

SILVER HERITAGE GROUP LIMITED

ABN 74 604 188 445

CORPORATE GOVERNANCE STATEMENT 2018

Silver Heritage Group Limited (“Silver Heritage” or “Company”) is committed to implementing the highest standards of corporate governance and to determine these standards, the Company has used the reporting recommendations set out by the Australian Securities Exchange (ASX) Corporate Governance Council’s *Corporate Governance Principles and Recommendations* (ASX Principles and Recommendations) as the basis for its corporate governance policies.

To assist the Board carry out its functions, it has developed a set of Corporate Governance Policies to guide the Non-Executive Directors, the Executive Director and other key senior executives in the performance of their roles.

PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

Pursuant to Principle 1, the Company has established the functions reserved to the Board and established the functions delegated to the Executive Management team. The Board of Directors’ role is to govern the Company rather than to manage it and to ensure that it represents effectively the interests of all shareholders, including guiding the Company’s strategic direction, driving its performance and overseeing the activities of management and the operation of the Company.

In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of the Chief Executive Officer to manage the Company in accordance with the direction and delegations of the Board and it is the responsibility of the Board to oversee the activities of the Chief Executive Officer in carrying out these delegated duties.

1.1 A listed entity should disclose the respective roles and responsibilities of its board and management and, those matters expressly reserved to the board and those delegated to management.

It is the role of the Board to guide the Company’s strategic direction, drive its performance and oversee the activities of management and the operation of the Company.

The Company identified matters reserved for the Board within section 2 (Responsibilities of the Board) of the Board Charter which has been adopted by the Board and is available on the Company’s website. This section documents the role and responsibilities of the Board.

The Board’s responsibilities include inter alia:

- To provide leadership and develop, approve, evaluate and monitor the Company’s corporate strategy, investment and performance objectives, annual budgets and business plans;
- To determine the Company’s dividend policy;
- To evaluate, approve and monitor major capital expenditure, major acquisitions, divestitures, and other corporate transactions, including the issue of securities of the Company;
- To approve all account policies, financial reports and material reporting and external communications by the Company;
- To assess and continuously monitor the solvency and performance of the Company;
- To appoint the Chair of the Board and, where appropriate, any deputy;
- To appoint, monitor and manage the performance of the Company’s executive directors;
- To manage succession planning for the Company’s executive directors and any other key management positions as identified from time to time, including reviewing any succession plans recommended by the People and Culture Committee;
- To appoint and, where appropriate, remove any Chief Executive Officer;

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- Ratify the appointment and, where appropriate, the removal of senior management and executive directors of the Company and any subsidiaries;
- With the recommendation of the Audit and Risk Management Committee, appoint the external auditor and determine compensation and terms of appointment;
- To ensure effective and appropriate audit, risk management and regulatory compliance programs are in place to protect the Company's asset and shareholder value;
- To evaluate and determine risk appetite;
- To engage in strategic planning including establishing goals for management of the Company and monitoring the achievement of those goals;
- To oversee the affairs of the Company, including its control, risk mitigation (including insurance) and accountability systems;
- To evaluate the overall effectiveness of the Board, its committees and its corporate governance practices;
- To approve and monitor delegations of authority;
- To evaluation the performance of the Board, each Board Committee and each individual director against the relevant charters, corporate governance policies, and agreed goals and objectives; and
- To adopt and apply appropriate ethical standards in relation to the management of the Company and the conduct of its business.

The Company confirms that the processes implemented by the Board and Management are in accordance with this principle.

1.2 A listed entity should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director and, provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company has processes in place, which require a number of checks to be performed to ensure suitability of any candidate for election as a director. Checks may include personal character, experience, education, criminal history and bankruptcy history. All material information that is in the Company's position is provided to security holders in the Notice of Meeting where a decision on whether or not to elect or re-elect a Director is required.

1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Upon appointment Directors are provided with formal appointment letters setting out the key terms and conditions regarding their appointment. Similarly, senior executives (including the Managing Director) are provided with formal appointment letters making clear the responsibilities of their role, remuneration, appointment term and entitlements on termination.

1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The decision to appoint or remove a Company Secretary is a matter for the board to whom the Company Secretary is accountable through the Chair.

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1.5 A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee off the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;**
- (b) disclose that policy of a summary of it; and**
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them.**

The Company has implemented a Diversity Policy which is available on its website. <http://www.silverheritage.com.au/investor-centre-new/corporate-governance/>

The Diversity Policy is a commitment by the Company to actively seek to maintain a diverse workforce to create a workplace that is fair and inclusive, applies fair and equitable employment practices and provides a working environment that will allow all employees to reach their full potential.

The Company is of the view that any measurable statistical objectives on a diverse workforce must be fit for purpose, in line with the Company strategic objectives and ensure the Company is in compliance with all relevant legislative requirements. The establishment of measurable objectives that are relevant to the Company's operations continues to be on the agenda as a future matter for consideration, in the first instance, by the People and Culture Committee.

During the reporting period, the primary objective of the Company, and the application of its resources, was to finance and ramp up operations at Tiger Palace Resort, Bhairahawa, Nepal. The Company will consider matters such as this once operations in Nepal reach a satisfactory level.

1.6 A listed entity should have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors and, disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

AND

1.7 A listed entity should have and disclose a process for periodically evaluating the performance of its senior executives and, disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board considers the evaluation of its own and senior executive performance as fundamental to establishing a culture of performance and accountability. The Board will undertake a review of the Board and individual Directors performance at least once a year in accordance with the Board Charter.

The Board undertook a review of Board Performance in October 2017. Since that time the Board has undergone an effective restructure with the appointment and resignation of a number of directors. The Board has determined that for a review of Board Performance to be effective and informative, this review should occur during the course of 2019, once the new directors have held office for a measurable period.

The Company has a process for performance evaluation for its senior executives which is undertaken annually and was last completed in during the 2018 calendar year.

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PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

2.1 The board of a listed entity should:

(a) have a nomination committee which has at least three members, a majority of whom are independent directors and is chaired by an independent director and disclose the charter of the committee, the members of the committee and as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.

(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Company has established a People and Culture Committee which comprises of three members all of whom are non-executive, independent directors.

The Chair of the Committee is an independent director and the charter of the Committee can be accessed on the Company's website. Attendance by directors at meetings of the Committee is reported in the Company's Annual Report.

2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Company's Board Skills Matrix is set out below and evidences the mix of skills and diversity that the Board currently has.

Skill	Directors*
Finance	3
Strategy Development	4
Risk Management	3
Multi-jurisdictional experience	3
Public Board Experience	3
Industry Knowledge	2
Compliance and Corporate Governance	4

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2.3 A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors,;
- (b) if a director has an interest, position, association or relationship of the type described Box 2.3 of the ASX Principles and Recommendations but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- (c) the length of service of each director.

As at the date of this report, the Board comprises one Executive Director being Mr Mike Bolsover, and three Non-Executive Directors.

Details of the length of service of each director is as follows:

Name	Appointment Date
James Spenceley	28 May 2018
Michael Bassett	26 October 2018
Mike Bolsover	12 February 2015
Matthew Hunter	14 December 2016

2.4 A majority of the board of a listed entity should be independent directors

The Board comprises 4 Directors, three of whom are non-executive and independent.

2.5 The chair of the board of a listed entity should be an independent director and, in particular should not be the same person as the CEO of the entity.

The Chairman of the Board is Mr James Spenceley who is a non-executive independent director.

The Chairman is not the same person as the CEO.

2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The Company has a programme for inducting new Directors which includes the provision of a copy of all relevant Company policies and information.

The Company, in the absence of a formal program of professional development, expects that the Directors maintain the necessary skills and knowledge to perform their role as Directors. The Company may provide assistance in meeting this obligation.

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PRINCIPLE 3 - ACT ETHICALLY AND RESPONSIBLY

3.1 A listed entity should have a code of conduct for its directors, senior executives and employees, and disclose that code or a summary of it.

The Company is committed to promoting a high standard of conduct. The board have formally adopted a Code of Conduct and Ethics that expects all Directors and employees to act with the utmost integrity and objectivity striving at all times to enhance the reputation and performance of the Company, in the following areas:

- professional conduct;
- dealings with suppliers, advisers and regulators;
- dealings with the community; and
- dealings with other employees.

A copy of the Code of Conduct and Ethics is given to all contractors and relevant personnel, including Directors and each individual is accountable for such compliance. Any breach of applicable laws, accepted ethical commercial practices or other aspects of the Code of Conduct and Ethics will result in disciplinary action.

Personnel are expected to report any instances of suspected non-compliance and investigating reports of unethical practices. These instances will be investigated fairly. Individuals who report suspected non-compliance in good faith will be appropriately protected.

The Code of Conduct and Ethics can be found on the Company's website.

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PRINCIPLE 4 - SAFEGUARD INTEGRITY IN CORPORATE REPORTING

4.1 The board of a listed entity should:

(a) have an audit committee which:

(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

(2) is chaired by an independent director, who is not the chair of the board,

And disclose:

(3) the charter of the committee:

(4) the relevant qualifications and experience of the members of the committee; and

(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Company has an Audit and Risk Committee, that comprises of 3 non-executive directors all of whom are independent. The Chair of the Committee is not the Chair of the Board. The qualifications of the Committee members are disclosed on the Company's website and also within the Annual Report.

The attendance of Committee members at Committee meetings held is reported within the Annual Report.

The Committee has adopted a charter which is available on the Company's website.

<http://www.silverheritage.com.au/investor-centre-new/corporate-governance/>

4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Board of the Company receives a declaration from the Managing Director and Chief Financial Officer prior to approving the entity's financial statements for a financial period, confirming that in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively, apart from the Accounting Irregularities disclosed in the financial statements and notes for the year ending 31 December 2018. Following the discovery of the Accounting Irregularities, the risk management and internal compliance and control system has been further strengthened in order to prevent these events occurring in the future, or if they do occur, they are detected earlier.

4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Auditor of the Company will attend the AGM and be available to answer questions from security holders relevant to the audit.

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PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE

5.1 A listed entity should have a written policy for complying with its continuous disclosure obligations under the Listing Rules, and disclose that policy or a summary of it.

The Board has adopted a policy and rules to ensure the Company complies with its obligations under the ASX Listing Rules regarding continuous disclosure and ensures accountability at a senior executive level for that compliance. The Board has designated the Company Secretary as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX.

The Continuous Disclosure Policy is available on the Company's website.

<http://www.silverheritage.com.au/investor-centre-new/corporate-governance/>

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PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 A listed entity should provide information about itself and its governance to investors via its website

The Company provides information to shareholders via its website <http://www.silverheritage.com.au/investor-centre-new>

The website contains information on the Company's activities, copies of ASX announcements, annual reports and financial statement, board members, corporate governance and all other information that the Board has determined as appropriate. The Board respects the rights of its shareholders and to facilitate the effective exercise of those rights, it has adopted a policy on communication with shareholders and implemented a set of processes to ensure timely and effective communication with shareholders and the wider investment community. The Company is committed to:

- communicating effectively with shareholders through releases to the market via the ASX, the Company's website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company and ask questions regarding the conduct of audit and about the functioning of the Company generally; and
- making it possible for shareholders to receive communication by electronic means.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors

The Company has designed and implemented its investor relations program to ensure effective two-way communication with investors. Communication occurs via the Company's website, company updates and ASX Announcements, with investors having the ability to use the contact functions on the website and attend General Meetings of the Company.

6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders

Shareholders are provided with a copy of the Notice of Meeting for all General Meetings and a copy of the Annual Report is provided to shareholders in the manner nominated by them. Conduct of all General Meetings includes opportunities for shareholders to vote and to ask questions of management and the Board.

6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically

Shareholders have the option to receive communications from, and to send communications to the Company, and its security registry electronically.

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PRINCIPLE 7 - RECOGNISE AND MANAGE RISK

7.1 The board of a listed entity should:

(a) have a committee or committees to oversee risk each of which:

- (1) has at least three members, a majority of whom are independent directors; and
- (2) is chaired by an independent director,

And disclose:

- (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework

The Company has an Audit and Risk Committee. Given the size and scale of operations and stage of development of the Company, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate risk management committee. Presently, the Audit and Risk Committee carries out the functions of a risk management committee.

The primary objectives of the risk management and internal control systems of the Company are to ensure:

- all major sources of potential, opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
- business decisions throughout the Company appropriately balance the risk and reward trade off;
- regulatory compliance and integrity in reporting is achieved; and
- the Board, senior executives and investors understand the risk profile of the Company.

The system covers:

- operations risk;
- financial reporting; and
- compliance.

Any matters of significance to the Company or materially relevant to its assets, liabilities or profits are signed off by the Board after discussion and evaluation of submissions made by the Executive Director or other party.

The Board has required the management of the Company to design and implement the risk management and internal control systems to manage the Company's material business risks. As required by the Board, management has reported to the Board that the Company's material business risks have been managed effectively. The Managing Director reviews risk in response to changing business conditions and regulations. Regular reviews of risk and a regular update of the risk profile is undertaken by the Board. This normally occurs in conjunction with the strategic planning process.

The Managing Director and Chief Financial Officer provide a written assurance that the risk management system is effective, efficient and accurately reflected in the Company's financial statements and that:

- the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control ; and

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- the Company's risk management and internal control system is operating effectively in all material respects in relation to financial reporting risks.

7.2 The board or a committee of the board should:

(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

(b) disclose, in relation to each reporting period whether such a review has taken place.

The Audit and Risk Committee undertakes periodic reviews of the Company's risk management framework to ensure that it is satisfied that the framework continues to be sound. The Audit and Risk Committee have and maintain a risk matrix that is periodically kept up to date. This risk matrix sets out the various risks (identified or potential) the Company faces, describes such risks, assesses the likelihood of the risk eventuating and potential impact to the Company's business, and describes what the status of the risk is, the mitigating factors and other comments.

7.3 A listed entity should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes

The Company does not have a formal internal audit function but the Board has delegated responsibilities under the risk management policy to the Audit and Risk Committee. The Audit and Risk Committee has included within its Charter a section dealing with the monitoring and management of business, operational and financial risks, including appropriate systems and to ensure accountability at an executive level for risk oversight and management.

Each business unit is responsible for ensuring that it has in place appropriate risk management policies and procedures to meet its business, regulatory and operational requirements. It is the responsibility of every employee to appropriately manage risk within their area of responsibility. To this end, the Company places strong emphasis on maintaining a risk-aware culture in its decision making and operational processes.

7.4 A listed entity should disclose whether it has any material exposure to economic environmental and social sustainability risks and, if it does how it manages or intends to manage those risks

The Company as an entity whose primary activity involves gaming and has developed a Responsible Gaming Statement that is available at:

<http://www.silverheritage.com.au/responsible-gaming/>

Environmental impact assessments have been undertaken in relation to the Tiger Palace development in Bhairahawa, Nepal and the Company is satisfied that it is and will remain in compliance with the laws in Nepal.

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PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

8.1 The board of a listed entity should:

(a) have a remuneration committee which:

- (1) has at least three members, a majority of whom are independent directors; and**
- (2) is chaired by an independent director;**

And disclose:

- (3) the charter of the committee;**
 - (4) the members of the committee; and**
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or:**
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.**

The Company has established a People and Culture Committee whose responsibilities include overseeing remuneration matters. The Committee comprises 3 non-executive independent directors and is Chaired by an independent director.

Attendance by Committee members at Committee meetings is reported within the Annual Report.

The Charter of the Committee is available on the Company's website <http://www.silverheritage.com.au/investor-centre-new/corporate-governance/>

Details of the Company's remuneration policy are provided in the Director's Report and Financial Statements contained within the Annual Report.

8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Discussion on the Company's remuneration policies of Non-Executive Directors, the Executive Director and Senior Executives of the consolidated entity and the relationship between such policy and the Company's performance is provided in the Directors' Report contained within the Annual Report.

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8.3 A listed entity which has an equity-based remuneration scheme should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose that policy or a summary of it.

The Company has prohibited the entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration.

The conditions of grant of any equity-based remuneration explicitly prohibit this.