



## REPORT ON CORPORATE GOVERNANCE FOR 2018

### 1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

#### i. Board Responsibilities

The Board's responsibilities can be found in the Board Charter at the following address on the website:

[http://www.merlindiamonds.com.au/resources/i/docs/corporate\\_governance/b\\_board\\_charter.pdf](http://www.merlindiamonds.com.au/resources/i/docs/corporate_governance/b_board_charter.pdf)

#### ii. Board Composition

The Board's composition can be found in the Board Charter at the following address on the website:

[http://www.merlindiamonds.com.au/resources/i/docs/corporate\\_governance/b\\_board\\_charter.pdf](http://www.merlindiamonds.com.au/resources/i/docs/corporate_governance/b_board_charter.pdf)

Details of our Directors can also be found at the following address on the website:

<http://www.merlindiamonds.com.au/board/>

The Company had a majority of independent Directors from 1 July 2017 to 7 June 2018 when at that date, a further Executive Director was appointed. However it does not have an independent Chairman. The Executive Chairman and the Managing Director of the Company is associated with a substantial shareholder of the Company, and accordingly is not independent in accordance with the ASX Corporate Governance Council definitions and recommendations. In considering the best interests of the Company and its shareholders, the Board believes that the background and experience of the Chairman should not preclude him from the office of Chairman of the Board on the grounds of him being the Executive Chairman of a substantial shareholder. The Board believes the experience in the industry that the Company operates in that Mr Gutnick brings to the Company is invaluable and is in the best interests of all shareholders.

The board believes Mr Herzog and Dr Tyrwhitt are independent Directors.

#### iii. Pre-Appointment Checks And Provision Of Information To Shareholders

The Board's policy on pre-appointment checks and provision of information to shareholders can be found in the Board Charter at the following address on the website:

[http://www.merlindiamonds.com.au/resources/i/docs/corporate\\_governance/b\\_board\\_charter.pdf](http://www.merlindiamonds.com.au/resources/i/docs/corporate_governance/b_board_charter.pdf)

#### iv. Agreements With Directors And Senior Executives

Other than Mr Herzog and Dr Tyrwhitt, the Chairman and senior executives are employed by AXIS Consultants Pty Ltd rather than the Company and therefore no written agreements are in place between the Company and those persons. Mr Herzog and Dr Tyrwhitt do not have written agreements with the Company.

**v. Company Secretary**

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

**vi. Diversity**

The Company's Diversity Policy can be found at the following address on the website:

[http://www.merlindiamonds.com.au/resources/i/docs/corporate\\_governance/Diversity%20Policy.pdf](http://www.merlindiamonds.com.au/resources/i/docs/corporate_governance/Diversity%20Policy.pdf)

The Company is managed by AXIS Consultants Pty Ltd pursuant to a Service Agreement and thus only has a few field employees. Of the employees of the Company, the most senior field person is male.

**vii. Performance Evaluation Of Board, Its Members And Executives**

The Board has implemented a process for evaluating Directors through the use of an evaluation questionnaire. As noted above, the Company is managed by AXIS Consultants Pty Ltd pursuant to a Service Agreement and thus does not have any employees.

During the year, the Board completed a formal performance evaluation of the Board, its members and the Executives.

**2. STRUCTURE THE BOARD TO ADD VALUE**

**i. Nomination Committee**

The Company does not have a Nomination Committee. The Board believes that with only three Directors on the Board, the Board itself is the appropriate forum to deal with this function. In considering the nomination of new board members, the board consider the skill set and experience of existing board members and the skills required for a balanced board.

**ii. Skills of the Board**

The Board seeks to have Directors that provide a broad and diverse range of skills. To ensure that it has the right mix of management skills and technical expertise to meet the challenges of its business, the Board regularly reviews its composition. The Board believes that at the current stage of the Company's development, the composition is adequate. It also provides full details of the qualifications and experience of candidate Directors in the notice of annual general meeting or general meeting, whichever is the case.

Mr. Joseph Gutnick is a businessman with over 40 years' experience, primarily in the mining industry. Mr. Mordi Gutnick is a businessman and has over 15 years' experience in the exploration and mining industry. Mr. Herzog is a businessman with over 50 years' experience including over 25 years in the exploration and mining industry. Dr Tyrwhitt is a qualified geologist and has over 50 years' experience in the exploration and mining industry.

**iii. Induction And Professional Development Of Directors**

The Company has a program to induct new Directors and provides opportunities for professional development for all Directors in order for the Directors to perform their roles as Directors effectively.

### **3. ACT ETHICALLY AND RESPONSIBLY**

The Company's Diversity Policy can be found at the following address on the website:

[http://www.merlindiamonds.com.au/resources/i/docs/corporate\\_governance/Diversity%20Policy.pdf](http://www.merlindiamonds.com.au/resources/i/docs/corporate_governance/Diversity%20Policy.pdf)

### **4. SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

#### **i. Audit Committee**

The Company does not have an Audit Committee. All matters that would usually fall to an Audit Committee are handled by the full Board. The Board considers that it is appropriate for the Company at this time not to have an Audit Committee and for audit issues to be handled by the full Board. The Company has adopted a formal Audit Committee Charter and this is followed by the Board in its deliberations. The Board monitors internal control policies and procedures designed to safeguard the Company's assets and to maintain the integrity of financial reporting. As the Audit Committee functions are carried out by the Board, the Company does not comply with the Audit Committee membership criteria set out in the CGC Principles and Recommendations.

#### **ii. Declarations from Executive Director And CFO**

The Executive Director and Chief Financial Officer and Company Secretary sign off to the Board of Directors in respect to the annual financial statements and risk management policies as required by law and the ASX Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations".

#### **iii. Auditors Attendance at AGM**

The auditors of the Company are requested to attend the AGM each year and be available to answer questions from shareholders.

### **5 MAKE TIMELY AND BALANCED DISCLOSURE**

The Company's continuous disclosure compliance procedure enables it to meet its obligations and to ensure that all matters, which may require announcement to the Australian Securities Exchange, are brought to the attention of Directors immediately.

### **6 RESPECT THE RIGHTS OF SHAREHOLDERS**

#### **i. Governance**

Information about the Company and its corporate governance can be found at the following addresses on the website:

<http://www.merlindiamonds.com.au/>

<http://www.merlindiamonds.com.au/govenance/>

**ii. Investor Relations Program**

The Board ensures that shareholders are kept informed of all major developments that affect their shareholding or the Company's state of affairs through quarterly, half-yearly, annual and ad hoc reports. A shareholder may obtain copies of the announcements and reports that the Company makes to the ASX via its website at <http://www.merlindiamonds.com.au/>

**iii. Participation of Shareholders at General Meetings**

All shareholders are encouraged to attend the Annual General Meeting to meet the Chairman and Directors and to receive the most updated report on Company activities.

**iv. Electronic Communications**

The Company maintains a website at <http://www.merlindiamonds.com.au/> to provide shareholders with up to date information on the Company's activities. Shareholders may also communicate with the Company through its e-mail address [info@merlindiamonds.com.au](mailto:info@merlindiamonds.com.au)

The Company's share registrar is Link Market Services Limited and shareholders may contact Link on 1300 554 474 or by email to [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au). Shareholders should contact Link directly or via Link's website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) if they wish to receive notices of shareholders meetings electronically.

The Company does not web-cast shareholder meetings and does not believe that at this stage the cost-benefit of web casting is worthwhile to a Company of its size.

**7. RECOGNISE AND MANAGE RISK**

**i. Risk Committee**

The Company does not have a Risk Committee. All matters that would usually fall to a Risk Committee are handled by the full Board. The Board considers that it is appropriate for the Company at this time not to have a Risk Committee and for risk issues to be handled by the full Board, given the size of the Board.

**ii. Risk Review**

The Board receives a report from management annually on risks to the business. The Board received such a report during the year.

**iii. Internal Audit Function**

The Company does not have an internal audit function. The Board does not believe that given the size of the Company, that an internal audit function is necessary.

**iv. Material Exposure to Risk**

The Board do not believe the Company has a material exposure to economic environmental and social sustainability risk.

## **8. REMUNERATE FAIRLY AND RESPONSIBLY**

### **iv. Remuneration Committee**

The Company does not have a Remuneration Committee. All matters that would usually fall to a Remuneration Committee are handled by the full Board. The Board considers that it is appropriate for the Company at this time not to have a Remuneration Committee and for remuneration issues to be handled by the full Board, given the size of the Board. As the Remuneration Committee functions are carried out by the Board, the Company does not comply with the Remuneration Committee membership criteria set out in the CGC Principles and Recommendations. The Company uses short-term and long-term incentives as part of an executive's remuneration package. The Board meets to review remuneration policies and practices of the Company, to ensure that they meet current market conditions. The Board draws on the experience of Senior Management and where appropriate, seeks the advice of external consultants. The Remuneration Committee has a formal charter and this is followed by the Board in its deliberations.

### **v. Directors' Remuneration**

Non-Executive Directors receive fees for attending Board and Committee meetings. Pro-rata fees are paid to Non-Executive Directors who serve for less than a full year.

### **vi. Equity Based Remuneration Schemes**

The Company has an equity based remuneration scheme.

It is the Company's policy to encourage Directors, employees and related parties to own Shares in the Company. The trading in shares policy strongly reinforces the obligations of Directors and employees, both of the Company and AXIS Consultants Pty Ltd, under the Corporations Act 2001 and the Australian Securities Exchange Listing Rules in relation to trading in Company shares. The acquisition and sale of Company shares by Directors and employees is prohibited in periods of fourteen (14) days prior to the announcement of the Company's quarterly reports, and thirty (30) days prior to the announcement of the Company's half yearly and full year reports to the Australian Securities Exchange. Directors, employees and related parties can seek permission from the Chairman to purchase or sell shares outside these periods. Directors and Executives can only seek permission to trade in shares in the blackout period in cases of extreme financial hardship. In the case of the Chairman, he must seek permission from a Director or the Company Secretary. The policy also sets out that there should be no speculative trading. Directors and employees are required to report share trading to the Company Secretary.

This Statement is effective 7 October 2018 and was approved by the Board on 7 October 2018.