



# **Ardea Resources Limited**

Corporate Governance Statement

# CORPORATE GOVERNANCE STATEMENT

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# CORPORATE GOVERNANCE STATEMENT

## 1 Introduction

The Board of Ardea Resources Limited (**Board**) is committed to conducting Ardea's business in accordance with the highest standards of corporate governance to create and deliver value for Ardea's shareholders. The Board has established a corporate governance framework, including corporate governance policies, procedures and charters, to support this commitment. The framework is reviewed regularly and revised in response to changes in law, developments in corporate governance and changes to Ardea's business. A copy of these charters, procedures and policies are available on the governance page of Ardea's website, [www.ardearesources.com.au](http://www.ardearesources.com.au), and are signposted throughout this document where relevant.

As a listed entity, Ardea must comply with Australian laws including the Corporations Act 2001 (Cth) (**Corporations Act**) and the Australian Securities Exchange Listing Rules (**ASX Listing Rules**), and to report against the ASX Corporate Governance Council's Principles and Recommendations (**ASX Principles**).

## 2 The Board of Directors

Relevant policies and charters:

- Company Constitution
- Board Charter
- Audit and Risk Committee Charter
- Remuneration and Nomination Committee Charter

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## 2.1 Role of the Board

The Board Charter sets out the Board's role, powers and duties and establishes the functions reserved for the Board and those which are delegated to management. The Board is responsible for the overall corporate governance of Ardea including approving and overseeing Ardea's strategic direction, strategies and financial objectives, assessing the performance of management and reporting on Ardea's performance. The Board delegates to the Managing Director and senior management matters involving the implementation of corporate strategy and management of Ardea's day-to-day activities.

The following table sets out the matters which are expressly reserved to the Board and those which are delegated to management under the Board Charter.

<b>The Board is responsible for:</b>
<ul style="list-style-type: none"><li>• appointing and removing the Managing Director, determining his or her remuneration and terms and conditions of employment, and assessing the performance of the Managing Director and the executive management group;</li><li>• approving the policies, strategic direction, strategies, delegations of authority, budgets and financial objectives of Ardea and ensuring appropriate resources are available;</li><li>• monitoring the implementation of those policies and strategies and the achievement of those financial objectives; and</li><li>• reporting to shareholders and the investment community on the performance and state of Ardea.</li></ul>



<b>Responsibilities delegated by the Board to Management:</b>
<ul style="list-style-type: none"><li>• managing Ardea;</li><li>• recommending policy and strategic direction for Board approval; and</li><li>• conducting the day-to-day operation of Ardea within delegated limits of authority.</li></ul>

The Company Secretary is accountable to the Board through the Chairman on all matters to do with the proper functioning of the Board. The Board Charter confirms that all directors have direct access to the Company Secretary. The Company Secretary is responsible for:

- advising the Board on corporate governance matters;
- managing the company secretarial function;
- attending all Board and Board committee meetings; and
- taking minutes and communicating with the ASX.

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## 2.2 Composition of the Board

As at the date of this Prospectus, the Board comprised of one Independent Non-Executive Chairman, one Non Independent Non-Executive Director and one Executive Director (whom is the Managing Director). Board composition is determined in accordance with Ardea's constitution and Board Charter, which together set out the following general principles:

- the Board must comprise of a minimum three and a maximum of seven directors;
- the Board should comprise of a majority of independent directors with a range of skills, expertise and experience from a diverse range of backgrounds; and
- the Chairman of the Board should be an independent non-executive director.

The composition of the Board does not accord with ASX Principle 2 as only one Director meets the independence criteria under the ASX Corporate Governance Council Recommendations with all other Directors either executives or substantial shareholders. The board views shareholdings of Directors are important, although it is outside the ASX Recommendations criteria for independence, as it believes it more correctly aligns the board with shareholders' interests. At present the Board considers that the Company is not currently of the size, nor are its affairs of such complexity to justify the expense of the appointment of additional independent Directors.

In determining the composition of the Board, the Board and the Remuneration and Nomination Committee work together to ensure that the optimal size and blend of skills, expertise and experience are represented on the Board to further ensure that effective discussion and efficient decision making takes place. The Board is satisfied that the current Board is comprised of directors representing a broad range of these attributes.

Due to the current size and nature of the existing Board and the magnitude of the Company's operations, the Board does not consider that the Company will gain any benefit from individual Board committees and that its resources would be better utilized in other areas as the Board is of the strong view that at this stage the experience and skill set of the current Board is sufficient to perform these roles. Under the Company's Board Charter, the duties that would ordinarily be assigned to individual committees are currently carried out by the full Board under the written terms of reference for those committees.

The following table summarises the skills, attributes and experience of the non-executive directors serving on the Board at the date of the Prospectus:

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## Board Experience, Skills and Attributes Matrix

Experience, skills and attributes	Board	Audit and Risk	Remuneration and Nomination
<i>Total directors</i>	3	3	3
<b>Experience</b>			
<b>Corporate leadership</b> Successful experience in Managing Director and/or other senior corporate leadership roles	3	3	3
<b>Resources industry experience</b> Relevant industry (resources, mining, exploration) experience	3	3	3
<b>Other board level experience</b> Membership of other listed entities (last 3 years)	2	2	2
<b>Knowledge and skills</b>			
Risk Management	3	3	3
Governance	3	3	3
Risk and compliance	3	3	3
Mergers and acquisitions	3	3	3
<b>Tertiary qualifications</b>			
Geology	2	2	2
Economics, law, commerce and / or business	1	1	1
Corporate Finance/Accounting	1	1	1
Engineering	1	1	1
<b>Gender</b>			
Female	1	1	1
Male	2	2	2

### 2.3 Independence of Directors

The Board recognises the importance of ensuring that directors are free from interests and relationships that could, or could reasonably be perceived to materially interfere with the director's ability to exercise independent judgment and act in Ardea's best interests.

Accordingly, the Board has adopted guidelines, set out in the Board Charter, which are used to determine the independence of directors and are based on the definition of independence listed in Box 2.3 of the ASX Principles.

In accordance with these guidelines, the Board generally considers a director to be independent if he or she is not a member of management and:

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- is not a substantial shareholder of Ardea or an officer of, or otherwise associated with, a substantial shareholder of Ardea;
- is not employed, or been previously employed in an executive capacity by Ardea, or where they were previously employed in such a capacity, there has been a period of at least three years between ceasing such employment and serving on the Board;
- is not in a material business relationship (e.g. as a supplier or customer) of Ardea, or an officer of or otherwise associated with someone with such a relationship;
- has no material contractual relationship with Ardea other than as a director of Ardea;
- does not have close family ties with any person who falls within any of the categories described above;
- has not served on the Board for a period that his or her independence may have been compromised;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Ardea.

The Board considers the materiality of a director's interests, position, association or relationship on a case by case basis.

Directors also have an ongoing responsibility to disclose any actual or potential transactions or interests that may create a conflict of interest. They may also be required to take steps to remove any conflict of interest. If a director cannot or will not remove a conflict of interest, then the director must be absent from the room when discussion and/or voting occurs on matters to which the conflict relates.

The Board has reviewed the independence of its directors and considers that the Chairman is the only director that is independent.

## **2.4 Access to independent advice**

Under the Board Charter, directors may seek independent professional advice at Ardea's expense on any matter connected with the discharge of their responsibilities with the prior written approval of the Chairman.

## **2.5 Access to Board materials and information**

Under the Deed of Indemnity, Insurance and Access, directors have access to inspect the company's records which have been prepared during or relate to the director's tenure or discharge of duties as a director in respect of the company.

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## 2.6 Director selection and succession planning

The Board renewal process is overseen by the Remuneration and Nomination Committee and involves regularly reviewing the composition of the Board to ensure that the directors have an appropriate mix of skills, expertise, experience and backgrounds relevant to the management of Ardea.

The Board Charter sets out the overarching principles regarding director selection and succession planning. The Remuneration and Nomination Committee Charter sets out the key nomination planning principles of the committee which is responsible for leading the process of Board appointments.

## 2.7 Director induction and continuing education

All new directors are appointed through a written agreement with Ardea that sets out their duties, rights and responsibilities. In addition, the Remuneration and Nomination Committee is responsible for ensuring that new directors are provided with a comprehensive induction programme (including business briefings by management and site visits).

The Board encourages directors to continue their education and maintain the skills required to discharge their duties by providing professional development opportunities. Ardea meets all reasonable costs of continuing director education.

## 2.8 Board Meetings

The Company has monthly meetings at which a monthly report is presented covering the Company's performance in HSEC, technical, financial and HR.

## 1 Board Committees

Relevant policies and charters:

- Audit and Risk Committee Charter
- Remuneration and Nomination Committee Charter

Following the listing of the Company on the ASX, the Board will establish two committees, the Remuneration and Nomination Committee and the Audit and Risk Committee, to assist with the effective discharge of its duties. Both Committees will be made up of the full Board until the Company grows to sufficient size to allow for the appointment of additional Independent Non-Executive Directors when these will be separated from the full Board. Both committees will function under a specific charter approved by the Board which details their respective roles, duties and membership requirements.

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## 2 Performance evaluation and remuneration

Relevant policies and charters:

- Board Charter
- Remuneration and Nomination Committee Charter

### 2.1 Performance evaluation

The Remuneration and Nomination Committee assists the Board in relation to conducting performance evaluations and developing and implementing plans for identifying, assessing and enhancing director competencies.

Annually, the Managing Director will undertake a review of the performance of each senior executive against individual objectives and deliverables linked to a corporate plan that were agreed at the beginning of the performance period. These personal objectives relate to key areas of performance over which the individual has accountability and influence.

### 2.2 Director and Executive remuneration

The Remuneration and Nomination Committee will obtain independent remuneration benchmarking information for comparative purposes as required. Salary reviews and short-term incentives are determined by assessing performance against both individual performance and profitability and sustainability performance targets.

## 3 Risk management and internal controls

Relevant policies and charters:

- Board Charter
- Audit and Risk Committee Charter
- Risk Management Policy

### 3.1 Risk management

The Board recognises that good risk management is a key element to good corporate governance and has adopted a risk management framework that sets out the processes to identify and manage risk across the Group. The framework sets out a 'whole of business' approach to the management of risks which allows both opportunities and threats to be identified and managed effectively. Through this framework, Ardea seeks to:

- embed a culture of risk awareness and decision making;

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- identify, assess and manage risks in a structured and systematic manner;
- enable measured risk taking in line with business objectives and strategies;
- establish and monitor appropriate controls in line with business objectives and strategies;
- ensure material business risks are effectively identified, communicated and appropriately elevated throughout all levels of management to the Board; and
- fulfil governance requirements for risk management.

The Board has overall responsibility for reviewing, approving and overseeing systems of risk management and internal control. This includes reviewing processes to identify the main risks associated with the company and reviewing processes and systems in place to manage these risks.

The Audit and Risk Committee assists the Board with regard to oversight of Ardea's risk management practices by:

- developing an understanding of key risk areas and the potential consequences of major risk events;
- gaining assurance as to the adequacy of Ardea's policies and processes for integrating risk management into its operations;
- reviewing and making recommendations to the Board in relation to any incident involving fraud or other break down of Ardea's internal controls;
- reviewing and reporting to the Board that the Audit and Risk Committee has, at least annually, reviewed Ardea's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk; and
- reviewing the insurance strategy and determining the extent to which it aligns with the risk tolerance of Ardea.

In line with changes to the new ASX Principles, Ardea's Risk Management Framework will be reviewed annually. Due to its size, the company does not currently have an internal audit function.

## **3.2 Managing Director and Chief Financial Officer certifications**

The Managing Director and Chief Financial Officer will make certifications to the Board in respect of each half and full year financial period confirming to the best of their knowledge and belief:

- that Ardea's financial records have been properly maintained;
- that Ardea's financial statements, in all material respects, are complete and present a true and fair view of the financial condition and operational results of Ardea and group and are in accordance with relevant accounting standards;

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- that the above statement is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the Board; and
- that Ardea's risk management and internal control is operating efficiently and effectively in all material respects in relation to financial reporting risks and material business risks.

## 4 Governance Documents

Relevant governance documents:

- Code of Conduct and Ethics
- Directors' Code of Conduct
- Whistleblower Procedure
- Diversity Policy
- Continuous Disclosure and Market Communications Policy
- Securities Trading Policy

### 4.1 Ethics and conduct

Ardea is committed to practising high standards of conduct and has adopted a Code of Conduct that identifies the standard of ethical conduct expected of all Ardea employees and contractors. The Code of Conduct is underpinned by Ardea's values of Commitment, Integrity and Responsibility, and describes Ardea's objectives, values and standards of behaviour that employees and contractors must apply to all business practices. In addition, the Board has specifically adopted a Directors' Code of Conduct which establishes standards for appropriate ethical and professional behaviour for directors.

The Code of Conduct is supported by Ardea's Whistleblower Procedure.

Ardea has a zero tolerance for bribery or corruption in its business. The Code of Conduct and Ethics policy documents Ardea's commitment to ensure all officers, employees, contractors, agents and any other party representing Ardea, where ever they are in the world, will act fairly, honestly, with integrity and in compliance with the law. The Code of Conduct and Ethics policy sets out the standards and behaviour Ardea expects of its officers, employees and representatives and links with the Whistleblower Procedure for the reporting of any actual or suspected breaches of the policy.

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The Whistleblower Procedure documents Ardea's commitment to encouraging all employees, directors, contractor and consultants to raise concerns regarding any misconduct that they believe constitutes a breach of the Code of Conduct, Ardea's policies or the law. This Whistleblower Procedure sets out the mechanism by which staff can confidently, and anonymously if they wish, raise concerns in a responsible manner without fear of discriminatory treatment, recrimination or reprisal, and Ardea's commitment to properly investigate any issues.

Copies of the Code of Conduct and Ethics and the Whistleblower Procedure can be found in the Governance section of Ardea's website.

## **4.2 Diversity**

Ardea respects and encourages workplace diversity and strives to create a flexible and inclusive workplace environment. Ardea seeks to attract and retain the best people while building and maintaining a diverse, sustainable and high achieving workforce. To achieve the objective, Ardea is committed to:

- promoting awareness of diversity within Ardea;
- integrating workplace diversity principles into company activities;
- supporting skills development, aligned to the needs of Ardea, in communities in which Ardea operates;
- attracting, developing and retaining more employees across various age ranges, people with disability, women and indigenous people; and
- creating a flexible workplace culture which assists employees to balance their responsibilities.

Ardea will continue to develop and implement programmes which foster workforce and Board diversity.

## **4.3 Continuous disclosure and communications with shareholders**

Ardea is committed to ensuring that shareholders and the market are kept fully and regularly informed of information and major developments concerning Ardea. To achieve this, Ardea has developed an External Communications Policy which establishes procedures to ensure that directors and management fulfil their obligations under the Corporations Act and the ASX Listing Rules in relation to the timely disclosure of price-sensitive information.

The Company Secretary has primary responsibility for administration of the policy. The Company Secretary's responsibilities also include monitoring compliance with Ardea's disclosure obligations and managing all communications with the ASX.

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Ardea communicates with shareholders through releases to the ASX, Ardea's website, information distributed direct to shareholders and the general meetings of shareholders. To ensure that security holders have the opportunity to participate at meetings of members:

- at the Annual General Meeting, shareholders elect the directors and have the opportunity to express their views, ask questions about company business and vote on items of business for resolution by shareholders; and
- Butler Settineri, Ardea's external auditor, will attend each Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Shareholders are also able to send and receive communications to/from Ardea electronically. Transcripts of results presentations and major business presentations are lodged with the ASX immediately prior to the event and placed on the website as soon as practicable after the conclusion of such events.

## 4.4 Dealing in shares

The Board believes it is in the best interests of shareholders for directors and employees to own shares in Ardea, subject to strict controls and guidelines on share trading.

Ardea has in place a Securities Trading Policy which applies to Ardea's directors and employees (and their "connected persons"). The policy prohibits directors and employees from trading in Ardea's securities if they are in possession of price-sensitive information which is not generally available to the market. It also prohibits dealings by directors and certain employees during defined two week "closed periods" except where clearance has been granted for exceptional circumstances or the dealing falls within an excluded category under the policy.

Closed periods under the policy include:

- the end of the financial year;
- the end of a half financial year, and
- the end of the quarter

to the time when two business days have elapsed after the release of the annual, half yearly or quarterly results respectively. Outside of these closed periods and prior to any proposed trade, directors and certain employees must seek approval prior to trading in Ardea's securities.

Directors and employees are also restricted from engaging in short-term trading of Ardea's securities and from hedging their securities unless those securities have fully vested and are no longer subject to restrictions. Key management personnel must not at any time enter into a transaction that involves using Ardea's securities as collateral in any financial transaction, including margin lending arrangements.