

RED 5 LIMITED
ABN 73 068 647 610

CORPORATE GOVERNANCE STATEMENT

A description of the main corporate governance practices is set out below. These practices, unless otherwise stated, were in place for the entire financial year. Copies of relevant corporate governance policies and charters are available in the corporate governance section of the Company's web-site at www.red5limited.com.

The Board and management are committed to high standards of corporate governance practices. Good corporate governance will evolve with the changing circumstances of a company and must be tailored to meet these circumstances.

This Corporate Governance Statement is current as at 30 June 2017 and was approved by the Board on 28 September 2017.

BOARD OF DIRECTORS

The Board has the responsibility for protecting the rights and interests of shareholders and the enhancement of long-term shareholder value. The Board's primary role is to formulate the strategic direction of the Company and to oversee the Company's business activities and management. The Company has established functions reserved for the Board and those delegated to senior management. Day to day management of the Company's affairs and the implementation of corporate strategies are delegated by the Board to the Managing Director.

The Board charter states that the Board is responsible for:

- the corporate governance of the Company;
- the overall strategic direction and leadership of the Company;
- approving and monitoring management implementation of objectives and strategies;
- reviewing performance against stated objectives by receiving regular management reports on the business situation, opportunities and risks; and
- the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company.

The Board is responsible for the appointment and removal of the Company Secretary. The Board charter sets out that the Company Secretary is accountable to the Board on all matters relating to the proper functioning of the Board.

Board composition and independence

The Company has a four member Board comprising one executive director and three non-executive directors, including the Chairman. The roles of Chairman and Managing Director are not combined. Mr Williams is not considered independent by virtue of his executive role in the Company. Messrs Dundo, Macpherson and Loosemore are independent non-executive directors based on the principles set out below.

The current composition of the Board is considered suitable for the Company's current size and level of operations and includes an appropriate mix of skills, expertise and experience relevant to the Company's business. Details of the experience, qualifications and term of office of directors are set out in the Directors' Report section of the 2017 annual report.

The Board has adopted ASX recommended principles in relation to the assessment of directors' independence, which identifies shareholdings, executive roles and contractual relationships which may affect independent status. The Board does not believe that length of service is a potential indicator that independence may have been compromised. Materiality has been determined from both a quantitative and qualitative perspective. Financial materiality thresholds used in the assessment of directors' independence are set at 5% of the annual gross expenditure of the Company and/or 25% of the business turnover of the director. Notwithstanding that a legal firm, HopgoodGanim, of which Mr Dundo is a former partner, provided legal services to the Company during the year, the Board has determined that on the above principles, Mr Dundo is independent.

Board skills matrix

The current mix of skills and experience on the Board is as follows:

Experience and skills	Number of directors
Mining operations	2
Mining engineering	1
Geology	1
Finance and accounting	2
Strategic planning and risk management	4
Governance and compliance	2
Business development	4
Public company directorship and management	4
Geographical	
Australia	3
South-East Asia	3

Each director and senior executive of the Company has an agreement in writing with the Company which sets out the key terms and conditions of their appointment including their duties, rights and responsibilities.

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company’s expense, subject to the prior written approval of the Chairman, which will not be unreasonably withheld.

The Audit Committee comprises three non-executive directors, Mr Macpherson (chairman), Mr Dundo and Mr Loosemore. The Remuneration and Nomination Committee comprises three non-executive directors, Mr Macpherson (chairman), Mr Dundo and Mr Loosemore. Details of the qualifications of committee members and attendance at committee meetings are set out in the Directors’ Report section of the 2017 annual report.

Performance assessment

The Board has adopted a formal process for an annual self assessment of its collective performance, the performance of individual directors and of Board committees. The Board is required to meet annually with the purpose of reviewing the role of the Board, assessing its performance over the previous 12 months and examining ways in which the Board can better perform its duties. A formal assessment was undertaken in August 2016, using a self-assessment checklist as the basis for evaluation of performance against the requirements of the Board charter.

The performance of senior executives is reviewed annually by the Managing Director through a formal performance appraisal meeting, incorporating measurement against pre-determined key performance indicators. Executive remuneration and other terms of employment are reviewed annually by the Remuneration Committee having regard to performance, relevant comparative information and where appropriate, expert advice. Due to the suspension of mining operations at the Siana Gold Project during the period and changes in senior management positions, no performance appraisals of senior executives were undertaken during the year.

AUDIT COMMITTEE

The Audit Committee charter sets out the responsibilities of the Audit Committee, including:

- reviewing and approving statutory financial reports and all other financial information distributed externally;
- reviewing the effectiveness of the Company’s internal control environment including compliance with applicable laws and regulations;
- the nomination of the external auditors and review of the adequacy of existing external audit arrangements; and
- considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditor’s independence.

The Managing Director and Chief Financial Officer provide a declaration to the Board that the Company’s external financial reports present a true and fair view of the Company’s financial position and operational results and that the declaration in relation to the integrity of the Company’s external financial report is founded on sound risk management and internal control systems and that those systems are operating effectively in relation to financial reporting risks.

The external auditors provide an annual declaration of their independence to the Board. The current audit engagement partner has conducted the audit since December 2012 and is due for rotation at the completion of the current audit. The performance of the external auditors is reviewed annually.

The Company does not have a separate internal audit function as the Board believes that existing internal controls and management systems provide sufficient assurance that the Company's risk management, governance and internal control processes are operating effectively. Operational, financial, legal, compliance and strategic risks are managed primarily by senior executives as part of the day-to-day management of the Company's affairs with the support of relevant external professional advisers as required.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee operates in accordance with a formal written charter. The Remuneration and Nomination Committee advises the Board on remuneration and incentive policies and practices generally and makes specific recommendations in relation to compensation arrangements for executive and non-executive directors and in respect of all equity based remuneration plans. Details of the Company's remuneration policies are set out in the Remuneration Report section of the 2017 annual report.

The Remuneration and Nomination Committee is also responsible for regularly reviewing the composition and membership of the Board and when a Board vacancy exists, initiating the selection process for potential directors. This includes an assessment of the necessary and desirable competencies of Board members, Board succession plans and an evaluation of the Board's performance.

The appropriate mix of skills and diversity for membership of the Board is considered by the Remuneration and Nomination Committee as part of ongoing nomination and succession planning and which recognises the value of broader gender representation. Prior to a candidate being considered for appointment as a director of the Company, appropriate enquiries are made as to the person's character, experience, education, criminal record and bankruptcy history. Shareholders are provided with relevant information on any directors standing for re-election at a general meeting of the Company, including relevant qualifications and experience.

New directors are provided with an induction including comprehensive briefings with the Chairman and senior executives, visits to operating sites and provision of information on the Company including Company and Board policies and other relevant documents.

All directors are expected to maintain the skills required to effectively discharge their obligations to the Company. Directors are encouraged to undertake professional development programmes to develop and maintain the skills and knowledge needed to perform their role as directors of the Company.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY COMMITTEE

A Health, Safety, Environment and Community (HSEC) Committee has been established to assist the Board in its oversight and review of issues relating to health, safety, the environment and sustainable development as they affect the Company's employees, contractors and the communities in which the Company operates. The HSEC operates under a written charter. Membership of the HSEC Committee comprises two non-executive directors, Mr Loosemore (chairman) and Mr Dundo, with the permanent invitation and participation of the Managing Director.

DIVERSITY AND EMPLOYMENT PRACTICES

The Board has adopted a diversity policy which is designed to encourage diversity in employment and in the composition of the Board, as a means of enhancing the Company's performance and organisational capabilities.

The Company aims to achieve an appropriate mix of diversity on its Board, in senior management and throughout the organisation. A summary of the proportion of females employed throughout the Company is as follows:

	Actual 30 June 2017	Objectives 2018/2019
Whole organisation	15%	20 to 25%
In senior management positions	11%	20 to 30%
Appointed to the Board	0%	20%

Senior management is defined as a professional or manager reporting to the Managing Director or General Manager Operations.

The Company recognises that the mining and exploration industry is historically male dominated in many of the operational sectors and the pool of women with appropriate skills has been limited in some instances. The Company also recognises the need to set diversity measures in each of its operating locations taking into account the differing diversity issues within each geographic location in which it operates.

The Remuneration and Nomination Committee monitors and considers the progress of achieving diversity objectives.

RISK MANAGEMENT

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and control framework. The Board works closely with management to identify and manage operational, financial and compliance risks which could prevent the Company from achieving its objectives.

The Managing Director is required to report to the Board on material business risks and whether those risks are being managed effectively. A risk register has been established which details material business risks arising from the Company's operations. Changes to key risk factors and mitigation measures are reported to the board on a regular basis. The effectiveness of the Company's management of material business risks is monitored and reported on a regular basis and accordingly, no formal report is required from management.

The Company undertakes mining and exploration activities and recognises that there are inherent risks in conducting its business operations. Material risks associated with economic, environmental and social sustainability are included in the Company's risk register to ensure that they form part of a robust risk assessment and management process.

Some of these risks are beyond the Company's direct control and require risk mitigation strategies whilst other risks are within the control of the Company and can be managed through operational and management procedures. Major risk areas for the Company include operational risks, occupational, health and safety, community and environmental risks, mineral resource estimates, metal prices and exchange rate fluctuations, financing and working capital requirements, sovereign and political risks, compliance and regulatory.

The systems and processes implemented to manage material risks include monthly operations and financial reporting; regular reports to the Board by management and/or independent advisers outlining the nature of particular risks and related risk mitigation measures; clearly defined management responsibilities and organisational structure; delegated limits of authority; treasury and accounting controls and reconciliations; comprehensive management reporting systems; budgeting and strategic planning processes; segregation of duties; appropriate policies and procedures that are widely disseminated to employees; development of integrated management systems; and specific occupational, health and safety policies and procedures.

The Audit Committee supports the Board in reviewing the systems and processes employed to manage the Company's financial risks and the Health, Safety, Environment and Community Committee assists the Board in monitoring the performance of the Company in respect of health, safety and sustainability risks, including environmental exposures.

RESPECT THE RIGHTS OF SHAREHOLDERS AND STAKEHOLDERS

The Board has adopted a formal written policy covering arrangements to promote communications with shareholders and to encourage effective participation at general meetings. The Company and the share registry offer mechanisms for electronic communication by shareholders, including an e-mail alert facility available through the Company's website. The external auditor is requested to attend annual general meetings and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

The Board has established a code of conduct to guide compliance with the legitimate interests of all stakeholders. The code aims to encourage the appropriate standards of conduct and behaviour of the directors, employees and contractors of the Company. All personnel are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Company has established a whistleblower policy which provides an independent mechanism for legitimate reporting of illegal or unethical practices by company employees.

TIMELY AND BALANCED DISCLOSURES

The Board recognises the obligations of continuous disclosure and the Company has a formal written policy for the continuous disclosure of any price sensitive information concerning the Company. A record of the circumstances surrounding each material continuous disclosure announcement is maintained and presented at the next board meeting.

Material information is lodged immediately with the ASX and then disseminated by posting to the Company's website. Shareholders, potential investors and interested parties can avail themselves of an email alert facility. A strict protocol is practiced for all investor/analyst meetings, group briefings and conference calls.

DEALINGS IN COMPANY SHARES

The Company's share trading policy prohibits the purchase or disposal of shares by directors, officers and specified employees in the period of two weeks prior to the release of quarterly reports and four weeks prior to the release of half year and full year results and for one business day thereafter. Any proposed transactions to be undertaken must be notified to the Chairman or Managing Director in advance.

Where the Company grants securities under an equity based remuneration scheme, participants are prohibited from entering into arrangements for the hedging, or otherwise limiting their exposure to risk in relation to unvested shares, options or rights issued or acquired under the scheme.