

# PanTerra Gold Limited

ABN: 48 008 031 034

## CORPORATE GOVERNANCE STATEMENT 31 DECEMBER 2017

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This Corporate Governance Statement is for the financial year ended 31 December 2017 (“Reporting Period”) has been approved by the Board and is accurate as at 27 February 2018.

This statement includes information required under the ASX Corporate Governance Council’s Governance Principles and Recommendations 3<sup>rd</sup> edition (“ASX Principles and Recommendations”). Unless indicated otherwise, the Board considers that the Company’s corporate governance practices comply with the ASX Principles and Recommendations as at the date of this statement.

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

#### **Recommendation 1.1: *Role of Board and management***

In general the Board is responsible for and has the authority to determine, all matters relating to policies, procedures and practices, management performance and operations of the Company. The Board is also responsible for the overall corporate governance of the Company and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole.

The Board also ensures that the Company complies with all its contractual, statutory and any other legal and regulatory obligations. Where the Board considers that particular expertise or information is required which is not available from within the Board, appropriate external advice may be taken and reviewed prior to a final decision being made.

Without limiting the general role of the Board, the principle functions and responsibilities include the matters set out below, subject to delegation to the Executive Chairman and senior management as specified elsewhere in this statement or as otherwise appropriate:

- charting the direction, strategies and financial objectives of the Company and ensuring appropriate resources are available;
- monitoring the implementation of those policies and strategies and the achievement of those financial objectives and performance against the strategic plan and budgets;
- monitoring compliance with control and accountability systems, significant disclosures to the market regulatory requirements and ethical standards;
- ensuring the preparation of accurate financial reports and statements;
- reporting to shareholders and the investment community on the performance and state of the Company;
- ensuring that appropriate audit arrangements are in place;
- ensuring that effective and appropriate reporting systems in place will, in particular, assure the Board that proper financial, operational, compliance and risk management controls function adequately.

The Board has delegated to the Executive Chairman, authority over the day to day management of the Company and its operations. This delegation of authority includes responsibility for implementing the policies and strategies set by the Board and includes:

- day to day running of the business;

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- appropriate and cost effective development of projects;
  - identification of exploration opportunities;
  - supervision of consultants and other personnel;
  - managing the operating and financial performance of the Company, and
  - managing stakeholder communication (including continuous disclosure of material developments through ASX announcements, presentations to investors, quarterly and annual reports).

**Recommendation 1.2:** *Information regarding election and re-election of director candidates*

The policy and procedures for the selection and appointment of new directors is that candidates are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, and credibility within the Company's scope of activities. Directors are initially appointed by the full Board subject to election by shareholders at the next Annual General Meeting. The Company has appropriate procedures in place to ensure that material information relevant to a decision to elect or re-elect a director (including whether directors support the election or re-election) is disclosed in the notice of meeting provided to shareholders.

At each Annual General Meeting the following directors (excluding the Chairman\*) automatically retire and are eligible for re-appointment:

- One-third of the directors or, if their number is not a multiple of three then the nearest to but not more than one-third of the directors;
- Any director who has been longest in office since their last election or appointment. Directors elected or appointed on the same day may agree among themselves or determine by lot which of them must retire;
- A director at the conclusion of the third Annual General Meeting since their last election or appointment, even if his or her retirement results in more than one-third of all directors retiring from office; and
- Any director who was appointed by the directors during the year to fill a casual vacancy or as an addition to the existing directors.

\*The Executive Chairman is appointed by the Board and is not subject to election.

**Recommendation 1.3:** *Written contracts of appointment.*

New directors receive notice of their appointment and a deed of indemnity, insurance and access. Non-executive directors are not appointed for fixed terms. Executive directors have written service contracts which set out the material terms of employment, including a description of position and duties, reporting lines, remuneration arrangements and termination rights and entitlements.

Each senior executive enters into a service contract which sets out the material terms of employment, including a description of position and duties, reporting lines, remuneration arrangements and termination rights and entitlements. Contract details of senior executives who are Key Management Personnel are summarised in the Remuneration Report within the Annual Report which can be accessed on the Company's website at [www.panterragold.com](http://www.panterragold.com).

**Recommendation 1.4:** *Company Secretary.*

The company secretary is accountable directly to the Board (through the Chairman) for facilitating the Company's corporate governance processes and the proper functioning of the Board. Each director is entitled to access the advice and services of the company secretary.

In accordance with the Company's Constitution, the appointment and removal of the company secretary is a matter for the Board as a whole. Details of the company secretary are set out in the Directors' Report in the Annual Report.

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**Recommendation 1.5: Diversity.**

The Board has adopted a Diversity Policy which can be accessed on the Company's website under Governance & Policies. The Policy outlines the following measurable objects for achieving diversity and the Board annually assesses both the objectives and progress in achieving them. These objectives have been re-confirmed by the Board.

**Objectives**

- Achieve and maintain a ratio of 20% of women employees across the organisation by 2019;
- Provide training to all staff who are from diverse backgrounds to enhance the retention of new employees and the promotion of existing employees with a particular emphasis on talented women employees; and
- Provide flexible workplace arrangements to accommodate domestic responsibilities, external study and cultural traditions of employees.
- a diverse and skilled workforce that leads to the achievement of corporate goals;
- a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- improved employment and career development opportunities for talented women, particularly in respect of the participation of women on the Board and within senior management;
- a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workplace diversity and successful management of diversity, and at all times recognising that employees may have restrictions placed on them by responsibilities outside the work-place; and
- awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity.

**Progress achieved**

- The current ratio of women employees across the organisation is 22%. The percentage number of women employees during the year increased from 16% from the previous year. The low participation of women employees is mainly due to the long working hours, unsociable shift work associated with the mining industry and the high number of male dominated trade disciplines employed at the Las Lagunas site. The Company continues to provide access to equal opportunities for all employees and is disappointed that the number of women employees has not increased significantly although women employees are well represented across such areas as administration, laboratory, accounting and engineering. A review of the target ratio and measures was conducted during 2017 with 2019 set as the target to achieve and maintain an annual ratio of 20% as the minimum number of women employees.
- All staff are encouraged to attend relevant professional development courses. The Company also maintains a "Plan Social" which provides temporary work for residents of local communities near the Las Lagunas project in the Dominican Republic, and operates on the basis of two-week work periods in different areas of the project taking into account the skill levels of each participant.
- The Company accommodates flexible workplace arrangements, external study wherever possible and respects cultural traditions at all times.

The Company has one female director as at the date of this statement, Ms Angela Pankhurst who was appointed to the Board on 5 April 2012. The Company has 40% female participation at Senior Management Group level (Senior Management are defined as senior managers and senior specialists who report directly to the Executive Chairman).

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**Recommendation 1.6: Board reviews**

The Board as a whole has responsibility to review its own performance and the performance of individual directors.

Given the specific nature of the Company's activities, evaluation was an ongoing process throughout the Reporting Period. Achievement of goals and business development and compliance issues are evaluated regularly on an informal basis.

The Board is provided with the information it needs to discharge its responsibilities effectively. All directors have access to corporate governance policies and material contracts entered into by the Company. The directors also have access to the company secretary for all Board and governance-related issues.

**Recommendation 1.7: Management reviews**

The Board monitors the performance of senior executives on a regular basis throughout the year. Performance targets are established by the Board and Executive Chairman against relevant operating and non-operating key performance indicators as appropriate. This includes performance against annual budgets, health, safety and environmental measures and other operations-related business goals and the Company's requirements of the position. The Executive Chairman conducted regular informal discussions with senior executives in relation to their performance targets during the Reporting Period.

**Principle 2 – Structure the board to add value****Recommendation 2.1: Nominations committee.**

The Board has not established a nomination committee. The Board considers that a separate nomination committee is not warranted and the Board as a whole deals with areas that would normally fall within the charge of the nomination committee. These include matters relating to the renewal of Board members and Board performance.

**Recommendation 2.2: Board skills matrix.**

The Board is responsible for ensuring that it has the appropriate range and mix of expertise, experience and diversity to properly fulfil its responsibilities and deliver the Company's corporate objectives. The Board is of the view that the current directors possess these attributes. The following table demonstrates the skills and experience of directors across a number of fields that are relevant to the Company's business.

<b>Expertise</b>	<b>Experience</b>	
<ul style="list-style-type: none"><li>• Executive leadership</li><li>• Strategy</li><li>• Commercial acumen</li><li>• Finance and risk management</li><li>• Governance and compliance</li><li>• Government relations</li><li>• Stakeholder management</li><li>• Geological</li><li>• Mining and exploration</li><li>• Project development</li></ul>	<u>Industry</u> <ul style="list-style-type: none"><li>• Mining, resources and infrastructure</li><li>• Construction</li></ul>	<u>Market</u> <ul style="list-style-type: none"><li>• Exploration and appraisal</li><li>• Corporate finance</li><li>• Funding and project finance</li><li>• Construction and procurement</li><li>• Operations and maintenance</li><li>• International experience</li></ul>

**Recommendation 2.3: Disclose independence and length of service:**

Details of the Company's independent directors and the length of service of each director, is set out in the Director's Report within the Annual Report.

**Recommendation 2.4: Majority of directors independent.**

The current Board has two independent and two executive directors. The vacancy left by the resignation of Mr Ruoshui Wang in April 2017 has not been filled, however, as the membership and structure of the Board is selected to provide the Company with the most appropriate direction in the areas of business controlled

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by the Company, given the skill set of the current directors, the Board considers that the appointment of an additional non-executive director is not warranted at present.

Directors are entitled to seek independent professional advice at the Company's expense. Where a director seeks professional advice, the director will require prior approval of the expenditure from the Chairman, which will not be unreasonably withheld. If the Chairman seeks advice, prior approval is required of the Board. Directors are required to disclose relevant personal interests and conflicts of interest on an ongoing basis.

**Recommendation 2.5:** *Chair should be independent.*

The Executive Chairman, Mr Brian Johnson, is not independent. Mr Johnson has also been CEO of the Company since 14 February 2014. Mr Johnson manages the daily operations of the Company, so that the Company maximises its benefits from the extensive but different skills and experience. As the Company continues to grow the management structure will be reviewed and changed to maximise shareholder value and corporate governance.

**Recommendation 2.6:** *Induction and personal development.*

There is no formal induction process, however directors are encouraged to continue to expand their knowledge base and professional skills through attendance at suitable seminars and conferences. Directors have the right, in connection with the discharge of their duties and responsibilities, to seek independent professional advice at the Company's expense within guidelines provided in the Company's Board Charter which can be accessed on the Company's website under Governance & Policies.

**Principle 3 – Act ethically and responsibly**

**Recommendation 3.1:** *Code of conduct.*

The Company has established a Board Code of Conduct and separate Employee Code of Conduct. The Codes require that directors and employees maintain high standards of integrity by ensuring that all business activities are conducted legally and ethically in compliance with the letter and spirit of both the law and Company policies. Copies of both Codes can be accessed on the Company's website under Governance & Policies.

**Principle 4 – Safeguard integrity in corporate reporting**

**Recommendation 4.1:** *Audit committee*

The Board has established an Audit Committee. The Committee comprises:

Chairman	Ms Angela Pankhurst – Non executive and independent director
Member	Mr Ugo Carlo – Non-executive and independent director
Member	Mr Brian Johnson - Executive Chairman

The experience and qualifications of members of the Audit Committee are detailed in the Remuneration Report which forms part of the Directors' Report within the Annual Report. The Audit Committee held two meetings during 2017. Details of Committee members' attendance at those meetings can also be accessed in the Directors' Report within the Annual Report.

The Audit Committee operates under a formal charter which will be reviewed annually to determine whether any changes are necessary. The Charter sets out the objectives of the Committee, composition, duties and responsibilities, membership requirements, access, reporting, relationship with the external auditors and the provision on non-audit services by external auditors. A copy of the Charter can be accessed on the Company's website under Governance & Policies.

The Audit Committee is responsible for:

- Overseeing and appraising the quality of the audits conducted by the Company's external auditors;
- Reviewing the effectiveness of management information and internal control;
- Reviewing all areas of significant financial risk and risk management;

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- Reviewing financial information including annual and half-yearly financial reports and ASX reporting statements; and
  - Monitoring internal controls and accounting compliance.

The Audit Committee is responsible for reviewing the nomination, performance and independence of the external auditors. BDO East Coast Partnership (“BDO”) was appointed as the Company’s external auditors by shareholders at a General Meeting held on 23 December 2013. BDO has advised the Company that their policy of audit partner rotation requires a change in the lead engagement partner and review partner after a period of five years.

The Board has adopted a Policy of Auditor Independence, a copy of which can be accessed on the Company’s website under Governance & Policies.

**Recommendation 4.2:** *CEO and CFO certification of financial statements.*

Before the Board approves the financial statements for a financial period, the Executive Chairman and Chief Financial Officer provide formal statements to the Board that state that the financial reports and records of the Company:

- present a true and fair view, in all material respects, of the Company’s financial condition and operational results and are in accordance with relevant accounting standards;
- the statement given in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company’s risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

**Recommendation 4.3:** *External auditor at AGM.*

The Company’s external audit function is performed by BDO. Representatives of BDO attend the Annual General Meeting and are available to answer shareholder questions regarding the audit.

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

**Recommendation 5.1:** *Disclosure and Communications Policy*

The Company has adopted a Continuous Disclosure Policy to ensure compliance with the continuous disclosure requirements of the ASX Listing Rules and the *Corporations Act 2001*. The Policy sets out the key obligations of the Board, senior executives and staff to ensure that price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner and that all information provided to the ASX is posted on the Company’s website as soon as possible after its disclosure to ASX.

The company secretary manages the Company’s compliance with its continuous disclosure obligations and is responsible for communications with, and coordinating disclosure of information to the ASX.

Directors receive copies of all announcements released to the ASX and copies of announcements, including related information, such as financial statements and public presentations, and are aware of and accountable for the Company’s compliance with regard to continuous disclosure.

A copy of the Continuous Disclosure Policy can be accessed on the Company’s website under Governance & Policies.

**Principle 6 – Respect the rights of security holders**

**Recommendation 6.1:** *Information on website*

Information about the Company and its operations is located at:

<http://www.panterragold.com>

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Information about the Company's corporate governance policies is located at:

<http://www.panterragold.com/Corporate/Governance&Policies>

**Recommendation 6.2:** *Investor relations programs.*

The Company is committed to informing shareholders of all major developments affecting the operations of the Company and the state of its affairs, and has established a communications policy to that effect. Communications with shareholders include:

- the annual report which is distributed, or otherwise made available, to all shareholders;
- the quarterly activities report;
- the half-year financial report;
- the Annual General Meeting and other general meetings called to obtain shareholder approval for significant corporate actions, as appropriate;
- Company announcements; and
- the Company's website at [www.panterragold.com](http://www.panterragold.com).

The Company welcomes questions from shareholders at any time and these are answered promptly unless the information requested is market sensitive and not in the public domain. All announcements made by the Company to the ASX (except disclosures of a routine compliance or administrative nature) are posted to the Company's website.

The Company's Shareholder Communication Policy can be accessed under the Governance & Policies section on the Company's website.

**Recommendation 6.3:** *Facilitate participation at meetings of security holders.*

The Company encourages shareholder participation at its AGMs including by making notices of meetings available on its website. PanTerra Gold's external auditor attends the Company's AGMs and is available to answer any questions which shareholders may have about the conduct of external audit for the relevant financial year and the preparation and content of the audit report.

Shareholders who are unable to attend meetings of the Company are encouraged to participate in meetings by way of appointment of a proxy.

**Recommendation 6.4:** *Facilitate electronic communications.*

The Company has the capability to communicate with shareholders electronically through its website and email communications. Electronic contact details are provided on the Company's website.

**Principle 7 – Recognise and manage risk**

**Recommendation 7.1:** *Risk committee:*

The Company has not established a separate risk committee. Management determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. In that regard, the Board has adopted a Policy on Risk Management, Internal Compliance and Control which includes:

- establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;

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- formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and
  - monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

A copy of the Policy on Risk Management, Internal Compliance and Control can be accessed on the Company's website under Governance & Policies.

**Recommendation 7.2: Annual risk review:**

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to report back on the efficiency and effectiveness of risk management, inter alia, by benchmarking the Company's performance against industry standards.

The risk profile of the Company contains both financial and non-financial factors including material risks arising from pricing, competitive position, currency movements, operational efficiency, investments in new projects.

To mitigate these risks, the Company has in place an experienced Board, regular Board meetings, an Audit Committee which aims to meet at least bi-annually, six monthly financial and internal audits, rigorous appraisal of new investments, and advisers familiar with the Company. The Company's risk management framework has been reviewed on a regular basis throughout the Reporting Period by the Board.

**Recommendation 7.3: Internal audit**

The Company does not have a formal internal audit function. The Audit Committee monitors the need for an internal audit. The Company's management periodically undertakes an internal review of financial systems and processes and where systems are considered to require improvement, these systems are developed.

**Recommendation 7.4: Sustainability risks**

The Company, as a mineral exploration and production company, faces inherent risks in its activities, including economic, environmental and social sustainability risks which may have a material impact on the Company's ability to create value for its shareholders. Material business risks are described in the Review of Operations in the Annual Report. In relation to environmental risks, the Company closely monitors its exposure to all such risks at its Las Lagunas project in the Dominican Republic and provides quarterly environmental reports to the Dominican Government. Management in the Dominican Republic also conduct regular meetings with members of the local community to ascertain and allay any concerns the community may have in relation to the Company's operations.

**Principle 8 – Remunerate fairly and responsibly**

**Recommendation 8.1: Remuneration committee**

The Board has not established a remuneration committee. The Board considers that given the size of the Company, its current level of activity and since all members of the Board currently participate in policy matters, this function is more efficiently achieved by the full Board.

Despite the absence of a remuneration committee, the Board critically reviews the compensation arrangements for executive and non-executive directors and senior executives. Remuneration policies of the Company are reviewed at least annually by the Board to ensure that remuneration packages of senior executives properly reflect their duties and responsibilities, and are competitive in attracting, motivating and retaining people of the highest calibre and quality.

**Recommendation 8.2: Disclosure of Executive and Non-Executive Director remuneration policy**

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Remuneration for non-executive directors is fixed. Remuneration does not include any performance-based components and non-executive directors do not participate in any incentive plans or bonus schemes. The Company does not have a retirement benefits scheme for non-executive directors.

Details of the Company's remuneration arrangements for non-executive directors, executive directors and senior executives including fee rates, are set out in the Remuneration Report in the Annual Report.

**Recommendation 8.3:** *Equity based remuneration scheme*

The Company has a Performance Rights Plan which has been approved by shareholders. The PanTerra Gold Share Trading Policy specifically prohibits directors and senior executives from engaging in short-term trading in the Company's securities. The Policy has been revised to ensure that participants may not enter into transactions which limit the economic risk of participating in the Performance Rights Plan. The Share Trading Policy can be accessed on the Company's website under Governance & Policies.