

**ENERGY METALS LIMITED**

A.B.N. 63 111 306 533

**2019 CORPORATE GOVERNANCE STATEMENT**

## Corporate Governance Statement

It is the responsibility of the Board of Directors of Energy Metals Limited to monitor the business affairs of the Company and to protect the rights and interests of the shareholders. The Board believes that high standards of corporate governance are an essential prerequisite for creating sustainable value for shareholders. This statement outlines the Company's key corporate governance policies and practices in place throughout the financial year ended 31 December 2019. The policies and practices have aimed to ensure the implementation of a strategic business plan and an integrated framework of accountability over the Company's resources, functions and assets.

The Company's most significant governance policies are available on the Company's website [www.energymetals.net](http://www.energymetals.net)

This Corporate Governance Statement, dated 31 December 2019 and approved by the Board on 3 April 2020.

### Corporate Governance Principles and Recommendations 3<sup>rd</sup> Edition issued by ASX Corporate Governance Council

#### Principal 1: Lay solid foundations for management and oversight

*ASX Corporate Governance Council's Recommendation (3rd Edition) 1.1:*

*A listed entity should disclose:*

- (a) The respective roles and responsibilities of its board and management; and*
- (b) Those matters expressly reserved to the board and those delegated to management.*

The Board is responsible for the direction and strategy of the Company. It makes decisions on overall control process and corporate governance to protect and promote shareholders' interest. The responsibilities of the Board mainly include:

- Providing strategic direction and establishing goals for management;
- Monitoring the progress and achievement of these goals;
- Identifying business risks and ensuring appropriate risk management in place;
- Approving the appointment of directors and senior executives and their remuneration packages;
- Overseeing management's implementation of the Company's strategic objectives and their performance;
- Approving operating budgets and significant capital expenditure and investments;
- Approving annual and half yearly financial reports to the market.

The management is responsible for the day-to-day operations and administration of the Company. The management is also responsible to implement and execute the policies and strategy set by the Board.

*ASX Corporate Governance Council's Recommendation (3rd Edition) 1.2:*

*A listed entity should disclose:*

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and*
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

When a candidate is standing for election as a director, detailed biographical details, including their relevant qualifications and experience and the skills, is circulated to the Board for consideration. Confirmation of any other material directorships currently held by the candidate and his/her own interest in the Company's securities is required from the candidate. The newly appointed director holds office only until the next following annual general meeting and is then eligible for re-election by shareholders.

Under the Constitution of the Company, one third of the Directors, other than the Managing Director, are required to retire from office at each Annual General Meeting to ensure that no Director other than alternate Directors and the Managing Director holds office for more than 3 years.

All material biographical information of the candidate as well as the Board's statement as to whether it supports the election or re-election of the candidate are disclosed in the Notice of the Meeting.

*ASX Corporate Governance Council's Recommendation (3rd Edition) 1.3:*

*A listed entity should have a written agreement with each director and senior executive setting out the terms of the appointment.*

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms of appointment, including compensation relevant to the office of director. Remuneration and other terms of employment for the Executive Director and other Senior Executives are formalised in service agreements or employment agreements. Material terms of contracts of directors and senior executives are disclosed in the Remuneration Report every year.

*ASX Corporate Governance Council's Recommendation (3rd Edition) 1.4:*

*The company secretary of a listed entity should be accountable directly to the board, through the chair; on all matters to do with the proper functioning of the board.*

The Company Secretary is accountable directly to the Board, through the chair on all matters related to the proper functioning of the Board. The Company Secretary communicates with all directors on a regular basis and has the direct access to the chair for all matters related to the proper functioning of the board.

*ASX Corporate Governance Council's Recommendation (3rd Edition) 1.5:*

*A listed entity should:*

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;*
- (b) disclose that policy or a summary of it; and*
- (c) disclose as at the end of each reporting period the measure objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:*
  - (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organization (including how the entity has defined "senior executive" for these purposes);*  
*or*
  - (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.*

The Company acknowledges the importance of diversity and recognizes the benefit brought to the business. During its business practice, the Company encourages and promotes a fair and open environment to all staff regardless of gender, age, ethnicity, marital, religion and so on. Discrimination and harassment are not acceptable in the workplace.

However, the Company has not complied with the above Recommendation as it does not have a formal diversity policy, nor does it establish measurable objectives for achieving gender diversity and annually reviewing those objectives.

With the current size of the Company and its level of activity, the Board does not consider it appropriate to formalize a diversity policy or establish measurable objectives for gender diversity. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

The proportion of women within the whole organization, in senior executive positions and women on the Board as at the date of this report are:

	Number	Percentage
Number of women employees in the whole organization	2	40%
Number of women in senior executive positions	1	20%
Number of women on the Board	2	29%

*ASX Corporate Governance Council's Recommendation (3rd Edition) 1.6:*

*A listed entity should:*

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and*
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The Company has a formal process to evaluate the performance of the Board, and the executive director. It is the non-executive Chair who generally assess the performance of the Board by considering the actual financial and operational results with the set targets. However, with the current size of the Company and its level of activity, the Board does not consider it appropriate to have formal process to evaluate its committee and individual directors. During the year a performance evaluation was undertaken on the executive director, with no performance evaluations undertaken on the Company's committees and Non-executive directors.

*ASX Corporate Governance Council's Recommendation (3rd Edition) 1.7:*

*A listed entity should:*

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and*
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The Company has a formal process to evaluate the performance of the senior executives. The Managing Director reviews the senior executives' performance according to their job responsibilities. Performance targets are generally set at the beginning of the year and are referred in the performance review. A performance evaluation was undertaken during the year.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 2.1:*

*The board of a listed entity should:*

- (a) have a nomination committee;*
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills,*

The Company does not have a nomination committee. When a new director appointment is to be made the remaining board members seek a candidate with relevant industry experience and who is willing to serve on the Board. The Board will assess the candidate's knowledge and experience before approving the appointment. The newly appointed director stands for re-election by shareholders at the next annual general meeting. At every Annual General Meeting one third of the Directors (except the alternate directors and Managing Director) must retire and sit for re-election.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 2.2:*

*A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or its looking to achieve in its membership.*

Skills and experience of each director are disclosed in the Directors' Report in the Company's annual report. The Directors of the Company in office at the date of this statement are:

<u>Name</u>	<u>Age</u>	<u>Position and Period of Office Held</u>	<u>Special Expertise</u>
Fei He	43	Non-executive Director and Chairperson, appointed on 3 April 2020	Corporate Management
Shuqing Xiao	39	Managing Director for 2 years	Resource Industry
Lindsay Dudfield	63	Non-executive Director for 9 years; Managing Director for 6 years	Resource Industry
Zhe Gao	46	Non-executive Director for 1 year	Corporate Management
Junmei Xu	41	Non-executive Director for 4 years	Financial Management

Jan Macpherson	65	Non-executive Director for 3 years	Legal & Corporate Management
Zhe Xu	43	Non-executive Director for 6 years	Engineering & Uranium research

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 2.3:*

*A listed entity should disclose:*

- (a) the names of the directors considered by the board to be independent directors;*
- (b) if a director has an interest, position, association or relationship but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and*
- (c) the length of service of each director.*

Ms Jan Macpherson is considered to be an independent director as she is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect her capacity to bring an independent judgment.

The length of service of each director is disclosed as above.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 2.4:*

*A majority of the board of a listed entity should be independent directors.*

Due to the nature of its business structure and under the acquisition agreement approved by shareholders in 2009, China General Nuclear Power Group ("CGNPC") may nominate four directors in the Board after the acquisition. The nominated directors are not regarded as independent directors due to their relationships with CGNPC. However, all directors bring their independent judgment to make board decisions and act in the best interests of shareholders.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 2.5:*

*The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.*

The Board comprises of a non-executive Chairman, five non-executive directors and one executive director. As explained above, the non-executive Chairman, who is an affiliate of CGNPC, is not an independent director.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 2.6:*

*A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.*

The Company has a program for inducting new directors. The Chair or the Board will provide information covering all aspects of the Company's activities and operations to a new director. The new director may access the Company's records and directly communicate with the management.

All directors are encouraged to have continual professional development. Directors are provided with access to resources and training regarding their roles and skills gaps that are identified.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 3.1:*

*A listed entity should disclose:*

- (a) have a code of conduct for its directors, senior executives and employees; and;*
- (b) disclose that code or a summary of it.*

The Company has a code of conduct for all its employees. The code is disclosed at the Company's website [www.energymetals.net](http://www.energymetals.net)

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 4.1:*

*The board of a listed entity should:*

- (a) have an audit committee;*
- (b) if it does not have an audit committee, disclose that fact and the processes it employs to that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner,*

The Company does not have a separately established audit committee. The Board considers that due to the Company's size, an audit committee's functions and responsibilities can be adequately and efficiently discharged by the Board as a whole, operating in accordance with the Company's mechanisms designed to ensure independent judgment in decision making.

The Board receives the external auditors' management report after annual audit each year. The Board meets with the auditor at least once a year and raise questions if they have any. The appointment and the removal of the external auditor are required to receive shareholders' approval.

The Company's auditor has a proper policy regarding the rotation of the audit engagement partner and signs an independent declaration to the Company every year.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 4.2:*

*The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the 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.*

The Board receives from the Chief Executive Officer (Managing Director) and the Financial Manager who is in charge of financial affairs appropriate declarations in relation to annual and half yearly financial reports before they approve the financial statements.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 4.3:*

*A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.*

The Company's external auditor is invited to, and attends, the annual general meeting. The auditor's presence is made known to shareholders during the meeting and the opportunity provided to ask questions.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 5.1:*

*A listed entity should:*

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and*
- (b) disclose that policy or a summary of it.*

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. A summary of these policies and procedures is available on the Company's website. To ensure it meets its continuous disclosure obligations, the Board has nominated the Managing Director and the Company Secretary as responsible for all disclosure matters. Their role is to collate and, where appropriate, disclose share price sensitive information.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 6.1:*

*A listed entity should provide information about itself and its governance to investors via its website.*

The Company provides business information, including directors, strategies, projects, and corporate governance policies on its website [www.energymetals.net](http://www.energymetals.net). All ASX announcements and reports are also uploaded to the website for shareholders' information.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 6.2:*

*A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

The Company encourages communication with shareholders. A business report is presented to shareholders at the annual general meeting and shareholders can ask questions directly of the Board. On each ASX announcement, the Company provides contact details, including phone number and email address to facilitate shareholder communication.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 6.3:*

*A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.*

The Company encourages its shareholders to attend shareholder meetings and sets the time and place of each meeting to promote maximum attendance by shareholders.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 6.4:*

*A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.*

The Company encourages electronic communication with its shareholders. Shareholders are welcome to send their queries via the publicised email address [enquiry@energymetals.net](mailto:enquiry@energymetals.net) and can access the Company's website [www.energymetals.net](http://www.energymetals.net) for ASX announcements and reports.

The Company's share registry also welcomes electronic communication with shareholders.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 7.1:*

*The board of a listed entity should:*

- (a) have a committee or committees to oversee risk;*
- (b) if it does not have a risk committee or committees that satisfy the relevant criteria, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

The Company does not have a separate committee to oversee risk as the Board has decided that it is able to oversee the Company's risk management framework efficiently and effectively without establishing a risk committee. The Board approves control policies and procedures for the Company's business and delegates the Managing Director and the senior executives to ensure they are implemented effectively. The Board reviews and approves the business budget every year to control the financial and cashflow risks. Proper insurance policies are in place to mitigate risks associated with the business.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 7.2:*

*The board or a committee of the board should:*

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*
- (b) disclose, in relation to each reporting period, whether such a review has taken place.*

The Board reviews the Company's risk management at least once a year. The Managing Director and the senior executives identify and report any significant financial or operational risk to the Board at each Board meeting. The overall risk management framework and assessment are disclosed in the Company's annual report which requires the Board's approval. The Board had such a review during the year.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 7.3:*

*A listed entity should disclose:*

- (a) if it has an internal audit function, how the function is structured and what role it performs; or*
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*

The Company does not have an internal audit function due to its small size and simple structure. The Board discusses business risks at the directors' meetings and approves internal control policies on various business aspects. The Managing Director and the senior executives ensure the daily operation complies with the approved control policies. An assessment report on the Company's control process and improvement was prepared and reviewed by the Chair during the year. The Board receives a report from the external Auditor regarding internal control and gives feedback every year.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 7.4:*

*A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.*

The Company is subject to significant environmental regulation in respect of its exploration activities. Tenements in the Northern Territory and Western Australia are granted subject to adherence to environmental conditions with strict controls on clearing, including a prohibition on the use of mechanized equipment or development without the approval of the relevant government agencies and with rehabilitation required on completion of exploration activities.

The Company conducts its exploration activities in an environmentally sensitive manner and the Company is not aware of any breach of statutory environmental conditions or obligations.

As a junior explorer, the Company may have significant exposure to market risk and liquidity risk. The Company's overall risk management program and risk assessment are disclosed in the annual report.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 8.1:*

*The board of a listed entity should:*

- (a) have a remuneration committee;*
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

The Company has decided not to have a remuneration committee due to its small size and simple structure. The Board review and approve the salary package of the Managing Director. For the Non-executive directors, they are paid at a fixed amount and the total fee of Non-executive directors is required to be approved by shareholders.

*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 8.2:*

*A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

The Company's non-executive directors receive a fixed fee for their services and do not receive performance based remuneration. Fees for non-executive directors are not linked to the performance of the Company.

The Executive Director and other senior executive officers receive either salaries or consulting fees, and from time to time, performance-based remuneration. The Board reviews executive packages regularly by reference to the executives' performance and comparable information from industry sectors and other listed companies in similar industries. There is currently no equity-based remuneration for executives and non-executive directors. Any equity-based remuneration for executive directors needs to receive shareholders' approval.

The remuneration policies for key management personnel and the payment details during the year were disclosed in the Remuneration Report section in the Full Year Statutory Financial Accounts 2019 on 26 February 2020.



*ASX Corporate Governance Council's Recommendation (3rd Edition) Recommendation 8.3:*

*A listed entity which has an equity-based remuneration scheme should:*

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*
- (b) disclose that policy or a summary of it.*

The Company does not currently have an equity-based remuneration scheme and this recommendation is therefore not applicable.