

Queensland Bauxite Limited

ABN 18 124 873 507

and Controlled Entities

Corporate Governance Statement



Corporate Governance Statement

Queensland Bauxite Limited's Corporate Governance Statement for the year ended 30 June 2017 (as set out below) is dated as at 30 September 2017 and was approved by the Board of Directors on 30 September 2017.

The Directors of Queensland Bauxite Limited ("QBL" and "the Company") have established a framework of corporate governance, which they review on a regular basis.

In order to promote investor confidence and to assist companies meet stakeholder expectations, the Australian Securities Exchange Corporate Governance Council developed and released corporate governance guidelines for Australian entities listed on the Australian Securities Exchange (**ASX**). The third edition, Corporate Governance Principles and Recommendations (**ASX Principles and Recommendations**) was released in March 2014.

The Company's corporate governance policies referred to below are continually updated, as a result of updates in the ASX corporate principles and recommendations. The ASX Principles and Recommendations, in conjunction with the ASX Listing Rules, require companies to disclose whether their corporate governance practices follow the Guidelines on an "if not, why not" basis. This statement outlines the main corporate governance practices adopted by the Board, which comply with the ASX Principles and Recommendations, unless otherwise stated.

The roles of the Board and management

The role of the Board is to oversee and guide the management of QBL and its business with the aim of protecting and enhancing the interests of its shareholders and taking into account the interests of all stakeholders.

The Board is responsible for promoting the success of the Company in a way which ensures that the interests of shareholders and stakeholders are promoted and protected. The Board may delegate some powers and functions to the Chief Executive Officer for the day-to-day management of the Company. Powers and functions not delegated remain with the Board.

The key responsibilities and functions of the Board include the following:

- to develop, review and monitor the Company's long-term business strategies and provide strategic direction to management;
- to ensure policies and procedures are in place to safeguard the Company's assets and business and to enable the Company to act ethically and prudently;
- to develop and promote a system of corporate governance which ensures the Company is properly managed and controlled;
- to identify the Company's principal risks and ensure that it has in place appropriate systems of risk management, internal control, reporting and compliance; and
- to monitor management's performance and the Company's financial results on a regular basis.

The Board's role and the Company's corporate governance practices are continually reviewed and improved as required.

The Company's Executive Directors are implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board.

Board structure and independence

The Company recognises the importance of having a Board comprising Directors with an appropriate range of

backgrounds, skills and experience to suit the Company's current and future strategies and requirements. The composition of the board is determined by the application of the following principles:

- persons nominated as Non-Executive Directors shall be expected to have qualifications, experience and expertise of benefit to the Company and to bring an independent view to the Board's deliberations. Persons nominated as Executive Directors must be of sufficient stature and security of employment to express independent views on any matter;
- the Chairman should ideally be independent, but in any case be Non-Executive and be elected by the Board based on his / her suitability for the position;
- all Non-Executive Directors are expected voluntarily to review their membership of the board from time-to-time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and programme, together with the other criteria considered desirable for composition of a balanced board and the overall interests of the Company; and
- Executive Directors shall be expected to retire from the board on the relinquishment of their Executive.

The Company has adopted a Policy on Assessing the Independence of Directors which is consistent with the guidelines detailed in the ASX Principles & Recommendations. The Company considers that the Board should have at least three Directors and will aim to have a majority of independent Directors (as required) but acknowledges that this may not be possible at all times due to the size of the Company.

The Company's Board Charter includes guidelines for assessing the materiality of matters which are summarised below:

- A statement of financial position item is material if it has a value of more than 5% of pro-forma net assets or \$50,000, whichever is greater.
- A statement of profit or loss and other comprehensive income item is material if it will have an impact on the current year operating results of 5% or more.
- Items are also considered material if they impact the reputation of the Company, they involve a breach of legislation or a potential breach of legislation, if they are outside the ordinary course of business, could affect the Company's rights to its assets, involve a contingent liability that would impact the statement of financial position or statement of profit or loss and other comprehensive income by 5% or more or if they have an effect on operations which is likely to result in a change in net income or dividend distribution of more than 5% upwards or downwards.
- A contract is considered material if it is one which is outside the ordinary course of business, includes exceptionally onerous provisions, any default of the contract may trigger the qualitative statement of financial position or statement of profit or loss and other comprehensive income materiality levels, is essential to the operations of the Company, contains or triggers change of control provisions or is between related parties.

The current Board includes one independent Non-executive director, Meyer Gutnick and two executive directors Pnina Feldman and Sholom Feldman, and one alternate director, David Austin. As such, the Board does not currently have a majority of independent Directors. Meyer Gutnick falls within the requirements of an independent Director as stipulated in the ASX Principles & Recommendations, that is, no past or current relationships exist between these Directors and the Company that may affect their status as an independent Director. Pnina Feldman is Chairperson of the Board. Sholom Feldman is the Chief Executive Officer and Company Secretary. David Austin acts as an independent alternate Director to Sholom Feldman.

A minimum of three Directors is required under the Company's Constitution. Any changes to the composition of the Board will be determined by the Board, subject to any applicable laws and the resolutions of Shareholders. The Board seeks to nominate persons for appointment to the Board who have the qualifications, experience and skills to augment the capabilities of the Board. At each Annual General Meeting, one third of the Directors must resign, with Directors resigning by rotation based on the date of their appointment. Directors resigning by rotation may offer themselves for re-election.

Details of the background, experience and professional skills of each Director and the Company Secretary are set out on pages 3 and 4 of the directors' report and are also available on the Company's website.

Board diversity

At this time, the Company has not established a policy concerning diversity. This is due to the size of the Board and the stage of the Company's development.

The proportion of women in the whole organisation is as follows:

	30 June 2017		30 June 2016	
	Female (%)	(Male %)	Female	(%)
Gender representation Male (%)				
Board representation	33%	67%	33%	67%
Senior executive positions	50%	50%	50%	50%
All employees	-	-	-	-

Meetings of the Board

The Board intends to meet formally at least eight times a year and on other occasions, as required. The agenda for Board meetings is prepared by the Company Secretary/Chief Executive Officer. Standard items include the Chief Executive Officer's report, financial reports, strategic matters, risk management and governance and compliance matters. Executives are available to participate in Board discussions as required.

Board access to information and independent advice

All Directors have unrestricted access to all employees of the Company and, subject to the law and the terms of Deeds of Access, Insurance and Indemnity, access to all Company records.

Each Director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

Conflicts of interest

In accordance with the Corporations Act, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

Non-Executive Directors' Committee

Given the size of the Board and the stage of the Company's development, the Directors do not feel that a separate Non-Executive Directors' Committee, nomination committee and remuneration committee is appropriate, however the responsibilities of the committees are carried out by the Board of Directors.

Company code of conduct

The Board has adopted a Company Code of Conduct to promote ethical and responsible decision making by all employees (including Directors). The Code embraces the values of honesty, integrity, accountability and equality and to strive to enhance the reputation and performance of the Company. In summary the overriding principles are:

- all employees must conduct their duties honestly and in the best interests of the Company as a whole;
- treat other stakeholders fairly and without discrimination;
- respect confidentiality and do not misuse Company information or assets;
- conduct themselves in accordance with both the letter and spirit of the law; and
- maintain a safe working environment.

A breach of the Code is subject to disciplinary action which may include termination of employment.

Securities trading policy

The Board has adopted a policy and procedure on dealing in the Company's securities by Directors, Officers and employees. The Guidelines for Dealing in Securities Policy adopted by the Board requires that:

- Trading in Shares by directors, senior executives and employees is limited to specific periods, following the release of an annual report and half year results. Outside of these "window" periods, all directors, senior executives and employees, must follow the Guidelines for Dealing in Securities Policy and receive clearance for any proposed dealing in the Company's shares on the ASX prior to undertaking a transaction.
- A Director must receive clearance from the Chairman before he may buy or sell Shares. If the Chairman wishes to buy or sell Shares they must first obtain clearance from the Chief Executive Officer.
- Senior executives and employees must receive clearance from the Chief Executive Officer before they may buy or sell Shares.
- Directors, senior executives and employees must be aware of and observe their obligations under the Corporations Act not to buy or sell Shares if in possession of price sensitive non-public information and that they do not communicate price-sensitive non-public information to any person who is likely to buy or sell Shares or communicate such information to another party.

Audit and compliance committee

Given the present size of the Company and the Board, the usual functions of an Audit and Compliance Committee are attended to by all members of the board and any relevant matters are discussed at board level. The Board believes no efficiencies or other benefits could be gained by establishing a separate Audit and Compliance Committee.

The Company's auditor is Nexia Australia – Chartered Accountants. They were appointed in January 2008. The auditor attends and is available to answer questions at the Company's annual general meeting.

The Company's Chief Executive Officer has provided a declaration in accordance with section 295A of the Corporations Act in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Continuous disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the ASX and has adopted a comprehensive Information Policy.

The purpose of this Information Policy is to set out the procedure for:

- protecting confidential information from unauthorised disclosure;
- identifying material price sensitive information and reporting it to the Company Secretary for review;
- ensuring the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules; and
- ensuring the Company and individual officers do not contravene the Corporations Act or ASX Listing Rules.

The Company's Information Policy is reviewed periodically and updated as required.

Communications with shareholders

The Company has a Shareholder Communications Policy that promotes effective communication with shareholders and encourages presentation of information to shareholders in a clear, concise and effective manner.

The Company will communicate information on its activities and financial performance through the issue of the annual and half year financial reports, reports on activities and cash flows and through other announcements released to the ASX.

The Company posts all reports, ASX announcements, media releases and copies of newspaper reports on the Company's website at www.queenslandbauxite.com.au. The website will contain an archive of ASX announcements and annual reports. The Company will, wherever practical, take advantage of new technologies that provide greater opportunities for more effective communications with shareholders.

The Company will ensure that the annual general meeting is held in a manner that enables as many shareholders as possible to attend and encourages effective participation by shareholders. The Company requires the attendance of the external auditor at the Company's annual general meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Risk management

Responsibility for control and risk management is delegated to the appropriate level of management with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and control framework.

The Company is committed to the identification, monitoring and management of risks associated with its

business activities and has established various financial and operational reporting procedures and other internal control and compliance systems in this regard. These include the following:

- the Chief Executive Officer is required to report on the management of risk as a standing agenda item at each Board meeting. This involves the tabling of a Risk Register which is actively monitored and updated by management,
- delegated authority limits exist in respect of financial expenditure and other business activities;
- a comprehensive annual insurance programme is undertaken;
- internal controls exist to safeguard the Company's assets and ensure the integrity of business processes and reporting systems;
- annual budgeting and monthly reporting systems for business operations is undertaken which enable the monitoring of progress against performance targets and the evaluation of trends;
- appropriate due diligence procedures are undertaken for acquisitions and divestments; and
- disaster recovery procedures and crisis management systems exist.

The Company's Chief Executive Officer has provided a declaration that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. Additionally, the Chief Executive Officer has stated that the declaration is based on a sound system for risk management and internal compliance and control which implements the policies adopted by the Board and the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received assurance from the Chief Executive Officer that the Company's management of its material business risks are effective.

ASX Listing Rule Disclosure – Exception Reporting

The following table discloses the extent to which QBL has followed the best practice recommendations set by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition).

Principle No	Best Practice Recommendation	Compliance	Reasons for Non-compliance
1.5	A listed entity should establish a policy of diversity.	Currently, the Company has 33% female representation of the Board. The Chairperson is female.	The Board considers that its structure has been and continues to be appropriate in the context of the Company's recent history and the scope and scale of the Company's operations. Persons have been selected as directors to bring specific skills and industry experience relevant to the Company.
1.6	A listed entity should have a process of periodically evaluating the performance of the board and individual directors.	The board has not established an evaluation of performance process.	Given the size of the Company and the Board, the Board believes no benefits could be gained by establishing an evaluation of performance process.

1.7	A listed entity should have a process for periodically evaluating the performance of its senior executives.	The board has not established an evaluation of performance process.	Given the size of the Company and the Board, the Board believes no benefits could be gained by establishing an evaluation of performance process.
2.1	The Board should establish a nomination committee.	The Board has not established a separate nomination committee.	Given the size of the Board and the stage of the Company's development, the Directors do not feel that a separate nomination committee is appropriate. The Board believes no efficiencies or other benefits could be gained by establishing a Non-Executive Directors' Committee.
2.4	A majority of the Board should be independent directors.	Currently, the Company has one independent director and two non-independent directors.	The Board considers that its structure has been, and continues to be, appropriate in the context of the Company's recent history and the scope and scale of the Company's operations. Persons have been selected as directors to bring specific skills and industry experience relevant to the Company.
2.5	The chair of the board of a listed Company should be independent.	The chair of the Company is not an independent director.	Given the size of the Company and the Board, the Board believes no benefits could be gained by having an independent chair.
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 Board has not established this program.	The Board considers that its structure has been and continues to be appropriate in the context of the Company's recent history and the scope and scale of the Company's operations. Persons have been selected as directors to bring specific skills and industry experience relevant to the Company.
4.1	The audit committee should be structured so that it has at least three members.	The Company does not have a separate Audit and Compliance Committee.	Given the present size of the Company and the Board, the Board believes no efficiencies or other benefits could be gained by establishing a larger Audit and Compliance Committee.
8.1	The Board should establish a remuneration committee.	The Board has not established a remuneration committee.	Given the size of the Board and the stage of the Company's development, the Directors do not feel that a separate remuneration committee is appropriate.