

**KAILI RESOURCES LIMITED ARBN 077 559 525**  
**CORPORATE GOVERNANCE STATEMENT – 31 March 2020**

This table on Corporate Governance Statement sets out the extent to which the Group has followed the recommendations of the ASX Corporate Governance Principles and Recommendations – 3<sup>rd</sup> edition. The Corporate Governance Statement is posted on the group's website ([www.kailigroup.com.au](http://www.kailigroup.com.au)) for reference on disclosures.

<b>Principles and Recommendations</b>	<b>Compliance</b>	<b>Comment</b>
<b>1. Lay solid foundations for management and oversight</b>		
<b>1.1</b> A listed entity should disclose:	Complies	The group's Corporate Governance Statement includes a Board Charter, which states the specific responsibilities of the Board and management. The Board delegates responsibility for the day to day operations and administration of the group to the management, including directors with executive responsibilities.
(a) the respective roles and responsibilities of its board and management; and		
(b) those matters expressly reserved to the board and those delegated to management.		
<b>1.2</b> A listed entity should:	Complies	The Board has carried out checks in 2019 on each director's character, experience, education, qualifications, criminal record and bankruptcy history. No adverse information has been revealed from the checks on any director. The Board will carry out appropriate checks on each director before he or she is put forward for election.
(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and		
(b) 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.		
<b>1.3</b> A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Complies	Written agreement between each director and the Company setting out the terms of his/her appointment is in place.
<b>1.4</b> 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.	Complies	The appointment or removal of the company secretary is made with Board approval and the role and accountability of the company secretary is also approved by the Board.

<p><b>1.5</b> A listed entity should:</p>	<p>Complies</p>	<p>The Company has a Diversity Policy that sets measurable objectives. During the financial year 2019 there has been no change in objectives and achievements compared to prior year. The Diversity Policy is disclosed on the Company’s website <a href="http://www.kailigroup.com.au">www.kailigroup.com.au</a>. The Company is not a “relevant employer” under the Workplace Gender Equality Act.</p>
<ul style="list-style-type: none"> <li>(a) have a diversity policy which includes requirements for the board or a relevant committee of 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;</li> <li>(b) disclose that policy or a summary of it; and</li> <li>(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, and either: <ul style="list-style-type: none"> <li>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined “senior executive” for these purposes); or</li> <li>(2) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.</li> </ul> </li> </ul>		
<p><b>1.6</b> A listed entity should:</p>	<p>Complies</p>	<p>The Board undertakes bi-annual self-assessment of its collective performance and the performance of the Chairman. The Chairman undertakes a bi-annual assessment of the performance of individual directors.</p> <p>A performance evaluation has been undertaken in the financial year 2019 and no action was required.</p>
<ul style="list-style-type: none"> <li>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</li> <li>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul>		

**1.7** A listed entity should:

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| (a) have and disclose a process for periodically evaluating the performance of its senior executives; and  | Complies | The Board undertakes bi-annual assessment of its senior executives.              |
| (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | Complies | For the financial year 2019 the Company has undertaken a performance evaluation. |

**2. Structure the Board to Add Value**

**2.1** The board of a listed entity should:

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| (a) have a nomination committee which:<br><br>(1) has at least three members, a majority of whom are independent directors; and<br><br>(2) is chaired by an independent director,<br><br>and disclose:<br><br>(3) the charter of the committee;<br><br>(4) the members of the committee; and<br><br>(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 | Does not comply | See disclosure under 2.1(b) below.   |
| (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.   | Complies        | The Board does not have a nomination committee.<br><br>The Board consists of 5 persons.<br><br>The Chairman in consultation with all the Directors assesses the composition of the Board for balance in skills, knowledge, experience, independence and diversity to recommend any additions and/or succession plans to the Board and as the Company develops. |

<p><b>2.2</b> 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.</p>	<p>Complies</p>	<p>The Board has a balanced mix of skills matrix.</p> <p>The Chairman, Mr D Zhang is experienced in coal mining investment and business management and Mr C Liu is a finance executive and both are conversant with corporate governance principles sitting on the board of another company listed on Hong Kong Stock Exchange and Shanghai Stock Exchange. Miss J Li provides the balance in diversity in addition to her abilities in general management. Mr J Yang is experienced in coal mining technology and business management. Mr L Zhao appointed in 2019 is a graduate in commerce and accounting with experience in business development.</p> <p>New directors may be appointed to fill any gaps in the skills matrix as the Company develops.</p>
<p><b>2.3</b> A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 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</p> <p>(c) the length of service of each director.</p>	<p>Complies</p>	<p>The Board consist of 5 Directors: Chairman Mr D Zhang, Director Mr C Liu and Director Miss J Li are nominees of the controlling shareholder Treasure Unicorn Limited and Director Mr J Yang is a substantial shareholder. Mr L Zhao is an executive. All Directors are not considered independent Directors.</p> <p>All the Directors have their interests aligned with all shareholders for the success of the Company's operations.</p>
<p><b>2.4</b> A majority of the board of a listed entity should be independent directors.</p>	<p>Does not comply</p>	<p>All Directors are not considered independent Directors as described under 2.3 above.</p> <p>The Company believes that the present size of its operations and current stage of its development do not justify the increased cost of a larger number of Directors and that non-compliance to Recommendation 2.4 will not adversely affect the Company. However, the Company will consider</p>

			increasing the size of the Board with independent Directors as the business develops further.
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.	Does not comply	The Chairman Mr D Zhang is a nominee of the controlling shareholder and is not considered independent but is not 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.	Complies	The Board encourages directors to attend conferences and courses to acquire skills and knowledge in finance and the industry that the Group operates that may be required for them to perform their duties effectively.
<b>3. Act ethically and responsibly</b>			
3.1	A listed entity should: <ul style="list-style-type: none"> <li>(a) have a code of conduct for its directors, senior executives and employees; and</li> <li>(b) disclose that code or a summary of it.</li> </ul>	Complies	<p>The group's Corporate Governance Statement includes a Code of Conduct on Ethical Standards, which provides a guide to ethical conduct of Directors, senior executives and employees.</p> <p>The group's Corporate Governance Statement also includes a Code of Conduct on Securities Trading and a Securities Trading Policy that has been lodged with the Australian Securities Exchange and publicly released on 25 February 2011.</p>
<b>4. Safeguard integrity in corporate reporting</b>			
4.1	The board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have an audit committee which: <ul style="list-style-type: none"> <li>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, who is not the chair of the board,</li> </ul> </li> </ul> <p>and disclose:</p> <ul style="list-style-type: none"> <li>(3) the charter of the</li> </ul>	Does not comply	<p>The Board consists of 5 non-independent Directors</p> <p>The current stage of establishment and size of the group does not justify the cost of increasing the number of directors. Therefore an audit committee with a composition that satisfies Recommendation 4.1 is not established.</p>

	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.	Complies	All matters relating to the audit functions and to safeguard the integrity of the group's corporate reporting are handled by the Board and an independent firm providing accounting services.
<b>4.2</b>	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.	Complies	The Board requires the Directors with executive responsibilities to provide such a declaration at the relevant time.
<b>4.3</b>	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.	Complies	The auditor is invited to attend all AGMs to be available to provide responses on questions relevant to the audit.
<b>5.</b>	<b>Make timely and balanced disclosure</b>		
<b>5.1</b>	A listed entity should:	Complies	The group's Corporate Governance

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or a summary of it.

Statement states the policies to ensure compliance with ASX Listing Rule disclosure requirements.

The Board has delegated the function of continuous disclosure as required under the ASX Listing Rule to the Directors with executive responsibilities and the Company Secretary to assess the type of information that needs to be disclosed and to ensure that group's announcements are made in a timely manner, are factual, do not omit material information and are in compliance with the ASX Listing Rules. Information which is considered to be price sensitive is approved by the Board before its release.

**6. Respect the rights of security holders**

<b>6.1</b>	A listed entity should provide information about itself and its governance to investors via its website.	Complies	The Company's website <a href="http://www.kailigroup.com.au">www.kailigroup.com.au</a> provides information on the Company and its governance.
<b>6.2</b>	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Complies	The Company's website <a href="http://www.kailigroup.com.au">www.kailigroup.com.au</a> provides a facility for investors to register their email address for receipt of announcements made by the Company and also for investors to send emails to the Company.
<b>6.3</b>	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Complies	All shareholders are notified in writing of general meetings and encouraged to attend and participate in person or by proxy or representative.
<b>6.4</b>	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complies	<p>The Company's website <a href="http://www.kailigroup.com.au">www.kailigroup.com.au</a> provides a facility for investors to register their email address for receipt of announcements made by the Company and also for investors to send emails to the Company.</p> <p>The Company's share registry Computershare Investor Services has facilities on their website <a href="http://www.computershare.com">www.computershare.com</a> for investors to receive and send communications electronically.</p>

## 7. Recognise and manage risk

7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p>	Does not comply	<p>The Board consists of 5 non-independent Directors.</p> <p>The Company believes that the present size of its operations and current stage of its development do not justify the increased cost of a larger number of Directors and that not establishing a risk committee will not adversely affect the Company. However, the Company will consider increasing the size of the Board with independent Directors as the business develops further.</p>
	<p>(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.</p>	Complies	<p>The group's Corporate Governance Statement includes a business risk oversight and management policy.</p> <p>The Board monitors and receives advice as required on areas of operational and financial risk and considers appropriate risk management strategies.</p> <p>Specific areas of risk that are identified are regularly considered by Board discussions. Included in these areas are performance of activities, human resources, health, safety and the environment, continuous disclosure obligations, asset protection and financial exposures.</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such</p>	Complies	<p>The Board reviews annually its risk management framework for its soundness.</p> <p>The review takes place at the time of approval of the Annual Report and no issue is reported.</p>



a review has taken place.

**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

Does not comply

The current stage of establishment and size of the group does not justify the cost of increasing the number of staff to implement an internal audit function.

(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.

Complies

The evaluation and continuous improvement in the effectiveness of its risk management and internal control processes are considered by the Board at its meetings.

**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.

Complies

The business of minerals exploration of the company exposes it to environmental and social sustainability risks. Independent technical advisers are engaged to review the operations and advise on management and containment of those risks as and when required.

## **8. Remunerate fairly and responsibly**

**8.1** The board of a listed entity should:

(a) have a remuneration committee which:

Does not comply

The Board consists of 5 non-independent Directors

(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

The current stage of establishment and size of the group does not justify the cost of increasing the number of directors. Therefore a remuneration committee with a composition that satisfies Recommendation 8.1 is not established.

(b) if it does not have a

The Board reviews the level and composition of remuneration packages applicable to all

		<p>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.</p>	Complies	<p>Directors and senior executives on an annual basis by reference to market practice for the industry in which the Company operates. Where necessary, the Board will obtain independent advice.</p>
<p><b>8.2</b> 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.</p>		<p>The group's Corporate Governance Statement describes the policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p> <p>The Company's bye-laws provides that the remuneration of Non-Executive Directors will be not more than such fixed sum per annum as may from time to time be determined by a general meeting.</p> <p>The Board reviews the remuneration packages and policies applicable to all Directors and senior executives on an annual basis. Where necessary, the Board will obtain independent advice.</p>	Complies	
<p><b>8.3</b> A listed entity which has an equity-based remuneration scheme should:</p> <p>(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</p> <p>(b) disclose that policy or a summary of it.</p>		<p>The Company does not have an equity-based remuneration scheme.</p>	Complies	