

## **THOR MINING PLC**

### **Corporate Governance Statement**

This Corporate Governance Statement has been approved by the Board of Directors, and the effective date is 26 September 2016. The Board is committed to maintaining high standards of corporate governance. The Board has given consideration to the code provisions set out in the UK Corporate Governance Code (the "UK Code") issued by the Financial Conduct Authority ("FCA") and in accordance with the AIM Rules and ASX Listing Rules. Whilst the Company is not required to comply with the UK Code, the Company's corporate governance procedures take due regard of the principles of Good Governance set out in the UK Code in relation to the size and the stage of development of the Company. The Board has also given consideration to the ASX Corporate Governance Principles and Recommendations (ASX Corporate Governance Council, 3<sup>rd</sup> Edition). As required by ASX listing rule 4.10.3, the Corporate Governance Statement details the extent to which the Company has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. A separate disclosure is made where the Company has not followed a specific recommendation, together with the reasons and any alternative governance practice, as applicable.

With effect from 3 July 2016 the UK's civil market abuse regime was replaced by a new EU-wide regime through the new Market Abuse Regulation ("MAR"). The key regulatory implications from the introduction of MAR is that companies admitted to trading on the AIM Market of the London Stock Exchange ("AIM") are now subject to new rules and FCA's oversight in relation to *inter alia* the:

- control and disclosure of inside information;
- maintenance of insider lists; and
- regulation and disclosure of managers' dealings.

The Board implemented the necessary procedures to ensure compliance with the new MAR regulatory requirements, prior to the effective date of 3 July 2016. These procedures have been integrated into the Board's standard meeting agenda to ensure ongoing compliance.

### **Board of Directors & Shareholders**

The Board of Directors currently comprises of one Executive Chairman, and three Non-Executive Directors. The Directors are of the opinion that the Board comprises a suitable balance and that the recommendations of the UK Code have been implemented to an appropriate level. The Board, through the Chairman and the Chief Financial Officer in particular, maintains regular contact with its advisers, larger Shareholders and other market participants to ensure that it develops an understanding of the views of major shareholders. Shareholder queries are able to be lodged through the Company's website and all queries are actively encouraged at the Company's General Meetings. When appropriate, the Chairman of the Board presents a Company update at the General Meetings, encouraging questions during the presentation.

### **Director Appointments**

Background checks are undertaken for any individual that is proposed for an appointment to the position of Director or Company Secretary, for the first time. These background checks are also a requirement to ensure that the board remains appropriate for that of an AIM quoted company. Any

relevant information relating to candidates standing for election or re-election is provided to shareholders, including relevant skills and qualifications, details of other material directorships held, whether the candidate is expected to be independent, whether the candidate's nomination is supported by the Board, and in the case of candidates standing for election for the first time, any adverse material from the background checks and any potential conflicts of interest, and in the case of candidates standing for re-election, their term of office currently served.

The Company has a written agreement with each director and senior executive setting out the terms of their appointment.

Upon the appointment of a new Director, the Board agrees an induction process with the new Director that is tailored to their individual needs.

### **Annual Review of Board Performance**

The Board undertakes an annual review of its own performance and that of individual Directors. This includes an assessment of the relevance of the mix of skills of the Board against the current and future activities of the Company. Any identified gaps in the skills or knowledge of the Board, or individual Directors, form the basis for training and development provided to the Directors. A review of Board performance was last undertaken on 30 July 2015. Since that date, a significant refresh of the Board's composition has been undertaken, with three Directors resigning and two new Directors appointed during July and September 2016.

Whilst the Company does not have a formal nomination committee, it does formally consider board succession issues and whether the board has the appropriate balance of skills, knowledge, experience, independence and diversity. This evaluation is undertaken collectively by the Board, as part of the annual review of its own performance.

### **Directors' Independence and the Chair**

The Board considers that 50% of the Board are Independent Directors within the meaning of ASX Corporate Governance Recommendation 2.3. Directors are classified as Independent where they are not involved in the day to day management and decision making of the Company, and not associated with a substantial shareholder. Directors are often engaged to provide specific services relevant to their skills and knowledge. Where these additional services do not involve day to day management and decision making, there is no impact to their classification as 'Independent'. At present, the Board considers Messrs Heddle and Thomas to be Independent Directors.

Whilst the remaining directors, Mr M R Billing (Chairman) and Mr P Johnson are not independent, the Board believes that all the individuals on the Board make quality and independent judgements in the best interests of the Company on all issues. Any director having a conflict of interest in relation to a particular item of business must absent himself from the Board meeting before commencement of discussion on the topic.

ASX Corporate Governance Council recommendation 2.4, suggests that a majority of the Board should be independent Directors. The Company does not comply with recommendation 2.4. Since the resignation of an independent Director on 4 March 2016, the Board has comprised a reduced number of Directors. The Board consider four Directors to be appropriate to the existing governance

needs of the business while minimising overhead costs. While the Company continues to operate with this reduced number Directors, the Board believe an appropriate balance of Independence is achieved with 50% of Directors being independent, rather than a majority.

The Company does not comply with ASX Corporate Governance Council recommendation 2.5, which suggests that the Chairman of the Board should be an Independent Director and should not also occupy the role of CEO. Mr M R Billing, as Chairman, has also fulfilled the role of Chief Executive Officer of the Company following the departure of the former Chief Executive in June 2009. This has assisted the Company to manage overhead costs, and it is planned that Mr Billing continues in this role until progress with Company projects requires the appointment of a separate full time CEO. The Board otherwise protects its culture of openness and constructive challenge through maintaining a minimum of 50% Independent Directors.

Given the Company's dual listing on the ASX and AIM, it has joint company secretaries, one based in Australia and one based in the UK. The Company Secretarial role is important in supporting the effectiveness of the Board. As such, both Company Secretaries are accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the board. Each Director is able to communicate directly with either Company Secretary.

#### **Directors' Skills Matrix**

Thor is a mineral exploration and development company, with a focus on Tungsten and precious metals. The Company has an advanced tungsten/molybdenum project in the Northern Territory poised for development, a tungsten project in the US State of Nevada with potential exploration upside, and a gold exploration project. The Board seeks to increase shareholder value through systematically exploring and developing its resource portfolio. The Company's Directors are experienced in the mineral and finance sectors. Of the four Directors in office as at the date of this Corporate Governance Statement, the following table indicates the number of Directors having executive or senior management experience in each of the skills of most relevance to the Company's operations.

	Number of Directors
Executive leadership	4
Mining exploration & evaluation	2
Mining operations	2
Delivery of capital projects	2
Acquisition & divestments	4
Governance within a listed entity environment	3
Strategy/Risk management	4
Financial acumen	4
Health, safety and environment in the mining industry	1

Refer to the most recent Annual Report available at the Company's website for an overview of the relevant skills and experience of each Director and their length of service as a Director.

## **Role & Responsibilities of the Board**

The matters that the Board has specifically reserved for its decision are:

- appointments to the position of CEO and approval of the appointment of executives reporting directly to the CEO;
- approval of strategy and budgets of the Group;
- review and assess operational and financial performance, and the performance of the CEO;
- approval of all significant capital and non-capital expenditure;
- approval of any proposed financing arrangements;
- review & approval of documents (including the publication of reports and statements to shareholders) that are required by the Group's constitutional documents, by statute or by other external regulation.

## **Board Meetings**

The Board meets regularly throughout the year. A minimum of nine meetings are held per annum.

Both Company Secretaries are accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

Necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively, and all Directors have access to the advice of the Company's solicitors, and when required, to independent professional advice, at the Company's expense.

## **Board Committees**

Whilst a separate Audit Committee has not been formed, the Company undertakes alternative procedures to verify and safeguard the integrity of the Company's corporate reporting, that are appropriate in the context of the current size and nature of the Company's operations:

- the full Board, in conjunction with the joint company secretaries, fulfils the functions of an Audit Committee and is responsible for ensuring that the financial performance of the Group is properly monitored and reported.
- in this regard, the Board is guided by a formal Audit Committee Charter which is available on the Company's website at [www.thormining.com/aboutus#governance](http://www.thormining.com/aboutus#governance) . The Charter includes consideration of the appointment and removal of external auditors, and partner rotation.
- The CEO, Mr Michael Billing, is a degree qualified Accountant with experience in company secretarial, senior commercial and CFO roles within the mining industry.
- Prior to the Board approving the Company's financial statements for a financial period, it receives a formal declaration from the CEO and CFO that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
- The external auditor attends the Company's Annual General Meeting, and is available to answer questions from security holders relevant to the audit.

Whilst a separate Remuneration Committee has not been formed, the Company undertakes alternative procedures to ensure a transparent process for setting remuneration for Directors and Senior staff, that is appropriate in the context of the current size and nature of the Company's operations. The full Board fulfils the functions of a Remuneration Committee, and considers and agrees remuneration and conditions for:

- All Director Remuneration is set against the market rate for Independent Directors for ASX listed companies of a similar size and nature. This information is readily available. Currently, each Director appointment provides for annual fees of Australian dollars \$40,000 for services as Directors plus 9.25%, as a company contribution to Australian statutory superannuation schemes. From 1st January 2010 the Directors elected to accept reduced fee arrangements until further notice. This reduction remains in place, except where Directors agree to accept Shares in lieu of a cash payment (subject to shareholder approval).
- The financial package for the Chairman and other Executive Directors is established by reference to packages prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their achievement of recognised job qualifications and skills. The Board will also have regard to the terms which may be required to attract an equivalent experienced executive to join the Board from another company. As a matter of process, no Directors participated in any deliberation regarding their own remuneration or related issues. At present, services supplied by the Directors, with the exception of Mr P Johnson, to the Company and any of its subsidiaries in excess of 2 days in any calendar month, may be invoiced to the Company at market rate, currently at A\$1,000 per day for each Director, other than Mr Michael Billing who is paid A\$1,200 per day, and Mr David Thomas who is paid A\$1,500 per day.

### **Market Disclosure**

From the 3 July 2016 the Company is now subject to parallel obligations under the AIM Rules and MAR, in addition to the ASX Listing Rules, in relation to the disclosure and control of price sensitive information. The Company has implemented the necessary procedures to ensure compliance with the new MAR requirements, together with ongoing compliance with AIM Rules and ASX Listing Rules. The Company is committed to maintaining the highest standards of disclosure ensuring that all investors and potential investors have the same access to high-quality, relevant information in an accessible and timely manner to assist them in making informed decisions. The Board of Directors manage the Company's compliance with market disclosure obligations and review any proposed release of information.

Copies of announcements, investor briefings, half-yearly financial statements, the Annual Report and other relevant information can be found on our website at [www.thormining.com/investors](http://www.thormining.com/investors).

### **Management**

The performance of senior employees is reviewed on an annual basis, including engagement and interaction at Board level. The annual performance review process that is employed considers how effective the employees have been in undertaking their role; and what they have achieved against their specified key performance indicators. This review process was undertaken for all senior employees during the year ended 30 June 2016.

The Company does not have a formal code of conduct as suggested by Recommendation 3.1. At the current size and nature of the Company's operations, the Board are 'hands on' with most areas of the Company's business and, together with the annual performance reviews of employees, are able to provide direct leadership to its small number of employees.

### **Gender Diversity**

The Board acknowledges the desirability of achieving gender diversity across the Company, including within its permanent employees and also those individuals contracted to the Company on long term, part time basis.

The Board's policy is to provide women equal opportunity whenever a position is created.

The Board monitors the Company's gender diversity on an annual basis, or where there is a significant change in the Company's nature or scale of operations. As at the date of the Corporate Governance Statement, the following table discloses the proportion of women employees and contractors employed by the Company:

	Number of Women Employees	Total Employees	Proportion of Women Employees
Directors	0	4	0%
Other Senior Executives	0	1	0%
Other Permanent Employees	1	1	100%
Contractors	0	1	0%
<b>Total</b>	<b>1</b>	<b>7</b>	<b>14.3%</b>

In view of the limited size of the company's workforce, the company has not, at this time, developed a more formal policy on diversity, nor set measurable objectives for achieving gender diversity.

### **Internal controls**

The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. The Board is aware that no system can provide absolute assurance against material misstatement or loss, however, in light of increased activity and further development of the Company, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Given the Company's current size and nature of operations, it is not cost effective to maintain an Internal Audit function.

## **Risk Management**

Whilst a separate Risk Management Committee has not been formed, the Company undertakes alternative procedures to assess and manage risk. The Board considers risk assessment to be important in achieving its strategic objectives. Management of key risks are considered within the regular Board meetings. Risks are specifically considered by the Board within the context of setting forecasts and targets, and in monitoring performance against those forecasts and targets.

A more formal review of key risks and management actions is conducted by the Board at least once a year, or at any point of significant change in the nature or size of the Company's operations. A review was performed during the most recent financial year. A summary of the key risks are provided on the following pages.

### **Risks and uncertainties**

The principal risks facing the Company are set out below. Risk assessment and evaluation is an essential part of the Group's planning processes and an important aspect of the Group's internal control system.

#### *General and economic risks*

- Contractions in the world's major economies or increases in the rate of inflation resulting from international conditions;
- Weakness in equity markets throughout the world, particularly United Kingdom and Australia.
- Adverse changes in market sentiment towards the resource industry;
- Currency exchange rate fluctuations and, in particular, the relative prices of the Australian Dollar, the United States Dollar and the UK Pound;
- Exposure to interest rate fluctuations; and
- Adverse changes in factors affecting the success of exploration and development operations, such as increases in expenses, changes in government policy and further regulation of the industry; unforeseen major failure, breakdowns or repairs required to key items of plant and equipment resulting in significant delays, notwithstanding regular programmes of repair, maintenance and upkeep; variations in grades and unforeseen adverse geological factors or prolonged adverse weather conditions.

#### *Funding risk*

- The Group or the companies in which it has invested may not be able to raise, either by debt or further equity, sufficient funds to enable completion of planned exploration, investment and/or development projects.

#### *Commodity risk*

- Commodities are subject to high levels of volatility in price and demand. The price of commodities depends on a wide range of factors, most of which are outside the control of the Company. Mining, processing and transportation costs also depend on many factors, including commodity prices, capital and operating costs in relation to any operational site.

### *Exploration and development risks*

- Exploration and development activity is subject to numerous risks, including failure to achieve estimated mineral resource, recovery and production rates and capital and operating costs.
- Success in identifying economically recoverable reserves can never be guaranteed. The Company also cannot guarantee that the companies in which it has invested will be able to obtain the necessary permits and approvals required for development of their projects.
- The regions in which the Company operates have native title laws which could affect exploration and development activities. The companies in which the Company has an interest may be required to undertake clean-up programmes on any contamination from their operations or to participate in site rehabilitation programmes which may vary from country to country. The Group's policy is to follow all applicable laws and regulations and the Company is not currently aware of any material issues in this regard.
- Timely approval of mining permits and operating plans through the respective regulatory agencies cannot be guaranteed; and
- Geology is always a potential risk in mining and exploration activities.

### *Market risk*

- During mine financing and development, the ability of the Group (and the companies it invests in) to secure sufficient and profitable sales contracts to support its operations is a key business risk.

### **Insurance**

The Group maintains insurance in respect of its Directors and Officers against liabilities in relation to the Company. The group insures other assets held having given regard to risks and events that may occur.

### **Treasury Policy**

The Group finances its operations through equity and holds its cash as a liquid resource to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board.

### **Securities Trading**

The Board has adopted a Share Dealing Code that applies to Directors, senior management and any employee who is in possession of 'inside information'. All such persons are prohibited from trading in the Company's securities if they are in possession of 'inside information'. Subject to this condition and trading prohibitions applying to certain periods, trading can occur provided the relevant individual has received the appropriate prescribed clearance. The Board has reviewed the Share Dealing Code prior to the implementation of MAR on 3 July 2016. The Board considers that the Share Dealing Code is in compliance with the MAR, AIM and ASX requirements, and continues to meet the requirements of the Board, without further amendment being necessary at this time.