
CORPORATE GOVERNANCE STATEMENT

In fulfilling its obligations and responsibilities to its various stakeholders, the Board of MOD Resources is a strong advocate of corporate governance. The Board has adopted corporate governance policies and practices consistent with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" (Recommendations) where considered appropriate for a company of MOD Resources size and complexity.

The 3rd edition of the ASX Corporate Governance Principles and Recommendations was introduced on 27 March 2014 and took effect for a listed entity's first full financial year ending on or after 31 December 2014. Accordingly, this Corporate Governance Statement has been prepared on the basis of disclosure under the 3rd edition of these principles.

This statement describes how MOD Resources has addressed the Council's guidelines and eight corporate governance principles and where the Company's corporate governance practices depart from a recommendation, the Company discloses the reason for adoption of its own practices on an "if not, why not" basis.

Given the size and stage of development of the Company and the cost of strict compliance with all the recommendations, the Board has adopted a range of modified procedures and practices which it considers appropriate to enable it to meet the principles of good corporate governance. The information in this Statement is current as at 27 March 2018.

The following governance-related documents can be found on the Company's website at www.modresources.com.au under the section marked "Corporate Governance – Policy Manual":

Charters

- Board
- Audit Committee
- Remuneration Committee

Policies and Procedures

- Board Performance Evaluation
- Code of Conduct
- Shareholder Communications
- Continuous Disclosure Policy
- Securities Trading Policy
- Diversity Policy
- Risk Management and Internal Control Policy
- Health & Safety Policy
- Environment Policy

Principle 1: Lay solid foundations for management and oversight
“Establish and disclose the respective roles and responsibilities of board and management.”

BOARD OF DIRECTORS

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholders value. To fulfil this role, the Board is responsible for the overall corporate governance of the consolidated entity, including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

It is also responsible for approving and monitoring financial and other reporting. Details of the Board Charter are set out on the Company's website.

The Board has delegated responsibility for operation and administration of the Company to the Executive Directors and senior executives.

Board Processes

To assist in the execution of its responsibilities, the Board has established a Remuneration Committee and an Audit Committee. The committees have written mandates which are reviewed on a regular basis. The Board has also established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

Composition of the Board

The Board as at the date of this report are:

Mr Mark Clements, Executive Chairman and Company Secretary
Mr Julian Hanna, Managing Director
Mr Steven McGhee, Technical Director
Mr Simon Lee AO, Non-Executive Director
Ms Bronwyn Barnes, Non-Executive Director

The composition of the Board is determined using the Statement of Selection and Appointment of New Directors contained in the Board Charter on the Company's website.

The names, skills, experiences, expertise, and appointment dates of the directors of the Company in office at the date of this report are set out in the Directors' Report.

Independent Professional Advice and Access to Company Information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the consolidated entity's expense. A copy of the advice received by the Director must be made available to all other members of the Board.

Term of office

The Company's constitution specifies that all Directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a Director may stand for re-election. Ms Barnes will retire and offer herself for re-election and Mr McGhee will seek re-election via rotation at the 2018 AGM.

Principle 2: Structure the Board to add value

“Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.”

DIRECTORS’ INDEPENDENCE

The Company does not have a majority of independent directors appointed at present.

The Board recognises the value of independence and has established clear protocols for handling conflicts of interests.

Ms Bronwyn Barnes (Non-executive Director appointed on 18 September 2017) is considered an independent director of the Company.

Mr Mark Clements (Executive Chairman and Company Secretary - appointed Executive Director 15 March 2016), Mr Hanna (Managing Director appointed 22 January 2013) and Mr McGhee (Technical Director appointed 30 April 2014), are not considered Independent Directors as they are executives of the Company.

Mr Simon Lee AO (appointed 13 January 1997) is not considered an independent director as he is a direct and indirect contingent beneficiary of the Wellington Place Property Trust, which its trustee, Phoenix Properties International Pty Ltd was a substantial shareholder of the Company during the year.

Directors have been chosen for their skills, expertise, and the value they can add to the Board at this time. The Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and day-to-day operations perspective. Under the Company’s Directors and Executives Code of Conduct, all directors have agreed not to participate in any decision in which they are conflicted. The Board is of the view that it has achieved an appropriate balance between independent representation and maintaining sufficient experience for the Board to fulfil its responsibilities.

Chairman and Chief Executive Officer

The roles of Chairman and Managing Director are separated. The roles and responsibilities are set out in the Company’s Board Charter and Code of Conduct.

Nomination Committee

There is no separate Nomination Committee as a sub-committee. The functions to be performed by a nomination committee under the ASX Corporate Governance Council’s Principles and Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising MOD’s Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company’s circumstances.

Performance Assessment

The Board undergoes periodic formal assessments, as and when considered appropriate.

Principle 3: Promote ethical and responsible decision-making

“Actively promote ethical and responsible decision making.”

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. Every employee has a senior executive to whom they may refer any issues arising from their employment. The Board reviews the ethical standards related policies regularly and processes are in place to promote and communicate these policies.

CODE OF CONDUCT

The consolidated entity has advised each director, senior executive and employee that they must comply with the Company's Code of Conduct. The Code may be viewed at the Company's website, and it covers the following:

- the pursuit of the highest standards of ethical conduct in the interests of shareholders and other stakeholders;
- usefulness of financial information by maintaining appropriate accounting policies and practices and disclosure;
- employment practices such as employment opportunity, the level and structure of remuneration, and conflict resolution;
- responsibilities to the community;
- compliance with all legislation affecting the operations and activities of the consolidated entity, both in Australia and overseas;
- conflicts of interest;
- corporate opportunities such as preventing directors and key executives from taking advantage of property, information or position for personal gain;
- confidentiality of corporate information;
- protection and proper use of the Company's assets;
- compliance with laws; and
- reporting of unethical behaviour.

CONFLICT OF INTEREST

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

TRADING IN THE COMPANY'S SECURITIES BY DIRECTORS AND EMPLOYEES

All directors have an obligation to immediately advise the Company of all changes to their interests in shares, options and debentures, if any, in the Company and its associates for reporting to the ASX by the Company Secretary.

Directors and employees may not deal in securities of the Company when in possession of any information which, if made publicly available, could reasonably be expected to materially affect the price of the Company's securities, whether upwards or downwards. Legal advice will be obtained by the Company Secretary on behalf of the Director and employees in circumstances where any doubt exists.

The Trading Policy may be viewed at the Company's website.

DIVERSITY

The Board is committed to having an appropriate blend of diversity on the Board and in all areas of the Group's business. The Board has established a policy regarding gender, age, ethnic and cultural diversity. Details of the policy are available on the Company's website.

Diversity Policy

The Company and all its related bodies corporate are committed to workplace diversity.

The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

To the extent practicable, the Company will address the recommendations and guidance provided in the ASX Corporate Governance Council's *Principles and Recommendations*.

The Diversity Policy does not form part of an employee's contract of employment with the Company, nor gives rise to contractual obligations. However, to the extent that the Diversity Policy requires an employee to do or refrain from doing something and at all times subject to legal obligations, the Diversity Policy forms a direction of the Company with which an employee is expected to comply.

The key objectives of the Diversity Policy are to achieve:

- a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- improved employment and career development opportunities for women;
- a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
- awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity,

(collectively, the **Objectives**).

The Diversity Policy does not impose on the Company, its directors, officers, agents or employee any obligation to engage in, or justification for engaging in, any conduct which is illegal or contrary to any anti-discrimination or equal employment opportunity legislation or laws in any State or Territory of Australia or of any foreign jurisdiction.

Diversity Reporting

The Group's gender diversity as at the end of the reporting period is as follows:

Gender representation	31 December 2017				31 December 2016			
	Female		Male		Female		Male	
	No	%	No	%	No	%	No	%
Board representation	1	20	4	80	-	-	4	100
Group representation	8	16	43	84	9	27	24	73

The following senior positions with the Group are currently held by female employees:

- Group Accountant
- Office Manager

The Company's proposed diversity objectives for the 2018 financial year are to continue to assess and proactively monitor gender diversity at all levels of MOD's business and report to the Board and to continue to assess and monitor the implementation and effectiveness of the Company's diversity initiatives and programs.

Principle 4: Safeguard integrity in financial reporting

“Have a structure to independently verify and safeguard the integrity of the company’s financial reporting.”

AUDIT COMMITTEE

The Audit Committee has a documented charter approved by the Board. All members of the Audit Committee must be non-executive directors, consist of majority of independent directors, is chaired by an independent director and has at least three members. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity. The external auditors and Executive Directors are invited to Audit Committee meetings at the discretion of the Committee. The Audit Committee meets as required.

The two members of this committee during the year were Ms Bronwyn Barnes, who is an independent non-executive director (appointed 18 September 2017) and non-executive director, Mr Simon Lee AO. As the Company is not a S&P All Ordinaries Top 300 Company, it is exempt under ASX Listing Rule 12.7 from maintaining an Audit Committee and thus in compliance with Recommendation 4.1. The Company acknowledges that the Audit Committee did not consist of at least three members during the year. The Board will continue to assess the effectiveness of the Committee having regard to the number of members currently comprising MOD’s Board. The Company continues to have an Audit Committee as a principle of best practice.

The Managing Director and Chief Financial Officer have declared in writing to the Board that the Company’s financial reports for the year ended 31 December 2017 present a true and fair view, in all material respects, of the Company’s financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

The Audit Committee’s charter is available on the Company’s website.

Responsibilities of the Audit Committee

The responsibilities of the Audit Committee include reporting to the Board on:

- reviewing the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs;
- assessing corporate risk assessment processes;
- reviewing the Company’s policies and procedures for convergence with International Financial Reporting Standards;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor’s independence.
- reviewing the appointment and performance of the external auditor;
- assessing the adequacy of the internal control framework and the Company’s code of conduct; and
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements;
- review the half-year and preliminary final report prior to lodgement with the ASX, and any other significant adjustments required as a result of the auditor's findings and to recommend Board approval of these documents, prior to announcement of results; and
- review the draft financial report and recommend Board approval of the financial report.

Information on procedures in relation to these matters may be viewed in the Audit Committee Charter on the Company's website.

Grant Thornton Audit Pty Ltd, who is the current external auditor, has an independence policy of rotating the audit partner at least every 5 years.

Principle 5: Make timely and balanced disclosure

"Promote timely and balanced disclosure of all material matters concerning the company."

CONTINUOUS DISCLOSURE TO ASX

The Company's shares are listed on the ASX and as such the Company is required to comply with the continuous disclosure requirements set out in the ASX Listing Rules. The Managing Director is responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered and all senior executives are responsible for monitoring the Group's internal and external environment for information or events potentially requiring disclosure.

In order to ensure that the Company meets its obligations with regard to the continuous disclosure requirements, the Company has adopted a Continuous Disclosure Policy.

The Continuous Disclosure Policy sets out the Company's obligations and its policies and procedures to ensure timely and accurate disclosure of price sensitive information to the market. The detail of this policy is available on the Company's website.

Principle 6: Respect the rights of shareholders

"Design a communications policy for promoting effective communication with shareholders."

COMMUNICATION WITH SHAREHOLDERS

The Board provides shareholders with information using a Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases. More details of the policy are available on the Company's website.

In summary, the Continuous Disclosure policy operates as follows:

- the annual report is distributed to all shareholders (unless a shareholder has opted not to receive the document), including relevant information about the operations of the consolidated entity during the year, changes in the state of affairs and details of future developments. The annual report is posted on the Company's website;

- the half-yearly report and preliminary final report contain summarised information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report and full year audited financial report are lodged with the ASX and sent to any shareholder who requests a copy. The half-yearly report is posted on the Company's website;
- proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders;
- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;
- transcripts of analyst and media presentations are placed on the Company's website; and
- the external auditor is requested to attend the annual general meeting to answer any questions concerning the audit and the content of the auditor's report.

Principle 7: Recognise and manage risk
"Establish a sound system of risk oversight and management and internal control."

OVERSIGHT OF THE RISK MANAGEMENT SYSTEM

The Board oversees the establishment, implementation and annual review of the Company's risk management system. Management has an established approach for assessing, monitoring and managing operational, financial reporting, and compliance risks for the consolidated entity.

The Managing Director has declared in writing to the Board that the risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The Risk Management and Internal Control Policy may be viewed at the Company's website.

Risk Profile

Major risks for the consolidated entity arise from such matters as exchange rates, political and economic climate in areas of investments, operational risks and financial reporting.

Risk Management and Compliance and Control

The Board is responsible for the overall internal control framework but recognises that no cost-effective internal control system will preclude all errors and irregularities. The consolidated entity has established a system of internal controls which takes account of key business exposures. The system is designed to provide reasonable assurance that assets are safe-guarded, proper accounting records are maintained and financial information is reliable. The system is based upon detailed financial and operating reporting, written procedures, policies and guidelines, organisational structures that provide an appropriate division of responsibility and the careful selection and training of qualified personnel.

Operating practices have been established to ensure:

- major capital expenditure commitments obtain prior Board approval;
- financial exposures are controlled, including the use of derivatives;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel;
- financial reporting accuracy and compliance with the financial reporting regulatory framework; and environmental regulation compliance.

Financial Reporting

In accordance with section 295A of the Corporations Act, the Managing Director and Chief Financial have declared in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

“Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is clear.”

REMUNERATION COMMITTEE

The Remuneration Committee has a documented charter approved by the Board. The Remuneration Committee should consist of non-executive directors of which a majority should be independent directors, is chaired by an independent director and has at least three members. The Remuneration Committee meets as required. The Committee attendance is disclosed in the Directors' Report.

The Chairman of this committee is independent non-executive director, Ms Bronwyn Barnes (appointed 18 September 2017) and includes non-executive director, Mr Simon Lee AO. The Company acknowledges that the Remuneration Committee did not consist of at least three members during the year. The Board will continue to assess the effectiveness of the Committee having regard to the number of members currently comprising MOD's Board. The Company continues to have a Remuneration Committee as a principle of best practice.

The Remuneration Committee's charter is available on the Company's website.

Remuneration of directors and executives

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the executive directors, senior executives and directors themselves. This role also includes responsibility for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefit policies and professional indemnity and liability insurance policies.

Remuneration Policies

Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives. The Remuneration Committee, when deemed necessary, obtains independent advice on the appropriateness of remuneration packages.

The Remuneration Committee meets as required.

Under the Company's Remuneration Policy, non-executive directors will receive a retirement benefit on retirement, resignation or termination, for any reason other than termination due to wilful misconduct. These arrangements are considered appropriate as an incentive to retain the requisite knowledge, skills and expertise within the organisation. These arrangements are reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.