



Lion Selection Group

15 April 2024

ASX Corporate Governance Council
20 Bridge Street
SYDNEY NSW 2000

Dear ASX Corporate Governance Council

Submission – Proposed Fifth Edition of the Corporate Governance Principles and Recommendations

In response to the Council's call for submissions with respect to the proposed Fifth Edition of the Corporate Governance Principles and Recommendations, Lion Selection Group Limited (LSX.ASX) makes the following comments:

1 ASX Corporate Governance Council

- The list of 19 council members lacks mining input especially for the AusIMM JORC code. It also is generally composed of accounting, legal or others from large institutional groups.
- For transparency, it would be good to see the names of the people from these member groups and what proportion are lawyers and accountants; biographies of each participant are needed.
- The Council's Chair, Elizabeth Johnstone, has a large company background. Are small companies adequately represented by the 19 members and their representatives?

2 Board Skills

A board skills matrix disclosing the skills required and present is supported and should include:

- A definition of relevant experience in that industry and should be biased to actual work in the industry not audit, legal or consulting.

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- Measures are needed to prevent over-boarding with limits set as to how many director positions can be held by an individual. With a suggested 3 or 4 board positions as a maximum for smaller companies and two for very large companies.
- A minimum 50% requirement be set for actual industry experience for the boards of all junior mining companies.

3 Gender Diversity / Board Diversity

- The Council's position is strongly supported, however diversity should be considered with the proportion of people on the board with actual industry experience. Council needs to state which is more important.
- Regarding the Council's view that the majority of a board is required to be independent:
 - This is not appropriate for junior mining exploration companies. Junior miners work best with directors who can be involved and have direct understanding of exploration, project development, operational, funding and investor relations.
 - There is often a very limited pool of appropriate people to consider for junior mining company board roles and this is compounded by the risk/reward ratio, where pay is poor and risks much higher of survival than in larger companies.

4 Audit Committees

More thought is needed to include the need for not only accounting standards for mining companies but also their JORC 2012 Resource and Reserve statements. A junior miner usually has a balance sheet that includes less than \$10M cash, zero revenue from operations and a value for exploration/resources that well exceeds everything else. In one very high profile case, a Western Australian exploration company fell from a \$3 billion market capitalization in 2023 to below \$500M today. Due to a combination of resource related definition factors. Thirty years ago, brokers' analysts would have called out the resource problem and acted as a safety net for investors, but this is no longer the case, leaving sole responsibility to directors.

5 Timely Balanced and Accurate Disclosure

Discussion and change are needed on Scoping Studies and announcements regarding JORC 2012, ASX listing requirements and ASIC's position. In some cases, a resource may



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extend to great depth, only allow underground mining and require considerable cost to drill beyond Inferred Resource level. Where the deposit is stratiform and continuous, the inferred status does not allow announcement of Scoping Studies. To raise money to drill, investors need a reasonable understanding of the potential and this would be available in a Scoping Study.

We recommend that resource statements have a directors' sign off rather than allowing an external consultant to produce a resource and no director be needed to understand it.

6 NED Performance Based Incentive

A distinction is needed for junior mining companies where the maximum proportion possible of available funds needs to be spent on exploration or feasibility work. In these cases, management teams are small to contain costs and directors are needed to cover technical and IR areas.

As an investor in the junior mining sector, Lion strongly prefers a non-independent board. Hence, incentive payment for some directors is recommended.

7 Other Comments

- **Political donations**

We recommend that there is a need for immediate ASX announcement of ANY political donations and that these be part of an annual remuneration report type review.

ASX to define what is a political donation eg "voice" type donations are political.

- **PWC-type considerations**

The big accounting and legal groups appear to be disproportionately represented on company boards as post-retirement roles. These groups will have been active in formulating ASX governance guidelines and are active in politicizing governance. But as PWC shows the 'gamekeeper' is often the 'poacher' as they understand how best to work the system.

We recommend limits be considered when board diversity is considered.



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Please contact me should you have any queries or require any clarification on the above.

Yours faithfully

A handwritten signature in blue ink that reads "Robin Widdup". The signature is written in a cursive, flowing style.

Robin Widdup
Chairman
Lion Selection Group Limited