



AGUIA RESOURCES LIMITED
ACN 128 256 888

CORPORATE GOVERNANCE POLICY

Agua Resources Limited, (the “Company”) and its controlled entities (the “Group”) have adopted the corporate governance framework and practices set out in this statement. The Board of the Company is responsible for its corporate governance, that is, the system by which the Group is managed. The corporate governance framework and practices have been in place throughout the financial year, and comply with the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations, 3rd Edition (“Recommendations”), unless otherwise stated below.

This statement has been approved by the Board, and the information in the statement remains current as at 23 September 2016. Company policies and charters are available in the ‘Corporate Governance’ section of the Company’s website at www.aguiaresources.com.au.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Role of the Board and Management

The Board is responsible for evaluating and setting the strategic direction for the Group, establishing goals for management and monitoring the achievement of those goals.

The Board has responsibility for the following:

- Appointing and removing the Chief Executive Officer (“CEO”) and Managing Director, Chief Financial Officer (“CFO”), Company Secretary and any other Executives and approving their remuneration;
- Determining the strategic direction of the Group and measuring performance of management against approved strategies;
- Review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and capital expenditure budgets at the commencement of each financial year, approving acquisitions and divestitures, and monitoring progress by both financial and non-financial key performance indicators;
- Monitoring the Group’s medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Group’s financial affairs;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Group’s objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board’s role and the Group’s corporate governance practices are continually reviewed and improved as required.

1.2 Information on New Directors

The Company has in place an external supplier to undertake appropriate checks on any potential Director appointments. Under the Company’s Constitution, all Directors appointed throughout the year as an

additional Director or to fill a casual vacancy hold office to the AGM. Current Directors hold office and are required to be considered by Shareholders for re-election under the Listing Rules.

All Directors, whether appointed throughout the year as an additional Director or to fill a casual vacancy or who are due for election under the Listing Rules, are disclosed in the Notice of AGM, with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director. The company's constitution provides that at each annual general meeting, one third of the Board (other than any Managing Director in office from time to time) or, if their number is not a multiple of three, the number nearest to one third, must retire and, if the retiring Directors so chose, may offer themselves for re-election.

1.3 Contracts with Directors

On appointment, Directors are provided with a formal letter of appointment and executive management with written employment agreements incorporating job descriptions (where relevant).

1.4 Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Group's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

The finance and company secretarial functions are outsourced to an external firm, Franks & Associates Pty Ltd. Andrew Bursill of Franks & Associates holds the role of Company Secretary. The Company Secretary is accountable to the Board through the Chairman on corporate governance matters pertaining to the company secretarial role. All Directors have access to the Company Secretary.

1.5 Diversity

Recommendation 1.5 is that the Company should establish and disclose a diversity policy. Due to the Company's size and nature of operations, the Board has not yet implemented a diversity policy but the Board recognises the value of diversity and the opportunities that it brings. As the Company grows and positions become available, the Board remains conscious of the requirement to establish a diversity policy and will seek to promote and increase diversity.

Recommendation 1.5 also states that the Company should report against a set of measurable objectives for achieving gender diversity. Due to the Company's size and nature of operations, the Board has not yet established measurable objectives for achieving gender diversity.

The Company currently has no permanent full-time employees; rather it uses the services of a number of consultants. There are five Directors on the Board, all of whom are male.

1.6 Performance Review – Board and Directors

Due to the size of the Company and the Board, an informal self-assessment is normally undertaken in relation to the Board's collective performance and the performance of the Chairman and individual Directors during each financial year. There are currently no formal policies in place for these evaluations. The Board, its committees and non-executive Directors continually monitors its performance during the year in accordance with the processes described above.

Recommendation 1.6 includes the requirement to disclose whether a performance evaluation for the Board, its Committees and Directors has taken place in the reporting period. A formal self-assessment was not performed during the 2015 financial year but a performance review is scheduled to take place in the next financial period.

1.7 Performance Review – Senior Executives

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial performance;
- annual performance appraisal meetings, incorporating analysis of key performance indicators with each individual, to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group;
- an analysis of the Group's prospects and projects; and
- a review of feedback obtained from third parties, including advisors.

Recommendation 1.7 includes a requirement to disclose whether a performance evaluation for senior executives has taken place in the reporting period. Due to the executive changes that occurred during the year, this process was not undertaken during the 2015 financial year.

PRINCIPLE 2: STRUCTURE OF THE BOARD TO ADD VALUE

2.1 Nomination Committee

Recommendation 2.1 is that the Board should establish a nomination committee. The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of a nomination committee at this time. The Board as a whole considers the following factors when selecting new Directors and when recommending Directors to shareholders for appointment or re-election:

- the aim of having a majority of independent Directors on the Board and of having an independent non-executive chairman;
- the aim of having an independent Director, other than the Board chairman, as the chairman of the Audit and Risk Management Committee;
- that between them, the Directors have the appropriate skill base and range of expertise, experience and diversity to discharge the Board's mandate;
- that each individual Director has sufficient time to meet his/her commitments as a Director of the Company;
- the duration of each existing Director's tenure, noting the retirement provisions of the Constitution as set out below; and
- whether the size of the Board is appropriate to facilitate effective discussions and efficient decision-making.

Where appropriate, independent consultants will be engaged to identify possible new candidates for the Board. To date, new candidates to join the Board have predominantly been sought through referrals, rather than through professional intermediaries.

Directors are initially appointed by the full Board, subject to election by shareholders at the next annual general meeting. Under the Company's Constitution a Director (other than the Managing Director and only one Managing Director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his/her last appointment. The nomination of existing Directors for reappointment is not automatic and is contingent on performance and on the current and future needs of the Company.

2.2 Board Skills Matrix

The Board has developed a Board skills matrix, to simplify the process for identifying any 'gaps' in the Board's skills, expertise and experience. As part of the review of the skills matrix the Board monitor the skills, expertise and experience that are relevant to the Company and assesses those requirements against the collective attributes of the Directors. The Board skills matrix will be reviewed by the Directors on an annual basis.

Details of the Directors' skills, experience, expertise and attendance at meetings are set out in the Directors' Report in each year's Annual Report.

2.3/2.4 Independent Directors

The Company currently has the following Board members, who served as Directors throughout the year unless otherwise stated below:

- Mr Justin Reid - Executive Chairman and Managing Director (appointed 7 April 2015)
- Mr David Gower - Independent Non-executive Director (resigned as Acting Chairman on 7 April 2015, appointed 30 November 2012)
- Dr Fernando Tallarico - Technical Director (Resigned on 12 January 2016, appointed 23 June 2010)
- Mr Brian Moller - Independent non-executive Director (appointed 18 December 2013)
- Mr Alec Pismiris - Independent non-executive Director (appointed 26 March 2014)
- Mr Paul Pint - Executive Chairman (Appointed on 12 January 2016)

Justin Reid resigned from his role as Executive Chairman on 12 January 2016 and continues to be the Company's Managing Director and an Executive Director of the Board. Paul Pint was appointed as Executive Chairman on 12 January 2016. Fernando Tallarico resigned as Technical Director on 12 January 2016.

Details of the Directors' skills, experience, expertise, special responsibilities, attendance at Board meetings and dates of appointment are set out in the Directors' report.

In assessing the independence of the Directors, the Board has defined an Independent Director as a Director who:

- Is a non-executive;
- Is not a substantial shareholder (i.e. Greater than 5%) of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- Has not within the last three years been employed in an executive capacity by the company or another group member;
- Has not within the last three years been a principal or employee of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;
- Is not a material supplier or customer of the company or another group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- Has no material contractual relationship with the company or another group member other than as a director of the company; and
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount which is greater than five percent of either the net assets of the Company or an individual Director's net worth is considered material for these purposes.

Justin Reid, Paul Pint and Fernando Tallarico are Executive Directors, and are therefore not Independent.

Brian Moller is a partner of the law firm HopgoodGanim, which periodically provides legal advice to the Company. As HopgoodGanim is not a material consultant to the Company, Brian Moller is deemed to be an Independent Director. Alec Pismiris and David Gower are also deemed to be Independent Directors.

The Company's Constitution provides that the number of Directors shall not be less than three and not more than ten. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of additional Independent, non-executive Directors. The Board believes that the five individuals on the Board can, and do, make independent judgments and act in the best interests of shareholders.

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

2.5 Chairman

Justin Reid was performing the role of Executive Chairman up until 12 January 2016. Prior to that time, the role of the Chair and CEO was not separate, with Justin Reid performing the role of both Chairman and Managing Director. Post Justin Reid's resignation as Executive Chairman, Paul Pint was appointed for this role, resulting in the roles of Chair and CEO now being undertaken as two separate roles.

The Chairman's responsibilities include leadership of the Board and the efficient organisation and conduct of the functioning of the Board.

2.6 Director Induction

The Board implements an induction program for new Directors which involves providing information about the company, its constitution and policies and practices. The Board is continually informed by Senior Management of key developments in the Company's business and the industry in which the Company operates.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

3.1 Code of Conduct

The Group has a Code of Ethics and Conduct in place which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Group.

All Group personnel and Directors are expected to:

- Respect the law and act in accordance with it;
- Respect confidentiality and not misuse group information, assets or facilities;
- Value and maintain professionalism;
- Avoid real or perceived conflicts of interest;
- Act in the best interests of shareholders;
- By their actions contribute to the group's reputation as a good corporate citizen, which seeks the respect of the community and environment in which it operates;
- Perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- Exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- Act with honesty, integrity, decency and responsibility at all times.

Any member of Group personnel that breaches the Code of Ethics and Conduct may face disciplinary action. If a member of Group personnel suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to management. No member of Group personnel will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

Since the year end, the Company has adopted a more detailed Code of Conduct, which is available on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

4.1 Audit Committee

During the year, the full Board reviewed the integrity of the Company's financial reporting and the processes to ensure the independence and competence of the external auditors. The Audit and Risk Management Committee held its first meeting on 16 September 2015 and has a formal Committee Charter, which is available on the Company's website.

The Audit and Risk Management Committee consists of Brian Moller (Independent non-executive Director) as Chairman, David Gower (Independent non-executive Director) and Alec Pismiris (Independent non-executive Director). All members of the Committee are financially literate and have an understanding of the industries in which the Group operates. Meeting dates and attendance information for the Committee, is detailed below.

Directors	16/09/2015	10/03/2016
Brian Moller (Chair)	1	1
Alec Pismiris	1	1
David Gower	1	1

The Committee's main responsibilities include:

- Considering whether the Company's financial statements reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Company;
- Ensuring that the quality of financial controls is appropriate for the business of the Company;
- Considering the appointment or removal of the external auditor, the rotation of the external audit partner and approving the remuneration and terms of engagement of the external auditor;
- Monitoring and reviewing the external auditor's independence, objectivity and performance, taking into consideration relevant professional and regulatory requirements; and
- Reviewing the Company's risk management and internal control systems.

4.2 CEO/CFO Declarations

The Board has received a written assurance from the CEO and the CFO for each financial reporting period that in their opinion, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

4.3 External Auditors present at the Annual Meeting

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is considered annually and applications for tender for external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. The audit engagement partner is rotated periodically, as required by the Corporations Act.

A representative from the external auditor attends each annual general meeting to answer any questions concerning the audit of the Group and the contents of the auditor's report.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 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.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Website Information

The Company discloses information about itself, ASX Announcements, its Corporate Governance Statement and all its Corporate Governance Policies on the Company's website.

6.2 Investor Relations

The Group places considerable importance on effective communications with shareholders.

The Group communicates with shareholders and other stakeholders in an open, regular and timely manner, so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The following communications are posted on the Company's website:

- ASX Quarterly Cash flow Reports;
- Half Yearly Report;
- Presentations at the Annual General Meeting/General Meetings;
- Annual Report; and
- Other announcements lodged with ASX.

6.3 Participation at Shareholder Meetings

The Board encourages full participation of shareholders at the Annual General Meeting. Shareholders who are unable to attend general meetings are encouraged to lodge proxy appointments in advance of the meeting.

6.4 Electronic Communications

Shareholders may elect to receive electronic notifications when the Annual Report is available on the Company's website, and may electronically lodge proxy instructions for items of business to be considered at general meetings.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Risk Committee

Recommendation 7.1 is that the Board should establish a committee to oversee risk. The Audit and Risk Management Committee, which has a remit including risk oversight and management responsibilities had its first meeting on 16 September 2015. Section 4.1 details the structure of the Committee and the Charter is available on the Company's website.

The Committee documents the Group's risk profile in a risk management matrix, which is reviewed by the Board on a regular basis. The risk management matrix identifies strategic and operational areas of risk for the Group and records any remedial action the Group has taken in the management of those risks.

7.2 Risk Management Review

Recommendation 7.2 is that the Board or a Committee should review the risk management framework at least annually. During the year, ongoing monitoring, mitigating and reporting on material risks by senior executives, the Audit and Risk Committee and the Board took place in accordance with the processes disclosed.

The Board has established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards. The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Group's approach to creating long-term shareholder value.

Management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system.

Key elements of the Group's internal control systems include:

- The Code of Conduct, which sets out an ethical and legal framework for all employees in the conduct of the Group's business; and
- Financial and reporting systems to provide timely, relevant and reliable information to management and the Board.

The CEO and the CFO have reported and declared in writing to the Board that the Group's management of its material business risks is effective, as required by Recommendation 7.2.

During the year and up to the date of this statement, management reported either directly, or via the Audit and Risk Management Committee, to the Board on the Group's key risks and the effectiveness of the Company's management of those risks.

7.3 Internal Audit Function

Under the Charter of the Audit and Risk Committee, the Committee reviews whether an internal audit function is required. Where there is an internal audit function, the Committee reviews its objectivity and performance. The Charter also states that the Committee will ensure the development of risk management policies, and define and periodically review risk management practices.

The Audit and Risk Committee and the Board, have determined not to have an internal audit function due to the size of the Company.

The Company's external auditors are under a half year review and full year audit as required under the Corporations Act 2001. The Audit and Risk Committee have regular meetings and contact with the external auditors during the year and for the review and audits.

7.4 Material Exposure to Risk

Recommendation 7.4 is that the Board should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if so, how it manages those risks. The Group believes that the following operational risks are inherent in the industry in which the Group operates, having regard to the Group's circumstances (including financial resources, prospects and size):

- Fluctuations in commodity prices and exchange rates;
- Accuracy of mineral reserve and resource estimates;
- Reliance on licenses, permits and approvals from governmental authorities;
- Ability to obtain additional financing;
- Acquisition of new business opportunities; and
- Changed operating, market or regulatory environments.

These risk areas are provided here to assist investors to understand better the nature of the risks faced by the Group, and are not necessarily an exhaustive list.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Remuneration Committee

Recommendation 8.1 is that the Board should establish a remuneration committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company.

Details of the Group's remuneration policy are set out in the remuneration report.

8.2 Remuneration Disclosure for Non-Executive and Executive Directors

The remuneration of non-executive Directors is determined by the Board as a whole having regard to the level of fees paid to non-executive Directors by other companies of similar size in the industry. Due to the size of the Company, the structure of both executive and non-executive Directors' remuneration includes a long-term incentive component, linked to the performance of the Group.

The non-executive Directors receive no 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. 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 Directors or Agua personnel participating in equity-based remuneration schemes are prohibited from entering into transactions in associated products which limit the economic risk of their unvested entitlements.