

## **KODAL MINERALS PLC**

### **CORPORATE GOVERNANCE STATEMENT**

**Dear Shareholder,**

Under the AIM Rules, Kodal Minerals Plc (“Kodal” or the “Company”) is required to maintain on its website details of a recognised corporate governance code, how the Company complies with this code and an explanation of any deviations from the code. The information will need to be reviewed annually and the website should include the date on which the information was last reviewed. In the future, we expect that this information will be reviewed at the same time as the Annual Report and Accounts are prepared.

As Non-Executive Chairman of Kodal, I am pleased to present the Corporate Governance Statement of the Company. My role is to lead the board and to oversee its function and direction with overall responsibility for implementing an appropriate corporate governance regime at the Company. The Board recognises the importance of effective corporate governance and the need to communicate this to shareholders and other stakeholders. Accordingly, this statement sets out the key features of Kodal’s governance policy and structures and explains how we seek to ensure that this provides a framework for creating sustainable growth over the medium to long term.

#### **The QCA Corporate Governance Code**

Kodal has adopted The Quoted Companies Alliance Corporate Governance Code 2018 (the “QCA Code”) which it believes is the most appropriate code for an AIM quoted company of its size and stage of development.

The QCA Code sets out ten principles which we set out below and explain how the Company applies each of them together with an explanation of any areas in which our governance structures and practices differ from the expectations set by the QCA Code.

It has not been possible to incorporate all of the annual report and accounts disclosures required by the QCA code in the Company’s annual report and accounts for the year ended 31 March 2018 but the Company intends to include all of these disclosures in the Company’s annual report and accounts for the financial year ended 31 March 2019.

#### ***Principle 1. Establish a strategy and business model which promote long-term value for shareholders***

Kodal’s strategy is to continue to explore and develop its Bougouni Lithium Project (“Bougouni” of the “Project”) located in southern Mali. The medium to long term objective is to develop the Project through feasibility studies and bring it in to production as rapidly as possible.

The Company achieved a key milestone in September 2018 with the publication of its maiden mineral resource for the Project together with some preliminary pit optimisation studies and results of mineral processing work. The Board believes that this confirms the potential for future mining development at Bougouni.

The next key objective is the application for a mining licence, supported by a completed Environmental and Social Impact Assessment as well as further work on the resource, mine design, processing and costings. The target is to submit this application in the first half of 2019.

The key drivers to the continued growth of the lithium market are the increasing demand for electric vehicles and battery storage as well as growth in the use of personal electric devices driven by social choice, government regulations and an improvement in the performance and affordability of high quality battery products.

The Company's annual report for the year ended 31 March 2018 includes a strategic report and operational overview (p.3 – p.18) and sets out the principal risks and uncertainties facing the group and mitigating actions taken (p.21 – p.23).

### ***Principle 2. Seek to understand and meet shareholder needs and expectations***

The Board is committed to communicating openly and regularly with its shareholders to ensure that its strategy and performance are understood. Significant developments are disseminated through RNS announcements which are then made available on the Company's website.

The directors believe that Kodal has an effective and well-established programme which facilitates shareholder engagement across both its institutional and private shareholders.

#### *Private shareholders*

The Company seeks to communicate regularly with private shareholders through investor evenings and similar events at which the Company presents to an audience of private investors, audio and video interviews which are broadcast and made available on the Company's website and periodic webcast Question and answer sessions in which shareholders can participate. The Company's website also contains its latest corporate presentations.

In addition, the Company encourages all shareholder to attend the Annual General Meeting which provides an excellent opportunity to meet with management and engage directly with them.

#### *Institutional shareholders*

Kodal has an active and effective investor relations programme which includes regular institutional road-shows to meet shareholders and potential shareholders. It also meets its corporate brokers and other research analysts to assist them in preparing and publishing their research on the Company.

These promotional and marketing activities are co-ordinated by its corporate broker and financial PR advisers.

#### *Significant shareholder*

The Company has a significant shareholder, Suay Chin International Pte Ltd (“Suay Chin”), which owns 29.0% of the Company’s issued share capital.

Suay Chin is a Singapore registered company which has extensive connections with the Chinese lithium market including lithium carbonate producers and lithium-ion battery manufacturers. Through Suay Chin, Kodal has been introduced to Shandong Ruifu Lithium Industry Co Ltd, a subsidiary of Meidu Energy Corporation, which is a lithium carbonate producer based in Shandong Province in China.

Suay Chin has entered into a Relationship Agreement with the Company and its advisers under which it undertakes to do all such things as it is reasonably able to do to ensure that the Company is capable of carrying on its business independently of Suay Chin. Under this agreement, it also has the right to appoint a Director to the Board of Kodal and Qingtao Zeng has been appointed in this capacity.

The Company has also entered into an Off-take Term Sheet with Suay Chin which sets out the basis on which the parties will negotiate an extended off-take agreement for between 80% and 100% of the spodumene product produced at Bougouni for a period of three years.

#### ***Principle 3. Take into account Wider Stakeholder and Social Responsibilities and their implications for long-term success***

The Board believes that long-term success requires good relations with a range of different stakeholder groups both internal and external.

The board has identified Kodal’s stakeholders to include employees and consultants working for the Company, the local communities in Mali and Cote d’Ivoire in which it operates, local governments, suppliers, customers and partners. The Company’s CEO regularly visits the locations in which Kodal operates and meets with these stakeholders in order to gain their feedback on Kodal’s operations. Any concerns raised are communicated to the Board for further consideration.

A key part of Kodal’s business model is assessing the impact that Kodal’s business activities will have on the communities and environment in which it operates. It is undertaking a formal Environmental and Social Impact Assessment at Bougouni and, as its operations develop, will continue to look for opportunities to assist and develop the local community as a whole, whilst taking measures to limit any environmental impact.

The Company is also committed to ensuring the safety of its workers on site and has strict health and safety policies which it firmly enforces.

**Principle 4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.**

The Board is responsible for identifying and managing areas of significant business risk for Kodal and for ensuring that there is an effective Risk Management system in place.

The Board has identified the following key risk areas which it seeks to control and mitigate against:

- Exploration and development risk
- Licensing and title risk
- Political risk, particularly in Mali and Cote d'Ivoire
- Financial risk
- Risk around reliability of Mineral resource and reserve estimates
- Commodity price risk
- Operational risk including health and safety, environmental and potential acts of bribery
- Exposure to cost pressures around mining exploration and development

Further details of these risks and measures taken to mitigate and control them can be found in Kodal's Annual Report for the year ended 31 March 2018 (p.21 – p.23)

<https://kodalminerals.com/wp-content/uploads/2018/07/251003-Kodal-WEB.pdf>.

The Board has processes in place for reviewing and evaluating risk. At each Board meeting, the Directors review ongoing operational performance, discuss budgets and forecasts and new risks associated with ongoing operations. The Board considers risk to the business at each Board meeting (which take place approximately once a month) and the risk register is updated as required and any shortcomings identified and improvement measures put in place. The Board formally reviews and documents the principal risks to the business at least annually as part of the annual audit process and as noted above these, together with mitigating actions, are set out in the Annual Report. The Company has in place an anti-bribery and corruption policy as well as other policies and procedures to which employees, management, consultants and, where appropriate, key suppliers are required to adhere. Robust financial procedures and safeguards are in place regarding expenditure and accounting functions.

The Directors consider that the policies and systems in place are effective in identifying and managing the Company's risks.

**Principle 5. Maintaining the Board as a well-functioning, balanced team led by the Chair**

The Board comprises:

- Robert Wooldridge – Independent non-executive Chairman
- Bernard Aylward – Chief Executive Officer

- Luke Bryan – Technical Director
- Qingtao Zeng – Non-executive director

Biographical details of the Directors are available here <https://kodalminerals.com/the-company/board-management/> and are also contained within Kodal's Annual Report for the year ended 31 March 2018 (p.24 – p.25)

The Directors believe that this Board provides the Company and its shareholders with the necessary skills and experience to drive the business forward balanced by a sufficient level of independent analysis and judgement to provide challenge and oversight. As a Board, we are mindful also of the need to control costs and provide value for shareholders.

The QCA Code suggests that a Board will normally include at least two independent directors although it also acknowledges that "it may not be possible in growing companies to meet all the objective independence criteria" required for larger listed companies. The Board acknowledges that each of the Directors may not be considered as fully independent because they hold executive roles or have connections to shareholders or retained advisers; none the less, it considers that Robert Wooldridge, Luke Bryan and Qingtao Zeng each brings a strong level of independent judgement and challenge to the Board and the Board as a whole has sufficient independence. The Kodal Board has two non-executive directors of whom one, Qingtao Zeng, is the representative of the Company's major shareholder, Suay Chin. As a qualified geologist and experienced mining consultant, Dr Zeng has extensive relevant knowledge and experience and provides valuable input to the Board and a strong level of challenge to the executive directors.

The structure and composition of the Board is kept under review and as the Company moves further into its development activities at Bougouni, the Directors may look to add to the Board at both executive and non-executive level.

The Board meets approximately each month each year to discuss important operational and strategic matters and to review financial and operational performance.

In addition, there are additional board meetings to consider specific proposals, including for example to issue further shares to raise funds or to consider significant contracts or actions.

In the year to 30 September 2018 there were 14 board meetings of which Robert Wooldridge attended 14, Bernard Aylward 13, Luke Bryan 9 and Qingtao Zeng (who was appointed in November 2017) 7.

The Board has established an Audit and Risk Committee comprising Robert Wooldridge (Chair) and Qingtao Zeng. This met three times during the 12 months to 30 September 2018. The Board has also established a Remuneration and Nomination Committee comprising Robert Wooldridge (Chair) and Luke Bryan. The Remuneration and Nomination Committee meets as required and at least once each year.

Further information on the Audit and Risk Committee and the Remuneration and Nomination Committee can be found here <https://kodalminerals.com/the-company/corporate-governance/>.

***Principle 6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.***

Biographical details of the Directors are available here <https://kodalminerals.com/the-company/board-management/> and are also contained within Kodal's Annual Report for the year ended 31 March 2018 (p.24 – p.25)

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of geology, mineral exploration, mine engineering and development, public company and capital markets, finance and corporate governance. All Directors receive regular and timely information on the Company's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The directors keep their skillsets up to date by attending industry and qualification relevant seminars and training sessions. The Directors seek advice from their corporate advisers (including the Company's nominated adviser, lawyers and accountants) as necessary.

When considering the composition of the Board and the appointment of new Directors, the Board has agreed that such appointments will be made by the Board as a whole and whilst it has established a Remuneration and Nomination Committee, it considers it to be more appropriate for the Board as a whole to make appointment decisions based on the size and stage of development of the Company at this time. The Board recognises that it currently has limited diversity and this will form a part of any future recruitment consideration.

***Principle 7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement***

The Board reviews the performance of individual Directors on an on-going basis and assesses each Director's contribution to the effective operation and management of the Company.

Going forward, there will be a formal Board evaluation process that will involve establishing individual objectives for each Director within the context of the overall strategy and objectives for the Company.

At the end of each year, there will be a formal process to review each director's performance, including the level of achievement of his objectives, and to assess his overall contribution to the performance of the Company. The review will establish further objectives for the coming year, identifying any additional training or other support that may be required. This review will feed into the annual remuneration process conducted by the Remuneration and Nomination Committee.

Succession planning is the responsibility of the Remuneration and Nomination Committee and is reviewed by the Board at least on an annual basis. When considering succession planning, the Remuneration and Nomination Committee takes into account the skills and experience required as the Company grows and develops its projects.

***Principle 8. Promote a culture that is based on ethical values and behaviours***

The Board believes that it has established a culture of responsible and ethical behaviour which it follows and which it believes has been successfully transmitted to its employees overseas.

Foremost amongst these are its focus on:

- The health and safety of its workers and consultants;
- An awareness of the environmental and social impact of its operations on the local communities and efforts to mitigate and minimise them;
- contributing to the overall development of the local communities in which it operates;
- conducting honest and transparent dealings with employees, consultants and suppliers;
- adopting a zero tolerance to bribery.

At this stage of its development, Kodal has only approximately eight non-Board employees all of whom are based at its offices in Mali and Cote d'Ivoire. There is near daily contact with these offices and regular visits by the CEO. This enables the Board to monitor employees' conduct and behaviour to ensure that the Company's ethical values and standards are recognised and respected.

***Principle 9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.***

Kodal's key strategic, financial and operational decisions are reserved exclusively for the decision of the Board. The Board seeks to meet formally approximately once a month and is supplied with appropriate and timely information ahead of each meeting. The Directors are free to seek any further information they consider necessary. In addition, there are additional Board meetings to consider specific matters that require decision between the regular board meetings and to which all Directors are invited.

In addition to the formal meetings, there is regular contact and communication between the Board members to discuss day-to-day operational matters.

Robert Wooldridge, the Non-executive Chairman, is responsible for the running of the Board and Bernard Aylward, the Chief Executive Officer, has executive responsibility for running the Company's operational activities. Bernard Aylward and Robert Wooldridge take responsibility for the Company's liaison with shareholders.

The Board is supported by the Audit and Risk Committee and the Remuneration and Nomination Committee. See here for further information on each <https://kodalminerals.com/the-company/corporate-governance/>

The Board continues to monitor its governance framework on an ongoing basis. The Directors have not engaged the services of external governance advisers.

***Principle 10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders***

The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategy and financial position. All material information is released to the London Stock Exchange via RNS announcements which are then made available on the Company's website.

The Company prepares and updates a corporate presentation which is also available on its website along with other news and information about the Company and its operations.

As detailed above, the directors believe that Kodal has an effective and well-established programme for communicating with both its institutional and private shareholders including:

*Private shareholders*

- Investor presentation evenings
- audio and video interview
- webcast Question and answer sessions
- the Annual General Meeting

*Institutional shareholders*

- regular institutional road-shows
- research analyst briefings

The Company intends to include reports from the Audit and Risk Committee and the Remuneration and Nomination Committee in its annual report for the year ended 31 March 2019.

Going forward, the Company intends to disclose the outcome of all shareholder votes on its website and in the case of 20% of independent votes being cast against a resolution, provide an explanation of the actions that will be taken to enable the Board to understand the reasons for this result and any future actions it will take to address such concerns.

The Company's website contains historic annual reports for the past five years and going forward, notices of general meetings will be retained on the website for a period of five years.

Robert Wooldridge

Non-Executive Chairman  
September 2018