

## Corporate Governance Statement

In accordance with ASX Listing Rule 4.7.4, Metminco Limited (**ASX: MNC; AIM: MNC**) (**Metminco or the Company**) lodges the attached Corporate Governance Statement.

A copy of Metminco's Corporate Governance Statement and supporting charters and policies can also be downloaded from the Company's website: [www.metminco.com.au](http://www.metminco.com.au).



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# Corporate Governance Statement

Corporate Governance is the system by which Metminco Limited is directed and managed. It influences how the objectives of the Company are set and achieved, how risk is monitored and assessed, and how the performance of the Company is optimised.

The Board of Directors acknowledges its accountability to shareholders for creating shareholder value within a framework which protects the rights and interests of shareholders, and ensures the Company is correctly governed. Metminco's governance framework includes key features and practises that are reviewed regularly and upgraded or amended as appropriate to reflect the Company's interests, changes in law and what is generally regarded as sound practise.

Further information on Governance matters including copies of charters and policies can be downloaded from the Company's [website](http://www.metminco.com.au): [www.metminco.com.au](http://www.metminco.com.au).

## Board Composition

The Remuneration and Nomination Committee maintains a matrix of the skill sets of current Board members. It is updated regularly and used in the nomination process as a reference tool for the ongoing assessment of Board composition, to ensure that diversity is considered as new Board members are being assessed. The skills matrix includes factors such as years of service; mining industry experience; executive management and international experience; expertise in corporate finance, audit and accounting, legal and social and environmental responsibility; personal attributes and range of skills and experiences.

The qualifications, experience and expertise relevant to the position of each director who is in office is detailed on the Company's [website](#).

The names of the independent directors are: Timothy Read, Roger Higgins, Francisco Vergara-Irarrazaval and Phillip Wing.

When determining whether a non-executive director is independent, the director must not fail any one of the following materiality thresholds:

- less than 10% of Company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- none of the directors' income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Directors have the right to seek independent professional advice in the furtherance of their duties as directors at the Company's expense. Written approval must be obtained from the Chairman prior to incurring any expense on behalf of the Company.

## Ethical Standards

The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring directors and employees to:

- act with utmost integrity and honesty and in good faith;
- carry out their roles in a professional and conscientious manner to achieve highest standards of performance;
- adhere to professional codes of conduct where these are provided;
- ensure that information is recorded honestly and accurately so as to enable the Company to meet its obligation to keep the market accurately informed about its activities;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- respecting all people and their customs with whom they have dealings, and observing the laws of the state or country in which they operate;
- encourage the reporting and investigating of unlawful and unethical behaviour; and
- comply with the Company's policies and procedures including share trading policy as disclosed on the Company's [website](#).

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

## **Trading Policy**

The Company's policy regarding directors and employees trading in its securities is set by the Audit and Risk Committee. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

In compliance with AIM Listing Rules, directors and officers of the Company are also not permitted to trade in the Company's securities for the periods as follows:

- two months preceding the publication of the Company's annual results or, if shorter, the period from its financial year end to the time of publication;
- two months immediately preceding the notification of the Company's half-yearly report or, if shorter, the period from the relevant financial period end up to and including the time of the notification; or
- one month immediately preceding the notification of the Company's quarterly results or, if shorter, the period from the relevant financial period end up to and including the time of the notification.

## **Safety, Health and Sustainable Development Policy**

Metminco will be a model for responsible exploration and mining.

Having excellent local and government relationships and solid health, safety and environmental practices is just as important to a successful mining project as strong technical expertise. Metminco and its subsidiaries have demonstrated their corporate responsibility, proof of which was renewal of the Environmental Impact Declaration permits for their exploration activities and a continuing and amicable dialogue with local community groups.

Metminco will continue to build on its positive record in Chile and Peru.

## **Diversity Policy Statement**

Metminco's workforce consists of people from diverse backgrounds with a range of skills, values and experiences.

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company recognises the organisational strength, deeper problem solving ability and opportunity for innovation that this diversity brings.

The Company is committed to providing an environment in which all employees are treated with fairness and respect, and have equal access to opportunities available at work.

Accordingly the Group has established a regional office in Moquegua, Southern Peru approximately 60km from the Los Calatos Project with one of the objectives being to increase community participation in the Group's work force.

As the Group has a small staff in Australia it is not practical to set measurable targets.

However, the Company aims to continue with this diversity policy over the next few years as director and senior executive positions become vacant and appropriately qualified candidates become available.

[Refer Diversity Policy on the Company's website.](#)

## **Performance Evaluation**

The Board regularly receives reports from management on shareholder meetings including feedback on the performance of the Company and the Board.

The Managing Director undertakes an annual review of the performance of each senior executive against individual tasks and objectives. The report is considered by the Remuneration and Nomination Committee.

## **Board Roles and Responsibilities**

The Board of Directors is responsible for the corporate governance of the Group and operates in accordance with the principles set out in its Charter.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board. These responsibilities include:

- Setting the strategy for the Group, including operational and financial objectives and ensuring that there are sufficient resources for this strategy to be achieved;
- Appointing and, where appropriate, removing the Managing Director, approving other key executive appointments and planning for executive succession;
- Overseeing and evaluating the performance of the Managing Director and the executive team through a formal performance appraisal process having regard to the Group's business strategies and objectives;
- Monitoring compliance with legal, regulatory, environmental, social and occupational health and safety requirements and standards;
- Overseeing the identification of key risks faced by the Group and the implementation of an appropriate internal control framework to ensure those risks are managed to an acceptable level;
- Approving the Group's budgets, including operational and capital budgets, and the approval of significant acquisitions, expenditures or divestitures;
- Approval of the annual and half-yearly financial reports; and
- Ensuring the market and shareholders are fully informed of material developments.

The roles of Chairman and Managing Director are separated and clearly defined. The Chairman leads the Board and is responsible for ensuring the effectiveness of governance practices. The Chairman is also responsible for the conduct of Board and shareholder meetings.

Responsibility for the operations of the Company is delegated to the Managing Director who manages the Company within the policies set by the Board. The levels of authority for management are also documented.

To ensure that the responsibilities of the Board are upheld and executed to the highest level, the Board has established the following sub-committees:

- Audit and Risk Committee;
- Remuneration and Nomination Committee; and
- Safety, Health and Sustainable Development (SHSD) Committee.

Sub-committees are able to focus on a particular responsibility and provide informed feedback to the Board. Each of these sub-committees have established Charters and operating procedures in place, which are reviewed on a regular basis. The Board may also establish other sub-committees from time to time to deal with issues of special importance.

## **Risk Management**

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. A yearly assessment of the business's risk profile is undertaken and reviewed by the Board, covering all aspects of the business from the operational level through to strategic level risks. The Chief Financial Officer has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly.

The Managing Director and Chief Financial Officer have signed a declaration in accordance with S295A of the Corporations Act that internal compliance and control systems of the Company and Consolidated Entity to the extent they relate to financial reporting are operating efficiently and effectively, are 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 the reporting of financial risks.

## **Remuneration Policies**

The Remuneration Policy, which sets the terms and conditions for the key management personnel, was developed by the Remuneration and Nomination Committee after seeking professional advice from independent consultants and was approved by the Board. All executives receive a base salary, and where applicable, superannuation, performance incentives and retirement benefits. The Remuneration and Nomination Committee reviews executive packages annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The policy is designed to attract the highest calibre executives and reward them for performance, which results in long-term growth in shareholder value.

Executives are also entitled to participate in any employee share and option arrangements.

All remuneration paid to executives is valued at the cost to the Company and expensed. Shares given to executives are valued as the difference between the market price of those

shares and the amount paid by the executive. Options are valued using the Binomial methodology.

The Board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best executives to manage the Consolidated Group. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

The payment of bonuses, options and other incentive payments are reviewed by the Remuneration and Nomination Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. The Board can exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

## **Make timely and balanced disclosure**

Metminco has established policies and procedures to ensure timely and balanced disclosure of all material matters concerning the Group, and ensure that all investors have access to information on the Group's financial performance. This ensures that the Group is compliant with the information disclosure requirements under the ASX Listing Rules and AIM Rules.

These policies and procedures include a comprehensive Disclosure Policy that addresses issues such as the identification of matters that may have a material impact on the price of Metminco's securities, the notification thereof to the ASX and AIM, the posting of relevant information on the Group's website, and the issuing of media releases.

Matters involving potential market sensitive information must first be reported to the Managing Director either directly or via the Company Secretary. The Managing Director will advise the other Directors if the issue is important enough to warrant the consideration of the full Board. In all cases the appropriate action must be determined and carried out in a timely manner in order for the Group to comply with the Information Disclosure requirements of the ASX and AIM.

Once the appropriate course of action has been agreed upon, either the Managing Director or Company Secretary will disclose the information to the relevant authorities, being the only authorised officers of the Group who are permitted to disclose such information. Board approval is required for market sensitive information such as financial results, material transactions or upgrading/downgrading financial forecasts. This approval is minuted in the meetings of the Board of Directors.

## **Relations with shareholders**

The Board places considerable importance on effective communication with shareholders. The Managing Director and General Manager Investor Relations, maintain regular dialogue with and give briefings throughout the year to analysts and institutional investors and are involved in a structured programme of investor, analyst and media visits.

Any concerns raised by a shareholder in relation to the Company and its affairs are communicated to the Board as a whole. Care is taken to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time, in accordance with the ASX Listing Rules and AIM Rules.

All shareholders can obtain access to the annual report and other current information about the Company through the Company's website

## **Shareholder Rights**

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual and interim financial statements.

Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Metminco Limited, to lodge questions to be responded to by the Board, and are able to appoint proxies.

## **Board Committees**

### **Audit and Risk Committee**

The Committee assists the Company's Board of Directors in discharging its responsibilities with regard to:

- Ensuring the integrity of the Group's internal and external financial reporting including compliance with applicable laws, regulations and codes of conduct;
- Ensuring that financial information provided to the Board is of a sufficiently high quality to allow the Board to make informed decisions;
- Ensuring that appropriate and effective internal systems and controls are in place to ensure proper financial governance and manage the Group's exposure to risk;
- Overseeing the appointment, compensation, retention and oversight of the external auditor, and review of any non-audit services provided by the external auditor;
- Regularly review the performance of the external auditor regarding quality, costs and independence; and
- Overseeing the frequency, significance and propriety of all transactions with related parties.

The Committee comprises three independent non-executive directors, as per the recommendations of the ASX Corporate Governance Council. The Audit Committee meets formally at least three times a year and senior management, including the Chief Financial Officer, may be invited to attend all or part of the meetings. The External Auditors attend the meetings on a regular basis.

[Refer Audit and Risk Charter on the Company's website.](#)

### **Remuneration and Nomination Committee**

The Committee's responsibilities include:

- Reviewing the adequacy and form of remuneration of Independent Non-Executive Directors (in conjunction with the Chairman and the Managing Director);
- Ensuring that the remuneration of the Independent Non-Executive Directors is reflective of the responsibilities and the risks of being a Director of the Group (in conjunction with the Chairman and the Managing Director);
- Reviewing the contractual arrangements of the Managing Director and the executive management team including their remuneration;

- Comparing the remuneration of the Managing Director and executive management to comparable groups within similar industries to ensure that the remuneration on offer can attract, retain and properly reward performance which will translate into long term growth in shareholder value;
- Annually review key performance indicators of the Managing Director and executive team to ensure that they remain congruent with the Group's strategies and objectives;
- Reviewing the basis for remuneration of other Executive Directors of the Group for their services as Directors;
- Reviewing incentive performance arrangements when instructed by the Board;
- Reviewing proposed remuneration arrangements for new Directors or executive appointments;
- Reviewing Board composition, competencies and diversity, Board succession plans, director induction programs and continuing development;
- Reviewing the process for evaluating the performance of the Board, the committees of the Board and individual directors;
- Reviewing Board appointments, re-elections and terminations; and
- Reviewing other matters referred to the Committee by the Board.

The Remuneration Nomination Committee comprises two independent non-executive directors and meets formally at least twice a year and senior management and external advisors may be invited to attend meetings as the Remuneration Committee considers appropriate.

[Refer Remuneration and Nomination Charter on the Company's website.](#)

### **Safety, Health and Sustainable Development (SHSD) Committee**

The SHSD Committee assists the Board in developing framework policies and guidelines for the management of sustainable development issues, including health, safety, corporate social responsibility and environment issues, and ensures their implementation within the Company.

The SHSD Committee, which comprises three non-executive directors, meets formally at least twice a year. Senior management and external advisors may be invited to attend meetings as the SHSD Committee considers appropriate.

[Refer Safety, Health and Sustainable Development Committee Charter on the Company's website](#)