auditors;
- meets with the external auditors at least twice a year, or more frequently if necessary;
- reviews the processes the Managing Director and Company Secretary (acting as CFO) have in place to support their certifications to the board;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- meets separately with the external auditors and the chief internal auditor at least twice a year without the presence of management; and
- provides the external auditors with a clear line of direct communication at any time to either the Chair of the Audit Committee or the Chair of the Board.

The Audit, Business Risk and Compliance Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors

The Company and Audit, Business Risk and Compliance policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Grant Thornton Audit Pty Ltd ('Grant Thornton') was appointed as the external auditor at the Company's AGM in 2012. It is Grant Thornton's policy to rotate audit engagement partners on listed companies in accordance with the requirements of the Corporations Act 2001, which is generally after five years, subject to certain exceptions.

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The amount of fees paid to the external auditors is provided in a note to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit, Business Risk and Compliance committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

CEO and CFO assurance

The Board receives regular reports on the Group's financial and operational results in conjunction with its Board meetings.

Before the adoption by the Board of the half-year and full-year financial statements, the Board received written declarations from the Managing Director and the Company Secretary that the financial records of the Company have been properly maintained in accordance with section 286 of the Corporations Act, and the Company's financial statements and notes comply with accounting standards and give a true and fair view of the consolidated entity's financial position and performance for the financial period.

Departures from Principle 4

Recommendation 4.1 – Audit Committee

The Group's Audit Committee does not comply with the requirements of Recommendation 4.1. The committee does not consist of a majority of independent Directors given that it comprises of the full Board, who are in the majority not independent. The Company however believes the membership of the committee to be appropriate given the size and nature of the Group.

Principles 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

Continuous disclosure and shareholder communication

The Group has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings. A summary of these policies and procedures is available on the Company's website.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance, in conjunction with the full Board, in relation to the continuous disclosure requirements in the ASX Listing Rules. Overseeing and co-ordinating information disclosure to the key stakeholders is delegated to the Company's Managing Director, Mr David Hutton.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. The Company's website also enables users to provide feedback on company matters and includes a "Corporate Governance" landing page that discloses all relevant corporate governance information, including policies and procedures.

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Investors relations and member participation

Shareholders are encouraged to participate at all Annual General Meetings and Extraordinary General Meetings of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting. The meetings shall also be conducted to allow questions and feedback to the Board and management of the Company.

The Group aims to promote effective communication to and from security holders. Shareholders of the Group can register to receive email notifications when an announcement is made by the Company to the ASX. Shareholders are also encouraged to register with the Company's share register to communicate electronically.

Principle 7: Recognise and manage risk

The Board is responsible for ensuring that management has developed and implemented a sound system of risk management and internal control.

The Audit, Business Risk and Compliance Committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems.

They monitor the Company's risk management by overseeing management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks. In providing this oversight, the committee:

- reviews group-wide objectives in the context of the management of corporate risk;
- reviews and, where necessary, approves guidelines and policies governing the identification, assessment and management of the company's exposure to risk; and
- reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis.

Management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control systems and has to report to the Audit, Business Risk and Compliance Committee on the effectiveness of:

- the risk management and internal control systems, and
- the Group's management of its material business risks.

The Group does not have a separate internal audit function.

Exposure to material economic, environmental and social sustainability risk

The Group's policy is to identify and manage potential or apparent business, economic, environmental and social sustainability risks (if appropriate). The Group at present has not identified specific material risk exposure in these categories. Reports are continually created by management on the efficiency and effectiveness of the Group's risk management and associated internal compliance and control procedures.

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Departures from Principle 7

Recommendation 7.2 – Review of risk management framework and associated disclosures

The Group has not undertaken a specific review during the year in relation to the Group's risk management framework. As noted above, it is the Board's responsibility to satisfy itself that the Group has a sound system of risk management and internal control. This is continually monitored by the Board at Directors meetings and in communication with management. The Group believes this to be appropriate given the size and nature of the Group at this time.

Principle 8: Remunerate fairly and responsibly

The Board has not established a Remuneration Committee, as given the size of the Group and number of employees, it is not considered that this is required at this time. The Board therefore fulfils the duties of the committee.

Every employee of the Group signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. The Group's human resources structure is reviewed by the Board on an on-going basis and, where necessary, is revised to accommodate the change in the Group's needs and requirements.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading 'Remuneration report'. The Group has a policy to distinguish the remuneration of executive and senior staff from that of the non-executive directors. All executive and senior staff are subject to annual reviews, where the remuneration arrangements are reviewed and benchmarked against industry averages. The Group additionally uses the Employee Share Option Plan to provide incentives to employees, which are reviewed annually in conjunction with the available option pool. The Non-Executive Directors remuneration is set from a pool that is approved by shareholders, which presently is set at \$250,000 per annum. The Non-Executive Director fees have not been increased since the Group's initial public offering in 2002 and the Group has a policy of obtaining shareholder approval for any share based remuneration (such as options) to be granted to Directors in accordance with the ASX Listing Rules.

In accordance with Group policy, participants in equity-based remuneration plans (of which the Group has one, the Employee Share Option Plan) are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements. Details of the Employee Share Option Plan can be found on the Group's website.

The Board assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions. This includes overseeing processes in relation to meeting diversity objectives for executives and staff below board level.