



## CORPORATE GOVERNANCE STATEMENT

This statement reports on the significant corporate governance practices of Quantum Graphite Limited (Company) as at 13 March 2018 and it has been approved by the Board of the Company.

It is the responsibility of the Board of Directors of the Company to monitor the business affairs of the Company and to protect the rights and interests of the shareholders. The Board believes that high standards of corporate governance are an essential prerequisite for creating sustainable value for shareholders. This statement sets out the Company's main corporate governance policies and practices. All these practices, unless otherwise stated, were in place for the entire year financial year. The policies and practices are reported against the 3<sup>rd</sup> Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Where the Company's compliance with the Principles and Recommendations is reflected in a separate document or policy, a reference to the location of that document or policy is included in this statement.

References in this statement to "reporting period" are to the financial year ended 30 June 2015.

### PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

#### Recommendation 1.1

A listed entity should disclose:

- (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.

**Recommendation followed.** The Company's Board Charter sets out (amongst other things):

- the roles and responsibilities of the Board and of management;
- the matters expressly reserved to the Board; and
- the matters delegated to management.

A copy of the Board Charter can be viewed at the Company's website.

#### Recommendation 1.2

A listed entity should:

- (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.

**Recommendation followed.** Prior to the appointment of a person or putting forward to security holders a candidate for election, as a director, the Company undertakes checks which it believes are appropriate to

verify a director's character, experience, education, criminal record and bankruptcy history including for new directors.

The Company ensures that all material information in its possession relevant to a shareholder's decision whether to elect or re-elect a director, including the information referred to in Recommendation 1.2, is provided to shareholders in the Company's Notice of Annual General Meeting.

### **Recommendation 1.3**

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

**Recommendation followed in part.** Each director and senior executive of the Company has a responsibility to assist the Deed Administrators implement the relevant Deed of Company Arrangement (Deed) as stipulated under the Deed. Upon the completion of the Deed, the Company intends to enter into agreements in writing with each director and senior executive setting out the key terms and conditions of their appointment including their duties, rights and responsibilities and (to the extent applicable) the matters referred to in the commentary to Recommendation 1.3.

### **Recommendation 1.4**

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

**Recommendation followed.** The Company Secretary has a direct line of reporting to the Chairman and is responsible for:

- advising and supporting the Chairman and the Board and its committees to manage the day to day governance framework of the Company;
- assisting with Board effectiveness by monitoring whether applicable Board and committee policies, procedures and charters are followed and coordinating timely completion and despatch of Board agendas and papers; and
- assisting with all matters to do with the proper functioning of the Board including advising on governance matters and assisting with induction and professional development of directors.

The responsibilities of the Company Secretary are set out in the Board Charter referenced in this statement.

### **Recommendation 1.5**

A listed entity should:

- (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;
- (b) disclose that policy or a summary of it; and
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
  - 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

- 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.

**Recommendation not followed.** The Company seeks to treat everyone with fairness and respect which includes valuing diversity and difference and acting without prejudice. The Company believes that decision-making is enhanced through diversity and supports and encourages diversity at all levels of the organisation in accordance with the Company’s Diversity Policy. A copy of the Diversity Policy is located at the Company’s website.

The Board assesses any measurable objectives for achieving gender diversity and annually reviewing any such objectives and the Company’s progress towards achieving them. The Board reviews at least annually on the relative proportion of women and men appointed or employed within the Company group.

Given the size of the Company and status of the Company’s exploration projects, the directors believe that it is not appropriate at this stage to set measurable objectives in relation to diversity beyond those included in the Diversity Policy. Notwithstanding this, the Company strives to provide the best possible opportunities for current and prospective employees of all backgrounds in such a manner that best adds to overall shareholders’ value and which reflects the values, principles and spirit of the Diversity Policy. The directors also believe that diversity is a relevant consideration for constitution of an effective Board, as discussed at Recommendation 2.2.

For the reporting year ended 30 June 2015, the Company reports as follows:

<b>Gender diversity report</b>	<b>Total Positions</b>	<b>Held by Women</b>
Board	6	-
Senior executives	1	-
Other employees	-	-
<b>Total organisation</b>	<b>6</b>	<b>-</b>

**Recommendation 1.6**

A listed entity should:

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

**Recommendation not followed.** The Board recognises that as a result of the Company’s size and its position as a publicly listed resource company, the assessment of the Board’s overall performance and its own succession plan is conducted on an ad hoc basis. Whilst Recommendation 1.6 is not strictly followed the Directors consider that at the date of this report the evaluation process of company directors is appropriate and effective. A more formal process of Board assessment will be considered in the future as the Company develops.

The informal review undertaken by the Board takes into account various matters including those set out in the Board Charter included in this statement.

**Recommendation 1.7**

A listed entity should:

- have and disclose a process for periodically evaluating the performance of its senior executives; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

**Recommendation not followed.** The Managing Director (or Chairman in the absence of a Managing Director) reviews the performance of the senior executives on an ad hoc basis. These evaluations take into account criteria such as the achievement and performance towards the Company's objectives and (where appropriate) performance benchmarks and the achievement of individual performance objectives. However, the Board also recognises the need for flexibility in defining performance objectives which must reflect the current status of the company (as an exploration company) and the development of its projects.

During the reporting period, no informal performance evaluations of the senior executives were undertaken by the Company.

## **PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE**

### **Recommendation 2.1**

The board of a listed entity should:

(a) have a nomination committee which:

- has at least three members, a majority of whom are independent directors;
- is chaired by an independent director, and disclose;
- the charter of the committee;
- the members of the committee; and
- (v) 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 diversity to enable it to discharge its duties and responsibilities effectively.

**Recommendation followed.** The Board has no formal nomination committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for, screening and appointing new Directors. In view of the size and resources available to the Company, it is not considered that a separate nomination committee would add any substance to this process.

### **Recommendation 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.

**Recommendation followed.** The Board regularly evaluates the mix of skills, experience and diversity at the Board level. The Board believes that a highly-credentialed Board, with a diversity of background, skills and perspectives, will be effective in supporting and enabling delivery of good governance for the Company and value for the Company's shareholders. At 30 June 2018, the Board comprised six Directors from diverse backgrounds with a range of business experience, skills and attributes. The following table demonstrates the skills and experience of the Directors across several dimensions that are relevant to Quantum. Biographical information on each director is contained in the Annual Report and on the company's website.

Composition of skills and experience of the Board (out of 5)

Managing and leadership		Governance or regulatory	
Senior management positions held outside Quantum (past and present)	5	Experience in governance of listed organisations	5
Fundraising		Board membership of other listed entities (past and present)	5
Debt and / or equity raising	5	Strategy	
Industry experience		Experience in corporate transactions – mergers / acquisitions / divestments	5
Management / board representation in other resource entities (past and present)	5	Experience in growing the business	5
Experience in resource-based transactions – mergers, acquisitions, etc	5		
Capital projects	5		

The Board aspires to have a Board comprised of individuals' diverse experience and expertise and will be mindful of this when making appointments which will also be based on merit.

**Recommendation 2.3**

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;
- (b) if a director has an interest, position, association or relationship of the type described 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
- (c) the length of service of each director.

**Recommendation not followed.** In the opinion of the board, to qualify as being "independent", a director must be independent of management and free of any business or other relationship which could materially interfere or could reasonably be perceived to interfere materially with the Director's independent exercise of their judgement.

**Recommendation 2.4**

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

**Recommendation not followed.** Given the current size of the Company's operations, the risks associated with small mining projects and the extent of the development required of the Company's assets, the Board

considers that board members should have a sufficient interest in the Company to provide shareholders with the confidence that the interests of board members and their own interest are strongly aligned.

Note, in accordance with the ASX Recommendations, the independence of a director is assessed by determining whether the director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment. The test of whether a relationship or business is material is based on the nature of the relationship or business and on the circumstances and activities of the director. Materiality thresholds are considered by the Board from time to time.

#### **Recommendation 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.

**Recommendation followed in part.** The Chairman of the Board is not an independent director and is not the CEO.

#### **Recommendation 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.

**Recommendation followed.** All new directors are provided with an induction including meetings with the Managing Director and senior executives / management as appropriate and provision of information on the Company including Company and Board policies and other material documents.

All directors are expected to maintain the skills required to effectively discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education and, if this involves industry seminars and approved education courses, where appropriate, this is paid for by the Company.

### **PRINCIPLE 3 – A LISTED ENTITY SHOULD ACT ETHICALLY AND RESPONSIBLY**

#### **Recommendation 3.1**

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

**Recommendation not followed.** The Company expects all personnel to treat each other with respect.

### **PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

#### **Recommendation 4.1**

The board of a listed entity should:

- (a) have an audit committee which:
  - (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
  - (ii) is chaired by an independent director, who is not the chair of the board, and disclose;
  - (iii) the charter of the committee;
  - (iv) the relevant qualifications and experience of the members of the committee; and
  - (v) 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.

**Recommendation followed in part.** The Company has established an Audit and Risk Committee which comprises at least 2 directors. The Audit Committee Charter is located at the Company's website.

The Committee's members and their relevant qualifications and experience, the number of times the Committee met throughout the reporting period and the attendance of the Committee's members at those meetings is set out in the Annual Report.

#### **Recommendation 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.

**Recommendation followed in part.** The Board receives a declaration in the form set out in Recommendation 4.2 from its CEO or Chief Financial Officer in relation to the financial statements.

#### **Recommendation 4.3**

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

**Recommendation followed.** The Company's external auditor attends each AGM of the Company and is always available to answer questions from security holders relevant to the audit.

### **PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE**

#### **Recommendation 5.1**

A listed entity should:

- (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.

**Recommendation followed.** The Company has a Continuous Disclosure and Communications Policy that outlines the processes followed by the Company to ensure compliance with its continuous disclosure obligations and the corporate governance standards applied by the Company in its communications to the market. The Continuous Disclosure and Communications Policy can be viewed at the Company's website.

### **PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS**

#### **Recommendation 6.1**

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

**Recommendation followed.** Information about the Company and its operations is located at the Company's website.

Information about the Company's corporate governance (including links to the Company's corporate governance policies and charters) can be accessed from the Corporate Governance page.

## **Recommendation 6.2**

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

**Recommendation followed.** The Company has a Continuous Disclosure and Communications Policy that outlines the processes followed by the Company to ensure communication with shareholders and the investment community is effective, consistent and adheres to the principles of continuous disclosure. The Continuous Disclosure and Communications Policy is located at the Company's website.

## **Recommendation 6.3**

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

**Recommendation followed.** The Continuous Disclosure and Communication Policy sets out the policies and processes the Company has in place to facilitate and encourage participation at meetings of security holders. The Company permits shareholders to cast their proxies prior to a General Meeting if they are unable to attend the meeting.

## **Recommendation 6.4**

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

**Recommendation followed.** The Company gives security holders the option to receive communications from, and send communications to, the Company and its security registry electronically, as provided for in the Company's Shareholder Communications Policy.

## **PRINCIPLE 7 – RECOGNISE AND MANAGE RISK**

### **Recommendation 7.1**

The board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:
  - (i) has at least three members, a majority of whom are independent directors; and
  - (ii) is chaired by an independent director, and disclose:
    - (iii) the charter of the committee;
    - (iv) the members of the committee; and
    - (v) 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 risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

**Recommendation followed in part.** The Company has established an Audit & Risk Committee to oversee risk whether financial, operational or otherwise. The Audit & Risk Committee comprises at least 2 directors, none of whom is the chair of the Board.

The Audit & Risk Committee's Charter is located at the Company's website.

The Committee's members and their relevant qualifications and experience, the number of times the Committee met throughout the reporting period and the attendance of the Committee's members at those meetings is set out in the Annual Report.

## **Recommendation 7.2**

The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.

**Recommendation not followed.** The Company's Risk Management Policy sets the framework for risk management and review of the risk management framework. The Risk Management Policy has been included in recommendation 7.1.

In the reporting period, the Board has not completed a structured review of the Company's risk management framework. The Board as a whole addresses individual risks as required. A systematic review of risks associated with the company's activities will be initiated by the Board as required. The Risk Management Policy is located at the Company's website.

## **Recommendation 7.3**

A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

**Recommendation not followed.** Quantum is committed to understanding and managing risk and to establishing an organisational culture that ensures risk management is included in all activities, decision making and business processes. The company does not have a formal internal audit function due to its size.

The ongoing mitigation and management of key business risks is an item addressed by the Board as a whole. Where appropriate, these risks are managed with the support of relevant external professional advisers.

The company undertakes an ongoing review of its safety and environmental risks and reports on this aspect to the Board on a monthly basis.

## **Recommendation 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.

**Recommendation followed.** The Company undertakes mineral exploration and production activities and, as such, faces risks inherent to its business, including economic, environmental and social sustainability risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term.

One of the Company's core values is safety; it prioritises safety and health to people, the environment and community. The Company views sustainable and responsible business practices as an important long-term driver of performance and shareholder value and is committed to transparency, fair dealing, responsible treatment of employees and partners and positive interaction with the community.

The Company has in place an ongoing review of its safety and environmental risks and reports on this aspect to the Board on a monthly basis.

## **PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY**

### **Recommendation 8.1**

The board of a listed entity should:

- (a) have a remuneration committee which:
  - (i) has at least three members, a majority of whom are independent directors; and
  - (ii) is chaired by an independent director, and disclose;
  - (iii) the charter of the committee;
  - (iv) the members of the committee; and
  - (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that remuneration is appropriate and not excessive.

**Recommendation not followed.** Given the current size of the Board, the Company does not have a remuneration committee. The Board as a whole reviews remuneration levels on an individual basis, the size of the Company making individual assessment more appropriate than formal remuneration policies. In doing so, the Board seeks to retain professional services as it requires, at reasonable market rates, and seeks external advice and market comparisons where necessary.

### **Recommendation 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.

**Recommendation followed.** The Company's policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives is set out in the applicable Remuneration Report contained in the Annual Report.

### **Recommendation 8.3**

A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.

**Recommendation followed.** The Company has an equity-based remuneration scheme. The Company's Securities Trading Policy provides that Directors and senior executives are subject to limitations in respect of trading in financial products issued or created over or in respect of the entity's securities. The Securities Trading Policy is located at the Company's website.