

KAILI RESOURCES LIMITED ARBN 077 559 525
CORPORATE GOVERNANCE STATEMENT – 31 March 2021

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 – 4th edition. The Corporate Governance Statement is posted on the group's website (www.kailigroup.com.au) for reference on disclosures.

Principles and Recommendations	Compliance	Comment
1. Lay solid foundations for management and oversight		
1.1 A listed entity should have and disclose a board charter setting out: (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.	Complies	The group's Corporate Governance Statement includes a Board Charter, which specifies the responsibilities of the Board and management. The Board delegates responsibility to the senior executive team, that includes executive directors, for implementation of the group's strategic objectives as approved by the Board, operations and administration of the group.
1.2 A listed entity should: (a) undertake appropriate checks before appointing a director or senior executive, or putting someone forward 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.	Complies	The Board carries out checks on each director's character, experience, education, qualifications, criminal record and bankruptcy history before he or she is put appointed or forward for election at a general meeting. Discovery of material adverse information from those checks will stop the Board making and/or recommending an appointment. No adverse information on directors has been revealed to date. All relevant information on a director put forward for election is contained in the notice of general meeting. The Annual Report and the group's website contain relevant information on each director.
1.3 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 senior executive and the Company setting out the terms of his/her appointment is in place as a condition of an appointment.
1.4 The company secretary of a listed entity should be accountable	Complies	The appointment or removal of the Company Secretary is made with Board

directly to the board, through the chair, on all matters to do with the proper functioning of the board.

approval and the role and accountability of the Company Secretary is also approved by the Board. Each member of the Board has unfettered access to the Company Secretary and vice versa.

1.5 A listed entity should:

Complies

(a) have and disclose a diversity policy;

The group has a Diversity Policy that sets measurable objectives and that is disclosed on the group's website www.kailigroup.com.au.

(b) through its board or a committee set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and

The group has a very small management team in line with its size of operations.

Achievement of specific numerical targets for female representation in key operational role within specified timeframe is aspirational at this time.

(c) disclose in relation to each reporting period:

The Board consists of 4 male directors Messrs D Zhang, C Liu, J Yang and L Zhao and 1 female director, Miss J Li. There is no current plan to increase female representation from the current 20% on the Board, although this may be considered in future as the group grows.

(1) the measurable objectives set for that period to achieve gender diversity;

With reduction in activity in 2020 due to the Covid-19 pandemic and departure of 2 female executives, no female is represented in key operational role at this time. Operations are carried out by external service providers with the oversight of the Executive Director Mr L Zhao.

(2) the entity's progress towards achieving those objectives; and

When activities recover it is the group's intention to recruit new female senior executives.

(3) either:

(A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes; or

The group is not a "relevant employer" under the Workplace Gender Equality Act.

(B) 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.

1.6 A listed entity should:

Complies

(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and

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.

(b) disclose for each reporting period whether a performance

Performance evaluations have been undertaken in accordance with that process

evaluation has been undertaken in accordance with that process during or in respect of that period.

in the financial year 2020 and no action was required.

1.7 A listed entity should:

(a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and

Complies

The Board undertakes bi-annual assessment of its senior executives.

(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

Complies

For the financial year 2020 the group has undertaken performance evaluations in accordance with that process.

2. Structure the Board to be effective and add Value

2.1 The board of a listed entity should:

(a) have a nomination committee which:

Does not comply

See disclosure under 2.1(b) below.

(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 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

Complies

The Board does not have a nomination committee.

The Board consists of 5 persons, Mr D Zhang, Mr C Liu and Miss J Li being nominees of the ultimate parent company, Mr J Yang being a substantial shareholder and Mr L Zhao being an executive, with no independent directors.

The Chairman in consultation with all the

	diversity to enable it to discharge its duties and responsibilities effectively.		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 group develops.
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.	Complies	<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 is a graduate in commerce and accounting with experience in business development and corporate governance.</p> <p>New directors may be appointed to fill any gaps in the skills matrix as the group grows.</p>
2.3	A listed entity should disclose:		
	(a) the names of the directors considered by the board to be independent directors;	Complies	<p>The Board consist of 5 Directors: Mr D Zhang (Non-Executive Chairman), Mr C Liu and Miss J Li are nominees of the ultimate parent company, Mr J Yang is a substantial shareholder and former managing director and Mr L Zhao is an executive. All Directors are not considered independent Directors.</p> <p>Four of the Directors have their interests aligned with all shareholders for the success of the group's business having regards to their association and substantial stakes in the Company.</p> <p>Date of appointment of each Director is as follows:</p> <p>Mr D Zhang, Mr C Liu and Miss J Li - 9 November 2018</p> <p>Mr J Yang – 21 April 2014</p> <p>Mr L Zhao – 9 August 2019</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	Complies	
	(c) the length of service of each director.	Complies	
2.4	A majority of the board of a listed	Does not	All Directors are not considered independent Directors as described under

	entity should be independent directors.	comply	2.3 above. The Board 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 group having regards to the substantial stake that the Directors represent. However, the The Board will consider increasing its size 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 ultimate holding company and is not considered independent but is not the CEO or an executive. The Board will consider the appointment of an independent chairman when the group has grown substantially.
2.6	A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	Complies	The group does not operate a specific program of induction for new directors who are usually selected based on their already acquired experience of company management. The Board encourages directors to attend conferences and external courses to acquire skills and knowledge in finance, corporate governance and the industry in which the group operates that may be required for them to perform their duties effectively.
3. Instil a culture of acting lawfully, ethically and responsibly			
3.1	A listed entity should articulate and disclose its values.	Complies	The group's Corporate Governance Statement includes a Code of Conduct, an Anti-bribery and Corruption Policy and a Share Trading Policy which provide a guide on the values of the group and to expected standards of conduct of Directors, senior executives and employees. The Code of Conduct and the policies are posted on the group's website.
3.2	A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and	Complies	The group's Corporate Governance Statement includes a Code of Conduct, an Anti-bribery and Corruption Policy and a Share Trading Policy as guides for standards of conduct of Directors, senior executives and employees.

	(b) ensure the board or a committee of the board is informed of any material breaches of that code.		The Company Secretary has responsibility to inform the Board of any material breaches of the code and policies.
3.3	A listed entity should: <ul style="list-style-type: none"> (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy. 	Complies	The group has a Whistleblower Policy that is posted on the group's website. Mr L Zhao, Executive Director and Company Secretary, is appointed the Whistleblower Officer with responsibility to investigate the substance of any complaint regarding disclosable matters and report material incidents to the Board as deemed necessary.
3.4	A listed entity should: <ul style="list-style-type: none"> (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or a committee of the board is informed of any material breaches of that policy. 	Complies	The group has an Anti-bribery and Corruption Policy that is posted on the group's website and available to all directors, executives, employees and contractors. Mr L Zhao, Executive Director and Company Secretary, is the appointed officer to investigate the substance of any breaches and to report material breaches to the Board as deemed necessary.
4.	Safeguard the integrity of corporate reporting		
4.1	The board of a listed entity should: <ul style="list-style-type: none"> (a) have an audit committee which: <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; 	Does not comply	The Board consists of 5 non-independent Directors. The current stage of establishment and size of business of the group and having regards to the level of risk in reporting does not justify the cost of increasing the number of directors in order to set up an audit committee consisting of independent directors. Therefore, an audit committee with a composition that satisfies Recommendation 4.1 is not established.

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.
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.	Complies	The Board requires 2 Directors to provide such a declaration at the relevant time. Miss J Li (Non Executive Director) and Mr L Zhao (sole Executive Director and Company Secretary) provide that declaration to the Board.
4.3 A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	Complies	Periodic financial, activities and directors' reports not audited or reviewed by an external auditor are usually prepared by external accounting and/or consulting service providers to ensure their integrity before their approval by directors and release to the market.
5. Make timely and balanced disclosure		
5.1 A listed entity should have and disclose a written policy for	Complies	The group's Corporate Governance Statement states the policies to ensure

	complying with its continuous disclosure obligations under listing rule 3.1.		compliance with ASX Listing Rules disclosure requirements. The Board has delegated the function of continuous disclosure as required under the ASX Listing Rule 3.1 to the Directors with executive responsibilities and the Company Secretary assisted by external service providers 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.
5.2	A listed entity should ensure that its board receives copies of all material announcements promptly after they have been made.	Complies	The Company Secretary has responsibility to copy all announcements to all Directors as soon as they are released.
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation	Complies	The Company Secretary is responsible to release all investor or analyst presentations on the ASX Market Announcements Platform prior to the start of presentations. Where practicable security holders and investors are given the opportunity to participate by webcast of the presentations
6.	Respect the rights of security holders		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Complies	The group's website www.kailigroup.com.au provides information on the group and its governance.
6.2	A listed entity should have an investor relations program that facilitates effective two-way communication with investors	Complies	The group's website www.kailigroup.com.au 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.
6.3	A listed entity should disclose how it facilitates and encourages 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. Where practicable participation of security holders is made by webcast.

<p>6.4 A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than a show of hands.</p>	<p>Complies</p>	<p>All resolutions proposed at a general meeting of security shareholders are decided only by a poll and no show of hand voting is carried out.</p>
<p>6.5 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	<p>Complies</p>	<p>The Company's share registry Computershare Investor Services has facilities on their website www.computershare.com for investors to receive and send communications electronically.</p> <p>The email address, telephone and facsimile numbers of Computershare Investor Services are posted on the group's website.</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 Board 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 to set up a risk committee consisting of independent directors and that not establishing a risk committee will not adversely affect the group. However, the Board will consider increasing its size 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 that the entity is operating with due regard to the risk</p>	Complies	<p>The Board reviews annually its risk management framework for its soundness and the risk level it is assuming.</p>

	appetite set by the Board; and		
	(b) disclose, in relation to each reporting period, whether such a review has taken place.		The review takes place at the time of approval of the Annual Report and Half Year Report and no issue is reported.
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 governance, risk management and internal control processes.	Complies	The evaluation and continuous improvement in the effectiveness of its governance, risk management and internal control processes are considered by regular discussions between the Directors.
7.4	A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.	Complies	The business of minerals exploration of the group exposes it to environmental and social 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:		The Board consists of 5 non-independent Directors
	(a) have a remuneration committee which:	Does not comply	The current stage of establishment and size of the group does not justify the cost of increasing the number of directors to form a remuneration committee consisting of independent directors. Therefore, a remuneration committee with a composition that satisfies Recommendation 8.1 is not established.
	(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		

<p>individual attendances of the members at those meetings; or</p> <p>(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.</p>	<p>Complies</p>	<p>The Board reviews the level and composition of remuneration packages applicable to all Directors and senior executives on an annual basis by reference to market practice for the industry in which the group operates. Where necessary, the Board will obtain independent advice.</p>
<p>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.</p>	<p>Complies</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. The policies and practices are also described in the Annual Report.</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>
<p>8.3 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>Complies</p>	<p>The Company does not have an equity-based remuneration scheme.</p>