



TERRACOM

TerraCom Limited
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Clermont, Queensland, 4721
Australia
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terracomresources.com

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of TerraCom Limited (TerraCom or the Company) is responsible for the corporate governance of the Company. The Directors guide and monitor the business and affairs of the shareholders by whom they are elected and to whom they are accountable.

This corporate governance statement reports on TerraCom's key governance principles and practices.

As a listed entity, TerraCom is required to comply with the Corporations Act 2001 (Cth) and the ASX Listing Rules. The ASX Listing Rules require the Company to report on the extent to which it has followed the Corporate Governance Recommendations published by the ASX Corporate Governance Council.

The following pages sets out the Company's position as at 25 October 2017.

Principle 1: Lay solid foundation for management and oversight

| No. | ASX Corporate Governance Principles and Recommendation | Company Response |
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| 1.1 | <p>A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p> | <p>The roles and functions must be flexible to deliver the Company's objectives. The Company has a small Board of seven directors (currently comprising five non-executive, independent directors; one non-executive director; and one executive director); small corporate teams located in Brisbane and Clermont; and operational management teams in Clermont and Mongolia.</p> <p>The statement of Board and Management responsibilities is found within the Board Charter on the Company's website (http://terracomresources.com/wp-content/uploads/2016/04/Charter-Board-Charter.pdf).</p> |
| 1.2 | <p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(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.</p> | <p>The Company reviews the qualifications and experience of all potential board candidates. Appropriate background checks are completed where deemed appropriate for the position, including speaking with personal and professional referees.</p> <p>The Company provides biographical details of proposed directors, as well as information relating to other directorships and interest which may reasonably be perceived to influence their capacity to bring independent judgement to the Board. The Company includes this information, where appropriate,</p> |



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| | | in a ASX announcement, Annual Report, Notice of Meeting and on the Company website. |
| 1.3 | A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | Each director and senior executive has a written contract which sets out the terms of their appointment, including their responsibilities and remuneration. |
| 1.4 | The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. | The company secretary is directly accountable to the board. Communication between the board and company secretary is encouraged. Corporate governance and compliance matters is a standing agenda item at board meetings. |
| 1.5 | <p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the 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: <p style="margin-left: 20px;">(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the</p> | <p>The Company has a diversity policy. A copy of the policy can be found on the Company's website (http://terracomresources.com/wp-content/uploads/2016/04/Diversity-Policy-May-2012.pdf).</p> <p>The Company is an equal opportunity employer and strives to foster diversity across the organization. The Company has not set measurable objectives due to the size of its current workforce. As the size and scale of the Company grows the Board will set and aim to achieve gender diversity objectives as director and senior executive positions become vacant and appropriately qualified candidates become available.</p> <p>As at 25 October 2017, the Company had the following proportion of men and women across the organization:</p> |



| | | | Men | Women |
|-----|---|--|-----|-------|
| | 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. | Board | 7 | - |
| | | Senior Executives | 3 | - |
| | | Whole Organisation | 214 | 20 |
| 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. | No formal performance evaluation of the board, its committees and individual directors was undertaken during the year. The Company will look to enact a formal performance evaluation process during the 2018 financial year. | | |
| 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. | No formal performance evaluation of the Company's senior executives was undertaken during the year. The Company will look to enact a formal performance evaluation process during the 2018 financial year. | | |

Principle 2: Structure the board to add value

| No. | ASX Corporate Governance Principles and Recommendation | Company Response |
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| 2.1 | <p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ul style="list-style-type: none"> (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 <p>(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.</p> | <p>The Company has a Nomination Committee. Due to the size of the Company all directors are members. Therefore the Nomination Committee responsibilities under its Charter is performed at the board of director meetings. And as a result no separate attendance is maintained for the nomination committee responsibilities completed at the board of director meetings.</p> <p>If vacancies arise on the Board, all directors are therefore involved in search and recruitment. The Board seeks to achieve a balance of entrepreneurial, capital markets, technical, operational, commercial and financial skills from mining industry and broader business backgrounds.</p> <p>The Nomination Committee, which is run through the Board of Director meetings has 7 directors with a majority independent (five directors on total).</p> <p>A copy of the Nomination Committee Charter can be found on the Company's website (http://terracomresources.com/wp-content/uploads/2016/04/Charter-Nomination-Committee-May-2015.pdf).</p> |



| 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. | <p>The current mix of board skills is as per the below matrix:</p> <table border="1"><thead><tr><th>Skills & Experience</th><th></th></tr></thead><tbody><tr><td>Mining, exploration and production</td><td>5</td></tr><tr><td>Engineering</td><td>4</td></tr><tr><td>Capital projects</td><td>6</td></tr><tr><td>Trading/ marketing</td><td>4</td></tr><tr><td>Strategy</td><td>7</td></tr><tr><td>Leadership</td><td>7</td></tr><tr><td>Board/ committee experience</td><td>7</td></tr><tr><td>Corporate governance</td><td>7</td></tr><tr><td>Accounting/ audit/ risk management</td><td>7</td></tr><tr><td>Government/ policy</td><td>4</td></tr><tr><td>Legal/ regulatory</td><td>7</td></tr><tr><td>Health, safety and environment</td><td>6</td></tr><tr><td>Human resources</td><td>7</td></tr><tr><td>International business expertise</td><td>7</td></tr></tbody></table> | Skills & Experience | | Mining, exploration and production | 5 | Engineering | 4 | Capital projects | 6 | Trading/ marketing | 4 | Strategy | 7 | Leadership | 7 | Board/ committee experience | 7 | Corporate governance | 7 | Accounting/ audit/ risk management | 7 | Government/ policy | 4 | Legal/ regulatory | 7 | Health, safety and environment | 6 | Human resources | 7 | International business expertise | 7 |
|------------------------------------|--|---|---------------------|--|------------------------------------|---|-------------|---|------------------|---|--------------------|---|----------|---|------------|---|-----------------------------|---|----------------------|---|------------------------------------|---|--------------------|---|-------------------|---|--------------------------------|---|-----------------|---|----------------------------------|---|
| Skills & Experience | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mining, exploration and production | 5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Engineering | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Capital projects | 6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Trading/ marketing | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Strategy | 7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Leadership | 7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Board/ committee experience | 7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Corporate governance | 7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Accounting/ audit/ risk management | 7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Government/ policy | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Legal/ regulatory | 7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Health, safety and environment | 6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Human resources | 7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| International business expertise | 7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.3 | <p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p> | <p>Wallace King, Craig Wallace, Tsogt Togoo, Phillip Forrest and James Soorley are considered to be independent directors.</p> <p>The length of service of each director (rounded to nearest month) as at 25 October 2017 is as per below:</p> <p>Wallace King Appointed: 17 May 2017 Length of Service: 5 months</p> <p>Craig Wallace Appointed: 12 December 2014 Length of Service: 2 year 10 months</p> <p>Michael Avery Appointed: 13 November 2014</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



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| | | <p>Length of Service: 2 year 11 months</p> <p>Cameron McRae Appointed: 6 June 2016 Length of Service: 1 year 5 months</p> <p>Tsogt Togoo Appointed: 25 February 2013 Length of Service: 4 years 8 months</p> <p>Philip Forrest Appointed: 9 April 2015 Length of Service: 2 year 7 months</p> <p>James Soorley Appointed: 8 March 2017 Length of Service: 8 months</p> |
| 2.4 | A majority of the board of a listed entity should be independent directors. | <p>The board of directors comprises seven directors, five of whom (majority) are deemed independent. Wallace King, Craig Wallace, Phillip Forrest, James Soorley and Tsogt Togoo are independent directors.</p> <p>The Company has had a majority of independent directors on the Board since January 2017.</p> |
| 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. | <p>Wallace King is the independent director nominated as the Chair of the Company; and is not the CEO of the Company.</p> <p>During the 2017 financial year and prior to 1 September 2017, Cameron McRae held the position of Executive Chairman and therefore was not deemed independent.</p> |



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| 2.6 | <p>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.</p> | <p>The company secretary ensures all new directors are inducted into the Company. Upon commencement, the director formalizes the letter of appointment setting out the terms of their appointment; as well as, provided with a copy of the Company's Constitution, relevant Company policies, and relevant insurance policies (namely Directors and Officers).</p> |
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Principle 3: A listed entity should act ethically and responsibly

| No. | ASX Corporate Governance Principles and Recommendation | Company Response |
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| 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 has adopted a code of conduct for its directors, senior executives and employees. A copy of this can be found on the Company's website (http://terracomresources.com/wp-content/uploads/2016/04/Code-of-Conduct-May-2010.pdf). |

Principle 4: Safeguard integrity in corporate reporting

| No. | ASX Corporate Governance Principles and Recommendation | Company Response |
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| 4.1 | <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <ul style="list-style-type: none"> (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 <p>(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.</p> | <p>The Company has an audit committee, which comprises of three independent directors:</p> <ol style="list-style-type: none"> 1. Philip Forrest (Committee Chair): Non-Executive, Independent Director; 2. Craig Wallace: Non-Executive, Independent Director; and 3. James Soorley: Non-Executive, Independent Director. <p>The Company has had an independent director chair of the audit committee since January 2017.</p> <p>A copy of the Audit Committee Charter can be found on the Company's website (http://terracomresources.com/wp-content/uploads/2016/04/Audit-Committee-Charter-2014FinalTC.pdf).</p> <p>The relevant qualifications and experience of the committee can be found in the 2017 Annual Report, on the Company's website; however, is included below also.</p> <p>Philip Forrest Qualifications: Fellow of the Australian Institute of Company Directors; Certified Public Accountant; Bachelor of Commerce (University of Queensland). Experience: For over 33 years, Philip Forrest has lived in South East Asia and contributed to the Australia/Asia commercial relationship.</p> |



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| | <p>He is reinforcing that contribution through directorships, involvement in not for profit organisations, and the provision of consultation and advice. Since arriving in Singapore in 1992, he has headed three international banks (Westpac, NatWest and ANZ), with wide-ranging regional responsibilities. His most recent banking position was Asia Head for ANZ Bank, with responsibility for all of the Bank's activities in eleven countries from Japan to Indonesia.</p> <p>Philip's current non-executive directorships include: EA Consulting, Voyager Estate (Singapore), Readymix Holdings International, Gemstar Technology Asia, Clocktower Wealth Fund SPC, and EVOLVE Agribusiness Pte Ltd.</p> <p>He is currently a Director of The Australian Chamber of Commerce Singapore, and a Member of the Governing Council of the Singapore Institute of Directors.</p> <p>Philip is a Fellow of the Australian Institute of Company Directors, a Fellow of CPA Australia, and a Fellow of the Australian Institute for Business and Economics. He is a Member of the Thai Institute of Directors and of the Singapore Mining Club. He received an award in 2014 for forty years of membership of CPA Australia.</p> <p>Craig Wallace Qualifications: Bachelor of Arts. Experience: Mr Wallace served as the Queensland Minister for Main Roads, Fisheries and Marine Infrastructure from 2009 to 2012. His departments delivered major</p> |
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| | <p>infrastructure projects across Queensland including the Gateway Bridge and rebuilding of Queensland Road assets following major floods. He is a member of the Executive Council of Queensland, a member of Roads Australia and a Patron of the Committee for Infrastructure and Logistics Australia.</p> <p>In 2012 he formed Shanghai Commonwealth Investment and Consulting (which is operating mainly in China). The company has a focus on building trade ties between China and Australia with a particular focus on food products.</p> <p>James Soorley</p> <p>Qualifications: Masters of Organisational Development; Bachelor of Arts.</p> <p>Experience: Mr Soorley has been a highly successful leader in local government and business, which is demonstrated through Jim previously being Lord Mayor of the City of Brisbane for 12 years. Jim's wealth of experience allows him to provide guidance and leadership in stakeholder relations and management to the TerraCom team both within Australian and overseas.</p> <p>Jim is currently the inaugural Chairman of Unitywater and Chairman of CS Energy, a Queensland Government owned electricity generator producing a third of Queensland's electricity. Jim is also the inaugural Chairman for the Queensland Partnership Group (now PROPEL). He has also served on a number of key government committees and boards including the A.C.T Land Development</p> |
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| | | <p>Agency and Brisbane International Film Festival.</p> <p>The number of committee meetings held and attendances by committee members can be found in the 2017 Annual Report; however, is also disclosed below:</p> <table border="1"> <thead> <tr> <th>Committee Member</th> <th>Number Eligible to Attend</th> <th>Number Attended</th> </tr> </thead> <tbody> <tr> <td>Philip Forrest</td> <td>5</td> <td>5</td> </tr> <tr> <td>Craig Wallace</td> <td>5</td> <td>5</td> </tr> <tr> <td>Loo Hwee Fang</td> <td>5</td> <td>5</td> </tr> <tr> <td>James Soorley</td> <td>-</td> <td>-</td> </tr> </tbody> </table> | Committee Member | Number Eligible to Attend | Number Attended | Philip Forrest | 5 | 5 | Craig Wallace | 5 | 5 | Loo Hwee Fang | 5 | 5 | James Soorley | - | - |
|------------------|---|---|------------------|---------------------------|-----------------|----------------|---|---|---------------|---|---|---------------|---|---|---------------|---|---|
| Committee Member | Number Eligible to Attend | Number Attended | | | | | | | | | | | | | | | |
| Philip Forrest | 5 | 5 | | | | | | | | | | | | | | | |
| Craig Wallace | 5 | 5 | | | | | | | | | | | | | | | |
| Loo Hwee Fang | 5 | 5 | | | | | | | | | | | | | | | |
| James Soorley | - | - | | | | | | | | | | | | | | | |
| 4.2 | The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. | The Company obtains a declaration from the CEO and CFO (or the persons acting in those capacities) prior to the completion of its half year and annual financial statements. | | | | | | | | | | | | | | | |
| 4.3 | A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit. | The Company ensures that its external auditor attends its AGM and time is set aside for the shareholders to ask questions of the auditor. | | | | | | | | | | | | | | | |



Principle 5: Make timely and balanced disclosure

| No. | ASX Corporate Governance Principles and Recommendation | Company Response |
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| 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 a Continuous Disclosure Policy, which is available for view on the Company's website (http://terracomresources.com/wp-content/uploads/2016/04/Continuous-Disclosure-Policy-August-2015.pdf) |

Principle 6: Respect the rights of security holders

| No. | ASX Corporate Governance Principles and Recommendation | Company Response |
|-----|---|--|
| 6.1 | A listed entity should provide information about itself and its governance to investors via its website. | <p>The Company's website (http://terracomresources.com/) contains comprehensive information about the Company, its operations and exploration assets, its directors and senior management, and corporate governance.</p> <p>All Company announcements, including half year and annual financial statements, can be located on the Company's website (http://terracomresources.com/investors/asx-announcements/).</p> |
| 6.2 | A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | <p>The Board and the Company Secretary are responsible for the communication strategy to promote effective communication with shareholders and to encourage effective participation at general meetings. TerraCom Limited adheres to best practice in its preparation of Notices of Meetings, and through its share registry, offers to members the option of receiving shareholder communications electronically.</p> <p>Further, at the bottom of each ASX announcement the Company provides contact details (phone and email) for investors to contact the Company for any clarifications or queries they have.</p> |
| 6.3 | A listed entity should disclose the policies and processes it has in place to facilitate and | The Company considers the country of residency of its shareholders when |



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| | <p>encourage participation at meetings of security holders.</p> | <p>determining the most appropriate location to hold its shareholder meetings.</p> <p>Time is set aside at each meeting whereby attendees are encouraged to query the Board on operational and financial matters.</p> |
| 6.4 | <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p> | <p>To the extent permissible by law, the Company sends all communications electronically in an effort to reduce its environmental footprint.</p> <p>As new shareholders join the register they are invited to communicate with the Company and share registry (Link Market Services) electronically.</p> |

Principle 7: Recognise and manage risk

| No. | ASX Corporate Governance Principles and Recommendation | Company Response |
|-----|---|---|
| 7.1 | <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ul style="list-style-type: none"> (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 <p>(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.</p> | <p>The Company's audit committee oversees the risk management of the Company. The committee comprises of three independent directors:</p> <ul style="list-style-type: none"> 4. Philip Forrest (Committee Chair): Non-Executive, Independent Director; 5. Craig Wallace: Non-Executive, Independent Director; and 6. James Soorley: Non-Executive, Independent Director. <p>The Company has had an independent director chair of the audit committee since January 2017.</p> <p>A copy of the Audit Committee Charter can be found on the Company's website (http://terracomresources.com/wp-content/uploads/2016/04/Audit-Committee-Charter-2014FinalTC.pdf). Included in this charter is the requirement for the Audit Committee is to ensure the Company maintains an effective risk management framework.</p> <p>To remove any future ambiguity, the Company will rename the Audit Committee to be named the Audit and Risk Committee.</p> <p>The relevant qualifications and experience of the committee can be found in the 2017</p> |



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| | <p>Annual Report, on the Company's website; however, is included below also.</p> <p>Philip Forrest</p> <p>Qualifications: Fellow of the Australian Institute of Company Directors; Certified Public Accountant; Bachelor of Commerce (University of Queensland).</p> <p>Experience: For over 33 years, Philip Forrest has lived in South East Asia and contributed to the Australia/Asia commercial relationship. He is reinforcing that contribution through directorships, involvement in not for profit organisations, and the provision of consultation and advice. Since arriving in Singapore in 1992, he has headed three international banks (Westpac, NatWest and ANZ), with wide-ranging regional responsibilities. His most recent banking position was Asia Head for ANZ Bank, with responsibility for all of the Bank's activities in eleven countries from Japan to Indonesia. Philip's current non-executive directorships include: EA Consulting, Voyager Estate (Singapore), Readymix Holdings International, Gemstar Technology Asia, Clocktower Wealth Fund SPC, and EVOLVE Agribusiness Pte Ltd.</p> <p>He is currently a Director of The Australian Chamber of Commerce Singapore, and a Member of the Governing Council of the Singapore Institute of Directors.</p> <p>Philip is a Fellow of the Australian Institute of Company Directors, a Fellow of CPA Australia, and a Fellow of the Australian Institute for Business and Economics. He is a Member of</p> |
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| | <p>the Thai Institute of Directors and of the Singapore Mining Club. He received an award in 2014 for forty years of membership of CPA Australia.</p> <p>Craig Wallace</p> <p>Qualifications: Bachelor of Arts.</p> <p>Experience: Mr Wallace served as the Queensland Minister for Main Roads, Fisheries and Marine Infrastructure from 2009 to 2012. His departments delivered major infrastructure projects across Queensland including the Gateway Bridge and rebuilding of Queensland Road assets following major floods. He is a member of the Executive Council of Queensland, a member of Roads Australia and a Patron of the Committee for Infrastructure and Logistics Australia. In 2012 he formed Shanghai Commonwealth Investment and Consulting (which is operating mainly in China). The company has a focus on building trade ties between China and Australia with a particular focus on food products.</p> <p>James Soorley</p> <p>Qualifications: Masters of Organisational Development; Bachelor of Arts.</p> <p>Experience: Mr Soorley has been a highly successful leader in local government and business, which is demonstrated through Jim previously being Lord Mayor of the City of Brisbane for 12 years. Jim's wealth of experience allows him to provide guidance and leadership in stakeholder relations and</p> |
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| | | <p>management to the TerraCom team both within Australian and overseas.</p> <p>Jim is currently the inaugural Chairman of Unitywater and Chairman of CS Energy, a Queensland Government owned electricity generator producing a third of Queensland's electricity. Jim is also the inaugural Chairman for the Queensland Partnership Group (now PROPEL). He has also served on a number of key government committees and boards including the A.C.T Land Development Agency and Brisbane International Film Festival.</p> <p>The number of committee meetings held and attendances by committee members can be found in the 2017 Annual Report; however, is also disclosed below:</p> <table border="1"> <thead> <tr> <th>Committee Member</th> <th>Number Eligible to Attend</th> <th>Number Attended</th> </tr> </thead> <tbody> <tr> <td>Philip Forrest</td> <td>5</td> <td>5</td> </tr> <tr> <td>Craig Wallace</td> <td>5</td> <td>5</td> </tr> <tr> <td>Loo Hwee Fang</td> <td>5</td> <td>5</td> </tr> <tr> <td>James Soorley</td> <td>-</td> <td>-</td> </tr> </tbody> </table> | Committee Member | Number Eligible to Attend | Number Attended | Philip Forrest | 5 | 5 | Craig Wallace | 5 | 5 | Loo Hwee Fang | 5 | 5 | James Soorley | - | - |
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| Philip Forrest | 5 | 5 | | | | | | | | | | | | | | | |
| Craig Wallace | 5 | 5 | | | | | | | | | | | | | | | |
| Loo Hwee Fang | 5 | 5 | | | | | | | | | | | | | | | |
| James Soorley | - | - | | | | | | | | | | | | | | | |
| 7.2 | <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p> | <p>The Company's risk management policy requires the inclusion in the Board papers of a comprehensive risk management report covering the material business risks in the sectors in which it operates. Operational management regularly reviews the risks, and controls and updates the report in light of changing circumstances and emergent risk factors and weightings.</p> | | | | | | | | | | | | | | | |

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| 7.3 | <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p> | <p>The Company does not currently have an internal audit function as it does not believe it is of the size or complexity to justify this function.</p> <p>The Company is audited annually and reviewed each half year by its auditors who provide an independent report to the Board on the systems and processes in place. This external audit process provides the Board with sufficient comfort that the Company has appropriate internal procedures in place. This situation is reviewed periodically and as required.</p> <p>Notwithstanding this, the Company will look to enact a formal internal audit function during the 2018 financial year.</p> |
| 7.4 | <p>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.</p> | <p>The Company is a coal production, exploration and development company and is therefore inherently exposed to the economic, environment and social sustainability risks that are associated with its peers in the industry. The Company carefully considers its operations and their impact on the environment and local communities.</p> <p>One of the key risks is management of foreign currency exposure. From 1 July 2016 the Company changed its functional currency from AUD, MNT and SGD to USD for TerraCom, Orion Mining Pty Limited (entity which acquired Blair Athol), Singapore subsidiaries, and Mongolia subsidiaries. As an example, the operational revenues are a natural hedge</p> |

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| | | with the borrowings. The Company will continue to monitor its currency exposure and will implement additional actions if required. |
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Principle 8: Remunerate fairly and responsibly

| No. | ASX Corporate Governance Principles and Recommendation | Company Response | | | |
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| 8.1 | <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ul style="list-style-type: none"> (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 <p>(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.</p> | <p>The Company has a remuneration committee, which comprises of three independent directors:</p> <ol style="list-style-type: none"> 1. Wallace King (Committee Char): Non-Executive, Independent Director; 2. James Soorley: Non-Executive, Independent Director; and 3. Philip Forrest: Non-Executive, Independent Director. <p>The Company has had a majority of independent directors and an independent director as chair of the remuneration committee since January 2017.</p> <p>A copy of the Remuneration Committee Charter can be found on the Company's website (http://terracomresources.com/wp-content/uploads/2016/04/Remuneration-Committee-Charter.pdf).</p> <p>The number of committee meetings held and attendances by committee members can be found in the 2016 Annual Report; however, is also disclosed below:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Committee Member</td> <td style="text-align: center;">Number Eligible to Attend</td> <td style="text-align: center;">Number Attended</td> </tr> </table> | Committee Member | Number Eligible to Attend | Number Attended |
| Committee Member | Number Eligible to Attend | Number Attended | | | |



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| | | <table border="1"> <tr><td>Wallace King</td><td>0</td><td>0</td></tr> <tr><td>Craig Wallace</td><td>4</td><td>4</td></tr> <tr><td>Michael Avery</td><td>4</td><td>4</td></tr> <tr><td>Philip Forrest</td><td>4</td><td>4</td></tr> </table> | Wallace King | 0 | 0 | Craig Wallace | 4 | 4 | Michael Avery | 4 | 4 | Philip Forrest | 4 | 4 | |
| Wallace King | 0 | 0 | | | | | | | | | | | | | |
| Craig Wallace | 4 | 4 | | | | | | | | | | | | | |
| Michael Avery | 4 | 4 | | | | | | | | | | | | | |
| Philip Forrest | 4 | 4 | | | | | | | | | | | | | |
| 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. | <p>The 2017 Annual Report includes disclosure on the remuneration structure. However, this is also included below.</p> <p>The remuneration policy of the Group has been designed to align the remuneration available to directors and executives with shareholders' interests by providing a fixed remuneration component and the Board may also elect from time to time to pay a cash performance bonus to the Executives linked to the successful performance of the individual and the Group based on key performance indicators. The overall objective of this policy is the retention and attraction of a high quality Board and executive. The Board believes the remuneration policy to be appropriate and effective to attract and retain the best key management personnel to manage the Group as well as to create goal congruence between directors, executives and shareholders.</p> <p>The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:</p> <ul style="list-style-type: none"> ▪ Key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe | | | | | | | | | | | | | |



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| | <p>benefits and other performance incentives.</p> <ul style="list-style-type: none"> ▪ Performance incentives are generally only paid once predetermined key performance indicators have been met. ▪ The Remuneration Committee reviews key management personnel packages annually by reference to the Group's performance, individual performance and comparable information from industry sectors. ▪ Key management personnel receive, where applicable, the superannuation guarantee contribution required by law and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation. ▪ Upon termination, retirement or resignation; key management personnel are paid employee benefit entitlements accrued to the date of retirement. All remuneration paid to key management personnel is valued at the cost to the Group and expensed. <p>The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external</p> |
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| | | <p>advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.</p> <p>No remuneration recommendations were received from external providers during the financial year.</p> |
| 8.3 | <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(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</p> <p>(b) disclose that policy or a summary of it.</p> | <p>The Company currently does not have an equity-based remuneration scheme.</p> <p>Wallace King has a resolution for shareholders for approval of an equity based package.</p> <p>The Company notes that Cameron McRae's equity approved by shareholders at the 2016 AGM has not been issued to him.</p> <p>These are not considered to create an equity-based remuneration scheme as it is a one-off sign on bonus.</p> |