

# Corporate Governance Statement

Danakali Ltd (“Danakali” or “Company”) is committed to high standards of corporate governance in which senior company executives and the Board are accountable to its stakeholders. The Company believes corporate governance is an essential component of sustained value creation. Sound corporate governance practices are reflected in our decision making and culture.

This corporate governance statement is approved by the Board and outlines the corporate governance practices in place or adopted by the Board for the financial year ended 31 December 2017. It is current as at 21 March 2018.

The Board of Directors of Danakali is responsible for the corporate governance of the Company, and has developed policies to ensure that an appropriate level of corporate governance is in place. The Company’s corporate governance system is reviewed regularly by the Board to ensure that it fulfils the needs of stakeholders and shareholders.

The Board’s approach in applying the Australian Stock Exchange (“ASX”) Corporate Governance Council’s Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition) (“ASX Principles”) is to ensure that the Company’s corporate governance policies and principles are established, implemented, and monitored in such a way so as not to compromise or distract the Board and management from their key goals and to enable the organisation to conduct its business in an efficient and effective manner.

In establishing its approach to corporate governance, the Board has taken into consideration, the circumstances of the Company, the nature of the governance matter, the impact of immediate or accelerated change to comply and the issues and risks associated with deferred implementation of the matter. The Board regularly reviews its governance practices to ensure they remain consistent with the needs of the Company.

This statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. The Company complies with each of the recommendations set out in the ASX Principles to the extent described below. Where the Company’s practices depart from an ASX Principle, this Statement identifies the area of divergence and reasons for it, or the alternative practices adopted by the Company.

Further information on the Company’s corporate governance policies and practices can be found on the Company’s website at [www.danakali.com](http://www.danakali.com)

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

*A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.*

**Recommendation 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 Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of those goals, monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The responsibility for the operation and administration of the Company is delegated by the Board to the Chief Executive Officer (“CEO”) and executive management team. The Board ensures that both the CEO and the executive team are appropriately qualified and experienced to discharge their responsibilities and have procedures in place to monitor and assess their performance. Senior executives are responsible for supporting and assisting the CEO to conduct the general operations and financial business of the Company in accordance with the delegated authority of the Board and to progress the strategic direction provided by the Board.

**Recommendation 1.2:** *A listed entity should:*

- (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.*

The Company has established a Remuneration and Nomination Committee which is responsible for conducting the appropriate checks prior to the appointment of a person as a director of the Company or prior to putting forward to security holders a new candidate for election as a director. Checks undertaken may include checks as to the person’s character, experience, education, criminal record and bankruptcy history.

Material information relevant to a decision on whether or not to elect or re-elect a director is provided to security holders in all Notices of Meeting which contain director election or re-election resolutions.

**Recommendation 1.3:** *A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

Non-executive directors are provided with a formal letter of appointment which sets out their duties, responsibilities, rights and directors' fees. Senior executives are employed under individual service contracts which sets out their terms of employment. Major provisions in the senior executive agreements are disclosed in the 2017 Annual Financial Report.

**Recommendation 1.4:** *The company secretary of a listed entity should be accountable to the board through the chair, on all matters to do with the proper functioning of the board.*

The Company Secretary has a reporting function to the Board.

The Company Secretary has a direct line of communication with the Chairman and all Directors, and is responsible for supporting the proper functioning of the Board which includes, but is not limited to, providing advice on governance and procedural issues, and the preparation of detailed Board papers and minutes.

**Recommendation 1.5:** *A listed entity should:*

- (a) *Have a diversity policy in place 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 measurable 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 organisation (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 is committed to diversity and recognises the benefits arising from employee and board diversity. Although the Company has a female board member and appointed female Joint Company Secretaries during the year, the Company has no female employees as at 31 December 2017.

Danakali has adopted a diversity policy which can be viewed on its website. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Diversity Policy outlines the requirements for the Board to develop objectives for achieving diversity, and to annually assess both the objectives and the progress in achieving those objectives.

Given the current phase of Danakali's life cycle, the Board has determined that it is not practicable to set measurable objectives for achieving gender diversity. It is the Board's intention as the size and complexity of the Company grows, to set and aim to achieve gender diversity objectives. To assist in fostering diversity, the Company takes diversity of background into account (in addition to candidates' skills and experience in a variety of the specified fields) when selecting new directors, senior management and employees.

The Company has two senior executive positions (CEO and Chief Financial Officer ("CFO")) at 31 December 2017. The table below sets out the proportion of women in the whole organisation, senior executive positions, directors and officers, and the Board.

<b>Positions</b>	<b>Proportion of Women</b>
Whole Organisation	3 out of 14 (21%)
Senior Executive Positions and Officers	2 out of 4 (50%)
Non-Executive Directors	1 out of 6 (17%)

**Recommendation 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 Board may undergo periodic formal and informal assessment processes, including assessment of the Board's committees, where applicable. An independent third party consultant may be used to facilitate the assessment.

A formal process of Board review requires each director to complete a questionnaire relating to the role, composition, procedures, practices and behaviour of the Board and its members. Senior executives having most direct contact with the Board may also be invited to complete similar questionnaires. Responses to the questionnaires are confidential and provided directly to the Chair. The Board then holds a facilitated discussion during which each Board member has the opportunity to raise any matter, suggestion for

improvement or criticism with the Board.

The Chair of the Board may also meet individually with each Board member to discuss their performance. Non-executive directors may also meet to discuss the performance of the Chair.

During 2017, Board members regularly provided feedback to one another on the functioning of the Board and its committees. The Board determined that this informal performance evaluation process is working effectively and achieves the desired outcomes and as such it was not considered necessary to undertake more formal performance evaluations during the period. The Board was satisfied that it fulfilled its role effectively during 2017.

Non-executive directors regularly provide feedback to one another regarding individual performance. The Board has determined that this informal feedback process has been operating effectively and facilitated open and honest communication and as such it was determined that formal non-executive director performance evaluations were not necessary during the period.

**Recommendation 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 established a Remuneration and Nomination Committee which is responsible for undertaking a review of the CEO's performance, at least annually, including setting the CEO goals for the coming year and reviewing progress in achieving those goals. The Remuneration and Nomination Committee is also responsible for reviewing recommendations from the CEO on each senior executive's performance evaluations.

The Remuneration and Nomination Committee did not have a separate meeting during this period to formally assess the performance of the Managing Director, who transitioned to a Non-Executive Director role effective 21 December 2017. Feedback was provided to the Managing Director during the period of appointment through board meetings and individually by the non-executive directors.

The CEO meets with senior management on a quarterly basis to discuss their performance. These performance meetings did occur during the year.

## **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

*A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.*

**Recommendation 2.1:** *The board of a listed entity should:*

- (a) *Have a nomination committee which:*
  - (1) *Has at least three members, a majority of whom are independent directors; and*
  - (2) *Is chaired by an independent director,*  
*and disclose:*
    - (3) *The charter of the committee;*
    - (4) *The members of the committee; and*
    - (5) *As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (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, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

The Board has established a Remuneration and Nomination Committee which has a separate charter which describes its role, composition, functions and responsibilities. A copy of the charter is set out on the Company website.

The Remuneration and Nomination Committee oversees the appointment and induction process for directors and the selection, appointment and succession planning process of the Company's CEO. When a vacancy exists or there is a need for a particular skill, the Committee, in consultation with the Board, determines the selection criteria that will be applied. The Committee will then identify suitable candidates, with assistance from an external consultant if required, and will assist the Board in interviewing and assessing the selected candidates. Directors are initially appointed by the Board and must stand for re-election at the Company's next Annual General Meeting of shareholders. Directors must then retire from office and nominate for re-election at least once every three years.

During 2017, the Remuneration and Nomination Committee was comprised of:

- For the period 1 January 2017 to 6 February 2017, Mr Kiernan (Chair), Mr J Fitzgerald and Mr L Cornelius. Mr Kiernan and Mr Fitzgerald were Independent Non-Executive Directors;
- For the period 7 February 2017 to 28 February 2017, Mr J Fitzgerald (Chair) and Mr L Cornelius. Only Mr Fitzgerald was an Independent Non-Executive Director;
- For the period 1 March 2017 to 17 November 2017, Mr S Cornelius (Chair), Mr J Fitzgerald and Mr L Cornelius. Only Mr Fitzgerald was an Independent Non-Executive Director;
- For the period 18 November 2017 to 20 December 2017, Mr S Cornelius (Chair) and Mr J Fitzgerald. Only Mr Fitzgerald was an Independent Non-Executive Director;

- For the period 21 December 2017 to 31 December 2017, Mr A Liebenberg (Chair), Mr J Fitzgerald and Mr Paul Donaldson. Mr Liebenberg and Mr Fitzgerald are Independent Non-Executive Directors.

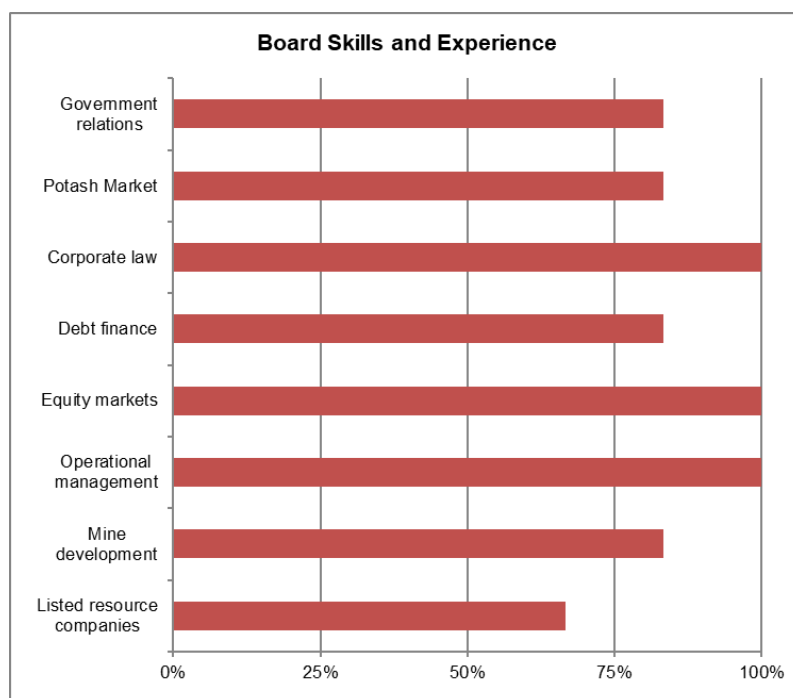
The company, therefore, was compliant with the above ASX recommendation during the periods 1 January to 6 February 2017, and 21 December 2017 to 31 December 2017, and remains at the date of this report in compliance with the above ASX recommendation that requires a majority of members to be independent directors and that the committee is chaired by an independent director.

Given the Company's background, the nature and size of its business and the current phase of its development, the Board believes that the composition of the Remuneration and Nomination Committee is both appropriate and acceptable. It is the Board's intention to change the composition of the Remuneration and Nomination Committee over time to ensure that it complies with Recommendation 2.1.

Details of the composition of the Remuneration and Nomination Committee and details of attendance at Remuneration and Nomination Committee meetings are set out in the Company's 2017 Annual Financial Report.

**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 is looking to achieve in its membership.*

The Board has identified that the appropriate mix of skills and diversity required of its members to operate effectively and efficiently is achieved by personnel have substantial skills and experience in listed resource companies, mine development, operational management, equity markets, debt finance, corporate law, potash markets, and government relations. The skills and experience of the Board in each of these areas is summarised as follows:



Gaps in the collective skills of the Board are regularly reviewed by the Remuneration and Nomination Committee, with the Remuneration and Nomination Committee proposing candidates for directorships for consideration by the Board having regard to the desired skills and experience required by the Company as well as the proposed candidates' diversity of background.

A profile of each director setting out their skills, experience and expertise is set out in the 2017 Annual Financial Report.

**Recommendation 2.3:** *A listed entity should disclose:*

- The names of the directors considered by the board to be independent directors;*
- If a director has an interest, position, association or relationship that might cause doubts about their independence as a director but the board is of the opinion that their independence isn't compromised, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and*
- The length of service of each director.*

Directors are considered to be independent when they are independent of management and free from any business or other relationships that could materially interfere with, or could reasonably be perceived to materially interfere with the exercise of their independent judgement. Materiality levels (as set out in the Board Charter) are considered from both the Company and individual director's perspective. This Recommendation should be read with Recommendation 2.4.

Details of the Directors can be found in the 2017 Annual Financial Report.

**Recommendation 2.4:** *A majority of the board of a listed entity should be independent directors.*

The Board assesses the independence of a director prior to appointment and of all appointed directors from time to time as appropriate.

Given the Company's background, the nature and size of its business and the current stage of its development the Board comprises six directors, all non-executive. Three of the Directors are independent resulting in three of the six directors of the Board not being independent. Therefore the Company is not in compliance with ASX Recommendation 2.4.

Although the Board is of the opinion that the current Board composition is both appropriate and acceptable at this stage of the Company's development, it is the Board's intention to change its composition over time to align with recommendation 2.4.

Mr S Cornelius, chairman of the Board, is considered not to be an independent director of the Company due to his association with a substantial shareholder. The Board assessed Mr S Cornelius's independence and is satisfied that his leadership, sound judgement and impartial decision-making abilities in conjunction with his high degree of expertise in cross-border transactions particularly in the resources and finance sectors, corporate experience in legal and commercial negotiations, are to the benefit of the shareholders.

Mr Paul Donaldson is not an independent director as he was previously employed in an executive capacity by the Company in the role of Managing Director (transitioned to Non-Executive Director on 21 December 2017), and there has not been a period of at least three years since engaged as an executive.

Ms Zhang is associated with a substantial shareholder and is not considered an independent director. Ms Zhang brings international trading and business development experience in China to the Board's skill set which is appropriate for the current position of the Company's development cycle. The Board is satisfied that the quality and independent judgement she brings to relevant issues falls within the scope of her role as director and to the benefit of shareholders.

**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.*

At the date of this statement, the Chairman, Mr S Cornelius, is a Non-Executive Director and does not perform the role of the CEO.

As disclosed in Section 2.4, Mr S Cornelius is considered not to be an independent director of the Company due to his association with a substantial shareholder and therefore the Company is not in compliance with this ASX Recommendation.

**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 established a Remuneration and Nomination Committee which is responsible for conducting new director inductions.

All directors are expected to maintain the skills required to discharge their obligations to the Company. The Company provides opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

### **PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY**

*A listed entity should act ethically and responsibly.*

**Recommendation 3.1:** *A listed entity should:*

- (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 recognises the importance of establishing and maintaining high ethical standards and decision making in conducting its business and is committed to increasing shareholder value in conjunction with fulfilling its responsibilities as a good corporate citizen. All directors, managers and employees are expected to act with the utmost integrity, honesty and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Company has established a Code of Conduct which can be viewed on its website. Unethical practices, including fraud, legal and regulatory breaches and policy breaches are required to be reported on a timely basis to management.

### **PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

*A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.*

**Recommendation 4.1:** *The board of a listed entity should:*

- (a) *Have an audit committee which:*
- (1) *Has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*
  - (2) *Is chaired by an independent director, who is not the chair of the board, and disclose:*
  - (3) *The charter of the committee;*
  - (4) *The relevant qualifications and experience of the members of the committee; and*
  - (5) *In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *If it does not have an audit committee, disclose that fact and the processes it employs 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.*

On 21 December 2017, the former Audit and Risk Committee was split into two separate committees to become the Audit Committee and the Technical and Risk Committee respectively.

During 2017, the Audit and Risk Committee was comprised of:

- For the period 1 January 2017 to 6 February 2017, Mr Kiernan (Chair), Mr J Fitzgerald and Mr S Cornelius. Mr Kiernan and Mr Fitzgerald were Independent Non-Executive Directors;
- For the period 7 February 2017 to 28 February 2017, Mr J Fitzgerald (Chair) and Mr S Cornelius. Only Mr Fitzgerald was an Independent Non-Executive Directors;
- For the period 1 March 2017 to 20 December 2017, Mr J Fitzgerald (Chair), Mr S Cornelius and Mr R Connochie. Mr Fitzgerald and Mr Connochie were Independent Non-Executive Directors; and,

following the split, the Audit Committee was comprised of:

- For the period 21 December 2017 to 31 December 2018, Mr J Fitzgerald (Chair), Mr R Connochie and Mr A Liebenberg, all of whom are Independent Non-Executive Directors.

The Company remains at the date of this report in compliance with the above ASX recommendation that requires a majority of members to be independent directors and that the committee is chaired by an independent director. The Audit Committee chair Mr Fitzgerald is an accountant by profession, and all members of the Audit Committee consider themselves to be financially literate and have significant understanding of the industry in which the Company operates.

All matters that might properly be dealt with by the Audit Committee are subject to regular scrutiny at full board meetings.

A copy of the Audit and Risk Committee charter (which covers the Audit Committee and the separate Technical Risk Committee) is located on the Company's website. The charter describes the Audit Committee's role, composition, functions and responsibilities.

The relevant qualifications and experience of Committee members and details of individual attendance at Audit Committee meetings is disclosed in the Company's 2017 Annual Financial Report.

**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.*

In accordance with Recommendation 4.2 and Section 295A of the *Corporations Act 2001* the Board receives a signed declaration from the CFO and CEO prior to the approval of the Company's financial statements.

**Recommendation 4.3:** *A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer any 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 Shareholders are provided with an opportunity to address questions to the Auditor.

**PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

*A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.*

**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 established policies and procedures to ensure timely disclosure of all material matters and ensure that investors have access to information on financial performance. This ensures the Company is compliant with the information disclosure

requirements under the ASX Listing Rules. The policies and procedures include a Continuous Disclosure Policy that includes identification of matters that may have a material impact on the price of the Company's securities, notifying them to the ASX, posting relevant information on the Company's website and issuing media releases.

Matters involving potential market sensitive information must first be reported to the CEO either directly or via the Company Secretary. The CEO will advise the Board if the issue is important enough and if necessary seek external advice. In all cases the appropriate action must be determined and carried out in a timely manner in order for the Company to comply with the Information Disclosure requirements of the ASX.

Once the appropriate course of action has been agreed upon, either the CEO or Company Secretary will disclose the information to the relevant authorities, being the only authorised officers of the Company who are able to disclose such information. Board approval is required for market sensitive information such as financial results and material transactions.

A copy of the Continuous Disclosure Policy is available on the Company's website. The Board receives regular reports on the status of the Company's activities and any new proposed activities. Disclosure is reviewed as a routine agenda item at Board meetings.

## **PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS**

*A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.*

**Recommendation 6.1:** *A listed entity should provide information about itself and its governance to investors via its website.*

The Company values its relationship with shareholders and understands the importance of communication with them. To keep shareholders informed, the Company maintains a website at [www.danakali.com](http://www.danakali.com)

The Company's website provides information on the Company including its background, objectives, projects and contact details. The Corporate Governance page provides access to key policies, procedures and charters of the Company, such as the Board and Committee charters, securities trading policy, and latest Corporate Governance Statement.

ASX announcements, Company reports and presentations are uploaded to the website following release to the ASX. Editorial content is updated on a regular basis.

**Recommendation 6.2:** *A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

The Company has formulated a Security Holder Communication Policy which can be viewed on the Company's website.

The Company has a proactive approach to communicating the Company's business to Shareholders and the wider investment community, and encourages ongoing Shareholder feedback and participation at general meetings.

To support the Company's communication strategy, the Company has engaged an external firm to promote the Company's investor communications. In addition, during 2017, the Company has employed a Head of Corporate Development & External Affairs.

Shareholders may at any time direct questions to, or request information from, the Head of Corporate Development & External Affairs, the directors or management through the Company Secretary or public relations representative. Full contact details are available on the Company's website.

**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 Board encourages the attendance of Shareholders at Shareholders' meetings and sets the time and location of each meeting to promote the Company's investor relations program.

**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 the use of electronic communication and offers Security Holders the option to receive and send electronic communication to the Company and its share registry where possible.

The Annual Report is made available to shareholders and other stakeholders in a timely manner in both print and on-line versions. The Company's financial reports and presentations can be freely downloaded from the Company's website.

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

*A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.*

**Recommendation 7.1:** *The board of a listed entity should:*

- (a) *Have a committee or committees to oversee risk, each of which:*
  - (1) *Has at least three members, a majority of whom are independent directors; and*
  - (2) *Is chaired by an independent director, and disclose:*
    - (3) *The charter of the committee;*
    - (4) *The members of the committee; and*
    - (5) *As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *If it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

As previously stated in Principal 4, on 21 December 2017, the former Audit and Risk Committee was split into two separate committees to become the Audit Committee and the Technical and Risk Committee respectively.

During 2017, the Audit and Risk Committee was comprised of:

- For the period 1 January 2017 to 6 February 2017, Mr Kiernan (Chair), Mr J Fitzgerald and Mr S Cornelius. Mr Kiernan and Mr Fitzgerald were Independent Non-Executive Directors;
- For the period 7 February 2017 to 28 February 2017, Mr J Fitzgerald (Chair) and Mr S Cornelius. Only Mr Fitzgerald was an Independent Non-Executive Directors;
- For the period 1 March 2017 to 20 December 2017, Mr J Fitzgerald (Chair), Mr S Cornelius and Mr R Connochie. Mr Fitzgerald and Mr Connochie were Independent Non-Executive Directors; and,

following the split, the Technical and Risk Committee was comprised of:

- For the period 21 December 2017 to 31 December 2018, Mr P Donaldson (Chair), Mr S Cornelius and Mr R Connochie. Only Mr Connochie is an Independent Non-Executive Directors.

At the date of this report, the Technical and Risk Committee comprises of Mr P Donaldson (Chair), Mr S Cornelius, and Mr R Connochie. Two of the three committee members are not independent, therefore the Company is not in compliance with ASX Recommendation 7.1.

Mr R Connochie is an independent non-executive director considered to be financially literate and to have significant understanding of the industry in which the Company operates.

The Board assessed Mr S Cornelius's independence and is satisfied that his leadership, sound judgement and impartial decision-making abilities in conjunction with his high degree of expertise in cross-border transactions particularly in the resources and finance sectors, corporate experience in legal and commercial negotiations, are to the benefit of the committee.

The Board assessed Mr Donaldson's independence and is satisfied that his experience and specific technical knowledge of the Company's project (gained through his former role as the Company's CEO) are to the benefit of the committee.

The Technical and Risk Committee (including Audit and Risk Committed up to 20 December 2017) is responsible for overseeing the establishment and implementation of effective risk management and internal control systems to manage the Company's material business risks and for reviewing and monitoring the Company's application of those systems. A copy of the Audit and Risk Committee charter (which covers the Audit Committee and the Technical Risk Committee), as well as a copy of the Company's Risk Management Policy, can be viewed on the Company website. The charter describes the committee's role, composition, functions and responsibilities.

Major risk categories reported include operational risk, environmental risk, sustainability, statutory reporting and compliance, financial risks (including financial reporting, treasury, information technology and taxation), occupational health and safety risks and market related risks.

The relevant qualifications and experience of Committee members and details of individual attendance at committee meetings are disclosed in the Company's Annual Report.

All matters that might properly be dealt with by the Committee are subject to regular scrutiny at full board meetings.

**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.*

As previously stated in Principal 4, on 21 December 2017, the former Audit and Risk Committee was split into two separate committees to become the Audit Committee and the Technical and Risk Committee respectively. The former Audit and Risk Committee and the current Technical and Risk Committee is responsible for reviewing the Company's risk management framework.



Risk framework reviews occur no less than annually, with the last review completed in October 2017. Throughout the year and between annual reviews, the committee is presented with any material changes to the business that may give rise to material changes in the Company's risks or risk profile.

**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 and internal control processes.*

Given the Company's size and current stage of development it does not have an internal audit function.

The Technical and Risk Committee is responsible for overseeing the establishment and implementation of effective risk management and internal control systems to manage the Company's material business risks and for reviewing and monitoring the Company's application of those systems.

The Audit Committee is responsible for overseeing the effectiveness of internal control processes.

**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's material exposures to economic, environmental and social sustainability risks and mitigating factors are as follows:

- Equity Capital markets risk – the company is currently not generating any cash flow and is reliant upon the existing shareholders and equity capital markets to fund the company's activities. The Company maintains close control on its finances and communicates frequently to its shareholders and the market as to the Company's strategy to manage this risk.
- Environmental risk – the Company is currently exposed to few risks due to the present stage of pre-development. The Company has an Environmental Policy which is available on the Company's website.
- Social sustainability risk – at the present stage of development the Company is exposed to few social and sustainability risks.

The Company will manage these risks in a pro-active manner through periodic monitoring and assessment as the project development progresses.

## **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

*A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.*

**Recommendation 8.1:** *The board of a listed entity should:*

- (a) *Have a remuneration committee which:*
  - (1) *Has at least three members, a majority of whom are independent directors; and*
  - (2) *Is chaired by an independent director,*  
*and disclose:*
    - (3) *The charter of the committee;*
    - (4) *The members of the committee; and*
    - (5) *As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (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.*

As previously stated in Principle 2, the Board has established a Remuneration and Nomination Committee. Please refer to commentary under Recommendation 2.1.

**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 structure of Non-Executive Director remuneration is clearly distinguishable from that of Executive Directors and other senior executives.

Full details of the Company's policies and practices regarding the remuneration of executive and non-executive directors and other senior executives are disclosed in the Company's 2017 Annual Financial Report.

**Recommendation 8.3:** *A listed entity which has an equity-based compensation 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.*

Directors and senior executives are prohibited from entering into transactions which limit the risk of participating in unvested entitlements under any equity-based remuneration scheme.

The Company has established a Securities Trading Policy which sets out the requirements for directors, employees, consultants and contractors of Danakali Ltd dealing in Danakali securities.

A copy of this Policy may be found on the Company's website.

Dated: 21 March 2018