

## **CORPORATE GOVERNANCE STATEMENT**

03/04/2024

### **Overview**

This report follows the structure of the Quoted Companies Alliance Corporate Governance (**QCA Code**) guidelines and explains how we have applied the guidance. The Board of Power Metal Resources plc (**Company**) (**Group**) considers that the Group complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Company, and will disclose any areas of non-compliance in the text below.

The Board understands that applying the QCA Code supports the Company's medium to long-term success whilst simultaneously managing risks and providing an underlying commitment framework and transparent communications with stakeholders.

The Board currently comprises of the Non-Executive Chair, Scott Richardson Brown; the CEO, Sean Wade and two Non-Executive Directors, Edmund Shaw and Douglas William Brodie Good.

Key governance related matters that have occurred to date include the appointment of Douglas William Brodie Good as a Non-Executive Director on 5 May 2023. Paul Johnson resigned as CEO on 17 March 2023, and was replaced by Sean Wade on that date. Most recently, Owain Morton resigned as Non-Executive Director on 16 January 2024.

### **QCA Principles**

#### **1. Implement strategy and business model which promotes long-term value for shareholders**

The overriding strategic objective of the Company is to make large scale metal discoveries. Power Metal has been structured with a portfolio model with diversity of interests by commodity, jurisdiction and geology which is considered by the Company to increase the likelihood of a large-scale metal discovery.

The Company seeks to minimise fixed financial or operational commitments providing underlying operational flexibility. This enables the financial and managerial resources to be focused forward on the projects with the greatest potential to deliver the discoveries targeted.

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

Power Metal places a great deal of importance on communication with its stakeholders and is committed to establishing constructive relationships with investors and potential investors in order to assist it in developing an understanding of the views of its shareholders. The Company seeks to provide effective communication through Interim and Annual Reports, along with Regulatory News Service announcements on the Company's website ([www.powermetalresources.com](http://www.powermetalresources.com)) and active engagement, including CEO interviews and Q&A sessions with a range of social and investor-oriented media. The Company also has a News Archive section on the website, enabling investors to easily access a range of archived reports and previous updates, as well as a Shareholder Circulars page which includes key business and corporate governance updates. To improve shareholder communications, the Board has provided regular updates to shareholders on the progress of the Company's projects through RNS announcements and on its website.

Power Metal is committed to maintaining a healthy dialogue between the Board and all of its shareholders to enable shareholders to come to informed decisions about the Company. This is

achieved through formal meetings such as the AGM, which typically provides an opportunity to meet, listen and present to shareholders, and shareholders are encouraged to attend. The Company is open to receiving feedback from key stakeholders and will take action where appropriate. The key contact for shareholder liaison is Sean Wade, the CEO, who meets with shareholders as and when requested.

Information on the Investors section of the Company's website is kept up to date and contains details of relevant developments, interviews, presentations and key reports.

The Company also engages the services of external media service providers who assist with Power Metal's public and investor relations, ensuring information is accessible to stakeholders and released in a timely and informative manner. These advisers also seek to encourage and facilitate shareholder engagement.

**3. Take into account wider stakeholder and social responsibilities and their implications for long-term success**

The Board understands that the long-term success of our business is dependent on the unwavering support of our shareholders, employees, contractors, and the communities in which we operate. We continue to follow our ESG policy, which outlines our dedication to prioritising Environmental, Social, and Governance initiatives. Our Board of Directors are actively engaged in regular reviews of the Company's principal stakeholders and their engagement with them. We firmly believe that stakeholder input is vital to the success of our business, and we strive to ensure that the voice of each stakeholder group is heard loud and clear. Throughout the year, we gather feedback from our stakeholders through various channels, including shareholder interviews and question and answer sessions with our CEO.

At our company, we recognise that the relevance of each stakeholder group may vary depending on the matter or issue at hand. As such, we place a significant emphasis on considering the needs and priorities of each stakeholder group during our discussions and as part of our decision-making process. By consistently engaging with our stakeholders, we can ensure that we are aligned with their interests and that we can make informed decisions that positively impact our business and the communities we serve.

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

The Board recognises the need for an effective and well-defined risk management process and it oversees and regularly reviews the current risk management and internal control mechanisms.

The Board is responsible for providing entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risks to be managed and assessed against the Company's strategic aims.

# POWER

## METAL RESOURCES

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks in a timely manner. The Board ensures that corrective action is taken and that risks are identified as early as practically possible, as well as being responsible for reviewing the effectiveness of internal financial controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide reasonable assurance that problems are identified on a timely basis and dealt with appropriately. In addition, members of the Board attend industry conferences and seminars to keep abreast of sector risks and industry changes.

The Audit Committee (as well as the Board as a whole) reviews reports from the Company's auditors relating to the internal control systems in use throughout the Group in order to determine the adequacy and efficiency of internal control and risk management systems. An internal audit function is not yet considered necessary as day to day control is sufficiently exercised by the Company's Executive Directors. However, the Board will continue to monitor the need for an internal audit function.

The risk assessment matrix below sets out and categorises key risks and outlines the mitigating actions that are in place. This matrix is updated as changes arise in the nature of risks or the mitigating actions implemented, and the Board reviews risks on a regular basis. The following principal risks and mitigating actions have been identified:

Activity	Risk	Impact	Mitigating actions
Operational	Exploration risk	The Group's business is mineral exploration and evaluation, which are speculative activities. There is no certainty that Power Metal Resources will proceed to the development of any of its projects or otherwise realise their full value.	The Group aims to mitigate this risk when evaluating new business opportunities by targeting areas of potential where there is at least some historical drilling or geological data available and where leading exploration consultants believe there is strong evidence of high class mineral deposits.
Operational	Resource risk	All mineral projects have risks associated with defined grades and continuity.	Mineral Reserves and Resources are calculated by the Group in accordance with accepted industry standards and codes but are always subject to uncertainties in the underlying assumptions which include geological projection and commodity price assumptions.

# POWER

## METAL RESOURCES

Operational	Environmental risk	Exploration of a project can be adversely affected by environmental legislation and the unforeseen results of environmental studies carried out during evaluation of a project.	The Group mitigates this risk by adhering to the ESG Policy, ensuring proper measures are taken to assess environmental risk including appropriate technical submissions to reporting authorities prior to work commencing.
Operational	Political risk	All countries carry a political risk that can lead to interruption of activity. Politically stable countries can have enhanced environmental and social risks, risks of strikes and changes to taxation, whereas less developed countries can have, in addition, risks associated with changes to the legal framework, civil unrest and government expropriation of assets.	The Board has working knowledge of the countries in which it holds exploration licences and has appointed experienced local operators to assist the Company in its activities in order to help to reduce possible political risk.
Financial	Equity funding	The Company has an ongoing requirement to fund its activities through the equity markets. There is no certainty such funds will be available when needed.	<p>To date the Company has managed to raise funds primarily through equity placements, including placements undertaken during the difficult market conditions of 2021 - 2022 and monies from warrant exercises.</p> <p>The Directors have prepared cash flow forecasts for at least the next 12 months from the date of this report and are confident that the Company has access to sufficient financial resources to fund its operations.</p> <p>Power Metal holds listed securities, alongside its cash reserves, which may be sold (subject to any applicable lock-in periods), further bolstering available capital.</p>

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

The Board currently comprises of one Executive Director Sean Wade, the Non-executive Chair, Scott Richardson Brown and two Non-executive Directors, Edmund Shaw and Douglas William Brodie Good. Scott Richardson Brown and Douglas William Brodie Good are considered to be Independent Non-executive directors. Edmund Shaw is employed by the Company's joint broker, First Equity Limited, and, as such, the Company does not consider him to be independent.

Meetings are open and constructive, with every Director participating fully. The Company holds regular board meetings, and regularly meet formally and informally both in person and by telephone. Prior to each Board meeting, Directors are sent an agenda and Board papers as appropriate for matters to be discussed. Additional information is provided when requested by the Board or individual Directors. Corporate governance issues are discussed at Board meetings. The Non-Executive Directors maintain ongoing communications with Executives between formal Board meetings.

The Company has an Audit Committee and a Remuneration Committee. Both Committees have the necessary skills and knowledge to discharge their duties effectively. As with Board papers, Committee papers are drafted and circulated to members of the Committee prior to meetings, allowing time for consideration and any clarifications. The Company does not consider it necessary at the current time to have a Nominations Committee, however this will be kept under review as the Company develops.

During the financial year ending 30 September 2023 Sean Wade committed 140 days per annum to the Company, and Scott Richardson Brown and Edmund Shaw worked for not less than 21 days per year. Douglas William Brodie Good worked for not less than 7 days per year. Paul Johnson worked for not less than 120 days per year, and Owain Morton for not less than 18 days.

During the year ended 30 September 2023, there were 3 routine Board meetings and 20 non-routine Board meetings. The attendance record of each director is available to view in the 2023 Annual Report.

Directors' conflict of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

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

The Company's Board includes Directors from a range of industries including the accounting and finance, and natural resources sectors. The Company believes that the current balance of skills in the Board as a whole reflects a very broad range of personal, commercial, and professional capabilities, providing the ability to deliver the Company's strategy for the benefit of shareholders over the medium and long-term. Directors are encouraged to maintain up-to-date skillsets by attending training, conferences and networking events. Biographical details of the Directors can be found on page <https://www.powermetalresources.com/company/the-board/>

D & A Secretarial Services Limited has been contracted by the Company to act as Power Metal's Company Secretary and has been given the responsibility for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation, including assistance with Board and shareholder meetings and Market Abuse Regulation ("MAR") compliance. D & A Secretarial Services Limited also supports the Board in its development of the Company's corporate governance responsibilities, assisting with the Company's application of the QCA Code.

The Company's Nominated Adviser is consulted on all matters. The Company took advice on general corporate PLC management, potential & actual acquisitions, changes to board composition and business strategy during the year under review.

All Directors have access to independent professional advice, if required.

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

The Directors consider that the Company and Board are not yet of sufficient size for a full Board evaluation to make commercial and practical sense. Therefore, the Board accepts that the Company does not comply with this aspect of the QCA Code, although in frequent Board meetings and calls, the Directors can discuss any areas where they feel a change would be beneficial for the Company, and the Company Secretary remains on hand to provide impartial advice. As the Company grows, it intends to expand the Board and, with the Board expansion, re-consider the need for Board evaluation.

The Board as a whole is responsible for Board and senior management nominations and the Directors submit themselves for re-election at the AGM in accordance with the Company's articles. The Board considers succession planning on an ongoing basis, including the importance of composition. The Board will consider any Board imbalances for future nominations, including director independence and gender balance.

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

The Board recognises that its 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 aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole. The ESG Policy and corporate governance arrangements 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. The Board also ensures that communities within the regions that the Company operates within continue to be supported, being cognisant of the Company's pledge to CSR.

A large part of the Company's activities is centred upon an open and respectful dialogue with shareholders, contractors, regulators 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 importance 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, and will operate where applicable, a Share Dealing Code for Directors and applicable employees under the equivalent terms to those provided by Rule 21 of the AIM Rules for Companies.

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

The Board is committed to, and is ultimately responsible for, high standards of corporate governance, and has chosen to adopt the QCA Code. The Board reviews the Company's corporate governance arrangements regularly and expect to evolve these over time, in line with the Company's growth. The

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## M E T A L R E S O U R C E S

Board delegates responsibilities to its Committees and individual members as it sees fit.

The Chair's principal responsibilities are to ensure that the Company and its Board are acting in the best interests of shareholders. His leadership of the Board is undertaken in a manner which ensures that the Board retains integrity and effectiveness, and includes creating the right Board dynamic and ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings. The Chair, in addition to the CEO, is also the main point of contact for shareholder and key stakeholder liaison.

The CEO has, through powers delegated by the Board, the responsibility for leadership of the management team in the execution of the Group's corporate strategies and policies and for the day-to-day management of the business.

The Non-Executive Directors are tasked with constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust.

Whilst the Board has not formally adopted appropriate delegations of authority setting out matters reserved to the Board, there is effectively no decision of any consequence made other than by the Directors. All Directors participate in the key areas of decision-making, including the following matters:

- Formulating, reviewing and approving the Company's strategy;
- Formulating, reviewing and approving the Company's budget;
- Formulating, reviewing and approving the Company's exploration projects;
- Establishing a framework of prudent and effective controls which enable risks to be managed and assessed;
- Ensuring the necessary financial and human resources are in place for the Company to meet its objectives; and
- Setting the Company's values and standards.

The Board delegates authority to two Committees to assist in meeting its business objectives whilst ensuring a sound system of internal control and risk management. The Committees meet independently of Board meetings.

### Audit Committee

The Audit Committee comprises of Scott Richardson Brown (Chair) and Edmund Shaw. Scott Richardson Brown is a Fellow of the Institute of Chartered Accountants in England and Wales. The Audit Committee is responsible for ensuring that the financial performance, position and prospects of the Group are properly monitored and reported on and for meeting the external auditor and reviewing

audit reports relating to the accounts. The Audit Committee is required to report formally to the Board on its proceedings after each meeting on all matters for which it has responsibility.

#### Remuneration Committee

The Remuneration Committee comprises Scott Richardson Brown (Chair) and Edmund Shaw. The Committee is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of shareholders and the performance of the Company.

#### Nominations Committee

The Company does not consider it necessary at the current time to have a Nominations Committee. The Board as a whole is responsible for Board and senior management nominations. The merits of constituting a separate Nominations Committee will be kept under review.

The Chair and the Board continue to monitor and evolve the Company's corporate governance structures and processes, and maintain that these will evolve, in line with the Company's growth and development.

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

The Board is committed to maintaining effective communication and having constructive dialogue with its shareholders and other relevant stakeholders. The Company intends to have ongoing relationships with both its private and institutional shareholders (through meetings and presentations), and for them to 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, where possible. The Board discloses the result of general meetings by way of the announcement and additionally discloses the results of proxy votes during the meetings and subsequently on the website. The proxy results of the 2024 Annual General Meeting and General Meeting regarding the share consolidation of the Company can be found on the Company's Corporate Governance webpage. The Board maintains that, if there is a resolution passed at an AGM with 20% votes against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action.

The latest Corporate Documents can be found on the Company's website. Information on the Investors section of the Group's website is kept updated and contains details of relevant developments, interviews, presentations, and other key information.

The latest Corporate Documents (including Financial Reports) can be found on the Company's website here: <https://www.powermetalresources.com/investors/aim-rule-26/>