

# MASTERMYNE GROUP LIMITED

## CORPORATE GOVERNANCE STATEMENT

The Company and its Board of Directors are committed to fulfilling their corporate governance obligations and responsibilities in the best interests of the Company and its various stakeholders.

The ASX Listing Rules require listed companies to provide a statement in their Annual Report disclosing the extent to which they have followed the ASX Corporate Governance Principles and Recommendations adopted by the ASX Corporate Governance Council ("Recommendations") in the reporting period. These Recommendations are guidelines, designed to improve the efficiency, quality and integrity of the Company. The Recommendations are not prescriptive, but if a company considers that a recommendation should not be followed having regard to its own circumstances, the company has the flexibility not to follow it but in its Annual Report it must identify which Recommendations have not been followed and give reasons for not following them.

This Corporate Governance Statement ("Statement") and the Company's suite of corporate governance documents referred to in the Statement, and other relevant information for stakeholders, are displayed on the Company's website [www.mastermyne.com.au](http://www.mastermyne.com.au). The Company has complied with the Recommendations, to the extent outlined in this Statement, throughout the year or as otherwise noted.

### 1.1 SCOPE OF RESPONSIBILITY OF BOARD

Responsibility for the Company's proper corporate governance rests with the Board. The Board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of Mastermyne Group's Shareholders (with a view to building sustainable value for the Shareholders) and those of employees and other stakeholders. The Board's broad function is to:

- chart strategy and set financial targets for the Company;
- monitor the implementation and execution of strategy and performance against financial and non-financial targets; and
- appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role.

Power and authority in certain areas is specifically reserved to the Board – consistent with its function as outlined above. These areas include:

- composition of the Board itself including the appointment and removal of Directors;
- oversight of the Company including its control and accountability system;
- appointment and removal of senior management including the Managing Director, Chief Financial Officer and Company Secretary;
- reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliances;
- monitoring senior management's performance and implementation of strategy; and
- approving and monitoring financial and other reporting and the operation of committees.

The Board has delegated functions, responsibilities and authorities to the Managing Director and senior executives to enable them to effectively manage the Company's day-to-day activities.

### 1.2 COMPOSITION OF BOARD

The Board performs its roles and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the Council's guidelines

The Board currently comprises four Directors as follows:

- Colin Bloomfield – Independent non-executive Chairman
- Andrew Watts – Non-executive Director
- Gabriel Meena – Independent non-executive Director
- Tony Caruso – Managing Director

Details of each Director’s qualifications, experience and expertise, their involvement in Board and committee meetings, and the period for which they have been in office, are set out in the Directors’ Report. All Directors, apart from the CEO, are subject to re-election by rotation at least every three years at the Company’s annual general meeting.

The Board’s view is that an independent Director is a non-executive Director who does not have a relationship affecting independence on the basis set out in the Council’s guidelines. During the reporting period the Company Board composition was 2 independent directors and 2 non-independent directors. Whilst this does not meet the council’s recommendation requiring a majority of independent Directors, the company believes the current skills & experience of the current board members is more important than independence at this time.

The Board periodically conducts a review of the skills and experience Directors to ensure they are appropriate for the Company’s activities. The results of the most recent review conducted in the last period are shown below.

Skill or Experience Requirement	Assessed Level
<b>Governance</b>	
Risk Management Systems	High
Financial Risk Management	Medium
Legal	Low
<b>Organisational</b>	
Industrial Relations	High
Human Resource Management	Medium
Organisational Leadership	High
Remuneration	Medium
Health and Safety Management Systems	High
Quality Management Systems	Medium
<b>Operations</b>	
Underground Coal Production Activities	High
Underground Coal Infrastructure	Medium
Underground Coal Mine Management	Medium
Engineering Services	Medium
Project Management	High
Port Operations	Low
Heavy Industry (eg. Steel, Gas, Alumina, etc)	Low
Contract Management	High
Information Systems	Low
<b>Strategic</b>	
Strategy Development	High
Business Planning and Execution	High
Mergers and Acquisitions	High
Valuation	Medium
Government Relations	Medium
Stakeholder Management	High
Marketing	Medium

In each area assessed as “Low” the Board has at least one “subject matter expert” who the Board considers provides adequate coverage in the current circumstances. Where appropriate, external advice is sought to supplement Board skills and experience.

### 1.3 BOARD CHARTER

The Board has adopted a Board Charter to give formal recognition to the matters outlined above. This Charter sets out various other matters that are important for effective corporate governance including the following:

- a detailed definition of “independence” for the purposes of appointment of Directors;
- a framework for annual performance review and evaluation;
- approval of criteria for monitoring and evaluating the performance of senior executives;
- approving and monitoring capital management and major capital expenditure;
- frequency of Board meetings;
- ethical standards and values – ensuring compliance with the Company’s governing documents and Codes of Conduct;
- risk management – identifying risks, reviewing and ratifying the Company’s systems of internal compliance and control;
- establishment of Board committees: Audit & Risk Management Committee, Remuneration & Nomination Committee; and
- communications with Shareholders and the market.

These initiatives, together with other matters provided for in the Board Charter, are designed to promote good corporate governance and generally build a culture of best practice in Mastermyne Group’s own internal practices and in its dealings with others.

## 1.4 AUDIT & RISK MANAGEMENT COMMITTEE

The Company has established this committee to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The committee comprises the following members:

- Gabriel Meena (Chair)
- Andrew Watts
- Colin Bloomfield

The committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. Among other matters for which the committee is responsible are the following:

- qualifications of committee members;
- review and approve and update internal audit and external audit plans;
- review financial reports or financial information, including such information as is to be distributed externally and where appropriate recommend these for Board approval;
- review the effectiveness of the compliance function;
- investigate any matter brought to its attention;
- obtain outside accounting, legal, compliance, risk management or other professional advice as it determines necessary to carry out its duties;
- review and approve accounting policies;
- report to the Board and make recommendations to the Board;
- periodically meet separately with management, internal auditors and external auditors to discuss:
  - the adequacy and effectiveness of the accounting and financial controls, including the Company’s policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs;
  - issues and concerns warranting audit and risk management committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement;
- corporate risk assessment and compliance with internal controls;
- assessment of the internal audit function and financial management processes supporting external reporting;
- review of the effectiveness of the external audit function;
- review of the performance and independence of the external auditors and make suggestions to the Board;
- review any significant legal matters and corporate legal reports;
- review areas of greatest compliance risk;
- assess the adequacy of external reporting for the needs of Shareholders; and
- monitor compliance with the Company’s Codes of Conduct, risk management policies and compliance function.

Meetings are held often enough to undertake the Audit & Risk Management Committee's role effectively, being at least four times each year. The committee may invite such other persons to its meetings as it deems necessary.

## 1.5 REMUNERATION & NOMINATION COMMITTEE

The purpose of this committee is to assist the Board and make recommendations to it in relation to the appointment of new Directors (both executive and non-executive) and senior executives and to oversee the remuneration framework for Directors and senior executives. The Board does not consider separate committees to cover these matters are warranted at this stage of the Company's evolution. The committee comprises the following members:

- Andrew Watts (Chair)
- Colin Bloomfield
- Gabriel Meena

Functions performed by the committee include the following:

- obtaining independent advice and making recommendations in relation to remuneration packages of senior executives, non-executive Directors and executive Directors, equity-based incentive plans and other employee benefit programs;
- reviewing the Company's recruitment, retention and termination policies;
- reviewing the Company's superannuation arrangements;
- reviewing succession plans of senior executives and Directors;
- recommending individuals for nomination as members of the Board and its committees;
- considering those aspects of the Company's remuneration policies and packages, including equity-based incentives, which should be subject to shareholder approval;
- monitoring the size and composition of the Board;
- development of suitable criteria (with regard to skills, qualifications and experience) for Board candidates, whose personal attributes should encompass relevant industry experience and/or sound commercial or financial background;
- identification and consideration of possible candidates, and recommendation to the Board accordingly;
- establishment of procedures, and recommendations to the Chairman, for the proper oversight of the Board and management; and
- ensuring the performance of each Director and of senior management, is reviewed and assessed each year in accordance with procedures adopted by the Board. A review has been carried out for the most recent reporting period.

The Remuneration & Nomination Committee will meet as often as necessary, but must meet at least twice a year.

## 1.6 GOOD CORPORATE GOVERNANCE COMMITMENT

The Company is committed to achieving and maintaining the highest standards of conduct and has undertaken various initiatives, as outlined in this Statement, that are designed to achieve this objective. Mastermyne Group's suite of corporate governance documents is intended to develop good corporate governance and, generally, to build a culture of best practice both in Mastermyne Group's own internal practices and in its dealings with others. The following are a tangible demonstration of Mastermyne Group's corporate governance commitment.

### ***Independent Professional Advice***

With the prior approval of the Chairman, which may not be unreasonably withheld or delayed, each Director has the right to seek independent legal and other professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors. Any costs incurred are borne by Mastermyne Group.

### ***Code of Conduct***

Mastermyne Group has developed and adopted detailed Codes of Conduct to guide Directors, Senior Executives and employees in the performance of their duties.

### ***Securities Trading Policy***

Mastermyne Group has developed and adopted a formal Securities Trading Policy to regulate dealings in securities by Directors, key management personnel and other employees, and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice. The policy includes restrictions and clearance procedures in relation to when trading can and cannot occur during stated 'closed' and

'prohibited' periods and whilst in possession of price sensitive information. Otherwise, those persons may generally deal in securities during stated 'trading windows'. The Board will ensure that restrictions on dealings in securities are strictly enforced.

## **1.7 COMPLIANCE WITH THE ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS**

The Board has assessed the Company's current practices against the Recommendations and outlines its assessment below:

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

The role of the Board and delegation to management have been formalised as described in this Statement and the Board Charter, and will continue to be refined, in accordance with the Recommendations, in light of practical experience gained in operating as a listed company.

Mastermyne ensures that appropriate checks are undertaken before it appoints a person, or puts forward to shareholders a new candidate for election, as a director. Information about a candidate standing for election or re-election as a director is provided to shareholders to enable them to make an informed decision on whether or not to elect or re-elect the candidate.

Directors are provided with a letter on appointment which details the terms and conditions of their appointment, provides clear guidance on what input is required by them, and includes materials to assist with induction into the Company. The Company has a similar approach for all senior executives whereby they are provided with a formal letter of appointment setting out their terms of office, duties, rights and responsibilities as well as a detailed job description. The Board has delegated responsibilities and authorities to the CEO and other executives to enable management to conduct the Company's day to day activities. Matters which exceed defined authority limits require Board approval.

The processes for evaluating the performance of senior executives, the board and its committees and individual directors, are set out in the Board Charter, Audit & Risk Management Committee Charter and Remuneration & Nomination Committee Charter. All reviews have taken place in accordance with these charters. Mastermyne Group complies with the Recommendations in this area.

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

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

The Board currently consists of four directors, including one executive Director. Profiles of each Director outlining their appointment dates, qualifications, directorships of other listed companies (including those held at any time in the 3 years immediately before the end of the financial year), experience and expertise, are set out in the Directors' Report.

Two Directors, Mr Colin Bloomfield and Mr Gabriel Meena, are independent (in terms of the criteria detailed in the Recommendations), giving the Board the benefit of independent and unfettered judgment. The other two Directors, comprising one founder who is a non-executive Director and the Managing Director, are not independent.

The Board considers that a four person board is appropriate for a company with the size and growth profile of Mastermyne Group. It believes the skills and industry knowledge of the two non-independent Directors is beneficial in growing the Company and to assist with maintaining its current culture and focus. The Board further considers that to add additional independent directors at this time would increase the Board's size beyond an efficient working level. However, the Board may seek to add additional independent directors in the future.

There are procedures in place to allow Directors to seek, at Mastermyne Group's expense, independent advice concerning any aspect of Mastermyne Group's operations.

A Remuneration & Nomination Committee has been established with its own charter, as detailed above.

The Board is committed to a performance evaluation process, with a self-assessment evaluation being undertaken during each year.

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

The Board has adopted detailed Codes of Conduct to guide Directors, executives and employees in the performance of their duties.

The codes have been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations, and therefore compliance with the Recommendations.

The Company recognises the benefits that can arise to the organisation from diversity in the workplace covering gender, age, ethnicity and cultural background and in various other areas. So, the Board has approved a Diversity Policy which details the Company's approach to promoting a corporate culture that embraces diversity when selecting and appointing its employees and Directors.

This policy outlines measurable objectives for achieving gender diversity throughout the Company over the longer term, and progress towards achieving them has been assessed as follows:

- 6% of the organisation's employees are women
- 50% of Senior Executives are women
- 3 women are working in non-traditional roles
- 2 women on succession path for Senior Executive Roles
- equal pay has been achieved in all positions regardless of gender
- flexible working arrangements offered to facilitate family needs and return to work arrangements after maternity leave

women's networking business functions are attended across all employee levels At this stage there are no women on the Board as no suitable candidates have been identified.

### **Principle 4 – Safeguard integrity in financial reporting**

The Audit & Risk Management Committee, with its own charter, complied with the Recommendations for the majority of the year. All the members of this committee are required to be financially literate.

### **Principle 5 – Make timely and balanced disclosure**

Mastermyne Group's current practice on disclosure is consistent with the Recommendations. Policies for compliance with ASX Listing Rule disclosure requirements are included in the Company's Board Charter and Continuous Disclosure Policy.

### **Principle 6 – Respect the rights of shareholders**

The Board recognises the importance of this principle and strives to communicate with Shareholders regularly and clearly, both by electronic means and using more traditional communication methods. Shareholders are encouraged to attend and participate at general meetings. The Company's auditors are required to attend the annual general meeting and are available to answer Shareholder's questions relevant to the audit. Security holders are able to ask questions of the company or the auditors electronically as detailed in the company's notice of meeting. Security holders can also request to receive communications electronically via the Company's share registry Link Market Services.

As part of the Company's management of investor relations the CEO does, at times, also undertake briefings with investors and analysts to assist their understanding of the Company and its operations, and provide explanatory background and technical information.

The Company has not published a formal communications policy because it sees no need as its stated practices generally comply with the Recommendations, and it has covered a number of aspects of this principle in its Continuous Disclosure Policy, including in relation to briefings with investors and analysts.

### **Principle 7 – Recognise and manage risks**

The company operates under an enterprise wide risk management framework summarised in the risk management policy adopted by the board which can be found on the Company's website. The framework in place ensures the company identifies and keeps an up-to-date understanding of areas where it may expose itself to risk and implement effective management of those risks.

Oversight of the risk management framework is undertaken by the Audit and Risk Management Committee which assists the board in its oversight role by:

- the implementation and review of risk management and related internal control and compliance systems
- monitoring the companies policies and procedures, ensuring compliance with the relevant laws and company's code of conduct; and
- annual review of the risk management framework, to evaluate and continually look to improve the effectiveness of the Company's risk management and internal control processes. Such a review has been undertaken during the most recent reporting period

The Board considers that the Company does not currently have any material exposure to economic, environmental and social sustainability risks which require active management.

The Company does not have a separate internal audit function due to its relatively small size and less complex financial and organisational structures. The board does engage a third party annually to conduct forensic testing on the Company's internal controls.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is 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 financial reporting risks.

#### **Principle 8 – Remunerate fairly and responsibly**

Remuneration of Directors and executives is fully disclosed in the Remuneration Report (contained in the Directors' Report) and any material changes with respect to key executives will be announced in accordance with continuous disclosure principles. During the reporting period the Remuneration & Nomination Committee had three non-executive Director members of which two are independent and the Chair is not an independent Director. Whilst this does not meet the council's recommendation requiring a chair to be an independent director, the company believes the current skills & experience of the current committee members is more important than independence at this time.

The aggregate level of non-executive Directors' remuneration is currently set at \$300,000 approved on 22 March 2010 and any increase must be approved by shareholders. Non-executive Directors are not provided with any retirement benefits, other than statutory superannuation.