



STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors (referred to hereafter as the "Board") of Mineral Commodities Ltd (referred to hereafter as the "Company" or "MRC") is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Statement of Corporate Governance was approved by the Board on 22 April 2020.

In accordance with the Australian Securities Exchange (ASX) Corporate Governance Council's ("CGC") "Principles of Good Corporate Governance and Best Practice Recommendations", the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed together with the reasons for the departure.

The Company's corporate governance practices were in place throughout the year ended 31 December 2019 and are compliant, unless otherwise stated, with the Corporate Governance Council's principles and recommendations (3rd Edition), which are noted below.

- Principle 1. Lay solid foundations for management and oversight
- Principle 2. Structure the Board to add value
- Principle 3. Act ethically and responsibly
- Principle 4. Safeguard integrity in corporate reporting
- Principle 5. Make timely and balanced disclosure
- Principle 6. Respect the rights of security holders
- Principle 7. Recognise and manage risk
- Principle 8. Remunerate fairly and responsibly

A summary of the corporate governance policies and practices adopted by MRC is set out below.

Role of the Board of Directors

The Board of MRC is responsible for setting the Company's strategic direction and providing effective governance over MRC's affairs in conjunction with the overall supervision of the Company's business with the view of maximising shareholder value. The Board's key responsibilities are to:

- (a) chart the direction, strategies and financial objectives for MRC and monitor the implementation of those policies, strategies and financial objectives;
- (b) monitor compliance with regulatory requirements, ethical standards and external commitments;
- (c) appoint, evaluate the performance of, determine the remuneration of, plan for the succession of and, where appropriate, remove the Chief Executive Officer ("CEO") if in place or similar person acting in the executive capacity; and
- (d) ensure that the Board continues to have the mix of skills and experience necessary to conduct MRC's activities, and that appropriate directors are selected and appointed as required.

In accordance with MRC's Constitution, the Board delegates responsibility for the day-to-day management of MRC to the Executive Chairman and CEO (subject to any limits of such delegated authority as determined by the Board from time to time). Management as a whole is charged with reporting to the Board on the performance of the Company.

All directors have unrestricted access to the Company Secretary, all employees of the group, and, subject to the law, access to all Company records and information held by group employees and external advisers. The



Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Each director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the director in the proper exercise of powers and discharge of duties as a director or as a member of a Board Committee. The Company will reimburse the director for the reasonable expense of obtaining that advice.

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

- Advising the Board and its Committees on governance matters;
- Monitoring that Board and Committee policy and procedures are followed;
- Coordinating, in unison with the Company, the timely completion and despatch of Board and Committee papers;
- Ensuring that the business at Board and Committee meetings is accurately captured in the minutes; and
- Helping to organise and facilitate the induction and professional development of directors.

Board Structure and Composition

The Board currently comprises six directors, three of which are independent non-executive directors. The three independent non-executive directors were appointed on 28 August 2019. Up until that point, the Board consisted of 5 directors, only 1 of which was considered to be an independent non-executive director. Details of each director's skill, expertise and background are contained within the directors' report included with the Company's annual financial statements.

Independence, in this context, is defined to mean a non-executive director who is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of MRC. The definition of independence in ASX Recommendation 2.3 is taken into account for this purpose.

The Board will continue to assess its makeup and will ensure that it continues to have the mix of skills and experience necessary to conduct MRC's activities, and that appropriate directors are selected and appointed as required.

The following table sets out the mix of skills and diversity that the Board currently has:

	No# of Directors
Expertise	
Senior Executive Experience	3
Governance	3
Financially Knowledgeable	3
Mining	4
Contracting	2
Technical (Geological / Engineering)	1
Mergers and Acquisitions	4
In-Country Experience	4
Resource Development	3
Competencies	
Strategic Leadership	6
Vision and Mission	6
Governance	6

Details of directors' shareholdings are disclosed in the directors' report and financial report. There are no retirement schemes other than the payment of statutory superannuation contributions.

Any equity-based compensation of directors is required to be approved in advance by shareholders.

Presently, the roles of Chairman and CEO have not been separated. The roles were separated up to 12 September 2014 at which time the CEO resigned and Mr Mark Caruso, the Chairman of the Company, was appointed to the role of CEO. The Remuneration and Nomination Committee and Board consider that Mr Caruso's experience in the industry and in managing mining operations position him well to manage the affairs of the Company. The Board will further assess its governance structure to mitigate any potential issues with the one person fulfilling the dual roles of Chairman and CEO, particularly in light of the appointment of the additional independent non-executive directors. The present Chairman of the Company is not considered to be an independent director. Notwithstanding this, all directors of the Company are, and were during the reporting period, independent in character and judgment.

The CEO is responsible for supervising the management of the business as designated by the Board.

The Company's non-executive directors may not hold office for a continuous period in excess of three years or past the third annual general meeting following their appointment, whichever is longer, without submitting for re-election. Directors are elected or re-elected, as the case may be, by shareholders in a general meeting. Directors may offer themselves for re-election. A director appointed by the directors (e.g. to fill a casual vacancy) will hold office only until the conclusion of the next annual general meeting of MRC but is eligible for re-election at that meeting.

The process for retirement by rotation and re-election of a director is set down in the Company's Constitution. If a retiring director nominates for re-election, the Board, through the Remuneration and Nomination Committee will assess the performance of that director in their absence and determine whether



the Board will recommend that a shareholder vote in favour of the re-election, or otherwise.

Details of each director standing for re-election, including their biographical details, relevant qualifications, experience and the skills, and other material directorships they bring to the Board are provided to shareholders to assess prior to voting on their re-election.

For new appointments, the Board, through the Remuneration and Nomination Committee identifies candidates with the appropriate expertise and experience, having regard to the weighted list of required directors' competencies as maintained by the Company. The Board will appoint the most suitable candidate, but the shareholders at the next annual general meeting of the Company must ratify the appointment. Shareholders are provided with all material information in the Notice of Annual General Meeting relevant to a decision on whether or not to elect or re-elect a director.

The Board will ensure appropriate checks are undertaken prior to making any new Board appointments. These will include checks as to the person's character, experience, education, criminal record and bankruptcy history. The key terms, conditions and requirements are set out in a standard letter of appointment. New directors will be provided with an induction program specifically tailored to the needs of individual appointees. The program includes meetings with major shareholders, one-on-one meetings with the members of the management team and visits to key sites.

Directors are also encouraged to participate in continual improvement programs and are expected to highlight areas of activity that could potentially be improved.

Under the Company's Constitution, voting requires a simple majority of the Board. The Chairman holds a casting vote.

The Company has procedures enabling any director or committee of the Board to seek external professional advice as considered necessary, at the Company's expense, subject to prior consultation with the Chairman. A copy of any advice sought by a director would be made available to all directors.

Board and Management Effectiveness

Responsibility for the overall direction and management of the Company, its corporate governance and the internal workings of the Company rests with the Board notwithstanding the delegation of certain functions to the Executive Chairman and CEO and management generally (such delegation effected at all times in accordance with the Company's Constitution and its corporate governance policies).

An evaluation procedure in relation to the Board, individual directors, Board Committees and Company executives has been adopted by the Board. An evaluation procedure did not take place during the year given there was significant change in the make-up of the Board with the appointment of three independent non-executive directors. The evaluation of the Board as a whole is facilitated through the use of a questionnaire required to be completed by each Board Member, the results of which are to be summarized and discussed with the Chairman of the Board and tabled for discussion at a Board Meeting. Similarly, each individual director is required to self-assess his performance and to discuss the results with the Chairman. The same procedure is undertaken for the Audit, Compliance and Risk Committee and the Remuneration and Nomination Committee.

To ensure management, as well as Board, effectiveness, the Board, through the Remuneration and Nomination Committee has direct responsibility for evaluating the performance of the CEO. A formal evaluation of the CEO was undertaken in respect to the 2019 financial year. The review was undertaken by the Chairman of the Remuneration and Nomination Committee and involved the review of the CEO's performance against set criteria and discussed with the CEO. The results of the review were then tabled at a meeting of the Remuneration and Nomination Committee and a summary provided to the Board of the Company.

Financial Reporting, Internal Control and Risk Management

The Board has overall responsibility for the Company's systems of internal control. These systems are designed to ensure effective and efficient operations, including financial reporting and compliance with laws and regulation, with a view to managing risk of failure to achieve business objectives. It must be recognized however that internal control systems provide only reasonable and not absolute assurance against the risk of material loss.

The Board reviews the financial position of the Company on a monthly basis. For annual and half yearly financial statements, the CEO and the Chief Financial Officer ("CFO") are required to state in writing that the Company's financial reports:

- present a true and fair view, in all material respects, of the Company's financial condition and operational results in accordance with the relevant accounting standards; and
- are founded on a system of risk management and internal compliance and control and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Management reports to the Board on the effectiveness of the Company's management of material business risk through the provision of regular risk reports to the Board via the Audit, Compliance and Risk Committee. Each reportable risk is discussed ensuring appropriate mitigation strategies are implemented by the Group. Management and the Board interact on a day to day basis and risk is continually considered across the financial, operational and organisational aspects of the Company's business. The Company considers the overall risk framework at each Audit Compliance and Risk Committee Meeting and will continue to monitor, assess and report its business risks.

The following are key risk areas that could have a material impact on the Company and its ability to achieve its objectives. These are not the only risks associated with the Company and there may be others from time to time that may also adversely affect future performance.

- **Country Risk:** The Company's current primary assets are located in South Africa and Norway. Potential changes in fiscal or regulatory regimes in South Africa and Norway may adversely affect the Company. The Company must also comply with local laws and administrative process which are subject to potential amendments from time to time. The Company adopts processes to mitigate these risks and continues to explore other opportunities in other jurisdictions to diversify its asset holdings.
- **Business Continuance Risk:** Various circumstances may arise which may lead to shutdowns in operations, including plant failure, industrial action, in-country unrest, natural disasters, pandemics such as COVID-19, and continuance of licenses. Management and the Board continually assess these risks and ensure all appropriate mitigating actions are put in place. This is underpinned by various policies currently in place, and in respect to licences, continued stakeholder engagement.
- **Financial Risks:** Like all mining entities, the Company faces risks relating to movement in interest rates, foreign exchange rates, and access to funds. The Company maintains tight treasury controls and budget processes. Other financial risks are reported in the financial statements.
- **Product Risk:** The pricing of the Company's products are subject to many global factors. The Company actively markets its products itself in order to achieve the maximum possible value based on the prevailing market conditions. The Company is also assessing investment in downstream processing to add value to its concentrate products.

- **Development Risk:** The Company continues to assess other projects. A failure to develop a project or seek alternate projects could impact the long-term profitability and financial position of the Company. The Board continues to assess the progress of the Xolobeni Mineral Sands Project, will continue with its intention to develop the Munglinup Graphite Project, and will continue to review other opportunities in order to extend the Company's operations beyond the existing assets.

The Company does not presently have an internal audit function. This is mitigated by the Board, through the Audit, Compliance and Risk Committee implementing the matters set out above in respect to risk and management, and having a primary responsibility to ensure that:

- The Company presents and publishes accounts, which present a true and fair view of its results and financial position;
- The accounting methods adopted are appropriate to the Company and consistently applied in accordance with relevant accounting standards and the applicable laws; and
- The appointment and performance of the external auditor is appropriately monitored to ensure independence and the serving of the interests of shareholders.

This requirement is assisted by the formal sign off from the CEO and CFO as noted above.

Committees of the Board of Directors

The Board established two permanent Board committees in February 2013 to assist the Board in the performance of its functions:

- (a) the Audit, Compliance and Risk Committee; and
- (b) the Remuneration and Nomination Committee.

Each committee has a charter, which sets out the Committee's purpose and responsibilities. The Committees are described further below.

Audit, Compliance and Risk Committee

The purpose of the Audit, Compliance and Risk Committee is to provide assistance to the Board in its review of:

- (a) MRC's financial reporting, internal control structure and risk management systems;
- (b) the internal and external audit functions; and
- (c) MRC's compliance with legal and regulatory requirements in relation to the above.

The Audit, Compliance and Risk Committee has specific responsibilities in relation to MRC's financial reporting process; the assessment of accounting, financial and internal controls; the appointment of external auditor; the assessment of the external audit; the independence of the external auditor; and setting the scope of the external audit.

The Company's external auditor is required to attend to the Company's annual general meeting and make themselves available to answer questions from security holders relevant to the audit.

The Audit, Compliance and Risk Committee Charter provides that the Committee must comprise at least three non-executive directors that have diverse, complementary backgrounds, with two independent non-executive directors. The Charter also provides that the Chairman of the Audit, Compliance and Risk Committee must be an independent non-executive director.

The members of the Audit, Compliance and Risk Committee are: Mr Baker (Chairman), Mr Tipper, Ms Ntombela and Mr Joseph Caruso. Up until 28 August 2019, the members of the Audit, Compliance and Risk



Committee were Mr Walker (Chairman), Mr Hastings and Mr Torre. Given the independent status of Mr Walker changed throughout the 2017 period, the Committee did not have two independent directors or an independent Chairman up until that point, however this did not affect the operations or performance of the Committee from that of any other period.

Remuneration and Nomination Committee

The purpose of the Remuneration and Nomination Committee is to discharge the Board's responsibilities relating to the nomination and selection of directors and the compensation of the Company's executives and directors.

The key responsibilities of the Remuneration and Nomination Committee are to:

- (a) ensure the establishment and maintenance of a formal and transparent procedure for the selection and appointment of new directors to the Board; and
- (b) establish transparent and coherent remuneration policies and practices, which will enable MRC to attract, retain and motivate executives and directors who will create value for shareholders and to fairly and responsibly reward executives.

The Remuneration and Nomination Committee Charter provides that the Committee must comprise at least three non-executive directors, two of which must be independent non-executive Directors. The Chairman of the Remuneration and Nomination Committee must be an independent non-executive director.

The members of the Remuneration and Nomination Committee are: Mr Tipper (Chairman), Mr Baker and Ms Ntombela. Up until 28 August 2019, the members of the Remuneration and Nomination Committee were: Mr Hastings (Chairman), Mr Walker, and Mr Joseph Caruso. With the change in Mr Walker's status during the year, the Committee did not have two independent directors up until that point, however this did not affect the operations or performance of the Committee from that or any other period.

The remuneration policy which sets out the terms and conditions for the CEO and other senior executives is set out in the Remuneration Report included in the Directors' Report.

Timely and Balanced Disclosure

The Company is committed to promoting investor confidence and ensuring that shareholders and the market have equal access to information and are provided with timely and balanced disclosure of all material matters concerning the Company. Additionally, the Company recognises its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Company's shareholders are responsible for voting on the appointment of directors. The Board informs shareholders of all major developments affecting the Company by:

- Preparing half yearly and annual financial reports and making these available to all shareholders;
- Preparing quarterly activity reports;
- Advising the market of matters requiring disclosure under Australian Securities Exchange Continuous Disclosure Rules;

- Maintaining a record of significant ASX announcements on the Company's website;
- Submitting proposed major changes in the Company's affairs to a vote of shareholders, as required by the Corporations Act;
- Reporting to shareholders at annual general meetings on the Company's activities during the year. All shareholders that are unable to attend these meetings are encouraged to communicate issues or ask questions by writing to the Company;

- Security holders are given the option to receive communications from and send communications to the Company's and its share registry electronically; and
- Undertaking various presentations to discuss the Company's activities.

The Company has adopted a formal disclosure policy. The Board and management are aware of their responsibilities in respect of identifying material information and coordinating disclosure of that information where required by the ASX Listing Rules.

Ethical and Responsible Decision-Making

Code of Conduct

The Board has created a framework for managing the Company including internal controls, business risk management processes and appropriate ethical standards. The Board recognises that our operations have direct and indirect social and environmental impacts.

The Board has adopted practices for maintaining confidence in the Company's integrity including promoting integrity, trust, fairness and honesty in the way employees and directors conduct themselves and MRC's business, avoiding conflicts of interest and not misusing company resources. A formal Code of Conduct was adopted in February 2013.

Sustainability

The Board is committed to supporting the sustainability of the natural environment, the people who rely on that environment, and to ensuring the health and safety of our workforce and the communities in which we operate.

Our responsibility is to conduct business in a manner that uses best practices to minimise the effects of our operations on the environment, to actively promote the sustainability of local communities, and to provide a safe workplace for all employees, contractors and visitors.

Our goal is to manage these impacts so we can better manage the risks and enhance our company's reputation in environmental sustainability.

Diversity

The Company employs a broad mix of individuals reflecting its philosophy of hiring the best candidate for all positions at all levels irrespective of race, religion or gender. In terms of the composition of the Board and Board nominations, the Board considers the Australian Securities Exchange Corporate Governance Principles as part of the overall Board appointment process of determining the composition of the Board that is the most appropriate for the Group.

The Company has implemented a diversity policy. The objective of the policy is for the Company to embrace the diversity of skills, ideas and experiences of an individual and recognise that a workforce is made up of people with differences in age, gender, sexual orientation, disability, religion or national origin or social origin contributes to MRC's success and organisational strength. It ensures all employees are treated with fairness and respect.

MRC is committed to embedding a corporate culture that embraces diversity through:

- Recruitment on the basis of competence and performance and selection of candidates from a diverse pool of qualified candidates;
- Maintaining selection criteria that does not indirectly disadvantage people from certain groups;
- Providing equal employment opportunities through performance and flexible working practices;

- Maintaining a safe working environment and supportive culture by taking action against inappropriate workplace and business behaviour that is deemed as unlawful (discrimination, harassment, bullying, vilification and victimisation);
- Promoting diversity across all levels of the business;
- Undertaking diversity initiatives and measuring their success;
- Regularly surveying our work climate; and
- The Board establishing measurable objectives in achieving gender diversity.

The Company currently employs 206 staff, with 61 females, representing 29.61%. There is one female director. The Company has not yet set any measurable objectives however it has an extensive social and labour plan in South Africa which addresses these diversity objectives.

The development of people is the fundamental principle, enshrined in the business strategy. The Company provides opportunities and resources for employees to be fully developed in job disciplines that form part of the occupational structures of the operating subsidiaries. These opportunities pervade throughout and are not limited to a specific department or level.

The Company ensures that the highest calibre of management is of great importance to sustain the business. The Company will assist employees in achieving their potential by supporting and mentoring them in their development. At the same time, meticulous attention is given to the requirements of the legislation applicable thereto.

Regional and Local Economic Development/Socio-Economic Development

The Company's wholly-owned subsidiary, Mineral Sands Resources (Pty) Ltd ("MSR"), is committed to contributing to the socio-economic activities of the immediate community and the region. Although the primary objective is to mine heavy mineral sands from the Tormin Mineral Sands Operation for the international and local markets, the business is managed in a manner that embodies value-added compliance with all relevant legislative requirements and socio-economic responsibilities.

MSR's management will always endeavour to offer job opportunities to the local community and the labour sending area from which labour is sourced, Xolobeni, by the creation of direct and indirect jobs wherever the required skills and experience are present or developed. MSR will continue to afford job opportunities to the members of the local community and the labour sending area where such individuals meet the necessary recruitment criteria.

The promotion of local and Xolobeni sustainable development is a core objective of MSR's Social & Labour Plan (SLP) and, as such, may be used as a general indicator of the success of this SLP. This performance indicator should focus particularly on the prevalence of livelihood opportunities for local people and Xolobeni people after mine closure, compared with the situation before the commencement of the operation.

The Company's Skaland Operation and has a historical regional operational continuance for over 100 years. The social economic benefits of the mine are integral to the local community's sustainability, as such the Company is committed to investing in local employment and continuous training and upskilling to ensure ongoing balanced viability of the Mine's future operations and the local community.

Securities Trading Policy

A Securities Trading Policy has been adopted by the Board to set a standard of conduct, which demonstrates the Company's commitment to ensuring awareness of the insider trading laws, and that employees and directors comply with those laws.



The Securities Trading Policy imposes additional share trading restrictions on directors, the Company Secretary, executives and employees involved in monthly financial accounting processes ("specified persons").

Under the Securities Trading Policy, specified persons are only permitted to buy and sell securities if they do not possess non-public price sensitive information and trading occurs outside of specified restricted periods. These periods are the periods commencing on the first day of the month before the end of the half-year or

full year period and ending on the next business day after the announcement of the results for that period. In addition, before a specified person can deal in the Company's securities, they must obtain clearance from the appropriate officer, confirming that there is no reason why they cannot trade.

Other Information

The ASX guidelines also prescribe that the Company should maintain a dedicated corporate governance information section on its website. Such a dedicated information section is available on the Company's website.