

## CORPORATE GOVERNANCE STATEMENT

## Approach to Corporate Governance

Sheffield Resources Limited (“**Sheffield**” or the “**Company**”) has established a corporate governance framework, the key features of which are set out in this statement.

In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations 3<sup>rd</sup> edition (**Principles & Recommendations**). The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company’s corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the “if not, why not” reporting regime, where, after due consideration, the Company’s corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company’s website at:  
[www.sheffieldresources.com.au/company/corporate-governance/](http://www.sheffieldresources.com.au/company/corporate-governance/)

### Charters

- Board
- Audit and Risk Committee
- Nomination and Remuneration Committee

### Policies and Procedures

- Code of Conduct
- Community Relations Policy
- Continuous Disclosure Policy
- Directors Test of Independence Policy
- Diversity Policy
- Environment Policy
- Evaluation of Performance Policy
- Health and Safety Policy
- Risk Management Policy
- Securities Trading Policy
- Selection and Appointment of Directors Policy
- Shareholder Communication Policy
- Sustainability Policy

The Company reports below on whether it has followed each of the recommendations during the financial year (**Reporting Period**). The information in this statement is current at 5 September 2018, as approved by a resolution of the Board.

## Principle 1 – Lay Solid Foundations for Management and Oversight

### Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management and has documented this in its Board Charter.

### Recommendation 1.2

The Company undertakes appropriate checks before appointing a person or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The checks of potential directors, which are undertaken, and the information provided to shareholders are set out in the Company’s *Selection and Appointment of Directors Policy*.

### Recommendation 1.3

The Company has a written agreement with each director and senior executive setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Managing Director, any of its directors, and any other person or entity who is a related party of the

Managing Director or any of its directors has been disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

#### **Recommendation 1.4**

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board as outlined in the Company's Board Charter. The Company Secretary's role is also outlined in the employment agreement between the Company Secretary and the Company.

#### **Recommendation 1.5**

The Company is committed to building a diverse and inclusive workforce across a wide range of workforce demographics that extends beyond gender. The Company has developed a *Diversity Policy* and the Board has set measurable objectives for achieving diversity targets.

The Company currently has a total of 23 employees and directors, of whom 22% are women. No women currently occupy senior executive or Board positions.

#### **Recommendation 1.6**

The Managing Director is responsible for evaluating the performance of senior executives in accordance with the process disclosed in the Company's *Evaluation of Performance Policy*.

During the Reporting Period evaluation of senior executives took place via formal and informal feedback sessions and consistent with the Company's performance evaluation process.

#### **Recommendation 1.7**

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. The Board, via the Chair, is responsible for evaluating the Managing Director.

The Company utilised a combination of both individual feedback and performance questionnaires during the Reporting Period, consistent with its *Evaluation and Performance Policy*.

### **Principle 2 – Structure the board to add value**

#### **Recommendation 2.1**

The Board has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee.

Although the Board has not established a separate Nomination Committee, it has adopted a *Nomination and Remuneration Committee Charter*, which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Nomination and Remuneration Committee. When the Board convenes as the Nomination and Remuneration Committee it carries out those functions which are delegated to it in the Company's Nomination and Remuneration Committee Charter. Separate meetings of the full Board in its capacity as the Nomination and Remuneration Committee are held and minutes of those meetings are taken.

The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination and Remuneration Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

As noted above, the full Board carries out the role of the Nomination and Remuneration Committee. The full Board did not officially convene as a Nomination and Remuneration Committee during the Reporting Period; however, nomination and remuneration related discussions occurred from time to time during the year as required.

The Nomination and Remuneration Committee Charter is disclosed on the Company's website.

#### **Recommendation 2.2**

The Company's objective is to have an appropriate mix of expertise and experience on the Board, and where appropriate its committees, so that the Board can effectively discharge its corporate governance and oversight responsibilities.

The Board considers key areas of expertise to be:

- a) Strategy and business development
- b) Commercial acumen
- c) Risk management
- d) Health and safety
- e) Financial knowledge and experience
- f) Government and community relations
- g) Executive leadership

The Board considers key areas of experience to be:

- a) Metals and minerals exploration
- b) Mining project development
- c) Capital markets and business development

### Board Experience, Skills and Attributes Matrix

A summary of the experience, skills and attributes of the Board is shown in the table below:

Experience, skills and attributes	Board
<b>Corporate leadership</b> Successful experience in CEO/Managing Director and/or other senior corporate leadership roles	4
<b>Metals and mining exploration</b> Relevant industry (resources, mining, exploration) experience	4
<b>Other board level experience</b> Directors of other listed entities (last 3 years)	4
<b>Project development</b> Resources capital project development and management	4
<b>Strategy</b> Development and implantation of corporate strategy	4
<b>Capital markets and business development</b> Experience and capability in equity financing, joint ventures, mergers and acquisitions	4

### Recommendation 2.3

The Board's assessment of the independence of each current director is set out below.

Name	Status	Appointment Date	Independent (Y/N)
Will Burbury	Major shareholder	6 June 2007	No
Bruce McQuitty	Major shareholder	14 December 2009	No
David Archer	Major shareholder and Executive Director	14 December 2009	No
Bruce McFadzean	Executive Director	2 November 2015	No

### Recommendation 2.4

The Board does not have a majority of directors who are independent, primarily due to their respective shareholdings in the Company and/or their executive capacity with the Company.

### Recommendation 2.5

The non-executive Chair of the Board is Mr Will Burbury. Mr Burbury is considered to be non-independent due to his current shareholding in the Company and previous executive employment capacity as Executive Chairman during the last three years.

### Recommendation 2.6

The Company has an induction program that it uses when new directors join the Board and when new senior executives are appointed. The goal of the program is to assist new directors to participate fully and actively in Board decision-making at the earliest opportunity and to assist senior executives to participate fully and actively in management decision-making at the earliest opportunity.

The Board regularly reviews whether the directors as a group have the skills, knowledge and familiarity with the Company and its operating environment required to fulfil their role on the Board and the Board committees effectively using a Board skills matrix. Where any gaps are identified, the Board considers what training or development should be undertaken to

fill those gaps. In particular, the Board ensures that any director who does not have specialist accounting skills or knowledge has a sufficient understanding of accounting matters to fulfil his or her responsibilities in relation to the Company's financial statements.

### **Principle 3 – Act ethically and responsibly**

#### **Recommendation 3.1**

The Company has established a *Code of Conduct* for its directors, senior executives and employees, which is disclosed on the Company's website.

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

#### **Recommendation 4.1**

The Board has not established a separate Audit Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Audit Committee. Accordingly, the Board performs the role of Audit Committee. Although the Board has not established a separate Audit Committee, it has adopted an *Audit and Risk Committee Charter*. When the Board convenes as the Audit and Risk Committee, it carries out those functions which are delegated to it in the Company's Audit and Risk Committee Charter. Items that are usually required to be discussed by an Audit and Risk Committee are marked as separate agenda items at Board meetings when required. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit and Risk Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The Company has also established a procedure for the Selection, Appointment and Rotation of its External Auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

As noted above, the full Board carries out the role of the Audit Committee. The full Board did not officially convene as an Audit and Risk Committee during the Reporting Period, however audit-related discussions occurred from time to time during the year as required.

The Board has adopted an Audit and Risk Committee Charter which describes the Audit and Risk Committee's role, composition, functions and responsibilities.

#### **Recommendation 4.2**

Before the Board approves the Company's financial statements for the full year and half year, it receives from the Managing Director and the Chief Financial Officer a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated 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.

#### **Recommendation 4.3**

Under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the audit report is considered, and does agree to be represented by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit. Each year, the Company writes to the Company's auditor to inform them of the date of the Company's annual general meeting. In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chair allows a reasonable opportunity for the members as a whole at the meeting to ask the auditor (or its representative) questions relevant to the conduct of the audit; the preparation and content of the auditor's report; the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the auditor in relation to the conduct of the audit. The Chair also allows a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

A representative of the Company's auditor, HLB Mann Judd attended the Company's annual general meeting held on 22 November 2017.

## Principle 5 – Make timely and balanced disclosure

### Recommendation 5.1

The Company has established written policies and procedures for complying with its continuous disclosure obligations under the ASX Listing Rules. A summary of the Company's *Continuous Disclosure Policy* is disclosed on the Company's website.

## Principle 6 – Respect the rights of security holders

### Recommendation 6.1

The Company provides information about itself and its governance to investors via its website at [www.sheffieldresources.com.au/company/corporate-governance](http://www.sheffieldresources.com.au/company/corporate-governance) as set out in its *Shareholder Communication Policy*.

### Recommendation 6.2

The Company has designed and implemented an investor relations program to facilitate effective two-way communication with investors. The Managing Director engages in informal meetings and telephone calls with a range of investors on a regular basis. The program is set out in the Company's *Shareholder Communication Policy*.

### Recommendation 6.3

The Company has in place a *Shareholder Communication Policy*, which outlines the policies and processes that it has in place to facilitate and encourage participation at meetings of shareholders. Shareholders are able to communicate with the Managing Director and Company Secretary via their individual and the Company email address at [info@sheffieldresources.com.au](mailto:info@sheffieldresources.com.au)

### Recommendation 6.4

Shareholders are given the option to receive communications from and send communications to, the Company and its share registry electronically. Shareholders are able to communicate regularly with the Company's share registrar, Link Market Services via [www.sheffieldresources.com.au/investor\\_sr](http://www.sheffieldresources.com.au/investor_sr)

## Principle 7 – Recognise and manage risk

### Recommendation 7.1

The Board has not established a separate Risk Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Risk Committee. Accordingly, the Board performs the role of Audit and Risk Committee. Although the Board has not established a separate Risk Committee, it has adopted an *Audit and Risk Committee Charter*. When the Board convenes as the Audit and Risk Committee it carries out those functions which are delegated to it in the Company's *Audit Risk Committee Charter*. Items that are usually required to be discussed by a Risk Committee are marked as separate agenda items at Board meetings when required.

The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit and Risk Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

As noted above, the full Board carries out the role of the Audit and Risk Committee. The full Board did not officially convene as an Audit and Risk Committee during the Reporting Period, however risk related discussions occurred from time to time during the year as required.

The Board has adopted an Audit and Risk Committee Charter, which describes the Audit and Risk Committee's role, composition, functions and responsibilities.

### Recommendation 7.2

The Board reviews the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board. The Board carried out these reviews during the Reporting Period, which resulted in changes to its management structure during the Reporting Period.

### Recommendation 7.3

The Company does not have an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's *Risk Management Policy*.

### Recommendation 7.4

The Company has material exposure to a number of economic, environmental and/or social sustainability risks, including expenditure levels relative to exploration success, progress toward development, going concern, commodity price fluctuations, performance of activities, human resources, community and environment, land access and internal control.

The Board and senior executives are responsible for overseeing the implementation of the Company's approach to risk management. The Company's approach to risk management is based on the identification, assessment, monitoring, management and reporting of material risks related to its business and management systems. Risk management governance originates at board level and flows through to the Managing Director and the Company's business units through the Company's risk register, management and reporting against the risk register and delegated authorities in accordance with the Company's Approval Matrix.

The Company's risk register identifies risks to which the Company is exposed, designating such risks by business function. For each risk in the Company's risk register, the likelihood and consequence of each risk materialising is assessed and risks are then ranked accordingly. Existing risk mitigation measures are recorded in the risk register and risk rankings are adjusted according to existing risk mitigation initiatives in place.

The Board is responsible for reviewing and ratifying systems of risk management and internal control and compliance, codes of conduct and legal compliance. It uses a number of mechanisms to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

- a) The Board receives monthly reports on the Company's exploration and development activities, in particular, the Thunderbird mineral sands project, including management of operational risks;
- b) The implementation of Board approved annual operating budgets and plans which are monitored against actual cost and progress;
- c) The Managing Director shall report to the Board on financial risks and financial risk management;
- d) Application of the Company's risk register which identifies risks by aspect of the Company's business, assesses the likelihood and consequence of each risk and ranks each risk, taking account of existing control measures; and
- e) Ensuring the executive management team is responsible for developing policies, processes and procedures to identify, prioritise and manage risks related to Sheffield's activities.

Levels of insurance cover on insurance policies maintained by the Company to mitigate some operational risks are disclosed to the Board for review.

## Principle 8 – Remunerate fairly and responsibly

### Recommendation 8.1

The Board has not established a separate Remuneration Committee. Given the current size and composition of the Company, the Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of the Remuneration Committee. Although the Board has not established a separate Remuneration Committee, it has adopted a *Nomination and Remuneration Committee Charter*, which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Nomination and Remuneration Committee. When the Board convenes as the Nomination and Remuneration Committee it carries out those functions, which are delegated to it in the Company's *Nomination and Remuneration Committee Charter*. Items that are usually required to be discussed by a Nomination and Remuneration Committee are marked as separate agenda items at Board meetings when required. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination and Remuneration Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The Board has adopted a *Nomination and Remuneration Committee Charter*, which describes the role, composition, functions and responsibilities of the Remuneration Committee.

**Recommendation 8.2**

Details of remuneration including the Company's policy on remuneration are contained in the *Remuneration Report*, which forms part of the Directors' Report and commences at page 16 of the Company's 2018 Annual Report. This disclosure includes a summary of the Company's policies regarding performance-based remuneration.

**Recommendation 8.3**

The Company's *Nomination and Remuneration Committee Charter* includes a statement of the Company's policy on prohibiting participants in the Company's equity based remuneration scheme entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.