



Moreton Resources Limited

(ABN: 75 060 111 784)

Corporate Governance Statement

2019

MORETON RESOURCES CORPORATE GOVERNANCE STATEMENT

Overview

ASX Principles of Corporate Governance

The Board of Directors (the Board) is responsible for the overall corporate governance of Moreton Resources Limited (the Company, Moreton or MRV), including adopting appropriate policies and procedures designed to ensure that MRV is properly managed to protect and enhance shareholder interests. During the year ended 30 June 2019, the Board has actively considered and reviewed its corporate governance practices and the documents underpinning the Company's governance framework.

This Corporate Governance Statement (the Statement) reports against the 3rd edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Principles) and the practices detailed in this Corporate Governance Statement are current as at 24 October 2019. The Statement has been approved by the Board and is available on the Company's website. The Company has a corporate governance section on its website which includes details on the Company's governance arrangements and copies of relevant policies and charters - <http://www.moretonresources.com.au/corporate-governance/>

Compliance with ASX Principles of Corporate Governance

Unless otherwise indicated, the best practice recommendations of the ASX Corporate Governance Council (CGC), including corporate governance practices and suggested disclosures, have been adopted by the Company for the year ended 30 June 2019 as relevant to the size and complexity of the Company and its operations. Where the Company has not followed a recommendation, reasons for non-compliance have been identified.

The Board currently consists of three Directors, one of whom is the Managing Director and Chief Executive Officer. In view of the current size of the Board, the Board considers it more effective to set aside time at Board meetings to specifically address the matters that would have been ordinarily attended to by Nomination, Audit, Risk and Remuneration Committees and consequently does not comply with CGC recommendations 2.1, 4.1, 7.1 and 8.1 respectively. The size and structure of the Board has also resulted in the following CGC Recommendations not being complied with during the reporting period:

- 2.4 - a majority of the Board should be independent directors.
- 2.5 - the chair of the Board should be an independent director and, in particular should not be the same person as the CEO of the entity.

The other recommendations that are not fully complied with are: 1.5, 1.6, 1.7 and 7.2, and the reasons for non-compliance are set out in the commentary for the respective recommendations.

The matters pertaining to the Administrative Appeals Tribunal have been ongoing since 2014 and the Company is extremely comfortable with its position and prospects of bringing this matter before the courts, for ultimate resolution. The timely resolution of this matter will be a significant step towards stabilising the Company's financial position. A stable financial position will assist the Board in recruiting suitably qualified and experienced independent directors and will enable the Board to address some of the CGC recommendations that are currently not complied with.

Principle 1. Lay solid foundations for management and oversight

The Board of Directors of Moreton Resources Ltd has primary responsibility for guiding and monitoring the business and affairs of the Company, including compliance with its corporate governance framework, and in conjunction with senior management sets the strategic direction of the Company.

It is the role of senior management to manage the Company in accordance with the direction and delegation of the Board and it is the responsibility of the Board to provide leadership and to oversee the activities of management in carrying out those delegated duties.

The Board Charter sets out the roles and responsibilities of the Board, including those matters specifically reserved to the Board. The Board Charter also sets out the role and responsibility of the Managing Director and Chief Executive Officer (CEO), which is primarily the day to day management of the Company. [Recommendation 1.1].

The Board Charter provides that prior to the appointment of a new Director and before a person is put forward as a candidate for election as a Director, appropriate checks will be undertaken including checks regarding the person's experience, education, disqualification from holding certain offices, criminal record and bankruptcy history. [Recommendation 1.2(a)]

At any Annual General Meeting the Company provides shareholders with material information in its possession relevant to a decision on whether or not to elect or re-elect a director. [Recommendation 1.2(b)].

Non-executive Directors are provided with a formal letter of appointment which sets out the key terms, conditions, responsibilities and expectations of their appointment. Senior management are employed under individual service contracts, which set out their terms of employment including details of their duties, responsibilities, rights and remuneration entitlements. [Recommendation 1.3].

The Board Charter provides that the Company Secretary is accountable to the Board through the Chairman for all matters concerning the proper functioning of the Board, including advising on governance matters, monitoring that the Board's policies and procedures are followed and ensuring that the business of Board meetings is accurately captured in the minutes. [Recommendation 1.4].

The Company has adopted a Diversity Policy that is available in the Corporate Governance section of the Company's website. Given the current small number of staff and the nature of the Company's operations and the stage of its development, the Board does not consider that it is currently necessary or practical to have measurable objectives aimed at achieving gender diversity. The Board will continue to review this matter, including whether it may be appropriate to establish measurable objectives. [Recommendation 1.5(a) & (b)].

The proportion of women in the Group, women in senior management positions and women on the Board at 30 June 2019 are listed in the table below [Recommendation 1.5(c)]:

	Number of Women	Total in Group	% Women in Group
Employees	3	17	18
Senior Management	1	3	33
Board	0	3	0

There are currently no female Directors on the Board of MRV. The Board has undertaken to include both male and female candidates in the process for selection of new Directors and all candidates will continue to be assessed on their skills, knowledge and experience and on the relevance of these to the Company’s needs

The Board does not have a formal process for evaluating its performance. The Board, as a whole, continuously monitors its efficiency and effectiveness with reference to the achievement of the Company’s financial and operating objectives. Should an issue be identified with the performance of a particular Director, the matter is discussed with the Director at the time. [Recommendation 1.6(a) & (b)].

The Board currently consists of three Directors, one of whom is the Managing Director and Chief Executive Officer. In view of the current size of the Board, the Board considers it more effective to set aside time at Board meetings to specifically address the matters that would have been ordinarily attended to by a Remuneration Committee.

The Board sets a range of goals and specific, measurable targets at the start of the performance year for each senior executive including the Managing Director. Due to the changes to the Board during the reporting period, the Board did not undertake a performance evaluation of each senior executive. [Recommendation 1.7].

Principle 2. Structure the Board to add value

During the 2019 financial year, the Board decided that it was no longer appropriate to have a separate Nomination Committee. The Board currently consists of three Directors, one of whom is the Managing Director and Chief Executive Officer. In view of the current size of the Board, the Board considers it more effective to set aside time at Board meetings to specifically address the matters that would have been ordinarily attended to by a Nomination Committee. The Board has adopted a formal Remuneration & Nomination Committee Charter which is available from the Corporate Governance section of the Company’s website. [Recommendation 2.1].

The current Board members represent individuals who have extensive industry experience as well as professionals who bring to the Board their specific skills in order for the Company to achieve its strategic, operational and compliance objectives. Their suitability as Directors has been determined primarily on the basis of their ability to deliver outcomes in accordance with the Company’s short to medium term objectives and therefore deliver value to shareholders.

The Board has self-assessed its skills and experience, allocating a maximum of three (3) points per Director, i.e. a maximum score for a line item is nine (9) points [Recommendation 2.2]:

Skills and experience required	Representation on the MRV Board*
<i>Managing and Leadership</i>	
Senior management positions outside the Company	8
Directorships held outside the Company	6
<i>Industry experience and education</i>	
Mining or minerals experience	9
Tertiary engineering or science background	6
Positions held on, or memberships of, industry-related bodies	4
<i>Governance and regulatory</i>	
Membership of governance and/or regulatory bodies	6
Experience in governance of a mining/resource company	7
<i>Strategy</i>	
Mergers and acquisitions experience	8
Experience in growing a business	8
Experience in implementing capital projects	7
<i>Operational</i>	
Financial	7
Risk Management	8
Safety	9

*Based on Board membership at 30 June 2019

The date of appointment and the independence status of each Director who occupied the position of Director of the Company during the 30 June 2019 reporting period are set out in the following table [Recommendation 2.3]:

Director	Date of appointment	Date of resignation	Independent
Alexander Jason Elks	28 November 2013	16 October 2019	No
Phillip Bryant	10 April 2019		No
Gary Harradine	11 February 2019	20 August 2019	Yes
Kalman Salgo	10 December 2018	10 April 2019	No
Brent Van Staden	11 February 2019	7 March 2019	Yes
John Haley	5 November 2018	6 February 2019	No
Valeri Melik-Babakhanov	26 August 2016	14 December 2018	No
Philip Anthony Feitelson	26 August 2016	5 November 2018	No

In determining the independence of directors, the Board has regard to the independence criteria as set out in the ASX Principles and periodically assesses the independence of each Director.

The Board did not have a majority of independent directors at any time during the reporting period ended 30 June 2019. [Recommendation 2.4]. However, at the date of this report the Board has a majority of independent directors.

The offices of the Company's Chairman and Chief Executive Officer were held by Alexander Jason Elks until 27 August 2018. The Board considered this appropriate, given the circumstances of the Company at the time. However, since 27 August 2018, the positions have been separated and Alexander Jason Elks has occupied the position of Non-executive Chairman since that date until his resignation on 16 October 2019. Alexander Jason Elks was not considered an independent Chairman after 27 August 2018 as he had been employed by the company in an executive capacity until 27 August 2018.

Following the resignation of Alexander Jason Elks as a Director of the Company on 16 October 2019, Brett Garland was appointed Non-executive Chairman on the same date. Brett Garland is an independent director. The Board believes that Brett Garland is able to and does bring quality and independent judgement to all relevant issues falling within the scope of the role of Chairman and that the Group as a whole benefits from his long standing experience within the mining industry. [Recommendation 2.5].

The Board has established an induction programme to assist and introduce new directors to the business. After their induction, directors are expected to keep themselves updated on changes and trends within the sector and market environment. Directors are encouraged to attend courses and education sessions to contribute to their ongoing professional development. [Recommendation 2.6].

Principle 3. Act ethically and responsibly

The Board is committed to ensuring the Company maintains the highest standards of integrity, honesty and fairness in its dealings with all stakeholders, and that the Company complies with all legal and other obligations. The Company has established a Code of Conduct (the Code) which applies to all directors, senior management and staff (Employees). A copy of the Code is made available to all employees of the Company and is available from the Corporate Governance section of the Company's website. The Code promotes practices that aim to foster the Company's key values, which include providing a safe and healthy work environment, encouraging Employees to act with fairness, honesty and integrity, being aware of and abiding by relevant laws and regulations, and maintaining high standards of professional behaviour. Employees are expected to be honest and ethical in their dealings with each other and all stakeholders. [Recommendation 3.1].

The Board has established a Community Obligations Policy, which states the Company's vision in terms of operating in communities and sets out a series of supporting commitments. The Environmental Management, Health and Safety Policy sets out the responsibilities of the Company with the aim of managing its activities in a manner that minimises the likelihood of any adverse impact on its surroundings and promotes the health and safety of employees, contractors and the public.

The Company's Securities Trading Policy applies to all Employees. The Policy sets out the prohibitions against insider trading and prescribes certain requirements for dealing in Moreton Resources securities. Employees are prohibited from trading in Moreton Resources securities while in possession of material non-public information, which is information a reasonable person would expect to have a material effect on the price or value of Moreton Resources securities. The Policy provides for certain black-out periods when no trading may occur.

Principle 4. Safeguard integrity in corporate reporting

During the 2019 financial year, the Board decided that it was no longer appropriate to have a separate Audit Committee. The Board currently consists of three Directors, one of whom is the Managing Director and Chief Executive Officer. In view of the current size of the Board, the Board considers it more effective to set aside time at Board meetings to specifically address the matters that would have been ordinarily attended to by the Audit Committee. The Board has adopted a formal Audit and Risk Committee Charter which is available from the Corporate Governance section of the Company's website. [Recommendation 4.1].

The Board has not established a formal procedure for the selection, appointment and rotation of the external auditor. The performance of the external auditor is reviewed on an ongoing basis by the Board.

Prior to approval of the Company's half year and annual financial reports, the Managing Director/CEO and CFO/Financial Controller (as applicable) are required to provide written assurances in relation to the half year and annual financial reports that the declaration provided in accordance with section 295A of the Corporations Act 2001 (Cth) is founded on a sound system of risk management and internal compliance and control, and that the system is operating effectively in all material respects in relation to financial reporting risks. These assurances were provided in the reporting period. [Recommendation 4.2].

The external auditor attends the Company's Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and preparation and content of the Independent Auditor's Report. Shareholders are also given the opportunity to submit written questions prior to the meeting. The Company considers that this is important in promoting and encouraging shareholder participation and reflects and supports the roles of the auditor and the auditor's accountability to shareholders. [Recommendation 4.3].

Principle 5. Make timely and balanced disclosure

The Company's External Communications Policy (the Policy) sets out the policies and procedures relating to:

- the Company's continuous disclosure obligations under the ASX Listing Rules and the Corporations Act 2001 (Cth) (the Corporations Act);
- how staff are required to deal with potentially price-sensitive information, and communications with external shareholders such as the media, security holders and the community to ensure that the Company meets its continuous disclosure obligations; and
- the Company's shareholder communications policy generally.

It is the Company's policy to ensure that all market participants have an equal opportunity to review and access material information made available by the Company, and that the Company complies with both the letter and spirit of its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

The External Communications Policy facilitates compliance with the Company's continuous disclosure obligations by setting out procedures that must be followed if staff become aware of material information, and the obligations of senior management and the Board to continuously assess and consider continuous disclosure matters. The Policy specifies those persons permitted to speak to ASX or other external parties in relation to the Company, and those disclosure matters that fall within the reserved powers of the Board. Other matters dealt with in the Policy include:

- dealing with market speculation and rumour;
- trading halts;
- management of information during periods where the Company may be in possession of price-sensitive information;
- analyst briefings; and
- monitoring of media and social media.

[Recommendation 5.1].

Principle 6. Respect the right of Shareholders

The Company's External Communications Policy sets out its policy and practices relating to the Company's commitment to providing shareholders with the necessary information and facilities to allow them to exercise their rights effectively, including:

- providing shareholders with ready access to information about Moreton Resources Limited and its governance;
- communicating openly and honestly with shareholders;
- facilitating communications being sent to and from the Company and to and from the Share Registrar, via electronic means; and
- encouraging and facilitating shareholder participation in shareholder meetings.

The Company's website www.moretonresources.com.au provides detailed information about its business and operations. The Investor Centre section of the website provides a link to the ASX share price, Annual and periodic reports, and other ASX announcements.

Shareholders can find information about the Company's corporate governance practices in the Corporate Governance section of the website. This includes the Company's constitution, Board and Committee Charters and governance policies. [Recommendation 6.1, 6.2, 6.3, 6.4].

Principle 7. Recognise and manage risk

During the 2019 financial year, the Board decided that it was no longer appropriate to have a separate committee for Risk. The Board currently consists of three Directors, one of whom is the Managing Director and Chief Executive Officer. In view of the current size of the Board, the Board considers it more effective to set aside time at Board meetings to specifically address the matters that would have been ordinarily attended to by a Risk Committee. [Recommendation 7.1].

The Board generally reviews risk management processes on at least an annual basis. The Board regularly considers a range of risk management matters at its meetings. During the year ended 30 June 2019, the Board did not conduct a formal review of its risk management framework, however, the Board has resolved to do so during the year ended 30 June 2020. [Recommendation 7.2].

The Company does not retain an Internal Audit function. The Board considers this is appropriate, considering the Company's stage of development, the scale of its operations and the relative simplicity of its finance function. Senior management is responsible for identifying relevant business risks, designing controls to manage those risks and ensuring the relevant controls are appropriately implemented. Senior management monitors the adequacy of the risk management system and reports to the Board on a regular basis. [Recommendation 7.3].

At this time, the Board does not consider that the Company has any material exposure to economic, environmental and social sustainability risks, other than those inherent environmental risks associated with the operations of its subsidiary company, MRV Metals Pty Ltd. That Company conducts a heap leach operation. The risk of process waters flowing outside of the operation's tenement (especially during high rainfall events) is recognised and constantly monitored and managed. [Recommendation 7.4].

Principle 8. Remunerate fairly and responsibly

During the 2019 financial year, the Board decided that it was no longer appropriate to have a separate committee for Remuneration. The Board currently consists of three Directors, one of whom is the Managing Director and Chief Executive Officer. In view of the current size of the Board, the Board considers it more effective to set aside time at Board meetings to specifically address the matters that would have been ordinarily attended to by a Remuneration Committee. [Recommendation 8.1].

The Company determines the remuneration of its non-executive and executive Directors and other senior executives in accordance with its Remuneration and Nomination Committee Charter, a copy of which is available from the Corporate Governance section of the Company's website.

Each member of the Senior Executive Team signs a letter of appointment covering a range of matters including their duties, rights, responsibilities, fees, any entitlements on termination and job description. Further information on Directors' and executives' remuneration, including principles used to determine remuneration is set out in the Directors' Report section of the 2019 Annual Report under the heading 'Remuneration Report'.

Non-executive Directors are appointed by letter and remunerated by way of an annual Director's fee and a superannuation contribution calculated according to that fee. Non-executive Directors are not entitled to any further remuneration by way of termination payments or any staff benefits. There is no scheme for retirement benefits, other than statutory superannuation. The Company may invite Non- Executive Directors to participate in equity-based remuneration plans.

Executive Directors are paid a salary and provided with shares and/or options (subject to shareholder approval) and bonuses as part of their remuneration and incentive package. They do not receive a separate payment for participation on Board committees.

Further details regarding the remuneration of non-executive and executive Directors are set out in the Remuneration Report of the Directors' Report section of the 2019 Annual Report. [Recommendation 8.2].

Under the Company's Security's Trading Policy, participants in the Company's equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of unvested entitlements. [Recommendation 8.3].