



2020 CORPORATE GOVERNANCE STATEMENT



BASE
RESOURCES

2020 Corporate Governance Statement

Base Resources Limited (the Company) is committed to implementing high standards of corporate governance that create and deliver value for shareholders and uphold its absolute commitment to acting in a legal, honest and ethical manner and with integrity.

To give effect to this commitment, the Board has established a corporate governance framework comprising a range of governance policies, charters and system documents, a number of which are referred to and described below.

The Company's approach and business practices are driven by a core set of principles that together form the "Base Way" and which are based on its belief in:

- The potential of our people
- The power of the team
- The value of resources
- Absolute integrity.

The Company's governance framework is based on these core principles. As an ASX listed entity, the Company complies with the ASX Listing Rules and, for the financial year ended 30 June 2020 (reporting period), will report against the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations).

The Board considers that, throughout the reporting period, the Company has followed the ASX Recommendations.

In 2019, the Council released a new edition of their principles and recommendations (ASX Recommendations 4th Edition). Ahead of the effective date for their application, the Company undertook a review of its governance practices against the ASX Recommendations 4th Edition. While the Company's practices were largely consistent with the ASX Recommendations 4th Edition, a small number of areas were highlighted for adjustment which was completed prior to 30 June 2020. For the next financial year ending 30 June 2021 and beyond, the Company will measure its governance practices against the ASX Recommendations 4th Edition.

This statement is current as at 21 August 2020 and has been approved by the Board. This statement should be read in conjunction with the Company's 2020 Annual Report accessible at <https://www.baseresources.com.au/investors/reports/>. Where appropriate, the statement highlights relevant events that have occurred since 30 June 2020 with respect to the governance practices of the Company.

Board of Directors

Role of the Board

The Board Charter sets out the Board's role, powers and duties and establishes the functions and responsibilities reserved for the Board and those which are delegated to EXCO (comprising the Managing Director and the Executive Director – Operations & Development) and the broader senior management team. The Board expressly reserves responsibility for matters including:

- overseeing the business and affairs of the Company, including its control and accountability systems
- setting the strategic direction and objectives of the Company
- reviewing and ratifying systems of risk management, internal compliance and control, codes of conduct and legal compliance
- ensuring a high standard of corporate governance practices and regulatory compliance
- promoting ethical and responsible decision making.

The Board delegates responsibility for the day-to-day operations, management and administration of the Company to EXCO in accordance with the strategy and objectives approved by the Board. EXCO's joint responsibilities include:

- effective leadership of the Company
- preparing and implementing development and operational plans, policies and procedures to achieve the strategic, operational and financial objectives of the Company as determined by the Board
- managing the day to day affairs of the Company
- identifying and managing business risks
- managing the Company's financial and other reporting mechanisms.

These delegations are further documented in and supported by the Company's Delegation of Authority Standard which the Board reviews and approves at least annually and sets out cascading authority limits for transactions for EXCO and other employees and consultants of the Company and its controlled entities (the Group).

The Chair, Mr Spence, is responsible for leadership and effective performance of the Board and for promoting constructive and respectful relations between Directors, and between Directors and management.

The Company Secretary, Mr Poletti, is appointed by the Board and is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary's role includes providing advice to the Board on corporate governance matters, with all Directors having access to the advice and services provided by the Company Secretary.

Composition of the Board

As at 30 June 2020, the Board consisted of five non-executive Directors and two executive Directors - being the Managing Director and the Executive Director – Operations & Development. The Board assesses each Director's independence in accordance with paragraph 11 of the Board Charter, which was updated in March 2020 to align with the commentary to Recommendation 2.3, including Box 2.3, in the ASX Recommendations 4th Edition (which the Company will report against for the financial year ending 30 June 2021).

As set out in paragraph 11 of the Board Charter, unless the Board determines otherwise, a Director will be deemed not to be independent where the Director:

- is, or has been, employed in an executive capacity by the Company or any of its subsidiaries and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the Company;
- is, or has been within the last three years, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with the Company or any of its subsidiaries, or is an officer of, or otherwise associated with, someone with such a relationship;
- is, represents, or is or has been within the last three years an officer or employee of, or professional adviser to, a substantial holder;
- has close personal ties with any person who falls within any of the categories described above; or
- has been a Director of the Company for such a period that their independence from management and substantial holders may have been compromised.

The Board assesses the materiality of an interest, position and relationship on a case-by-case basis, taking into account the relevant Director's specific circumstances.

The Board confirms that a majority of the Board is independent, with the Board's assessment of the independence of each Director in accordance with paragraph 11 of the Board Charter set out below. The Chair is an independent non-executive Director and is not the same person as the Managing Director.

	Independent Director	Non-Executive Director	Executive Director
Keith Spence (Chair)	✓	✓	
Tim Carstens (Managing Director)			✓
Colin Bwye (Executive Director – Operations & Development)			✓
Malcolm Macpherson	✓	✓	
Diane Radley	✓	✓	
Michael Stirzaker		✓	
Samuel Willis	✓	✓	

Acknowledging that Mr Willis has served on the Board since May 2007, the Board remains comfortable that this period of tenure has not compromised the independence of Mr Willis from management or any substantial shareholders, or otherwise materially influenced Mr Willis' ability to act in the best interests of the Company in accordance with the definition of independence provided in the Board Charter.

Mr Stirzaker is not considered independent due to his involvement with the Company's major shareholder, Pacific Road Capital.

Under the Board Charter, Directors must immediately declare to the Board any change in their interests, positions or relationships that could potentially bear upon their independence.

Skills and experience

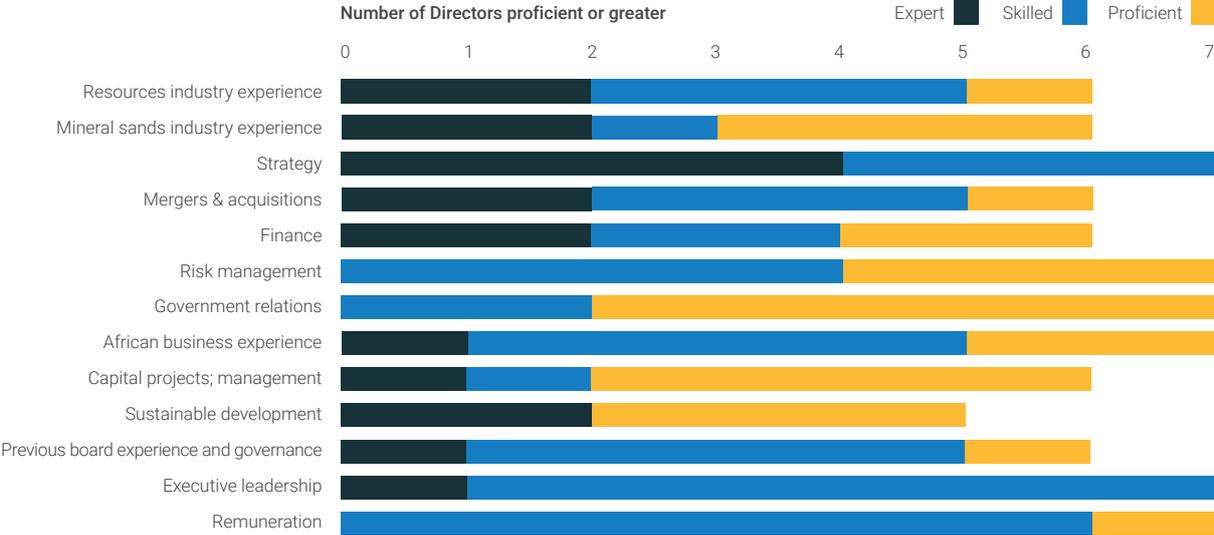
The Board is confident that, collectively, the Directors have the range of skills, knowledge, experience and competencies necessary to effectively discharge the Board's responsibilities and direct and oversee the Company. That said, through the Remuneration & Nomination Committee, the Board regularly monitors the skills, knowledge, experience and competencies of the Board, particularly as the Company's business and the issues facing it evolve, to identify opportunities for training and development and to identify gaps that may be addressed as part of Board succession.

A set of core competencies and criteria for assessing the extent of a Director's proficiency in respect of those core competencies have been established to assist the Remuneration & Nomination Committee assess the skills and experience of each Director and to ensure that the combined capabilities of the Board provide suitable coverage across each competency.

The table below identifies each Director's particular skills and indicates the Directors on which the Board principally relies in relation to each core competency, recognising that the skills and experience that each Director contributes to their role is far broader and diverse than is indicated below.

Area	Competency	Key Directors
Resources industry experience	Experience in the resources industry, including broad knowledge of exploration, operations, project development, markets, shipping and competitors.	C Bwye, T Carstens, M Macpherson, K Spence, M Stirzaker
Mineral sands industry experience	Specific experience in the mineral sands industry, including an in-depth knowledge of exploration, operations, project development, markets, shipping, competitors and relevant technology.	C Bwye, T Carstens, M Macpherson
Strategy	Identifying and critically assessing strategic opportunities and threats to an organisation and developing and implementing successful strategies in context to the organisation's policies and business objectives.	C Bwye, T Carstens, M Macpherson, D Radley, K Spence, M Stirzaker, S Willis
Mergers & acquisitions	Experience managing, directing or advising on mergers, acquisitions, divestments and portfolio optimisations.	M Macpherson, D Radley, K Spence, M Stirzaker, S Willis
Finance	Senior executive or other relevant experience in financial accounting and reporting, internal financial and risk controls, corporate finance and, restructuring corporate transactions and project financing.	T Carstens, D Radley, M Stirzaker, S Willis
Risk management	Experience working with and applying broad risk management frameworks in various country, regulatory or business environments, identifying key risks to an organisation, monitoring risks and compliance and knowledge of legal and regulatory requirements.	T Carstens, M Macpherson, D Radley, K Spence
Government relations	Senior management or equivalent experience working in diverse international political, cultural, regulatory and business environments.	T Carstens, K Spence
African business experience	Experience in the successful development and operation of reputable businesses in Africa.	C Bwye, T Carstens, M Macpherson, D Radley, M Stirzaker
Capital projects; management	Experience with projects involving contractual negotiations, project management, significant capital outlays and long investment horizons.	C Bwye, K Spence
Sustainable development	Senior management or equivalent experience in workplace health and safety, environmental and social responsibility, community relations and organisational governance.	T Carstens, K Spence
Previous board experience and governance	Serving on boards of varying size and composition, in varying industries and for a range of organisations. Implementing high standards of governance in a major organisation that is subject to rigorous governance standards and identifying key issues for an organisation and developing appropriate policy parameters within which the organisation should operate.	M Macpherson, D Radley, K Spence, M Stirzaker, S Willis
Executive leadership	Experience in evaluating the performance of senior management, overseeing strategic human capital planning, industrial relations, organisational change management and sustainable success in business at a senior level.	C Bwye, T Carstens, M Macpherson, D Radley, K Spence, M Stirzaker, S Willis
Remuneration	Remuneration and/or nomination committee membership or management experience in relation to succession planning, remuneration, talent management (including incentive programs and superannuation) and the legislative and contractual framework governing remuneration.	T Carstens, M Macpherson, D Radley, K Spence, M Stirzaker, S Willis

The diagram below further illustrates the Board's depth of coverage across its core competencies, illustrating the extent to which the Directors are proficient in those competencies.



The composition of the Board is diverse, with Directors coming from Australia, New Zealand, South Africa and Kenya, with a key component of the Board bringing strong knowledge of doing business in Africa and its wide-ranging cultures. Director ages range from 48-75 years, with currently one female on the Board of seven. Average time served on the Board is 8 years, with the average tenure for non-executive Directors being 6.7 years.

Further details about the skills, experiences, expertise and period of service of each Director are set out on pages 33 to 36 of the Company's 2020 Annual Report.

Director appointment, induction, training and continuing education

All newly appointed non-executive Directors execute a letter of appointment containing the key terms and conditions of their appointment, including their duties, rights and responsibilities, anticipated time commitments and the Board's expectations with respect to committee work. Executive directors and all senior management enter employment agreements which govern their terms of employment.

New appointees to the Board receive a tailored induction plan having regard to their existing skills, knowledge and experience. The induction process typically includes a comprehensive overview of the Company's governance policies and procedures, in-depth discussions with each member of EXCO and the senior management team and site visits to the Company's key operating asset in Kwale, Kenya and development project in Toliara, Madagascar. The induction materials provided to new appointees include information on the Company's governance and culture, including the "Base Way".

Directors are expected to maintain the skills necessary to effectively discharge their duties. The Company provides the Board with regular information on industry-related matters, proposed or potential changes to applicable regulatory requirements, and other new developments with the potential to affect the Company and its business. Regular "deep dives" on relevant topics are also provided to the Board. The Company organises relevant professional development opportunities for Directors when a need is identified, for example, from a Board performance review or through the Remuneration & Nomination Committee's Board education oversight role.

The Company also arranges an annual site visit for the Directors to the Company's Kwale Operations in Kenya to further enhance their knowledge and understanding of this operating project. The site visit to Kwale Operations for the current year, which was scheduled to occur in March 2020, was cancelled as a result of COVID-19. In response to this cancellation, the specific insight sessions that had been proposed for the site visit have since been conducted by way of videoconference as part of the regular Board program. Directors also visited the Toliara Project in Madagascar during 2018, following the Company's acquisition of that project. This site visit allowed Directors to gain a deeper understanding of the Toliara Project and Madagascar more broadly.

Board succession

The Board manages succession planning with the assistance of the Remuneration & Nomination Committee. The Remuneration & Nomination Committee reviews and makes recommendations to the Board about the appropriate size and composition of the Board.

If a vacancy exists or if it is appropriate for other Board changes to be implemented, the Remuneration & Nomination Committee identifies and recommends candidates to the Board. Before recommending any candidate, the Remuneration & Nomination Committee considers the necessary and desirable competencies of new Board members to ensure the appropriate mix of skills, experience, expertise and diversity across the Board and assesses how each candidate would contribute to the strategic direction of the Company. The Board may engage an independent recruitment firm to undertake the search for suitable candidates and leverages the networks of existing Directors as a means of identifying high calibre candidates. The Company conducts appropriate checks as to character, experience, education, criminal records and bankruptcy before nominating any candidate for appointment as a Director or for election by shareholders. The Company also provides shareholders all material information in its possession relevant to whether a candidate should be elected in the explanatory memorandum accompanying the relevant notice of meeting.

Board performance evaluation

It is Company policy that the Board reviews, critically evaluates and discusses the performance of the Board, the Board Committees and individual Directors once a year. The Remuneration & Nomination Committee sets the method and scope of the annual performance evaluation, which typically includes self-assessments designed to effectively review the performance of the Board and each of its Committees against the requirements of their specific charters and the individual performance of each Director. The Board Charter contains additional information regarding the annual reviews of the Board, its Committees and individual Directors.

One or more aspects of the performance evaluations may involve engagement of an independent third party Board advisor. Given the last externally facilitated review was undertaken in 2019 for the reporting period ended 30 June 2019, and that the composition of the Board has not changed since that time, the Remuneration & Nomination Committee did not consider it necessary to engage an independent advisor to facilitate any aspects of the performance evaluation and review of the Board, individual Directors or its Committee for the reporting period.

The performance evaluation of the Board, its Committees and individual Directors undertaken for the reporting period was conducted initially by each Director completing a questionnaire assessing each of the Board, the Chair, individual Directors and each Committee and its respective Chair, combined with one-on-one discussions between the Chair and each Director. The combined outcomes of this process were analysed and discussed at subsequent Board and Committee meetings, as applicable. The evaluation demonstrated that the Board, the Directors and each Committee and each respective Chair are considered to be functioning well and performing their respective roles effectively. The review process also identified areas for growth, refinement and continual improvement that the Board will address in the coming year.

Director retirement and re-election

With the exception of the Managing Director, Directors must retire at the third AGM after their last election or re-election. At least one Director must stand for election or re-election at each AGM. Any Director appointed to fill a casual vacancy since the date of the previous AGM automatically retires at the next AGM and is eligible for election. Board support for a Director's election or re-election is not automatic and is subject to satisfactory Director performance.

The Remuneration & Nomination Committee considers and recommends candidates for re-election to the Board. The Company provides shareholders with all material information in its possession relevant to whether or not any Director standing for re-election should be re-elected in the explanatory memorandum accompanying the relevant notice of meeting.

Senior management performance evaluation

Managers are required to have regular (typically quarterly) performance enhancement conversations with members of their team, with judgement-based assessments of performance against the accountabilities, behaviours and indicators established in the relevant individual's role description being carried out annually. This process applies equally to senior managers but is also coupled with an annual assessment of the relevant individual's achievement of the accountabilities described in their annual Short Term Incentive Plan statement. In the case of EXCO, the assessment is undertaken by the Remuneration & Nomination Committee and approved by the Board. In the case of General Managers, the assessment is undertaken by EXCO and then considered and approved by the Remuneration & Nomination Committee. The annual reviews have been completed for the year ended 30 June 2020.

Committees of the Board

The Company's Constitution provides that the Board may delegate its powers as it considers appropriate. The Board has established an Audit Committee, a Remuneration & Nomination Committee and a Risk Committee.

The Committees generally operate in a review or advisory capacity, except in circumstances where the Board's powers are specifically delegated to a Committee. Each Committee has a charter detailing its role, duties and membership requirements. These charters are reviewed regularly, and at least annually, and are updated as required. Each of the charters were last reviewed and updated in March 2020.

Details about the skills, experience, and expertise of each member of the respective Committees of the Board are set out on pages 33 to 36 of the Company's 2020 Annual Report. Details of the Committee meetings held during the year and attendances of members at those meetings are set out on page 37 of the Company's 2020 Annual Report.

Audit Committee

The role of the Audit Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, compliance with associated legal and regulatory requirements and external audit function.

All members of the Audit Committee are required to be non-executive Directors, with a majority being required to be independent. Members must also be financially literate and have an understanding of the industry in which the Company operates. The Chair of the Audit Committee must not be the Chair of the Board and must be independent.

The Audit Committee members for the reporting period were Mr Macpherson, Ms Radley, Mr Spence and Mr Willis (as Chair). All members were independent non-executive Directors.

Remuneration & Nomination Committee

The role of the Remuneration & Nomination Committee with respect to remuneration matters is to assist the Board to fulfil its oversight responsibilities in relation to the overall remuneration strategy of the Company. The Committee also considers the specific application of that strategy to EXCO and senior management and reviews and approves equity-based plans and other incentive schemes. This aspect of the Committee's role assists the Board to ensure that the executive remuneration policy demonstrates a clear relationship between executive performance and remuneration.

The role of the Committee with respect to nomination matters is to support the Board to fulfil its responsibilities by maintaining a Board with an appropriate mix of skills and experience. The Committee develops the method and scope of performance evaluations of the Board, its Committees and individual Directors, ensures the Company's Diversity Policy is implemented in respect of the Board and manages the process for identifying and selecting new Directors for appointment by the Board and subsequent consideration by shareholders.

All members of the Remuneration & Nomination Committee are required to be non-executive Directors, with a majority required to be independent. The Chair of the Remuneration & Nomination Committee must be independent.

The Remuneration & Nomination Committee members for the reporting period were Mr Macpherson, Mr Spence (as Chair), Mr Stirzaker and Mr Willis. All members were non-executive Directors, the majority of whom were independent.

Risk Committee

The role of the Risk Committee is to assist the Board to identify and manage business and operational risks faced by the Company to a standard that considers the reasonable expectations of the Company's shareholders, employees, customers, suppliers, creditors and the broader community in which the Company operates.

The Committee typically conducts a full review and update of the Company's material business risk register and risk management framework at each Committee meeting and at least annually.

The Risk Committee must comprise a majority of independent non-executive Directors and the Chair of the Risk Committee must be independent.

Mr Macpherson (as Chair), Mr Spence, Ms Radley and Mr Willis (all independent non-executive Directors) were members of the Risk Committee for the whole reporting period. Mr Bwyne and Mr Carstens (both executive Directors) were each appointed to the Risk Committee with effect from 21 November 2019.

Shareholder Communication

General

The Board recognises the importance of regular and proactive interaction with the market to ensure investors and key stakeholders remain fully informed about the Company's activities. This is reflected in the Company's Continuous Disclosure and Market Communications Standard, which sets out the Company's commitment to:

- communicate effectively with shareholders via ASX and AIM, information mailed to shareholders (e.g. notices of meetings and explanatory material and periodic disclosure, such as annual, half yearly and quarterly reporting of exploration, production and corporate activities) and the general meetings of the Company
- give shareholders ready access to accurate, balanced and understandable information about the Company and corporate proposals
- make it easy for shareholders to participate in general meetings of the Company

The Board further recognises the rights of shareholders and encourages the effective exercise of those rights by:

- ensuring notices of meeting and other meeting materials are drafted in concise, clear language and are distributed in accordance with the provisions of the Corporations Act
- encouraging shareholders to use their attendance at meetings to ask questions on relevant matters, with time specifically set aside at each meeting for shareholder questions
- encouraging shareholders to vote on proposed resolutions by either attending the meeting or by way of lodgement of proxies, if shareholders are unable to attend the meeting
- establishing a general practice to include a presentation to shareholders on the Company's recent activities at each annual general meeting
- ensuring that the lead engagement partner is present at the annual general meeting to answer any questions regarding the conduct of the audit and preparation and content of the auditor's report

Since 2018, the Company has also implemented poll voting on all resolutions to be considered at shareholder meetings and, in doing so, has met Recommendation 6.4 from ASX Recommendations 4th Edition, even though the Company will only begin reporting against the 4th Edition for the financial year ending 30 June 2021.

Company information

The Company's website (www.baseresources.com.au) provides information about the Company generally for the benefit of its shareholders, market participants and key stakeholders, with the website undergoing a full review, refresh and re-launch during the reporting period. The Company promptly updates the website with material released to ASX after confirmation of release by ASX. All information available on the website is regularly reviewed and updated to ensure that information is current, or appropriately dated and archived. The following website sections contain relevant information for shareholders:

- Corporate Governance (accessible from the 'Who we are' dropdown menu): containing the Company's Constitution, the "Base Way", relevant governance policies and standards, Board and Board Committee Charters and codes of conduct for the Company's personnel and its suppliers
- Board and Leadership (accessible from the 'Who we are' dropdown menu): containing the names and brief biographical information for each of the Directors and senior managers
- Reports (accessible from the 'Investors' dropdown menu): containing copies of annual, half yearly and quarterly reports
- Market Announcements (accessible from the 'Investors' dropdown menu): containing ASX announcements (including notices of meeting and explanatory material and investor presentations).

Shareholders can also access further information about Kwale Operations from the website of the Company's wholly owned operating subsidiary, Base Titanium (www.basetitanium.com) and about the Toliara Project from the project's website (www.basetoliara.mg).

Investor relations

The Company has an investor relations program designed to facilitate effective two-way communication with shareholders.

The Company regularly attends broker-sponsored and industry conferences. In addition, during the reporting period, to ensure investors and stakeholders were fully informed about the Company's activities and the impacts of COVID-19, the Company made available various pre-recorded investor updates.

The Company hosts investor conference calls following the release of half year and full year results, and also on an ad hoc basis following major corporate actions. The calls are hosted by the Managing Director and the Chief Financial Officer, with other members of senior management as required.

The Company provides opportunities for shareholders to receive communications from the Company electronically and also encourages shareholders to communicate electronically with the Company and its securities registry. Alternatively, telephone, fax and email contact details are available on the Company's website and shareholders are welcome to contact the Company using their preferred method.

Continuous disclosure and market communications

The Company is committed to ensuring that:

- Shareholders and the market are provided with full and timely information about the Company and its activities
- All investors have equal opportunity to receive externally available information issued by the Company
- All disclosures are balanced and expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

During the reporting period, the Company's Continuous Disclosure and Market Communications Standard was updated to establish a Disclosure Committee comprising the Managing Director, the Executive Director – Operations and Development, the Chief Financial Officer and the Company Secretary, which is primarily responsible for, among other matters, ensuring that the Company complies with its disclosure obligations and for overseeing and co-ordinating the disclosure of information to relevant stock exchanges, shareholders and applicable regulatory authorities.

To assist the Disclosure Committee with discharging its role, it is the responsibility of every Director and employee to report to a member of the Disclosure Committee any potentially price sensitive information which they obtain.

To the full extent practical (having regard to the requirement for immediate disclosure in certain circumstances), all members of the Disclosure Committee and the Board are given the opportunity to review and comment on material announcements before their release. Otherwise, copies of all material market announcements are provided to the Board promptly after they have been made.

The Company ensures that any briefing or presentation materials that are new and substantive are released on ASX and uploaded to the Company's website in advance of the relevant briefing or presentation.

Promoting Responsible and Ethical Behaviours

The "Base Way"

The "Base Way" sets out the unifying set of beliefs and behavioural expectations for the Company and its employees, including the Company's absolute commitment to conducting its business in a legal, honest and ethical manner. The "Base Way" was included on the Company's website in June 2020 and, by doing so, the Company will be able to meet Recommendation 3.1 from the ASX Recommendations 4th Edition when it begins reporting against that edition for the financial year ending 30 June 2021.

Codes of Conduct

The Company has a Code of Conduct for its directors and employees (Personnel Code) and, in June 2020, introduced a Code of Conduct for its suppliers (Supplier Code).

The Personnel Code provides an overview of the framework for decision making and actions in relation to ethical conduct by directors and employees of the Company and its subsidiaries. The Personnel Code summarises the key business systems (including relevant Policies and Standards) adopted by the Company that apply to the Company and its subsidiaries and their respective directors and employees which underpin the Company's commitment to integrity and fair dealing in its business affairs and to its duty of care to employees, customers and stakeholders. Breaches of the Personnel Code may lead to disciplinary action, in accordance with the Company's Unacceptable Performance and Misconduct System. In line with Recommendation 3.2(b) of the ASX Recommendations 4th Edition, which the Company will begin reporting against for the financial year ending 30 June 2021, all material breaches of the Personnel Code will be notified to the Board or the Risk Committee.

The Supplier Code sets out the Company's core requirements and expectations for the Group's suppliers. In line with the Company's own commitment, the Supplier Code is directed to ensuring that the Group's suppliers act in a legal, honest and ethical manner, and act with integrity, at all times. Like the Personnel Code, the Supplier Code also summarises aspects of the Company's Policies and Standards that equally apply to its suppliers, but also supplements those documents with further requirements concerning, among other matters, employment practices.

Integrity System

The Company's Integrity Policy expands on the Company's commitment to conducting its business in a legal, honest and ethical manner by:

- Prohibiting bribery and corruption in all forms. Employees must not commit, be a party to, or be involved in bribery or corruption
- Ensuring that gifts, entertainment, travel and per diem reimbursements are not given or received as a reward or encouragement for preferential treatment
- Ensuring that the Company does not participate in party politics, including not making payments to political parties or individual politicians
- Prohibiting charitable donations or sponsorships that could be perceived as bribes or payments to gain an improper business advantage
- Requiring employees to ensure that their personal activities and interests do not conflict with their responsibilities to the Company
- Requiring third parties who act on the Company's behalf to comply with the Integrity Policy and the Integrity Standard
- Requiring employees to confront inappropriate behaviour in others
- Including a specific accountability of demonstrating the "Base Way" in every employee's role description.

The Integrity Standard, which was updated during the reporting period and disclosed on the Company's website, further delineates the responsibilities and limits of discretion of Company personnel when observing and upholding the absolute prohibition on bribery, corruption and related improper conduct. It contains information and guidance on how to recognise and deal with instances of potential bribery and corruption.

The Company provides Integrity Standard training to all employees assessed to be in high risk roles, such as those employees engaging with government or communities. To further embed the Integrity System and give effect to the principle set out in the "Base Way" of "no bribes-ever", during the reporting period, an annual Integrity Undertaking was introduced requiring all Group personnel at supervisor level and above to provide a series of confirmations and undertakings relating to the Company's Integrity Policy and Integrity Standard, including the undertaking to always act in a legal, honest and ethical manner when performing their role. The roles of supervisor level and above were considered as higher risk given the authority inherent with those roles, however in time the Integrity Undertaking will be considered for roll out across the Group.

A breach of the Integrity Standard by a member of the Company's personnel will be regarded as serious misconduct and will lead to disciplinary action which may include termination of employment. In line with Recommendation 3.4 of the ASX Recommendations 4th Edition, which the Company will begin reporting against for the financial year ending 30 June 2021, all material breaches of the Integrity Standard will be notified to the Risk Committee.

Whistleblower System

The Company's Whistleblower System was substantially updated in December 2019 in light of the significant amendments to the whistleblower provisions in the Corporations Act and which, among other things, required public companies to have a compliant whistleblower policy by 1 January 2020. During the reporting period, training was provided to senior management and other personnel on the Whistleblower System's requirements and their responsibilities in the event they receive a report of inappropriate conduct.

By providing a transparent and confidential mechanism for past and present employees and suppliers to report any instances of inappropriate conduct by employees and for any such reports to be addressed, the Whistleblower System gives further effect to the Company's commitment to conducting its business in a legal, honest and ethical manner.

The Company's Whistleblower Standard contains details about the individuals that can make reports of inappropriate conduct, how reports of inappropriate conduct can be made, which options include to the Company's independent whistleblower service provider, how reports will be investigated and the measures that are put in place to ensure confidentiality and protect against detriment.

Extractive Industries Transparency Initiative

The Company is a signatory to the Extractive Industries Transparency Initiative (EITI), which was launched in 2002 at the World Summit for Sustainable Development. The EITI has established a reporting system to encourage transparency and accountability by Governments with respect to their receipt and use of revenues from extractive industries. EITI supports good governance through the verification and full publication of payments by companies and use of government revenues derived from oil, gas and mining. For its operations in Kenya, the Company publishes these payments in the governance section of the Base Titanium website (www.basetitanium.com). Once payments to Government commence in Madagascar following development of the Toliara Project, the Company will publish relevant payment details on the Base Toliara website (www.basetoliara.mg).

Securities ownership and dealing

The Company's Securities Trading Policy (which was last updated with effect from 1 September 2016) applies to Directors and employees of the Company and its subsidiaries. This policy summarises the law on insider trading and sets out the requirements for the sale, purchase and conversion/exercise of the Company's securities by Directors and employees.

The policy aims to:

- Assist Directors and employees to avoid insider trading
- Explain the type of conduct in relation to dealings in securities of the Company that is prohibited under the Corporations Act and the European Union's Market Abuse Regulation
- Establish a procedure relating to dealing in the Company's securities that provides best practice protection to the Company, its Directors and employees against the misuse of unpublished information which could materially affect the price or value of the Company's securities.

Consistent with applicable requirements, the Securities Trading Policy requires the Company Secretary to be notified of any dealing in the Company's securities by Directors so that ASX can be notified, and any dealing by Directors or other persons discharging management responsibility so that any required notifications can be made to AIM and the United Kingdom's Financial Conduct Authority, in each case, within the prescribed time periods. Directors and employees participating in equity-based incentive plans are also prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in the Company's securities.

Strict compliance with the Securities Trading Policy is mandatory for all Directors and employees of the Company and its subsidiaries. Any breach of this policy is taken seriously and results in the person being subject to disciplinary action, including possible termination of their employment or appointment.

Risk Management and Internal Controls

Approach to risk management internal controls

The Company recognises that risk is an integral and unavoidable component of its business and is characterised by both downside risk and upside opportunity. The effective management of risk enables the Company to enhance opportunities and reduce threats, and in so doing provide it with a competitive advantage. The Company is committed to managing risk in a proactive manner that is integrated throughout the business and informs all decision making as part of day to day management.

Risk management roles and responsibilities

The Company does not have a formal internal audit function; however it has a well-established Risk Management Framework and the Board's Risk Committee has operated since 2015.

The Risk Committee annually reviews the need for a formal internal audit function from a risk management perspective, which is also considered by the Audit Committee from an assurance perspective. The Board considers that a formal internal audit process is not required or justifiable at this time, with the Board comfortable with the current and future planned assurance programs with respect to the Company's material business risks.

Focusing on the financial reporting controls for mitigating material financial reporting risks, in February 2019, external consultant, EY, was engaged to undertake an independent assessment of the Group's existing control environment. EY's engagement included a review of applicable documentation and on-site interviews with relevant personnel to gain an understanding of existing processes, associated key risks and key controls, together with a comparison against market standard practice. The output of EY's engagement was a documented set of existing controls for financial reporting risks, together with a limited set of recommendations for improvement. In response to the EY findings, the Company has implemented additional controls. The Company has also established a system of biannual internal testing to assess and ensure the ongoing efficacy of key controls.

During the reporting period, the Audit Committee's Charter was updated to expand the Audit Committee's responsibility in monitoring the level of non-audit services provided by the Company's external auditor and the fees received for those services to ensure there is no actual or perceived adverse impact on auditor independence. Subsequent to this update, a non-audit services standard was developed and approved by the Audit Committee. The Non-Audit Services Standard sets out the authority limits for approving non-audit services provided by the Company's external auditor.

The Risk Committee's role is to assist the Board in monitoring risk, with a full review and update of the Company's Material Business Risk Register and Risk Management Framework typically occurring for each Committee meeting, and at least annually. The most recent review of the Company's Material Business Risk Register and Risk Management Framework occurred in June 2020.

During the reporting period, the Risk Committee's Charter was also reviewed and updated. Its responsibilities include:

- Ensuring that management designs and implements a risk management and internal control system to manage the Company's material business risks
- Reviewing, at least annually, the Company's risk management and internal risk control system and reporting to the Board on its efficiency and effectiveness
- Periodically reviewing the need for a formal internal audit function from a risk management perspective
- Reviewing the risk reports produced by management, the efficiency and effectiveness of that risk management and internal control system and any material incidents notified to it and the learnings from those incidents
- Developing and maintaining a risk register which identifies the material business risks to the Company and its operations (including economic, environmental and social sustainability risks) and assessing the likelihood of their occurrence
- Periodically reviewing the scope and adequacy of the Company's insurance, having regard to the Company's business and its associated insurable risks
- Overseeing the Company's operational and environmental risk management and occupational health and safety processes
- Ensuring that management designs and implements a whistleblower system to encourage and promote the reporting of any inappropriate conduct and overseeing procedures for whistleblower protection
- Ensuring that management designs and implements an anti-bribery and corruption system to minimise the Company's risks with respect to bribery and corruption
- Reviewing at least annually the Company's anti-bribery and corruption system and reporting to the Board on its efficiency and effectiveness.

Management is responsible for promoting and applying the Risk Policy, which involves establishing a risk-aware culture, identifying and assessing business and operational risks, developing and implementing appropriate risk strategies, systems and controls, monitoring the effectiveness of risk controls and reporting on risk management and performance. Management also maintains the Material Business Risk Register.

Effective from 21 November 2019, Tim Carstens and Colin Bwye were appointed to the Risk Committee. Their appointment is intended to enhance the effectiveness of the Risk Committee by ensuring ready access to the input and insights of senior management, and reflects practice for EXCO to attend Risk Committee meetings.

Business risks and mitigations

The Company is exposed to a number of risks across its business, which it seeks to manage in a manner consistent with its Risk Management Framework. The Company identifies each risk according to the following categories:

- Strategic – such as the Company's ability to execute its growth strategy or access to exploration opportunities
- Financial – such as funding continuity
- Regulatory – such as political, mining and fiscal policy
- Operational – such as community, safety, security, human resources and production
- Project – such as risks to planned project development.

The Company has identified material exposures to certain environmental and social sustainability risks associated with Kwale Operations and its development of the Toliara Project.

The Company recognises that host communities for its Kwale Operations and Toliara Project play an integral role in the success of those projects and, by extension, the Company's overall success.

For the full mining life cycle, the Company adopts sustainable business practices to ensure the Company is a welcome member of its communities. These practices are based on the understanding that achieving the Company's long-term goals is reliant on building beneficial relationships with the communities in which it operates and establishing a balanced flow of mutual benefit.

The Company's sustainability practices focus on the Company's people, its communities and the environment. These focus areas were developed taking into consideration international best practice and feedback from stakeholders, including host communities and host nations. In each case, the Company's sustainability practices are based on the "Base Way", applicable Company policies (including the Company's Communities, Health and Safety and Environment Policies), applicable legislation and regulation and international best practice, including the International Financial Corporation's

Performance Standards, the Equator Principles, the World Bank's Environmental, Health and Safety Guidelines, International Labour Organisation's core labour standards, the Extractive Industries Transparency Initiative and the United Nations Voluntary Principles on Security and Human Rights.

The Company's environmental sustainability practices are also based on a comprehensive understanding of the environmental impacts during design, construction, operations and ultimately closure of Kwale Operations and the Toliara Project. They are further designed to ensure continuous improvement, with the Company recognising that environmental sustainability is an area of increasing focus for governments, shareholders, other stakeholders and the broader public and that the Company will only have increasing responsibility and be subject to increasing expectations. Whilst this increasing focus is partly driven by climate change concerns, which the Company recognises creates both direct and indirect risks to its operations and business, the Company acknowledges environmental sustainability is a broader issue.

Details about the Company's sustainability practices in respect of its people, its communities and the environment are set out on pages 16 to 21 of the Company's 2020 Annual Report. In addition to those practices:

- The Company seeks to mitigate its social sustainability risk by ensuring the Company and its personnel act in a legal, honest and ethical manner and with integrity at all times. The Company has taken multiple and wide-ranging steps designed to ensure the highest standards of behaviours, which include putting in place the governance documents described elsewhere in this statement.
- In line with the Company's commitment to respecting human rights and ensuring all aspects of its employment practices abide by applicable laws and regulations, during the reporting period, the Company took various steps to identify, assess and mitigate the risk of modern slavery in its operations and supply chains. Those steps, together with the other information prescribed by the Australian Modern Slavery Act 2018, will be set out in the Company's modern slavery statement which will be published in respect of the reporting period, but included establishing a dedicated Modern Slavery Working Group, carrying out a high level risk assessment of its key suppliers and confirming that the controls in place to mitigate the risk of modern slavery in the Company's operations had been followed and undertaken in respect of a sample of employees.
- The Company regularly reviews all aspects of its environmental performance to achieve continuous improvement and works in partnership with its host communities, conservation groups and environmental experts to not only meet applicable legal and regulatory requirements, but its broader environmental objectives.

CEO and CFO assurance

The Board receives monthly reports on the group's financial and operational results. Before the Board adopted the 31 December 2019 half-year and 30 June 2020 full-year financial statements, the Managing Director and the Chief Financial Officer declared in writing to both the Audit Committee and the Board that (in their opinion):

- the financial records of the Company had been properly maintained
- the financial statements comply with the appropriate accounting standards
- the financial statements give a true and fair view of the financial position and performance of the Company,

and that their opinion had been formed on the basis of a sound system of risk management and internal control which was operating effectively.

Diversity

The Company values and encourages a diverse workforce and strives to provide a work environment in which everyone is treated fairly, with respect and can realise their full potential. The Company seeks to achieve this by:

- employing staff based on job requirements and merit without discriminating on grounds which include age, ethnic or social origin, gender, sexual orientation, politics or religion
- training its people to work in safe, healthy and environmentally responsible ways, and then ensuring that they work in that manner
- requiring managers to be models of the highest standards of behaviour and to demonstrate visible leadership
- requiring employees to treat each other and those they deal with externally with dignity, fairness and respect and to guard against harassment in the workplace
- maintaining codes of conduct and performance standards that establish sound conditions of work and disciplinary procedures in compliance with all applicable laws and which uphold human rights principles
- ensuring that its remuneration and incentive systems are equitable and transparent
- establishing and developing integrated employment management systems that seek to elevate employee engagement within the Company to a recognised competitive advantage
- including in every employee's role description a specific accountability of demonstrating the "Base Way".

A key focus of the Company since before commencement of Kwale Operations in late 2013 has been establishment of an operational workforce that delivers on commitments to maximise employment opportunities for local communities, whilst achieving the highest standards of operational and safety performance. As at 30 June 2020, the Company is pleased to report that it employed 98.0% Kenyan national employees at Kwale, which has been maintained from the prior reporting period. This demonstrates the effectiveness of the systems designed by the Company to drive the structured transfer of skills over time.

For the Toliara Project, there has been the same structured focus on maximising employment opportunities for local communities against the backdrop of achieving the necessary high standards of operational and safety performance. This requirement is documented in the project's Labour Recruitment and Influx Management Plan and will continue as the proposed development of the Toliara Project progresses. While that development is in the early stages, the Company is pleased to report that, as at 30 June 2020, it employed 92.1% Malagasy national employees at the Toliara Project.

While the primary focus to date has been on maximising local participation, workforce establishment and performance enhancement, the Board does set measurable objectives for achieving gender diversity, annually review those objectives and annually assess progress in achieving those objectives.

The Board determined to maintain the measurable diversity objectives it set last financial year for the financial year ended 30 June 2020. These were:

- Increase the overall percentage of women employed by the Group
- Maintain female representation in the intake for graduate and apprentice programs at or above one third, subject to the constraint of the operation of the Company's established system for prioritising employment opportunities to local communities
- Subject to vacancies, increase the percentage of women in executive roles (Manager level and above)
- Subject to vacancies, to consider diversity when reviewing Board succession plans with the aim to further balance gender representation and achieve greater diversity.

The above objectives were considered appropriate for the Company given the current stable state of its Kwale Operations (and consequent stability of the Company's workforce in Kenya) which will naturally reduce the opportunities to increase gender diversity as rapidly going forward. However, there should be greater opportunities for driving greater diversity as the Company progresses the proposed development of the Toliara Project.

For the reporting period, the Group met its objective to maintain female representation in the intake for graduate and apprentice programs at or above one third and maintained Board gender diversity with Ms Radley being elected by shareholders at the 2018 annual general meeting. However, the group did not meet its objectives of achieving an increase in the overall percentage of women employed or an increase in the percentage of women in executive roles, with there being a slight reduction in both percentages compared to the last reporting period. However, in absolute terms, the number of women employed did increase and the number of women in executive roles remained stable.

The Company considers that, given the relatively low turnover of senior employees, the Group's graduate and apprenticeship programs continue to represent the greatest opportunity to increase female representation within the Company over time – particularly at executive level. For the Toliara Project, the Company has undertaken several measures to encourage women from local communities to apply for future training and job opportunities, and dispel the commonly held perception that mining is an unsuitable career for women. Such measures included using female role models in advertising and holding "women only" registration days when targeting registrations for capacity-building training programs to broaden the pool of suitable applicants for roles during the construction and operation phases. Of the applicants registered for these programs, approximately 33% were female.

Shown below is the Company's performance in achieving its set objectives during the year ended 30 June 2020, as compared to the two prior periods.

Objective	FY20	FY19	FY18	Change FY19 to FY20(%)
Increase the overall percentage of women	167/944 17.7%	163/892 18.3%	139/829 16.8%	(0.6)
Female representation in graduate and apprentice programs at or above one third	14/42 33.3%	11/33 33.3%	11/33 33.3%	No change
Women in executive roles (Stratum III and above)	6/36 16.7%	6/31 19.4%	4/28 14.3%	(2.7)
Board gender diversity	14.3%	14.3%	14.3%	No change

The Board has determined to maintain the above existing measurable objectives for the coming financial year and, in addition, has determined to set the following measurable objectives:

- Subject to vacancies, to increase the percentage of women in senior management (General Manager and above)
- Excluding short-term employees, maintain female turnover that is equal to or less than Group turnover.

The Board will report progress in achieving the set objectives in next year's corporate governance statement.

Availability of Key Corporate Governance Documents

The following key corporate governance policies and procedures are available on the Company's website:

- Constitution
- Board Governance Plan (including Board Committee Charters)
- Continuous Disclosure and Market Communications Standard
- Risk Management Policy
- Diversity Standard
- Integrity Standard
- Environment Policy
- Communities Policy
- Employment Policy
- Health and Safety Policy
- Whistleblower Standard
- Securities Trading Policy
- Company Values – The Base Way
- Code of Conduct (Company Personnel)
- Supplier Code of Conduct