



## **Corporate Governance Statement 2019**

The Board's primary role is to represent and serve the interests of the Company as a whole whilst operating in a manner that respects and takes into consideration the interests of each of its key stakeholders.

On June 11<sup>th</sup> four new Directors, being Christine McGrath, David Shearwood, Jonathan Guinness and Martin McConnell were elected by shareholders to the Board. In June the then current Directors Brian Moller, Dianne Lai, Alec Psimiris and Paul Pint resigned as Directors of the Company. On July 19<sup>th</sup> and on August 14<sup>th</sup> Justin Reid and David Gower, respectively also resigned as Directors of the Company thereby effecting a complete renewal of the Board. The Board immediately announced that it would undertake a review of all aspects of the Company's operations, strategy and governance framework. As part of that review, the Board has determined to implement the 4<sup>th</sup> Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations as soon as practicable during the current financial year. While this process has already begun, the Company will report against the 3<sup>rd</sup> edition of the ASX Corporate Governance Principles and Recommendation 2014 ("Recommendations") in this statement.

Some of the Recommendations were not followed during the relevant period. We have made every effort to contact former executives and directors to determine the reasons why those Recommendations were not followed in order that those reasons may be properly reported to shareholders. However, in a number of instances, the Board has been unable to determine why the previous board departed from a particular Recommendation.

This statement has been approved by the Board, and the information in the statement remains current as at September 25<sup>th</sup>. Company policies and charters are available at [www.aguiaresources.com.au](http://www.aguiaresources.com.au).

### **Role of the Board and Management**

A summary of the Board Charter, which sets out the respective roles and responsibilities of the Board, is available on the Company's website.

In order to more fully comply with Recommendation 1.1 however, the Board believes that the existing Board Charter will need to be amended to expressly set out those matters which have been delegated to management.

The revised Board Charter will be uploaded onto the Company's website as soon as it has been approved by the Board.

The new Board, on assuming office, immediately put in place temporary delegations and is in the process of developing detailed Delegations of Authority throughout the organisation. Please see [www.aguiaresources.com.au](http://www.aguiaresources.com.au) for information in relation to how the Company complies with Recommendations 1.2, 1.3 and 1.4.

Biographical information in relation to each Director can be found on the website or in the Company's ASX announcements.



## **Board Composition and Independence**

For most of the reporting period, the previous Board was not comprised of a majority of independent Directors (and nor was the Board chaired by an independent chairperson). The reason for the departure from Recommendations 2.4 and 2.5 is not known. Following the appointment of Ms McGrath and Messrs Shearwood, Guinness, McConnell and Ross (who was appointed to the Board on August, 15<sup>th</sup>) however, the Board is now comprised of a majority of independent Directors (with only Mr Shearwood, not considered to be independent) and is chaired by an independent Director (being Ms McGrath).

In forming a view as to each Director's independence, the Board has had regard to the indicia set out in Box 2.3 of the Recommendations.

The Company's Constitution provides that the number of directors shall not be less than three and not more than ten. Appropriate external checks are in place for new Director appointments.

Given the size and scale of the Company, the Board does not believe that formal "skills matrix" (as suggested by Recommendation 2.2) is necessary (noting of course, that the new Board has nonetheless, sought to ensure that key areas of expertise are adequately covered).

The current Boards' skill set comprises a broad range of commercial experience and includes two geologists, one mining engineer, one corporate lawyer with executive management experience and one Director who is a specialist in financial risk management. In addition, the most recent addition to the Board, Stephen Ross is a geologist with JORC credentials who has extensive international exploration and project development experience. As the company grows, the Board will consider further additions to the Board based on the broadening of its skills base as appropriate.

## **Induction**

On appointment, Directors are provided with, and required to sign, a formal letter of appointment. This document sets out the terms of their appointment and their key responsibilities. It also requires each director to disclose any relationships, duties or interests held that could potentially give rise to a conflict of interest.

Directors are expected to be well informed on the nature of the Company's business operations, strategy and the environment in which it operates. To this end, and as a part of their induction, three new Board members undertook a visit to the Company's principal place of business in Port Alegre Brazil in July. The induction process included site visits to two of the Company's phosphate resources and all of the copper targets in Lavras and Cacapava in Brazil. An integral part of the trip was a meeting with the Governor of Rio Grande Du Sol and the respective Mayors of Cacapava and Lavras. These locations are areas in which the Company has considerable mineral assets and has undertaken extensive community outreach. The new Directors also met with all of the Company's Brazilian executives and geologists, as well as our Brazilian based lawyers and communication consultants. The timing of the visit was such that we were also able to meet with potential Brazilian joint venture partners.

In addition, new Directors are also expected to gain a sound working knowledge and understanding of the Company's risk management and internal control framework.



### **Board Committees**

The Board has determined that at present due to the size of the Company that it does not intend to operate a Board committee system. The Board has increased the number of annual Board meetings from six (as was the case with the previous Board) to 12. It is intended that proper governance processes and practices for the oversight of audit, risk, nomination and remuneration will be incorporated as appropriate at each Board Meeting. This will be reviewed as required.

### **Professional Development**

The Company provides opportunities for professional development for Directors as required.

### **Diversity**

Due to the Company's size and nature of operations, the Board does not intend to develop a diversity policy, however presently female participation on the Board comprises 20%. At senior management level it comprises 25%.

### **Performance Reviews**

The current Board is unable to determine whether there was a Board performance review or individual Director performance review during the 2019 reporting period. The reason for the previous Board's apparent departure from Recommendations 1.6 and 1.7 is not known. In any event, Performance Reviews will be undertaken for the Board as a whole as well as for individual Directors and senior executives in relation to their performance during the 2020 financial year.

As part of the new Board's review, two General Manager appointments were made. One in finance and geology. These two positions were promotions for long term employees to more effectively support the Company's highly experienced Technical Director, Mr Fernando Tallarico. In addition, a General Manager of Phosphate was appointed to oversee phosphate production on the granting of the necessary permits.

The Board will agree performance indicators with each of these three executives and intends to undertake executive performance reviews at the end of the 2020 financial year.

Once the processes for the periodic evaluation of the Board (as a whole) as well as for Directors and the Company's senior executives (in each case, individually) have been more fully developed, the Company will provide shareholders with a summary of these performance review processes on its website (as well as in its Corporate Governance Statement for the 2020 financial year).

### **Company Secretary**

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

### **Professional Advice**

The Board has determined that individual directors have the right to seek independent professional advice at the Company's expense provided that the matter relates to their duties and responsibilities as directors. This is subject to prior approval of the Chairman but such approval will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.



## **Value Integrity and Respect**

The Board wishes to maintain and develop a culture based on integrity and mutual respect building on the very positive and respectful culture which we discovered when we were recently in Brazil. We hold the values of integrity and respect to be of the utmost importance in our relationship with our employees, business partners, shareholders, community and all other stakeholders. The Company has adopted a detailed Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability. It is available on the Company's website.

A Whistleblower policy has recently been approved by the Board to enhance our stated intention to create a culture of integrity and respect. A Share Trading Policy is currently under development. Once finalised, both the Whistleblower and Share Trading policies will be uploaded onto the Company's website.

## **External Audit**

Ernst & Young is the Company's external auditor. The Board is responsible for the selection, appointment, re-appointment or replacement of the external auditor. The appointment of the external auditor is formally reviewed every three years. The Board appointed Ernst & Young as external auditor in November 2016.

There were no non-audit services provided by the external auditor during the reporting period as reported in the Financial Statements.

Ernst & Young has provided the required independence declaration to the Board for the 2019 financial year. The independence declaration forms part of the Directors' Report in the Annual Report.

The lead audit partner attends the Company's AGM and is available to answer questions from shareholders relevant to the audit.

## **Assurances from Management**

The Board received ED & CFO certifications in relation to the reporting period that complied with regulatory requirements.

These certifications declare that:

- the Company's financial records for the financial year have been properly maintained as required by the Corporations Act;
- the financial statements and notes for the financial year comply with the accounting standards; and
- the financial statements and notes for the financial year give a true and fair view of the financial position and performance of the Company.

The certifications provide assurance to the Board that the financial reporting is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects.



### **Internal Audit Function**

The Board has determined not to undertake an annual internal audit program due to the size of the Company.

However, the Board recognises that from time to time it may nevertheless be prudent and necessary to initiate discreet internal audit projects. Should that be the case the audit firm selected will be independent of the Company's external auditors.

### **Investor Relations**

Shareholders and other stakeholders are informed of all material matters affecting the Company through ASX announcements and a range of other information is available on the Company's website.

The Company's website [www.aguiaresources.com.au](http://www.aguiaresources.com.au) contains a range of information that may be useful to shareholders.

Other shareholder engagement activities include:

- the Annual General Meeting
- the Annual Report
- regular releases of financial information, including half and full-year financial results.

The Board will continue to develop its process and protocols to ensure that communication between the Board and shareholders of the Company is enhanced. While the Board does not envisage that this will develop into a formal investor relations program as suggested by Recommendation 6.2, it will nonetheless provide a framework for effective two-way communication with investors. The Board encourages all shareholders to attend the Company's general and annual meetings.

### **Market Disclosure Policy**

The Market Disclosure Policy requires executive management to determine when a market release is required to comply with the ASX Listing Rule continuous disclosure requirements. The Policy sets out details of accountability for the preparation and approval of ASX releases and is available on the Company's website.

### **Risk Management**

The Board is unable to determine the extent to which the old Board had a suitable Risk Management Framework in place and if it did, the extent to which that framework was adhered to. As a consequence, the Board is in the process of designing and implementing a new Risk Management Framework which will be intrinsically linked to the Company's strategic objectives (while simultaneously seeking to mitigate the Company's more material economic, environmental and social risks). A summary of the new framework, as well as the manner in which the Company's key risks will be sought to be mitigated, will be uploaded on to the Company's website in due course.

### **Fair and Responsible Remuneration**

The remuneration of Non-Executive Directors is reported annually as required by law.

Further information on directors' and executives' remuneration is set out in the Directors' report under the heading Remuneration Report in the Directors' Report in each year's Annual Report.



Any changes are determined by the Board from time to time having regard to market conditions.

Neither Non-Executive Directors nor executives or officers receive retirement benefits, other than statutory superannuation contributions.

Any increase in the maximum total remuneration of the non-executive Directors of the Company, which is set at \$200,000 is subject to the approval of shareholders.