

## 2018 Corporate Governance Statement

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The Board of Kidman Resources Limited (the **Company**) is responsible for the overall corporate governance of the Group. The Board believes that good corporate governance helps ensure the future success of the Company, adds value to stakeholders and enhances investor confidence.

In undertaking these responsibilities, the Board has adopted a Corporate Governance Charter which includes an Audit and Risk Management Committee Charter, a Nomination and Remuneration Committee Charter and a Corporate Code of Conduct.

Further, the Board has also adopted written statements with respect to:

- Corporate Ethics;
- Continuous Disclosure;
- Securities Trading;
- Independence and Conflicts of Interest; and
- Diversity.

Copies of these charters and policies are available on the Company's website (<https://kidmanresources.com.au/corporate/corporate-governance/>) or on request.

The ASX Listing Rules require listed companies to prepare a statement disclosing the extent to which they have complied with the Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition) issued by the ASX Corporate Governance Council (**Recommendations**) during the reporting period. The Recommendations are not prescriptive, such that if a company considers a recommendation to be inappropriate having regard to its own circumstances, it has the flexibility not to follow it. Where a company has not followed all the Recommendations, it must identify which Recommendations have not been followed and provide reasons for not following them.

This Corporate Governance Statement (**Statement**) discloses the extent to which the Company has followed the Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation. This Statement should be read in conjunction with the material on our website ([www.kidmanresources.com.au](http://www.kidmanresources.com.au)) and the 2018 Annual Report.

This Statement is current as at 31 December 2018 and has been approved by the Board of Directors of the Company.

### **PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

#### **Recommendation 1.1 - Role of the Board and Management**

The role of the Board is to provide overall strategic guidance and effective oversight of management.

The Board has a formal Corporate Governance Charter which is available at the Company's website (<https://kidmanresources.com.au/corporate/corporate-governance/>).

The Corporate Governance Charter sets out the functions, powers and responsibilities of the Board and the main principles adopted by the Board in order to implement and maintain a culture of good corporate governance. It lists the matters that are expressly reserved to the Board and those that are delegated to management. The Charter also includes details of the structure of the Board, the roles of the Chair, the CEO & Managing Director (**CEO & MD**) and the Company Secretary.



As part of the proper management of the business and affairs of the Company, the Board delegates the day-to-day management of the Company and its business to the CEO & MD. The CEO & MD is supported by the senior executive team and delegates authority to appropriate senior executives for specific activities.

The Board maintains ultimate responsibility for strategy, control and risk profile of the Company.

### **Recommendation 1.2: Appointment of Directors**

The Company has guidelines for the nomination and appointment of Directors which require the Board to undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election as a Director.

The Company provides shareholders with all material information relevant to a decision on whether to elect or re-elect a Director. This is provided to security holders in the Notice of Meeting pursuant to which the resolution to elect or re-elect a Director will be voted on.

### **Recommendation 1.3: Appointment Terms**

Each Director and senior executive of the Company is party to a written agreement which sets out the terms of that Director's or senior executive's appointment. Details of the contracts in place for Key Management Personnel are detailed in the Remuneration Report in the 2018 Annual Report.

### **Recommendation 1.4: Company Secretary**

The role of the Company Secretary includes advising the Board and its committees on governance matters, assisting the Board with meetings and directors' duties, and acting as an interface between the Board and management of the Group. Each individual Director has access to, and is able to communicate directly with, the Company Secretary and vice versa.

The Company Secretary is accountable to the Board, through the Chair, on all matters regarding the proper functioning of the Board. The Board is responsible for the appointment and removal of the Company Secretary.

Details regarding our Company Secretary, including experience and qualifications, are set out in the Directors' Report in the 2018 Annual Report.

### **Recommendation 1.5: Diversity Policy**

The workforce of the Company comprises individuals with diverse skills, backgrounds, perspectives and experiences and this diversity is valued and respected.

The Company has a Diversity Policy which is available at our website (<https://kidmanresources.com.au/corporate/corporate-governance/>).

The Board has set the following diversity objectives:

- to comply with the diversity recommendations published by the ASX's Corporate Governance Council by establishing measurable objectives for achieving gender diversity;
- to promote diversity among employees and senior management throughout the Company; and
- to keep shareholders informed of the Company's progress towards implementing and achieving its diversity objectives.



The proportion of women on the Board, in senior executive positions and across the entire organisation as at 31 December 2018 was as follows:

- Board – 0%
- Senior executive positions – 0%
- Entire organisation – 35%

Over the coming years, the Company aims to increase female participation on the Board and in senior executive positions as roles become available. All appointments will be based on merit and the expertise required to discharge the duties of the role.

#### **Recommendation 1.6: Board Performance Assessment**

The Board is committed to formally evaluating its performance, the performance of its committees and of individual Directors, as well as the governance processes supporting the Board. The Board does this through an annual assessment process.

The review process involves:

- completion of a questionnaire/survey by each Director, facilitated by the Company Secretary;
- the preparation and provision of a report to each Director with feedback on the performance of the Board based on the survey results; and
- the Board meeting to discuss any actions and areas for improvement.

A Board performance assessment was undertaken during the reporting period in accordance with the above process.

#### **Recommendation 1.7: Senior Executive Performance Assessment**

Each year the CEO & MD and senior executives have a range of Key Performance Indicators (**KPI's**) set by the Nomination and Remuneration Committee. The KPI's contain specific financial and non-financial objectives and are reviewed annually by the Nomination and Remuneration Committee and reported to the Board.

Performance evaluations were undertaken during the reporting period in accordance with the above process.

### **PRINCIPLE 2 – BOARD STRUCTURE**

#### **Recommendation 2.1: Nomination Committee**

The Board has established a Nomination and Remuneration Committee which operates under a formal charter that clearly sets out its role, responsibilities, composition, structure and membership requirements. The Charter is set out in Section C of the Corporate Governance Charter which is available at the Company's website (<https://kidmanresources.com.au/corporate/corporate-governance/>). The functions of the Nomination and Remuneration Committee include:

- to review and make recommendations in relation to the composition and performance of the Board and its Committees; and
- to ensure that adequate succession plans are in place (including for recruitment and appointment of Directors and Management).



The Committee is comprised of four independent Non-Executive Directors, including the Chair, Brad Evans. The other members of the Committee are:

- John Pizze (Independent Non-Executive Director);
- David Southam (Independent Non-Executive Director); and
- Aaron Colleran (Independent Non-Executive Director).

The qualifications and experience of the members of the Committee are set out in the Directors' Report in the 2018 Annual Report.

Details of meetings held by the Committee during the year and member attendances are set out in the Directors' Report in the 2018 Annual Report.

### **Recommendation 2.2: Board Skills Matrix**

The Board strives to achieve a diversity of skills, experience and perspective among its Directors. The key attributes that the Board seeks to achieve in its membership are set out below.

<b>Attribute</b>	<b>Description</b>
Mining	Senior executive experience in the resources industry, including mining, development, marketing and exploration
Health, Safety and Environment	Familiarity with issues associated with workplace health and safety, environment and social responsibility
Financial	Proficiency in financial accounting and reporting, corporate finance, internal financial controls, corporate funding and associated risks
Technical	A strong understanding in technical areas of the resource industry, including engineering, mining and processing
Strategy	Proven ability in developing and implementing successful business strategies, including the capacity to probe and challenge management on the delivery of strategic objectives
Governance	Commitment to the highest standards of governance, including Board experience with other ASX listed companies that demonstrate rigorous governance standards
Executive leadership	Sustainable success in business at a very senior executive level
Risk management	Experience in developing and establishing risk management frameworks, setting risk appetite and overseeing organisational risk culture

The Directors believe that the Board collectively has the necessary skill set to ensure an appropriate and diverse mix of backgrounds, expertise, experience and qualifications to effectively oversee the Company's strategic direction and govern on behalf of shareholders.

Full details of each Director's skills and experience are set out in the Directors' Report in the 2018 Annual Report.

### **Recommendation 2.3: Independent Directors**

At all times during the reporting period the Board consisted of five Directors, including four independent Non-Executive Directors and one Executive Director, being the CEO & MD.



Based on the applicable guidelines in the Recommendations, to be independent a Director should be a non-executive and:

- not be a substantial security holder of the Company or an officer of, or otherwise associated with, a substantial security holder of the Company;
- not have, within the last three years, been employed in an executive capacity by the Company or another company in the Group, or been a director after ceasing to hold any such employment;
- not be a partner, principal or senior employee of a provider of material professional services to a company in the Group;
- not have been within the last three years, in a material business relationship (e.g. as a supplier or customer) with a company in the Group, or an officer of, or otherwise associated with, someone with such a relationship;
- not have a material contractual relationship with a company in the Group other than as a director;
- not have close family ties with any person who falls within any of the categories described above; or
- not have been a director of the Company for such period that his or her independence may have been compromised.

The Board regularly assesses the independence of each Non-Executive Director in light of the information which Directors are required to disclose in relation to any material contract or other relationship with the Company in accordance with the Director's terms of appointment, the *Corporations Act 2001* (Cth) and the Company's Corporate Governance Charter.

The Board has considered:

- the holdings of securities in the Company by each of the Non-Executive Directors; and
- the business or other relationships that each of the Non-Executive Directors has with the Company,

and is of the opinion that their respective holdings and business interests do not materially interfere with, and could not be reasonably perceived to interfere with, the independent exercise of their judgement as Directors.

All of the Directors are required to, and do, bring independent judgement to bear on Board decisions and act in accordance with their statutory duties of good faith and for proper purpose, and in the interests of all shareholders.

The Board's assessment of each Director's independence is set out below.

<b>Name</b>	<b>Position</b>	<b>Appointed</b>	<b>Resigned</b>	<b>Status</b>
John Pizzey	Non-Executive Director and Chairman	1 January 2018	-	Independent
Aaron Colleran	Non-Executive Director	1 January 2018	-	Independent
Brad Evans	Non-Executive Director	28 October 2014	-	Independent
David Southam	Non-Executive Director	24 July 2017	-	Independent
Martin Donohue	Executive Director	20 June 2014	-	Non-Independent

#### **Recommendation 2.4: Majority Independence**

At all times during the reporting period a majority of the Board was considered to be independent.

Information regarding the Directors, including their experience and qualifications, is set out in the Directors' Report of the 2018 Annual Report.



### **Recommendation 2.5: Board Chair**

The Chairman of the Board, John Pizzey was appointed on 1 January 2018 and is considered to be an independent Non-Executive Director. The Chairman provides leadership to the Board in relation to all Board matters and is responsible for ensuring that the Board meets its responsibilities under the Corporate Governance Charter. His role is set out in more detail in the Corporate Governance Charter.

The roles of Chairman and CEO are exercised by different individuals, being John Pizzey and Martin Donohue.

### **Recommendation 2.6: Induction, Education and Training**

The Nomination and Remuneration Committee is responsible for developing and implementing a plan for identifying, assessing and enhancing Director competencies, in accordance with its charter.

The Committee works with management to introduce new Directors to the Company, including familiarisation with its policies and procedures. The Directors' skills and previous experiences are considered in developing an appropriate induction program.

Directors are encouraged and assisted to undertake site visits and to personally undertake appropriate training and refresher courses to maintain the skills required to discharge their obligations to the Company.

## **PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY**

### **Recommendation 3.1: Code of Conduct**

The Board recognises the need to observe the highest standards of corporate practice and business conduct in all of the Company's activities. Accordingly, the Board has adopted a Corporate Code of Conduct which is to be met by all employees and Directors and is designed to:

- provide a framework for decisions and actions in relation to ethical conduct in employment;
- increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and other stakeholders;
- support the Company's business reputation and corporate governance objectives;
- encourage and empower Directors and employees to act with honesty, integrity and fairness; and
- make Directors and employees aware of the consequences if they breach the Corporate Code of Conduct.

The Corporate Code of Conduct sets out the Company's policies on various matters including conflicts of interest, employment practices, responsibility to the community and obligations of fair trading and dealing.

The Corporate Code of Conduct is included in Section A5 in the Corporate Governance Charter which is available at the Company's website (<https://kidmanresources.com.au/corporate/corporate-governance/>).

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

### **Recommendation 4.1: Audit Committee**

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.



The Board has established an Audit and Risk Management Committee, which operates under a formal charter that clearly sets out the roles, responsibilities, composition, structure and membership requirements of the Committee. The Board has delegated responsibility to the Audit and Risk Management Committee to establish and maintain the framework of internal control and ethical standards for the management of the Company. The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the Company's financial statements.

The Committee is comprised of four independent Non-Executive Directors, including the Chair, David Southam. The other members of the Committee are:

- John Pizzey (Independent Non-Executive Director);
- Brad Evans (Independent Non-Executive Director); and
- Aaron Colleran (Independent Non-Executive Director).

The qualifications and experience of the members of the Committee are set out in the Directors' Report in the 2018 Annual Report.

Details of meetings held by the Committee during the year and member attendances are set out in the Directors' Report in the 2018 Annual Report.

The Audit and Risk Management Committee Charter is available in Section B of the Corporate Governance Charter on the Company's website (<https://kidmanresources.com.au/corporate/corporate-governance/>).

#### **Recommendation 4.2: Assurances**

Each reporting period the Board receives a declaration from the CEO & MD and the Chief Financial Officer that, in their opinion, the financial records of the Company 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 Group, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Board has received these assurances in respect of the financial statements for the reporting period.

#### **Recommendation 4.3: External Auditor**

The Group's external auditor, Grant Thornton Audit Pty Ltd (**Grant Thornton**), attends the Annual General Meeting and a representative is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Grant Thornton's independence declaration is contained in the Directors' Report in the 2018 Annual Report.

The effectiveness, performance and independence of the external auditor is reviewed annually by the Board.

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

#### **Recommendation 5.1: Continuous Disclosure Policy**

The Company is committed to providing information to shareholders and to the market in a manner that is consistent with the meaning and intention of the ASX Listing Rules and the *Corporations Act 2001* (Cth).



The Board recognises the need to promote investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market and in compliance with our Securities Trading Policy (as applicable). In accordance with the continuous disclosure obligations under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner. The Company's website includes a link to all information disclosed to the ASX.

The Board has adopted a written policy for complying with the Company's continuous disclosure obligations, which is included in Section E16 of the Corporate Governance Charter and is available at the Company's website ([www.kidmanresources.com.au/corporate/corporate-governance/](http://www.kidmanresources.com.au/corporate/corporate-governance/)).

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

### **Recommendation 6.1: Information and Governance**

Information about the Company and its corporate governance policies is available at the Company's website ([www.kidmanresources.com.au](http://www.kidmanresources.com.au)).

The Company maintains a separate investor page on its website to provide shareholders with links to annual and interim reports, ASX announcements, presentations and other key information.

### **Recommendation 6.2: Investor Relations**

The Company endeavours to communicate with shareholders and other stakeholders in an open, transparent and timely manner so that all investors have sufficient information to make informed investment decisions.

Shareholders can contact the Company:

- by mail at NE Suite, Level 30, 140 William Street, Melbourne, Victoria, 3000;
- by telephone on +61 3 9671 3801; or
- by email at [info@kidmanresources.com](mailto:info@kidmanresources.com).

Further information regarding communication with shareholders and is available in Section E16 of the Corporate Governance Charter on the Company's website (<https://kidmanresources.com.au/corporate/corporate-governance/>).

### **Recommendation 6.3: Shareholder Meeting Participation**

The Board is committed to shareholders' participation in meetings. All shareholders are provided with a copy of the Annual Report, either in hardcopy or electronically, and the documents relating to each general meeting, being the Notice of Meeting, any explanatory memorandum and a proxy voting form.

The Board considers that each general meeting is an important opportunity to communicate with shareholders and provides a key forum for shareholders to ask questions about the Company, its strategy and performance. At shareholder meetings, the Company will provide an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and, if applicable, the external auditor.

The next Annual General Meeting of the Company is scheduled to be held on Thursday, 9 May 2019 in Melbourne. Results of the meeting and any presentation given will be released to the ASX and subsequently available on the Company's website ([www.kidmanresources.com.au](http://www.kidmanresources.com.au)).



#### **Recommendation 6.4: Electronic Communication with Shareholders**

Security holders can register with the Company, through its Share Registry, Boardroom Pty Limited, to receive email notifications when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Shareholders are encouraged to visit the Company's website on which all information provided to the ASX is immediately posted. Shareholders can also visit the ASX website ([www.asx.com.au](http://www.asx.com.au)) and obtain information, including the current share price, under the ASX code "KDR".

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

##### **Recommendation 7.1: Risk Committee**

The Board has delegated responsibilities in relation to risk management to the Audit and Risk Management Committee as set out in the Audit and Risk Management Committee Charter (refer to Section B of the Corporate Governance Charter). The Committee's role includes assisting the Board to:

- establish risk management expectations, which are conveyed through the Company's risk management policy (<https://kidmanresources.com.au/corporate/corporate-governance/>);
- approve the Company's risk acceptance criteria;
- gain assurance that material risks are recognised and are being effectively managed;
- gain assurance that the Company's management team implements risk management practices in accordance with the Board's expectations and the risk management framework; and
- make informed decisions regarding business risk management, internal control systems, business policies, practices and disclosures.

The Committee is comprised of four independent Non-Executive Directors, including the Chair, David Southam. The other members of the Committee are:

- John Pizzey (Independent Non-Executive Director);
- Brad Evans (Independent Non-Executive Director); and
- Aaron Colleran (Independent Non-Executive Director).

Details of meetings held by the Committee during the year and member attendances are set out in the Directors' Report in the 2018 Annual Report.

##### **Recommendation 7.2: Risk Management Framework**

The CEO & MD is accountable to the Board of Directors for the application of the Company's risk management framework.

The lines of risk management reporting and communication are clearly defined within the risk management framework.

The Board, with assistance from the Audit and Risk Management Committee, is responsible for approving and reviewing the Company's risk management framework. Management is responsible for ensuring the risk management framework is implemented in accordance with the Board's expectations. The framework addresses how risk management is integrated into business activities including those of the Covalent Lithium joint venture, and the frequency and triggers for risk management activities.

The Audit and Risk Management Committee has reviewed and recommended to the Board the adoption of the risk management policy and risk management framework.



### **Recommendation 7.3: Internal Audit**

Having regard for the size, location and complexity of the Company and its operations, the Board does not consider it necessary for the Company to have an internal audit function. The Audit and Risk Management Committee continues to monitor the need for an internal audit function, and periodically reports to the Board as to whether it remains appropriate to operate in the absence of an internal audit function.

The Company adopts a risk-based approach to monitoring the effectiveness of the internal control environment. There are defined levels of monitoring and assurance practices on the basis of the level of risk associated with the potential failure of a control. The outcomes of any material monitoring and assurance reviews are reported to the Audit and Risk Management Committee.

### **Recommendation 7.4: Economic, Environmental and Social Sustainability Risk**

Management reports to the Board on material risks, along with their associated controls, based on standard risk assessment and acceptance criteria. Management has developed and maintains a business risk register that considers a broad range of risks, including those that relate to the economic, environmental and social sustainability of the Company. The Audit and Risk Management Committee reviews the contents of the risk register on a regular basis. The Company's material business risks, including any exposure to economic, environmental and social sustainability risks are outlined in the Operating and Financial Review section of the 2018 Annual Report.

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

### **Recommendation 8.1: Remuneration Committee**

The Board has established a Nomination and Remuneration Committee which operates under a formal charter that clearly sets out its role, responsibilities, composition, structure and membership requirements. The Charter is set out in Section C of the Corporate Governance Charter which is available at the Company's website (<https://kidmanresources.com.au/corporate/corporate-governance/>). The functions of the Nomination and Remuneration Committee include:

- to review and make recommendations to the Board on remuneration packages and policies related to the Directors and Management; and
- to ensure that the remuneration policies and practices are consistent with the Company's strategic goals and human resources objectives.

The Committee is comprised of four independent Non-Executive Directors, including the Chair, Brad Evans. The other members of the Committee are:

- John Pizzey (Independent Non-Executive Director);
- David Southam (Independent Non-Executive Director); and
- Aaron Colleran (Independent Non-Executive Director).

The qualifications and experience of the members of the Committee are set out in the Directors' Report in the 2018 Annual Report.

Details of meetings held by the Committee during the year and member attendances are set out in the Directors' Report in the 2018 Annual Report.



### **Recommendation 8.2: Remuneration Policies and Practices**

Separate disclosure regarding the policies and practices regarding the remuneration of the Company's Directors (Executive and Non-Executive) and senior executives is disclosed in the Remuneration Report in the 2018 Annual Report.

### **Recommendation 8.3: Equity Based Remuneration Scheme**

The Board considers that equity based remuneration is a critical component in achieving the long term objectives of the Company. To this end, the Company offers a long term incentive (LTI) plan to the CEO & MD, senior executives and certain senior managers. Details of the LTI plan are included in the Remuneration Report in the 2018 Annual Report.

To govern these equity opportunities and holdings the Company has a Securities Trading Policy which contains processes to be followed and guides Directors, senior executives and employees on any securities they hold or wish to hold in the Company.

The Securities Trading Policy does not presently contain provisions on whether participants are permitted to enter into transactions (through the use of derivatives or otherwise) which limit the economic risk of participating in the LTIP. The Board intends to review the Securities Trading Policy in the next reporting period.

The Securities Trading Policy is available at the Company's website (<https://kidmanresources.com.au/corporate/corporate-governance/>).