



## Corporate Governance Statement

Horizon Gold Limited (**Horizon Gold** or the **Company**) is committed to high standards of corporate governance whereby the Board of Directors (**Board**) are accountable to stakeholders. The Board is responsible for the overall corporate governance of the Company, and it recognises the need for the highest standards of ethical behaviour and accountability. The Board has developed policies to ensure that an appropriate level of corporate governance is in place to promote integrity and responsible decision making. These policies are reviewed regularly by the Board to ensure they are relevant and meet the needs of stakeholders.

This Corporate Governance Statement (**Statement**) has been prepared on the basis of disclosure under the 'Corporate Governance Principles and Recommendations' (Third Edition) (**ASX Recommendations**) published by the ASX Corporate Governance Council. This Statement describes how Horizon Gold has addressed the eight corporate governance principles of the ASX Recommendations. Where the Company's corporate governance practices depart from an ASX Recommendations, the Company discloses the reason for adoption of its own practices on an 'if not, why not' basis. Given the size and stage of development of the Company and the cost of strict compliance with all ASX Recommendations, the Board has adopted a range of modified procedures and practices where it considers appropriate to enable it to meet the principles of good corporate governance.

As at the date of this Statement, set out below, the Company is substantially compliant with the ASX Recommendations.

Further information on the Company's corporate governance policies can be found on the Company's website at <http://www.Horizongold.com.au/corporate-governance/> including:

- Board Charter
- This Statement
- Code of Conduct
- Guide to Disclose
- Diversity Policy
- Privacy Policy
- Speak-Up Policy
- Risk Management Policy
- Guide to dealing in Securities

This Statement is current as at 24 September 2020 and has been approved by the Board.



## ASX Corporate Governance Principles and Recommendations

### 1. **Principle 1: Lay a solid foundation for management and oversight – companies should establish and disclose the respective roles and responsibilities of board and management and how their performance is monitored and evaluated**

#### 1.1 Recommendation 1.1

A listed entity should disclose:

- a) the respective roles and responsibilities of its board and management; and
- b) those matters expressly reserved to the board and those delegated to management.

The Company has adopted a Board Charter which discloses the respective roles and responsibilities of the Board and senior management and identifies those matters expressly reserved to the Board and those delegated to management.

Under the Board Charter, the Board is responsible for the overall operation and stewardship of the Company and its subsidiaries and, in particular, is responsible for:

- a) Driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance.
- b) Appointment, and where necessary, the replacement of the Managing Director/Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination.
- c) Approving the Company's remuneration framework.
- d) Monitoring the timeliness and effectiveness of reporting to Shareholders.
- e) Reviewing and ratifying systems of audit, risk management and internal compliance and control, codes of conduct and legal compliance to minimise the possibility of the Company operating beyond acceptable risk parameters.
- f) Approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures.
- g) Approving and monitoring the budget and the adequacy and integrity of financial and other reporting such that the financial performance of the Company has sufficient clarity to be actively monitored.
- h) Approving the annual and half yearly audited financial statements.
- i) Approving significant changes to the organisational structure.
- j) Approving decisions affecting the Company's capital, including determining the Company's dividend policy and declaring dividends.
- k) Recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them (in accordance with the ASX Listing Rules if applicable).
- l) Ensuring a high standard of corporate governance practice and regulatory compliance and



promoting ethical and responsible decision making.

- m) Procuring appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

The Board has delegated responsibility for the day-to-day operations and administration of the Company to members of the "Executive Management Team". Prior to 30 April 2020 the "Executive Management Team" was made up of personnel from Panoramic Resources Limited (ACN 095 792 288) ("Panoramic") under the Management Agreement between the Company and Panoramic. Since the 30 April 2020 the "Executive Management Team" has consisted of an executive director and Company consultants.

A copy of the Board Charter is available at <http://www.Horizongold.com.au/corporate-governance/>.

## 1.2 Recommendation 1.2

A listed entity should:

- a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
- b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.

Appropriate background checks are carried out prior to the election of all directors and all material information relevant to Directors standing for election, are contained in the Notices of Meeting.

As a matter of practice, the Company includes in its notices of meeting a brief biography of each Director who stands for election or re-election. The biography sets out the relevant qualifications and professional experience of the nominated Director for consideration by shareholders.

## 1.3 Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

On appointment to the Board, all Directors enter into written service agreement with the Company either in the form of a letter of appointment or a written employment agreement. The agreements require compliance with Company policies and terms of appointment, including compensation relevant to the office of Director.

Prior to 30 April 2020 the services and remuneration of the Executive Management Team were provided under the Management Agreement between the Company and Panoramic. The services specified in the Agreement include technical, commercial, managerial and administrative expertise and services ("Services").

Key terms of agreements are summarised in the Company's Remuneration Report within the Annual Report.



#### 1.4 Recommendation 1.4

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary (and his alternate, if applicable) reports directly, and is accountable, to the Board through the Chairman in relation to all matters to do with the proper functioning of the Board. All Directors have unfettered access to the Company Secretary.

The Company Secretary advises and supports the Board members on general governance matters, implements adopted governance procedures.

The decision to appoint or remove the Company Secretary is made and approved by the Board.

#### 1.5 Recommendation 1.5

A listed entity should:

- a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- b) disclose that policy or a summary of it; and
- c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
  - (i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
  - (ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

The Company has in place a Diversity Policy which provides the written framework and objectives for achieving a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences, and perspectives, irrespective of gender, age, ethnicity and cultural background. The Board is responsible for developing, where possible, measurable objectives and strategies to support the framework and objectives of the Diversity Policy.

Given the size of the Company, the Board has not determined measurable objectives on gender diversity across the workplace and at the Board level.



Pursuant to Recommendation 1.5 of the Recommendations, the Company discloses the following information as at the date of this Statement:

- Percentage of women and men employed within the Group - women: nil; men: 100%;
- Percentage of women and men in a senior management position - women: n/a; men: n/a; and
- Percentage of women and men employed at the Board level - women: nil; men: 100%.

The Company has defined an employee who is in a senior management position as a person who is a "senior manager" as defined in Section 9 (Definitions) of the Corporations Act 2001, namely a person who is at the highest management level of the Company who "makes, or participates in making decisions that affect the whole, or a substantial part, of the business of the corporation; or has the capacity to affect significantly the corporation's financial standing".

The Company's Diversity Policy can be viewed on the Company's website <http://www.Horizongold.com.au/corporate-governance/>.

#### 1.6 Recommendation 1.6

A listed entity should:

- a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

There was no formal annual performance appraisal system implemented during the year, due to the significant changes that occurred in the composition of the Board in the final quarter of the financial year. In the coming year, a more formal process of Board review, which will require each Director to complete annually a questionnaire relating to the role, composition, procedures, practices and behaviour of the Board and its members will be implemented. Responses to the questionnaires are confidential and will be provided directly to the Chairman. The Board will then hold a facilitated discussion during which each Board member will have the opportunity to raise any matter, suggestion for improvement or criticism with the Board. During the year the Chairman may also meet individually with each Board member to discuss their performance. Non-executive directors may also meet to discuss the performance of the Chairman. Directors are also encouraged to regularly provide informal feedback to one another regarding individual performance.



1.7 Recommendation 1.7

A listed entity should:

- a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Prior to 30 April 2020, the roles of senior manager/executive were being carried out by members of the Panoramic Executive Management Team under the Management Agreement. It was the ultimate responsibility of the Chairman and the Board to regularly review the performance of the Services being provided to the Company by members of the Executive Management Team under the Agreement and to ensure that individuals of the Executive Management Team had the appropriate mix of skills and resources to implement and achieve the Board's corporate and strategic objectives.

Since the 30 April 2020 the "Executive Management Team" has consisted of only one executive director and Company consultants. Given the relative short-time frame since the appointment of the executive director and year end, no formal performance assessment has been conducted but will be conducted in future years.



**2. Principle 2: Structure the Board to add value – a listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively**

2.1 Recommendation 2.1

The board of a listed entity should:

a) have a nomination committee which:

- (i) has at least three members, a majority of whom are independent directors; and
- (ii) is chaired by an independent director,

and disclose:

- (iii) the charter of the committee;
- (iv) the members of the committee; and
- (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Due to the size of the Board, the Board has determined there are no efficiencies, at this time, of establishing a separate nomination committee. The functions of the nomination committee are performed by the Board as a whole, when required, using the principles for setting the composition of the Board as set-out in the Charter.

The roles and responsibilities conducted by the Board to address board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable to discharge its duties and responsibilities include considering the size and composition of the Board, assessing and determining the independent status of each director, regularly determining whether each has enough time to commit to carry out his or duties responsibilities and implementing a plan for identifying, assessing and enhancing director competencies.



## 2.2 Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Company does not currently have a skills or diversity matrix in relation to the Board members and is therefore not in compliance with ASX Recommendation 2.2. Given the size and scope of the Company's operations, the Board considers that its members have the appropriate and relevant mix of geological, legal, Government relations, equity market, financial and operational experience in the exploration and mining industry and is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and operational perspective.

The Board may adopt such a matrix at a later time as the Company's operations grow and evolve.



2.3 Recommendation 2.3

A listed entity should disclose:

- a) the names of the directors considered by the board to be independent directors;
- b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- c) the length of service of each director.

The name, position, independence classification, qualification, skills and length of service of each director of the Company during the financial year and up to the date of the Statement is:

Name	Position	Independence Classification	Qualification /Skills	Service (yrs)
<b>Current Directors:</b>				
Peter Sullivan	Non-Executive Chairman	Non Independent	Engineer	0.25
Dugald Morrison	Non-Executive Director	Non Independent	Investment Manager	0.50
Jamie Sullivan	Executive Director	Non Independent	Corporate Mgt and Admin. of Resources Companies	0.50
Peter Venn	Non-Executive Director	Independent	Geologist and general mining	4
<b>Directors who have resigned during the Period:</b>				
Paul Bennett	Non-Executive Director	Independent	Engineer, corporate and project development	4
Victor Rajasooriar	Non-Executive Chairman	Non Independent	Mining Engineer	0.5
Peter Harold	Non-Executive Chairman	Non Independent <sup>1</sup>	Process Engineer, corporate and project development	3.5

For the reasons stated below certain directors are assessed as not being independent under the independence criteria detailed in Recommendation 2.3 of the Recommendations:



- 1) Peter Harold and Victor Rajasooriar were directors of Panoramic Resources Limited, a substantial shareholder at the time of their appointments.
- 2) Peter Sullivan is a director of Zeta Resources Limited, a substantial shareholder of the Company.
- 3) Dugald Morrison is an appointee director of Zeta Resources Limited, a substantial shareholder of the Company.
- 4) Jamie Sullivan is an executive director of the Company.

#### 2.4 Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

During the period 1 July 2019 to 8 April 2020 the Board did comprise a majority of "independent directors" being 2 independent directors out of a total of 3 directors - 66.7%.

Since the period 9 April 2020 the Board did not comprise a majority of "independent directors" being 2 independent directors out of a total of 4 directors - 50% for the period 9 April 2020 to 7 July 2020 and 1 independent director out of a total of 4 directors - 25% for the period 7 July 2020 to the date of this report.

The Board is of the view that given the size and stage of development of the Company's operations, the director numbers are appropriate and an executive director and appointment of representatives on the board by a significant shareholder is warranted. In addition, appropriate mechanisms are in place to avoid perceived or actual conflicts of interests.



## 2.5 Recommendation 2.5

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

The Chair of the Board was fulfilled during the period by Peter Harold (1/7/19 – 20/11/19), Victor Rajasooriar (20/11/19 – 09/04/20), Dugald Morrison (09/04/20 – 07/07/20) and Peter Sullivan (since 07/07/20) who are all assessed as not being independent under the Independence criteria detailed in Recommendation 2.3.

The CEO position of the Company was fulfilled during the period by Peter Harold (1/7/19 – 20/11/19), Victor Rajasooriar (20/11/19 – 09/04/20) and Jamie Sullivan (since 21/04/20).

Despite the Chair not being considered independent the Board believes that these people were the most appropriate persons to be Chair because of their industry experience and/or knowledge of the Gum Creek Gold Project. The Board believes that these persons makes decisions that are in the best interests of the Company and all will not be present in Board meeting discussion for any matters where a conflict of interest arises, unless agreed by the independent directors, or they are eligible to vote on the particular matter. In addition due to the size of the Company it was felt appropriate that Peter Harold and Victor Rajasooriar could fulfil both the Chair role and CEO position during their tender.

## 2.6 Recommendation 2.6

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The Company does provide new Directors with all information and access needed to undertake the role and organises site visits for new Directors.

All Directors are experienced in exploration and mining company operations, albeit in different aspects (e.g. technical, operations, finance, legal and corporate governance etc), and have extensive listed company experience. All of the current Directors are also involved, or been involved, in other listed companies. The Board seeks to ensure that all of its members understand the Company's operations, including where practical site visits. Directors also attend, on behalf of the Company and otherwise, technical and commercial seminars and industry conferences which enable them to maintain their understanding of industry matters and technical advancements.



### 3. Principle 3: Act ethically and responsibly – a listed entity should act ethically and responsibly

#### 3.1 Recommendation 3.1

A listed entity should:

- a) have a code of conduct for its directors, senior executives and employees; and
- b) disclose that code or a summary of it.

The Company has established a written Code of Conduct which outlines the culture, practices, expected conduct, values and behavior to be displayed by all employees in upholding the integrity, reputation and accountability of the Company and its controlled entities in the work environment and in the interactions with the Company's various stakeholders. Certain practices are necessary to comply with Federal and Western Australian State industrial legislation and the Corporations Law. The Code of Conduct has a clear responsibility and accountability of employees for reporting and investigating reports of unethical practices by reference to specific rules and policies such as the rules for trading in the Company securities, and on discrimination, harassment and bullying.

The Code of Conduct also outlines the procedure for reporting any breaches of the Code of Conduct and the possible disciplinary action the Company may take in respect of any breaches.

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

In fulfilling their duties, each Director dealing with corporate governance matters may obtain independent professional advice at the Company's expense, subject to prior approval of the Chairman, whose approval will not be unreasonably withheld.

A copy of the Code of Conduct is available at the Company's website <http://www.Horizonresources.com.au/corporate-governance/>.



#### 4. Principle 4: Safeguard integrity in corporate reporting.

##### 4.1 Recommendation 4.1

The board of a listed entity should:

a) have an audit committee which:

(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

(ii) is chaired by an independent director, who is not the chair of the board,

and disclose:

(iii) the charter of the committee;

(iv) the relevant qualifications and experience of the members of the committee; and

(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Company does not have an audit committee and is therefore not in compliance with ASX Recommendation 4.1. The Board considers that, given the current size and scope of the Company's operations, efficiencies or other benefits would not be gained by establishing a separate audit committee at present.

The role of the audit committee is undertaken by the full Board.

The Board has charged the Company Secretary and Managing Director with preparing the annual and half yearly reports. These reports are subsequently audited by the Company's auditors, Ernst & Young.

All Company reports are reviewed by the Board before they are finalised and the Directors are given the opportunity to question and consider the veracity of the information in the reports. The Board is given the opportunity to meet with the Company auditor separately and prior to the final sign-off of the half yearly and final annual accounts.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate audit committee.

##### *External auditor*

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. It is the auditor's policy to rotate engagement partners on listed companies at least every five years. The Auditor's engagement partner was last rotated in the 2016 financial year.



#### 4.2 Recommendation 4.2

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity 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.

As a matter of practise, the Company obtains declarations in the form referred to in ASX Recommendation 4.2 from the person acting as CEO and the person acting as Chief Financial Officer before its financial statements are approved.

#### 4.3 Recommendation 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

In accordance with the Company's Shareholder Communications Policy, the auditor's lead engagement partner (or his delegate) will be present at the Annual General Meeting to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.

The Auditor's lead engagement partner attended the Company's 2019 Annual General Meeting. There were no questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report for year ended 30 June 2019.



**5. Principle 5: Make timely and balanced disclosure – a listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities**

5.1 Recommendation 5.1

A listed entity should:

- a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- b) disclose that policy or a summary of it.

The Company is a “disclosing entity” pursuant to section 111AR of the Corporations Act and, as such, complies with the continuous disclosure requirements of Chapter 3 of the ASX Listing Rules and section 674 of the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company is required to disclose to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is committed to observing its disclosure obligations under the Corporations Act and its obligations under the ASX Listing Rules. All relevant information provided to ASX will be posted on the Company’s website.

The Company has adopted A Guide to the Disclose of Information memorandum, which deals with:

- the key obligations of Horizon Gold Limited;
- the type of information that needs to be disclosed;
- the procedures for internal notification and external disclosure;
- the procedures for promoting understanding of compliance with the disclosure requirements; and
- the procedures for monitoring compliance.

In the Company’s current stage of development, matters of crucial importance occur irregularly. Currently the Executive Director (previously Managing Director) is responsible for determining which matters should be discussed with Board members who jointly will make a decision on the timely release of factual and balanced information concerning the Company’s activities. The Executive Director is responsible for drafting ASX releases which are then approved by the Board. The Board has designated the Company Secretary as



the person responsible for coordinating disclosure of releases to the ASX as well as communicating with the ASX.

Presentations that are made to analysts or investors are posted on the Company's website. If the presentations contain information that has not previously been announced to ASX that could have a material effect on the share price, the presentation is released to the ASX before the presentation is delivered.

A copy of a Guide to Disclosure is available at the Company's website <http://www.Horizonresources.com.au/corporate/corporate-governance/>.



**6. Principle 6: Respect the rights of security holders – A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively**

6.1 Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

Information on the Company's corporate governance, including copies of its various corporate governance policies and charters, is available at <http://www.Horizonresources.com.au/corporate-governance/>.

Information is conveyed to shareholders via the annual report, quarterly reports and other announcements which are delivered to the ASX and posted on the Company's website.

6.2 Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Board in adopting a continuous disclosure policy ensures that shareholders are provided with up to date Company information. Communication to shareholders is facilitated by the production of the annual report, quarterly reports, public announcements, and the posting of policies, and ASX releases immediately after their disclosure to the ASX, on the Company's website.

In addition, all shareholders are encouraged to attend the Annual General Meeting and use the opportunity to ask questions to the Board and the Executive Management Team. The Company makes every endeavour to respond to the most commonly asked questions. The external auditor attends the meeting and is available to answer questions in relation to the conduct of the audit.

6.3 Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Company supports shareholder participation in general meetings and seeks to provide appropriate mechanisms for such participation. As a matter of practise, in its notices of meeting, the Company encourages those shareholders who cannot attend general meetings in person to appoint proxies on their behalf.

Mechanisms for encouraging and facilitating shareholder participation will be reviewed regularly to encourage the highest level of shareholder participation.



6.4 Recommendation 6.4

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company considers that communicating with shareholders by electronic means is an efficient way to distribute information in a timely and convenient manner.

The Company has, as a matter of practice, provided new shareholders with the option to receive communications from the Company electronically and the Company encourages them to do so. Existing shareholders are also encouraged to request communications electronically.

The Company provides a hard copy of the annual report to only those shareholders who have specifically elected to receive a printed hard copy.



**7. Principle 7: Recognise and manage risk – a listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework**

7.1 Recommendation 7.1

The board of a listed entity should:

a) have a committee or committees to oversee risk each of which:

- (i) has at least three members, a majority of whom are independent directors; and
- (ii) is chaired by an independent director,

and disclose,

- (iii) the charter of the committee;
- (iv) the members of the committee; and
- (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Board believes that risk management and compliance are fundamental to sound management and that oversight of such matters is an important responsibility of the Board.

Due to the size of the Board, the Board has determined there are no efficiencies, at this time, of establishing a separate risk management committee (as part of the audit committee function). It is the Board's responsibility under the Charter to review and ratify systems of audit, risk management and internal compliance and control, codes of conduct and legal compliance to minimise the possibility of the Company operating beyond acceptable risk parameters.



## 7.2 Recommendation 7.2

The board or a committee of the board should:

- a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- b) disclose, in relation to each reporting period, whether such a review has taken place.

The Board takes a proactive approach to risk management. The Board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. This oversight encompasses operational, financial reporting and compliance risks.

The Company believes that it is crucial for all Board members to be a part of the process, and as such the Board reviews all recommendations from management.

Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature and materiality of the matter.

The Company's policy is to achieve levels of operation that balance risk and reward with the ultimate aim of optimising shareholder value.

Although during the financial year the Board discussed and identified material risks, no formal review was undertaken during the year and as such the Company is not in strict compliance with this ASX Recommendation. The Board considers that, given the current size and scope of the Company's operations, efficiencies or other benefits would not be gained from establishing measures beyond that described above.



### 7.3 Recommendation 7.3

A listed entity should disclose:

- a) if it has an internal audit function, how the function is structured and what role it performs; or
- b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Company does not currently have an internal audit function and therefore is not in compliance with ASX Recommendation 7.3. This function is undertaken by the full Board.

The Company has adopted internal controls procedures including:

- a) managing activities within budgets and operational plans;
- b) approval of all invoices in accordance with a Board approved expenditure limit authorisation matrix;
- c) regular visits to the Company's exploration project areas to review the geological practices including the environmental and safety aspects of the Company's operations.
- d) Continuous internal monitoring of the Company's licences and permits to ensure timely renewal of licences and permits.
- e) Appraisal procedures and due diligence requirements, both geological and legal, for potential acquisitions, divestments and or joint ventures.
- f) Reliance on auditor reviews and senior management declarations.

The Board considers that an internal audit function is not currently necessary given the current size and scope of the Company's operations.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of adopting an internal audit function.

### 7.4 Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company is focused on the discovery and exploitation of mineral deposits and operates in diverse physical environments in Australia. As a result, there is some potential for material exposure to economic, environmental and social sustainability risks.

The Company is very aware of the potential for risk in this area and is committed to ensuring that sound environmental management and safety practices are carried out in its exploration activities.



The Company is committed to environmental sustainability, recognising its obligations to practice good environmental "stewardship" of the tenements on which it operates.

The Company's activities are conducted in a manner that minimises our environmental impact as much as possible, and are conducted strictly in accordance with all necessary permits and approvals from regulators.



**8. Principle 8: Remunerate fairly and responsibly – companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear**

8.1 Recommendation 8.1

The board of a listed entity should:

a) have a remuneration committee which:

- (i) has at least three members, a majority of whom are independent directors; and
- (ii) is chaired by an independent director,

and disclose:

- (iii) the charter of the committee;
- (iv) the members of the committee; and
- (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Company has not established a separate remuneration committee and therefore is not in compliance with ASX Recommendation 8.1.

The role of the remuneration committee is undertaken by the full Board and directors excuse themselves at meetings for any discussion pertaining to their own remuneration. The Board considers that, given its current size, efficiencies or other benefits would not be gained by establishing a separate remuneration committee.

The Company sets out the remuneration paid or provided to Directors and key management personnel annually in the Remuneration Report contained within the Company's Annual Report for each financial year.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate remuneration committee.



## 8.2 Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Company's policies and practices regarding the remuneration of Executive and Non-Executive Directors and other senior executives is set out in the Remuneration Report contained in the Company's Annual Report for each financial year.

Fees for the non-executive directors are determined within an aggregate directors' fee pool limit of \$250,000, which was last approved by the Company's then sole shareholder on 31 August 2016.

## 8.3 Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

- a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- b) disclose that policy or a summary of it.

Directors and senior executives are prohibited from entering into transactions which limit the risk of participating in invested entitlements under an equity-based remuneration scheme. The Company's Guide to dealing in Securities policy sets out the requirement for Directors, employees and consultants of the Company when dealing in the Company's securities.

The Company's Guide to dealing in Securities policy is available at <http://www.Horizonresources.com.au/corporate-governance/>.