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ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices currently in place for Adavale Resources Limited (Company or Adavale) and also addresses the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations).

The Board believes the Company has applied the principles and recommendations of the ASX Corporate Governance Council in a manner that is appropriate for a Company in its current stage of operation.

The corporate governance policies and practices described below are those that have been in place for the year, or as at the date of this report where indicated.

The charters and policies referred to in this statement are disclosed on www.adavaleresources.com website as required under the ASX Recommendations.

Principle 1: Lay solid foundations for management and oversight

(a) Role of the Board

The board is accountable to shareholders for the management of the Company's business and affairs and as such is responsible for the overall strategy, governance and performance of the Company. The Board is responsible for the following:

- Providing accountability to shareholders/stakeholders
- Appointing and working with the Managing Director /Executive Directors
- Approval of Company Strategy
- Development of Key Company policy
- Monitoring management and operations

(b) Board committees

The ultimate responsibility for the oversight of the operations of the Company rests with the Board. However, the Board may discharge any of its responsibilities through committees of the Board in accordance with the Constitution and the Corporations Act.

Given the size of the Company's operations the reliance on the experience of the members of the Board, the Board only has constituted an Audit Committee. The functions of other such committees (risk, remuneration and nomination) will be performed by the full Board

(c) Senior Executives

The Board Charter addresses the responsibilities of the Board and management. It goes further detailing the Board's relationship with Management. The Board Charter allows the Board to delegate the responsibility for the day-to-day management of the Company to a Managing Director (MD).

(d) Performance of Senior Executives

Senior executives in the business are eligible for incentivisation and salary requirements designed to enhance performance and stay competitive with industry peers to retain expertise.

(e) The Company Secretary

The Company Secretary acts as secretary of the Board, attending all meetings of the Board. The Company Secretary is accountable to the Board through the chairperson on all corporate governance matters.

Principle 2: Structure the board to add value

(a) Board size and composition

The Constitution of the Company provides that there will be a minimum of three directors and not more than nine directors. At the date of this report, the Board comprises three (3) non-executive directors. The current members of the Board are:

- Mr Grant Pierce, Non-Executive Chairman, (appointed 26 August 2020)
- Mr Rod Chittenden, Non-Executive Director (appointed 26 August 2020)
- Mr Steven Georgiadis, Non-Executive Director (appointed 26 August 2020)

The Board considers that the existing Board composition and structure is appropriate for the Company's current operations and stage of development. Directors' details are listed in the Annual Report in the Directors' Report, including details of their other listed entity directorships and experience, and ongoing security positions provided to the ASX.

(b) Board skills and diversity

The Board considered the merits of developing a Board Skills Matrix but has not undertaken this process for the year ended 30 June 2020. A skills matrix and diversity review will be considered again in 2021 to determine the Company's position. The qualifications and expertise of Board Members are outlined in the Directors' Report contained in every Annual Report.

(c) Director Appointments

No additional director appointment since the Board changed in August 2020. At the appropriate time, the Board will make further decisions on the size and composition of the board, including assessment of necessary and desirable competencies of board members.

At any time the full Board is permitted to determine to fill a casual vacancy, normally would do so after extensive one-on-one and collective interviews with relevant candidates and other due diligence and appropriate reference checking.

(d) Terms of appointment

Non-executive directors are appointed pursuant to formal letters of appointment which, among other things, set out the key terms and conditions of the appointment, the Board's expectations in relation to the performance of the director, procedures for dealing with a director's potential conflict of interest, disclosure obligations and the details of the director's remuneration.

The Company does not have a formal director induction program and there is no current intention to appoint new additional directors at this time. The Board will consider the implementation of an induction program as part of any strategic review process undertaken.

(e) Directors' independence

The Board considers that it is able to exercise its judgement in an independent and unfettered manner and provide independent and effective oversight of management.

All members of the board, whether independent directors or not, exercise independent judgement in making decisions in the best interests of the Company as a whole.

In determining the independent status of each director, the Board has adopted the approach contained in ASX Principle 2, and specifically assesses the independence of all directors against the criteria outlined in Box 2.3 of the ASX Recommendations.

The Company does not use prescribed or pre-determined materiality thresholds for the purposes of assessing director independence but instead assesses independence on a case by case basis, having regard to the extent to which any relevant relationship or connection may materially interfere with the director's ability to exercise unfettered and independent judgement in the discharge of their responsibilities and duties.

All directors are considered independent Directors. The Board intends to appoint a Managing Director as soon as it has completed a strategic review and identified the appropriate candidate. It is important to draw heavily on the industry experience of the members of the Board while it undertakes its strategic review to determine the Company's future.

(f) Directors' interests

Directors are required to keep the Board advised of any interest that may be in conflict with those of the Company, and restrictions are applied to directors' rights to participate in the discussion and to vote, as circumstances dictate when a conflict has been identified. In particular, where a potential conflict of interest may exist, directors concerned may be required to leave the Board meeting while the matter is considered in their absence.

(g) Chairman

The Board Charter provides that where practical, the Chairman of the Board should be an independent Director. The Chairman of the Board is independent.

(h) Board meetings

The Board typically schedules meetings on as much as a monthly basis, and no less than quarterly, with additional ad-hoc meetings convened as required. Agenda's for each meeting is prepared by the Company Secretary together with the input from the Chairman, and are distributed prior to the meeting together with supporting papers.

Standing items include the Operations report and the financial report, as well as reports addressing matters of strategy, governance and compliance.

(i) Independent advice

The Board has a policy of enabling directors to seek independent professional advice for Company-related matters at the Company's expense, subject to the prior notification of the Chairman and where the estimated costs are considered to be reasonable.

(j) Board and director performance

While the Board is committed to enhancing its effectiveness through performance management and review, the Board considers it inappropriate timing to undertake a board review process.

Principle 3: Act Ethically and Responsibly

(a) Code of conduct

The Board acknowledges the need for high standards of corporate governance practice and ethical conduct by all directors and employees of the Company.

While the Company has not adopted a Code of Conduct, various measures have been established to ensure that a high standard of ethical business behaviour is observed by all staff members, including policies and procedures for:

- Continuous Disclosure Obligations; and
- Trading in Adavale Securities.

In addition to their obligations under the Corporations Act concerning inside information, all directors, employees and consultants have a duty of confidentiality to the Company about the confidential information they possess.

(b) Employee and director trading in Adavale securities

Per ASX Listing Rule 12.9, the Company has in place a Security Trading Policy that governs the ability of directors, employees and contractors to trade in the Company's securities. Subject to necessary prior written consents being obtained, the Company's directors, executives and employees may trade in the Company's securities at any time outside closed periods. Closed periods cover the following:

- The day after the announcement of Adavale's half-yearly results to the ASX;
- At least 21 days prior the annual preliminary financial results to the ASX; or
- Any other time period determined by the Board
- Directors and employees may, in exceptional circumstances as defined in the policy, trade in a closed period but only with the prior written consent of the Disclosure

Officer. Notwithstanding the closed periods and approval requirements, a person is prohibited from trading at any time if they possess material, price-sensitive information about the Company that is not generally available to the public.

- The policy also prohibits short-term trading of the Company's securities.

(c) Diversity

A formal diversity policy has not been adopted by the Board as there are employees of the company and no current intention to appoint any new directors. This position may change, including the establishment of measurable gender diversity objectives in the foreseeable future while the Board undertakes a strategic review of the Company's future direction.

The current gender diversity is as follows:

- The percentage of female directors: 0%
- The percentage of female employees on the executive committee: 0%
- The percentage of female employees in the whole organisation: 0%

Principle 4: Safeguard integrity in corporate reporting

The qualifications and experience of the members of the Audit Committee are outlined in the Directors Report.

The Audit Committee is responsible for assisting the board in discharging its responsibilities to safeguard the integrity of the Company's financial reporting and the system of internal control. A key component of the committee's role is to provide appropriate advice and recommendations to the board to assist the board to fulfil its responsibilities regarding financial reporting, the internal control environment, and audit management where appropriate across the Company.

The Audit Committee Charter takes into account the roles and responsibilities of the Audit Committee as well as contemporary governance practices. The Audit Committee Charter includes details on the appointment and oversight of the external auditor. The Company will ensure the external auditor is available to shareholders at the annual general meeting to answer any questions they may have about the Company's external audit.

The Audit Committee's current membership, the independence of the members and details of Audit Committee meetings and attendance by each Committee member are set out earlier in this Corporate Governance Statement and the Directors Report.

In accordance with the Company's legal obligations and Recommendation 4.2 of the ASX Recommendations, the Chief Executive and the Chief Financial Officer equivalent make the following certifications to the Board about the Financial Statements for the financial period:

- The financial statements and associated notes comply in all material respects with the Accounting Standards as required by Section 296 of the Corporations Act 2001, Corporations Regulations, International Reporting Standards and other mandatory professional reporting requirements;
- The financial statements and associated notes give a true and fair view, in all material respects, of the financial position as at [balance date] and performance of the Company for the period ended as required by Section 297 of the Corporations Act 2001;
- The financial records of the company have been properly maintained per Section 286 of the Corporations Act 2001;
- The integrity of the financial statements are founded on a sound system of risk management and internal compliance and control which, in all material respects, implements the policies adopted by the board of directors;
- The risk management and internal compliance and control systems of the Company relating to financial reporting objectives are operating effectively, in all material respects; and

Subsequent to the end of the financial period, no changes or other matters have arisen that would have a material effect on the operation of risk management and internal compliance and control systems of the Company.

Principle 5: Make timely and balanced disclosure

The Company is committed to complying with its continuous disclosure obligations under the ASX Listing Rules and Corporations Act and to ensuring that its shareholders are kept well-informed of all major developments affecting the Company's state of affairs, to promote transparency and investor confidence.

The Company has a Continuous Disclosure Policy and it incorporates the continuous disclosure framework as set out in the ASX Listing Rules Chapter 3.

The Policy creates a framework for compliance with relevant disclosure obligations and establishes the accountability of the Board for achieving compliance.

More specifically, the Policy:

- Explains the Company's obligations under ASX Listing Rule 3.1 and the Corporations Act 2001;
- Establishes internal processes for reporting of information considered to be potentially price-sensitive and for consideration of information reported by the Board;
- Establishes processes for the disclosure of price sensitive information, taking into account the clarification provided by ASX Guidance Note 8;
- Establishes internal procedures for briefing of analysts, investor and media Company's, responding to market speculation, leaks and rumours and calling trading halts where appropriate to avoid trading occurring in an uninformed market;
- Outlines authorisation procedures for ASX announcements; and
- Delegates to the Company Secretary the authority to release information or make disclosures to the ASX and responsibility for decisions regarding price sensitive information, coordinating disclosures, establishing and monitoring procedures under this Policy and making recommendations to the Board on any necessary updates to the Policy.

Principle 6: Respect the rights of security holders

The Board aims to ensure that its shareholders are kept well-informed of all major developments and business events that are likely to materially affect the Company's operations and financial standing, and the market price of its securities. Information is communicated to security holders through:

- Annual, half-year financial reports and quarterly cash flow reports and market updates, lodged with the ASX and made available to all security holders;

- An announcement of market-sensitive and other information, including annual and half year results announcements and analyst presentations released to the ASX; and
- The Chairman's addresses to, and the results of, the Annual General Meeting.

The Company has a Continuous Disclosure Policy that includes a formal procedure for dealing with potentially price-sensitive information. The policy sets out how the Company meets its disclosure obligations under ASX Listing Rule 3.1. The Company's policy is to lodge with the ASX and place on its website all market-sensitive information, including annual and half year result announcements and analyst presentations, as soon as practically possible.

Shareholders have the right, and are encouraged, to attend the Company's annual general meeting, held in November each year, and are provided with explanatory notes on the resolutions proposed through the notice of meeting. A copy of the notice of meeting will also be posted on the Company website and lodged with the ASX.

Shareholders are encouraged to vote on all resolutions and unless specifically stated otherwise in the notice of meeting, all security holders are eligible to vote on all resolutions. Shareholders who cannot attend the annual general meeting may lodge a proxy in accordance with the Corporations Act. Proxy forms may be lodged with the share registry by mail, hand delivery, facsimile or electronically.

Transcripts of the Chairman reports to shareholders are released to the ASX upon the commencement of the Annual General Meeting. These transcripts, together with the results of the meeting are also posted on the Company's website and the ASX.

All shareholders are provided the option to receive communications from the share registry electronically (and are encouraged to do so, with election documentation included in regular mail outs to security holders).

Principle 7: Recognise and manage risk

The Board is responsible for ensuring that a sound risk management framework and policies are in place. The Board will devote time at its meetings to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the Company's risk management framework and associated internal compliance and control procedures.

The Company's risk management framework is integrated with its day-to-day business processes and functional responsibilities.

The Board considered risk matters on an ongoing basis but did not undertake a formal review of its risk management framework during the year ended 30 June 2020 because the Board is undertaking a strategic review of the future direction of the business. It is intended that this framework review will be undertaken as part of the strategic review of the future direction of the business.

(a) Internal Audit

The Company does not have an internal audit function as it is not considered appropriate for the Company's current stage of development and operations.

(b) Economic, environmental and social sustainability risks

Per Recommendation 7.4, the Board has considered whether the Company has any material exposure to economic, environmental and social sustainability risks and determined that there is no material exposure to these risks

Principle 8: Remunerate fairly and responsibly

Given the stage of the Company's operations and the heavy reliance on the experience of the members of the Board, the Board does not initially propose to establish a remuneration committee and the function of such a committee will be performed by the full Board, acting in the best interests of the Company.

The Board will devote time at its meetings to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

For details of the Company's remuneration structure, please refer to the Remuneration Report.