

## CORPORATE GOVERNANCE STATEMENT

Orinoco Gold Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company has adopted systems of control and accountability as the basis for the administration of corporate governance.

The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. The Corporate Governance Statement has been structured with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2014 Amendments 3<sup>rd</sup> edition to the extent that they are applicable to the Company.

Information about the Company's corporate governance practices at 31 December 2016 is set out below.

## THE BOARD OF DIRECTORS

The Company's Constitution provides that the number of Directors shall not be less than three. There is no requirement for any shareholding qualification.

If the Company's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of Directors required to adequately supervise the Company's activities will be determined within the limitations imposed by the Constitution and as circumstances demand.

The Board maintains a skills matrix which indicates the mix of skills, experience and expertise that are considered necessary at Board level for optimal performance of the Board. The matrix reflects the Board's objective to have an appropriate mix of industry and professional experience including skills such as leadership, governance, strategy, finance, risk, relevant industry experience, HR, policy development, international business and marketing skills. External consultants may be brought in with specialist knowledge to address areas where this is an attribute deficiency in the Board.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and application of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board, subject to election by shareholders at the next Annual General Meeting. Each Director and senior executive is required to enter into a written agreement with the Company which sets out the terms of their appointment. Under the Company's Constitution the tenure of a Director (other than Managing Director, and only one Managing Director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A Managing Director may be appointed for the year and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the appointment may be revoked on notice.

There are policy and procedures in place for the annual performance evaluation of the Individual Directors. The remuneration Committee completed a performance review of the Board and Individual Directors during the current reporting period.

The Company has designed a policy and procedures for performance review of Senior Executives and a review occurred during the financial year.



## COMMITTEES OF THE BOARD

The Board has established an Audit Committee which consists of only Non-Executive Directors, being Brian Thomas, Ian Finch and John Hannaford. Brian Thomas is an Independent Director and acts as Chairman of the Audit Committee.

The role of the Audit Committee is to:

- (a) Monitor the integrity of the financial statements of the Company, reviewing significant financial reporting judgements;
- (b) Review the Company's internal financial control systems and, unless expressly addressed by a separate risk committee or by the Board itself, risk management systems;
- (c) Monitor and review the external audit function including matters concerning appointment and remuneration, independence and non-audit services; and
- (d) Perform such other functions as assigned by law, the Company's constitution, or the Board.

The Board has also established a Remuneration Committee. The members of this Committee are Brian Thomas, Ian Finch and John Hannaford. The Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages.

The Board has established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The Company ensures the External Auditor is available to attend the Annual General Meeting and is also available to answer any questions that security holders may have, relevant to the audit process.

The company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the board.

## INDEPENDENCE

Given the Company's present size and scope, it is currently not Company's policy to have a majority of independent Directors. Directors have been selected to bring specific skills and industry experience to the Company. The Board has an expansive range of relevant industry experience, financial, legal and other skills and expertise to meet its objectives.

### **Independent Directors**

John Hannaford – Non-Executive Chairman  
Brian Thomas – Non-Executive Director  
Ian Finch – Non-Executive Director

### **Non-Independent Directors**

Mark Papendieck – Managing Director  
Jonathon Challis – Non-Executive Director  
Nicholas Revell – Non-Executive Director

## INDEPENDENCE (CONTINUED)

When determining the independent status of each Director the Board has considered whether the Director:

- Is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company.
- Is employed, or has previously been employed in an executive capacity by the Company, and there has not been a period of at least three years between ceasing such an employment and serving on the board.
- Has within the last three years been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with the services provided.
- Is a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Has a material contractual relationship with the Company other than as a Director.

## APPOINTMENTS TO OTHER BOARDS

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

## INDEPENDENT PROFESSIONAL ADVICE

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to Directors' rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

## GENDER DIVERSITY

The Company has not adopted an express policy specifically addressing the achievement of gender diversity. Due to the current limited size of the Board, the Board does not consider it necessary to have a gender diversity policy, but will consider adopting a policy in the future. Furthermore, the Company has not set any objectives for achieving gender diversity. Should a gender diversity policy be considered appropriate for the Company in the future due to increases in size of the organisation, the policy will specifically deal with the objectives for achieving diversity.

The Company's corporate code of conduct provides a framework for undertaking ethical conduct in employment. Under the corporate code of conduct, the Company will not tolerate any form of discrimination or harassment in the workplace.

The Group currently has no female board members or senior executives.

## COMMUNICATION WITH SHAREHOLDERS

Investors may inspect the company's governance and Shareholder Communications policies via the website [www.orinocogold.com](http://www.orinocogold.com) which lay out the options to receive communications from, and send communications to, the entity and its security registry electronically.

## CONTINUOUS REVIEW OF CORPORATE GOVERNANCE

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as Directors of the Company. Such information must be sufficient to enable the Directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The Directors recognise that gold exploration is a business with inherent risks and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

## CODE OF CONDUCT

The Company has adopted a Code of Conduct for Company executives that promote the highest standards of ethics and integrity in carrying out their duties to the Company.

The Code of Conduct can be found on the Company's website at [www.orinocogold.com](http://www.orinocogold.com).

## RISK MANAGEMENT SYSTEMS

Whilst there is currently no risk committee in accordance with recommendation 7.1 (a) the board as a whole is employed to oversee the Company's risk management framework as explained below.

The identification and management of risk, including calculated risk-taking activity is viewed by management as an essential component in creating shareholder value.

Management is responsible for developing, maintaining and improving the Company's risk management and internal control system. Management provides the board with periodic reports identifying areas of potential risks and the safeguards in place to efficiently manage material business risks. These risk management and internal control systems are in place to protect the financial statements of the entity from potential misstatement, and the Board is responsible for satisfying itself annually, or more frequently as required, that management has developed a sound system of risk management and internal control.

Strategic and operational risks are reviewed at least annually as part of the forecasting and budgeting process, and has occurred in this current reporting period. The Company has identified and actively monitors risks inherent in the industry in which the Company operates.

Given the nature and locations of the Company's operations, there are material risks concerning the operations of the Company including economic, environmental and social sustainability risks. As part of its risk management policy all risks are reviewed as part of the risk management procedures and reviewed by the board accordingly.

The Board also receives a written assurance from the Managing Director and Chief Financial Officer that to the best of their knowledge and belief, the declaration provided to the Board in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control, and that the system is operating effectively in relation to financial reporting risks. The Board notes that due to its nature, internal control assurance from the Managing Director and Chief Financial Officer can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in internal control procedures.

## ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The Board has reviewed its current practices in light of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2014 Amendments 3<sup>rd</sup> edition with a view to making amendments where applicable after considering the Company's size and the resources it has available.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of any additional formal corporate governance committees will be given further consideration.

## ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE (CONTINUED)

The following table sets out the ASX Corporate Governance Guidelines with which the Company does not comply:

ASX Principle	Reference/comment
<b>Principle 1: Lay a solid foundation for management oversight</b>	
1.5 The Board should establish a policy concerning diversity	<p>The Company does not have an express policy specifically addressing the achievement of gender diversity. Due to the current limited size of the Company, the Board does not consider it necessary to have a gender diversity policy, but will consider adopting a policy in the future.</p> <p>The Company's Corporate Governance Plan includes a corporate code of conduct, which provides a framework for undertaking ethical conduct in employment. Under the corporate code of conduct, the Company will not tolerate any form of discrimination or harassment in the workplace.</p>
<b>Principle 2: Structure the Board to add value</b>	
2.1 The Board should establish a nomination committee	<p>The Board has no formal nomination committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for, screening of and appointing of new Directors. In view of the size and resources available to the Company, it is not considered that a separate nomination committee would add any substance to this process.</p>
2.4 A Majority of the Board of a listed entity should be independent directors	<p>Given the Company's present size and scope, it is currently not company policy to have a majority of independent Directors. Directors have been selected to bring specific skills and industry experience to the Company. The Company currently has three (3) Directors who are deemed to be independent and three (3) who are deemed to be non-independent due to their executive agreements with the Company and relationships with a material supplier, customer or shareholder of the Company. Independence is determined in accordance with the Company Independence policy.</p>