



# Condor Gold plc

## Application of and compliance with Corporate Governance Code

### Applicable Code

The Board of Condor Gold plc (“the **Company**”) has adopted the QCA Corporate Governance Code (“the **Code**”) as its code of corporate governance. The Code is published by the Quoted Companies Alliance (“**QCA**”) and is available at [www.theqca.com](http://www.theqca.com).

The Code sets out 10 principles that should be applied. These are listed below together with a short explanation of how the Board applies each of the principles, including where applicable any deviation from those principles:

### Principle One

#### *Business Model and Strategy*

The Board has concluded that the highest medium and long term value can be delivered to its shareholders by the continued application of its strategy of continuing to advance the La India project in Nicaragua. This can be summarised as follows:

- To permit the construction and operation of a base case processing plant with capacity of up to 2,800tpd to produce an average of 80,000 ounces of gold per annum for the first five years of an eight year mine life from a single open pit at the La India Project.
- To continue with the successful exploration strategy of expanding Mineral Resources by one to two million ounces of gold and demonstrating a major gold district, using a multi-disciplined approach of detailed geological mapping, geochemistry soil surveys, structural modelling, which together build on the geophysics survey, combined with trenching and exploration drilling.
- The Company continues to explore production growth opportunities beyond the base case scenario, and which are contingent upon exploration success.

### Principle Two

#### *Understanding Shareholder Needs and Expectations*

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its private shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. Investors also have access to current information on the Company through its website, [www.condorgold.com](http://www.condorgold.com), and via Mark Child, the Executive Chairman who is available to answer investor relations enquiries.

### Principle Three

#### *Considering wider stakeholder and social responsibilities*

The Board recognises that the long term success of the Company is reliant upon the efforts of the employees of the Company and its contractors, suppliers, regulators and other stakeholders. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key relationships. For example, the Executive Chairman conducts regular visits to Nicaragua and encourages a full and open dialogue process which is designed to ensure that there is an open and confidential dialogue with each person in the Company to help ensure successful two-way communication with agreement on goals, targets and aspirations of the employee and the Company. These feedback processes help to ensure that the Company can respond to new issues and opportunities that arise to further the success of employees and the Company. The Company has close ongoing relationships with a broad range of its stakeholders and in particular has an active social engagement, support and development programme in place within the local communities and which is managed by a dedicated team. The Company also has regular and direct interaction with various levels of government and provides these stakeholders with the opportunity to raise issues and provide feedback to the Company.

#### **Principle Four**

##### *Risk Management*

In addition to its other roles and responsibilities, the Audit Committee is responsible to the Board for ensuring that procedures are in place and are being implemented effectively to identify, evaluate and manage the significant risks faced by the Company. The risk assessment matrix below sets out the principal risks and identifies their ownership and the controls that are in place to mitigate them. This matrix is updated as changes arise in the nature of risks or the controls that are implemented to mitigate them. N.B. A more complete schedule of risk factors is set out in the Annual Report of the Company.

<b>Activity</b>	<b>Risk</b>	<b>Impact</b>	<b>Control(s)</b>
<b>Management</b>	Recruitment and retention of key staff	Reduction in operating capability	Stimulating and safe working environment  Balancing salary with longer term incentive plans
<b>Regulatory adherence</b>	Breach of rules	Censure or withdrawal of authorisation	Strong compliance regime instilled at all levels of the Company
<b>Environmental / Social</b>	Meeting permit conditions, leading to project schedule delays	Inability to develop	Effective relations & communications with stakeholders, community and government
<b>Exploration</b>	Lack of exploration success	Expansion of mineral resource estimates	Retention of geological expertise
<b>Political</b>	Political uncertainty and turmoil in Nicaragua, elections	Delays in permits and approvals	Meetings with all stakeholders to ensure benefits of mine are understood and the design controls in place

Activity	Risk	Impact	Control(s)
<b>Financial</b>	Liquidity, market and credit risk	Inability to continue as going concern	Robust capital management policies and procedures
	Inappropriate controls and accounting policies	Incorrect reporting of assets	Appropriate authority and investment levels as set by Treasury and Investment Policies  Audit and Compliance Committee

The Directors have established procedures, as represented by this statement, for the purpose of providing a system of internal control. An internal audit function is not considered necessary or practical due to the size of the Company and the close day to day control exercised by the Executive Chairman. However, the Board will continue to monitor the need for an internal audit function. The Board works closely with and has regular ongoing dialogue with the Chief Financial Officer of the Company and has established appropriate reporting and control mechanisms to ensure the effectiveness of its control systems.

### **Principle Five**

#### *A Well Functioning Board of Directors*

As at the date hereof the Board comprised, the Executive Chairman Mark Child and three Non-Executive Directors, Mr Jim Mellon, Ms Kate Harcourt and Mr Andrew Cheadle. Biographical details of the current Directors are set out on the Company's website under the heading "*About / Directors and Management*". Executive and Non-Executive Directors are subject to re-election at intervals of no more than three years.

The Board meets at least six times per annum. It has established an Audit Committee, a Risk Committee and a Remuneration Committee, particulars of which appear hereafter. The Board has agreed that appointments to the Board are made by the Board as a whole and so has not created a Nominations Committee. The Executive Chairman works on a full time basis for the Company, while the Non-Executive Directors are considered to be part time. The Board considers that this is appropriate given the Company's current stage of operations. It shall continue to monitor the need to match resources to its operational performance and costs and the matter will be kept under review going forward. The Non-Executive Directors are considered to be independent. The Board notes that the QCA recommends a balance between executive and non-executive Directors and recommends that there be two independent non-executives. The Board shall review further appointments as scale and complexity grows.

The role of Chairman of the Board shall be separated from the executive function, unless the Board determines that it can justify that the Chairman is an executive. Currently, the Board has determined that the executive role of Chairman, Mark Child, can be justified, given the following factors: (i) the stage of development of the Company i.e. the Company is at the development stage and not operational; as such, the role of the Executive Chairman is principally working with consultants and local partners to develop the Project, fundraising and determining strategic direction; (ii) the Company's three non-executive directors have considerable public company experience and, the Board feels, can hold the Chairman to account in an effective manner (iii) the full and direct access that the Board has to all monthly management reports of the Company and the senior management of the Company, and; (iv) the frequency of Board meetings, during which

the Chairman gives an account of his activities. The Company therefore believes that non-compliance with the Code in respect to the executive role of the Chairman is currently acceptable,

#### *Attendance at Board and Committee Meetings*

The Company shall report annually on the number of Board meetings held during the year and the attendance record of individual Directors. In order to be efficient, the Directors meet formally and informally both in person and by telephone.

### **Principle Six**

#### *Appropriate Skills and Experience of the Directors*

The Board currently consists of four Directors and, in addition, the Company has employed the outsourced services of ASB Law LLP to act as the Company Secretary. The Company believes that the current balance of skills in the Board as a whole, reflects a very broad range of commercial and professional skills across geographies and industries and each of the Directors has experience in public markets. The professional experience of each of the Directors is set out on the Company's website. Furthermore, the Company has a non-board CFO, Mr Jeffrey Karoly, who provides oversight of the finance function and assists the Chairman on regulatory matters in the UK and Canada.

The Company also can call on the services of Dr. Warren Pratt and Mr. David Crawford, as technical advisors to the Group, in assisting with the technical development of the Company's projects.

The Board recognises that it currently has limited diversity and this will form a part of any future recruitment consideration if the Board concludes that replacement or additional directors are required.

The Board shall review annually the appropriateness and opportunity for continuing professional development whether formal or informal.

### **Principle Seven**

#### *Evaluation of Board Performance*

Internal evaluation of the Board, the Committee and individual Directors is undertaken on an ad hoc basis in the form of appraisal by the Chairman, who consults with the other Directors as appropriate regarding effectiveness and performance as well as the Directors' continued independence.

The results and recommendations that come out of the appraisals of the directors shall identify the key targets and requirements that are relevant to each Director and as necessary, their personal targets in terms of career development and training. Progress against previous targets shall also be assessed where relevant.

### **Principle Eight**

#### *Corporate Culture*

The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board. A large part of the Company's activities is centred upon what needs to be an open and respectful

dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great import on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. The Company has adopted a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

## **Principle Nine**

### *Maintenance of Governance Structures and Processes*

Ultimate authority for all aspects of the Company's activities rests with the Board. While the roles of Chairman and Chief Executive are not separated, the Board receives monthly reports regarding the principal areas of activity of the Company and has unrestricted access to management and employees of the Company. The Board also has the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective reasonable compensation of these advisors without consulting or obtaining the approval of any officer of the Company. The Company shall provide appropriate funding, as determined by the Board, for the services of these advisors.

Furthermore, the Executive Chairman maintains close dialogue with other Directors, both through the forum of Board meetings and through ad hoc communication on an individual level. The duties and responsibilities of the Board are set out in the Mandate of the Board as adopted on 2 November 2017 and available on the website of the Company under the heading "*Investors / AIM Rule 26 / Responsibilities of the Board of Directors*".

### *Audit Committee*

As of the date of this document, the members of the Audit Committee of the Company are Mr Jim Mellon (Chairman), Ms Kate Harcourt and Mr Andrew Cheatle. Each of the members of the Audit Committee are independent. Each of the members of the Audit Committee are familiar with accounting principles, financial statements and financial reporting requirements and possess education or experience that is relevant to the performance of their duties as members of the Audit Committee of the Company. A description of the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member may be found above under the heading "*Directors and Management*" on the Company's website.

The Audit Committee's primary responsibilities are to review the effectiveness of the company's systems of internal control; to review with the external auditors the nature and scope of their audit and the results of the audit; and to evaluate and select external auditors. The Audit Committee also reviews regular reports from management and the external auditors on accounting and internal control matters. When appropriate the Audit Committee monitors the progress of action taken in relation to such matters. The Charter of The Audit Committee is available on the Company's website under the heading "*Investors / AIM Rule 26 / Audit Committee*".

### *Remuneration Committee*

The Remuneration Committee plans to meet at least twice in each year. Its members are Mr Jim Mellon (Chairman) and Mr Andrew Cheatle.

The company's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee agrees with the Board,

a framework for the remuneration of the chairman, the executive directors and the senior management of the company.

The principal objective of the committee is to ensure that members of the executive management of the company are provided incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the company. Non-executive fees are considered and agreed by the Board as a whole.

#### *Risk Committee*

Other than the Audit and Remuneration Committees, the Company has a Risk Committee, comprising Mr Andrew Cheatle (Chairman) and Ms Kate Harcourt. The Risk Committee's primary responsibilities are to review the risks that the Company faces and to review the safeguards in place to mitigate those risks. The Risk Committee aims to meet at least once in each year.

At least annually, the Board shall, with the assistance of the Risk Committee, review reports provided by management of principal risks associated with Condor's business and operations, review the implementation by management of appropriate systems to manage these risks, and review reports by management relating to the operation of, and any material deficiencies in, these systems.

#### *Nominations Committee*

The Board has agreed that appointments to the Board will be made by the Board as a whole and so has not created a Nominations Committee.

### **Principle Ten**

#### *Shareholder Communication*

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its private shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting.

Investors also have access to current information on the Company through its website, [www.condorgold.com](http://www.condorgold.com) and via Mark Child, Executive Chairman, who is available to answer investor relations enquiries.

The Company shall include, when relevant, in its annual report, any matters of note arising from the audit or remuneration committees.

Condor Gold plc

September 2018