

## **KIBARAN RESOURCES LTD**

### **CORPORATE GOVERNANCE STATEMENT**

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The Board of Directors of Kibaran Resources Limited (Kibaran or Company) is responsible for the overall corporate governance of the Company and is committed to applying the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations (ASX Principles). The Board guides and monitors the business and affairs of Kibaran Resources on behalf of the shareholders by whom they are elected and to whom they are responsible.

Whilst the Company will endeavour to comply with all of the guidelines under the ASX Corporate Governance Principles, the Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the additional expense of compliance with all recommendations. The Board will consider on an ongoing basis its corporate governance procedures and whether they are sufficient given the Company's nature of operations and size.

The statements below outline the main corporate governance practices in place throughout the financial year, which complies with the ASX Corporate Governance Council Principles, unless otherwise stated.

#### **THE BOARD OF DIRECTORS**

The Board comprises four Non-Executive Directors and one Executive Directors. The membership of the Board, its activities and composition is subject to periodic review. The board considers the mix of skills and the diversity of board members when assessing the composition of the board. The board assesses existing and potential directors' skills to ensure they have appropriate industry expertise in the Consolidated Entity's operating segments. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, experience and achievement, credibility within the Company's scope or activities, intellectual ability to contribute to the Board's duties and ability to undertake Board duties and responsibilities. The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report and their term of office are detailed on pages 12-13 of the Directors Report.

The primary role of the Board is to oversee the business activities and management for the benefit of the shareholders. The Board is responsible for, and has the authority to determine all matters relating to, the strategic direction, policies, practices, establishing goals for management and the operation of the Company.

The monitoring and ultimate control of the business of the Company is vested in the Board. The goals of the corporate governance process are to drive shareholder value, ensure a prudential and ethical base to the Company's conduct and activities and ensure compliance with legal and regulatory obligations.

#### **Role of the Board**

The management and control of the business is vested in the Board. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of shareholders.

The Board strives to create shareholder value and ensure that shareholders' funds are safeguarded.

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The key responsibilities of the Board include:

- setting objectives, goals and strategic direction with management with a view to maximising shareholder value;
- overseeing the financial position and monitoring the business and affairs of the Company;
- establishing corporate governance, ethical, environmental and health and safety standards;
- ensuring significant business risks are identified and appropriately managed; and
- ensuring the composition of the Board is appropriate, selecting directors for appointment to the Board and reviewing the performance of the Board and the contributions of individual directors.

### **Directors' Independence**

A majority of Board members should be independent in judgement and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

The Board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must not:

- hold more than 10% of the shares of the Company nor through any entity or individual directly or indirectly associated with the Director;
- not be a material supplier or customer of the company or any other company of the Consolidated Entity, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- must have a material contractual relationship with the Company or the Consolidated Entity; and be free from any interest and business or other relationship which could, or could reasonably be perceived to, interfere with the director's ability to act in the best interests of the Company.

At the date of this report the Board considers that Mr Martin Rogers and Dr Roger Aston meet the above criteria and would therefore exercise independent judgement and therefore would be considered to be independent.

### **Committees of the Board**

The Board has established an Audit Committee which operates under a charter approved by the Board. The Audit Committee charter and procedures are disclosed on the Company website.

Mr John Park and Mr Robert Greenslade perform the role of the Audit Committee at the date of this report.

Mr Park and Mr Greenslade are independent Non-Executive Directors who are not a chairman of the Board. The Company Secretary and external auditors are invited to assist Mr Park and Mr Greenslade at their discretion. Performance of the external auditor is reviewed annually. The external auditor is requested to attend the annual general meeting and be available to answer questions about the conduct of the audit and the preparation and content of the audit report.

The Board has not formally constituted a nomination committee or remuneration committee. The whole Board conducts the functions of a nomination committee and remuneration committee

The maximum remuneration of non-executive Directors is subject to shareholder resolution in accordance with the Company Constitution, the Corporations Act and ASX Listing Rules. The apportionment of non-executive Directors remuneration within that maximum will be made by the Board having regard to the inputs and value of contributions by the non-executive Director. The current limit, which may only be varied by shareholders in General Meeting, is \$300,000 per annum.

#### **Independent Professional Advice**

Each Director has the right to access all relevant Company information, and may seek independent professional advice at the Company's expense, in connection with their duties and responsibilities. The Director must obtain the prior written approval of a non-executive director (as designated by the Board), not be unreasonably withheld, before consulting with an advisor suitably qualified in the relevant field. A copy of the advice received by the Director is made available to all other members of the Board.

#### **Commitment**

The Board held four scheduled meetings during the reporting year. The number of meetings attended by each Director is disclosed on page 13 in the Directors' Report.

#### **Performance Assessment**

During the reporting year an evaluation of the Board was carried out on an informal basis. As the activities of the Company develop, it will implement more formal evaluation procedures, including quantitative measures of performance.

#### **Risk Assessment and Management**

The Board is responsible for ensuring there are adequate policies in relation to risk oversight, management, compliance and internal control systems, but recognises that no cost effective internal control system will preclude all errors and irregularities. The Company policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Consolidated Entity's business objectives.

The Company's senior management are delegated with the tasks of management of operational risk and implementation of risk management strategies.

The Company's risk management systems and control framework include the Board's ongoing monitoring of management and operation performance, a comprehensive system of budgeting, forecasting and reporting to the Board, regular presentations to the Board by management of the management of risk, approval procedures for significant capital expenditure above threshold levels, comprehensive written policies on specific activities and corporate governance, regular communication between Directors on compliance and risk and consultation and review between the Board and external accountants.

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The Board recognises that material risks facing the Consolidated Entity are the more significant areas of uncertainty or exposure to the Consolidated Entity that could adversely affect the achievement of the Consolidated Entity's objectives and successful implementation of its business strategies.

Within the identified risk profile of the Company, comprehensive practices are in place, that are directed towards achieving the following objectives:

- Effectiveness and efficiency in the use of the Company's resources;
- Compliance with applicable laws and regulations; and
- Preparation of reliable published financial information

The material risks, both financial and non-financial, facing the Consolidated Entity are:

- protection of assets;
- maintenance of proper financial and accounting records;
- reliability of financial information;
- compliance with key performance indicators;
- financial markets;
- currency movements;
- pricing;
- competitive position;
- operational efficiency;
- investments in new projects;
- retaining key personnel; and
- technical risk.

The Board considers these identified material risks as part of its annual risk management review, or on an as required basis as a result of regular interaction with management.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to report back on the efficiency and effectiveness of risk management, inter alia, by benchmarking the Company's performance against industry standards. Management is required to report to the Board and confirm the effectiveness of the Company's management of its material business risks. This occurs formally during regular monthly management meetings, and directly to the Board on an ad hoc basis when required.

The Board requires assurance from the Managing Director and the Chief Financial Officer that the declaration in relation to section 295A of the Corporations Act is founded in a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial report risks.

### **Code of Conduct**

The Company is committed to promoting a high standard of conduct. The board have formally adopted a code of conduct 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.

The Board has adopted a policy in relation to the purchase and sale of company securities by all Directors and employees. Under the policy, Directors are prohibited from short term trading in the Company's securities whilst in possession of price sensitive information. The Board must be notified of any proposed transaction and must give clearance for the transaction to proceed.

### **Securities Trading Policy**

The Board has formally adopted a Trading Policy Charter which restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

### **Continuous Disclosure and Shareholder Communication**

The Board is committed to continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities including the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Company's operations, the material used in the presentation is released to the ASX. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders through annual and quarterly reports, investor briefings, the Director's address delivered at the Annual General Meeting and notices of all meetings of shareholders and explanatory notes of proposed resolutions.

Shareholders are encouraged at annual general meetings to ask questions of Directors and senior management and also the Company's external auditors, who are required to be in attendance.

**Diversity**

Due to the Company's size and nature of operations, there are no women in senior executive positions. The board remains conscious of the requirement to establish reasonable and measurable objectives for achieving gender diversity and identifying key measurable diversity performance objectives for the Board, CEO and senior management.

The Consolidated Entity's only employees and contractors during the year were the Board and Company Secretary. None of these positions were filled by women in 2013 or the prior year 2012.

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### BOARD OF DIRECTORS AND CORPORATE GOVERNANCE (CONTINUED)

#### The ASX Principles

The Board has reviewed its practices in light of the ASX Corporate Governance Principles and Recommendations with 2010 Amendments 2nd Edition, with a view to making amendments where applicable after considering the Company's size and available resources.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of any additional formal corporate governance committees will be given further consideration.

The following table sets out the Company's compliance with the ASX Corporate Governance Guidelines:

Item	ASX Best Practice Recommendation		Comment
<b>1.</b>	<b>Lay solid foundations for management and oversight</b>		
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those function	✓	The Corporate Governance Policy includes a formal charter, which discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Executive Director.  The charter also includes those tasks delegated to the Executive Director by the Board.
1.2	Disclose the process for evaluating the performance of senior executives	✓	A copy of the policy "Performance Evaluation of the Board, Individual Directors and Key Executives" is available on the Company's website. This policy details the process for performance evaluation of the Board, Committees formed, Non-Executive Directors, CEO or equivalent and senior executives.
1.3	Provide the information indicated in Guide to reporting on Principle 1.	✓	
<b>2.</b>	<b>Structure the board to add value</b>		
2.1	A majority of the board should be independent directors.	✓	Refer to page 58 for the specific principles for independence adopted by the Company.  During the reporting period and at the date of this report, half of the directors were considered independent.  The Board considers that its composition is an appropriate blend of skills and expertise relevant to the Company's business. In view of the size and resources available to the Company, additional independent directors are not considered to add any significant substance to the objective decision making of the Board.
2.2	The chairperson should be an independent director.	✓	The Chairperson is an independent director.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	✓	The Chairperson and Executive Directors role are held by different individuals.
2.4	The board should establish a nomination committee.	✗	Due to the size of the Company, a nomination committee has not been formed.
2.5	Process for evaluating the performance of the board, its committees and individual directors.	✓	The Company's Performance Evaluation Practices Policy sets out the evaluation process for the Board, individual Directors, board committees and senior executives of the Company.

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2.6	Provide the information indicated in Guide to reporting on Principle 2	✓	
<b>3.</b>	<b>Promote ethical and responsible decision-making</b>		
3.1	Establish a code of conduct as to: (a) the practices necessary to maintain confidence in the company's integrity; (b) the practices necessary to take into account legal obligations and the reasonable expectations of their stakeholders; and (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✓	The Corporate Governance Policy includes a Corporate Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment.  Refer to page 61.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them	✗	Refer to page 62.  Due to the Company's size and nature of operations, there are no women in senior executive positions. The board remains conscious of the requirement to establish reasonable and measurable objectives for achieving gender diversity and identifying key measurable diversity performance objectives for the Board, CEO and senior management.
3.2	Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them	✗	Refer to page 62.  The Company looks for relevant industry experience when identifying candidates for key positions and employs the best and most suitable people regardless of gender, colour, religion or otherwise.
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	✗	There are currently no women in senior executive positions of on the board.
3.5	Provide the information indicated in Guide to reporting on Principle 3.	✓	
<b>4.</b>	<b>Safeguard integrity in financial reporting</b>		
4.1	The board should establish an audit committee.	✓	The Company has established an audit committee.
4.2	Structure the audit committee so that it consists of: (a) only non-executive directors; (b) a majority of independent directors; (c) an independent chairperson, who is not chairperson of the board; and (d) at least three members.	✗	The audit committee is composed of 2 independent non-executive directors. The chairman of the audit committee is not the chairman of the company.
4.3	The audit committee should have a formal charter.	✓	The audit committee operates under a formal charter
4.4	Provide the information indicated in Guide to reporting on Principle 4.	✓	
<b>5.</b>	<b>Make timely and balanced disclosure</b>		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	✓	Refer to page 61-62.  The Company has a Continuous Disclosure Policy in place designed to ensure the factual presentation of the Company's position at all times.
5.2	Provide the information indicated in Guide to reporting on Principle 5	✓	



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<b>6.</b>	<b>Respect the rights of shareholders</b>		
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	✓	Refer to page 61-62.  A copy of the policy "Communication with Shareholders" is available on the Company's website, which aims to ensure that the shareholders of the Company are informed of all major developments affecting the Company's state of affairs, and are encouraged to participate at the Company's general meetings.
6.2	Provide the information indicated in Guide to reporting on Principle 6.	✓	
<b>7.</b>	<b>Recognise and manage risk</b>		
7.1	Establish policies on risk oversight and management of material business risk.	✓	The Company's Corporate Governance Policy includes a Risk Management and Internal Compliance and Control Policy. Refer to pages 59-60.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and to report to the board on whether those risks are being managed effectively.	✓	Refer to pages 59-60.
7.3	The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that declaration in accordance with section 295A of the Corporations Act is founded on the Company's risk management, internal compliance and control system is operating efficiently and effectively in all material respects.	✓	Refer to page 54.
7.4	Provide the information indicated in Guide to reporting on Principle 7.	✓	
<b>8.</b>	<b>Remunerate fairly and responsibly</b>		
8.1	The board should establish a remuneration committee.	✗	The Board considers that the Company is not currently of a size or complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors, Executive Director and executives of the Company.
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists of a majority of independent directors;</li> <li>• is chaired by an independent director; and</li> <li>• has at least three members.</li> </ul>	✗	Please refer above to 8.1.
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	✓	Kibaran's Board has put in place a number of measures to implement this principle.  Discussion on Kibaran's remuneration policies of Non-Executive Directors, the Executive Directors and Senior Executives of the consolidated entity and the relationship between such policy and the Company's performance is provided in the Directors' report on page 8.
8.4	Provide the information indicated in Guide to reporting on Principle 8.	✓	