



MORETON RESOURCES LTD

CORPORATE GOVERNANCE STATEMENT

2016

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The Board of Directors (the **Board**) is responsible for the overall corporate governance of Moreton Resources Limited (the **Company, Moreton or MRV**), including adopting appropriate policies and procedures designed to ensure that MRV is properly managed to protect and enhance shareholder interests. During the year, the Board has actively considered and reviewed its corporate governance practices and the documents underpinning the Company's governance framework. Where necessary, these have been amended to ensure they remain appropriate to the Company and its practices.

This Corporate Governance Statement reports against the 3rd edition of the ASX Corporate Governance Council's Principles and Recommendations (**ASX Principles**) and the practices detailed in this Corporate Governance Statement are current as at 18 August 2016. It has been approved by the Board and is available on the (MRV) website.

The corporate governance documents consistent with the Recommendations, which in addition to the Company's Constitution form the basis of the Company's corporate governance framework are as follows:

- Board Charter (approved May 2016)
- Audit & Risk Committee Charter (approved May 2016)
- Remuneration & Nomination Committee Charter (approved May 2016)
- Securities Trading Policy (approved February 2016)
- Risk Management Policy (approved January 2016)
- Code of Conduct (approved June 2015)
- External Communications Policy (approved May 2016)
- Environmental, Health & Safety Policy (approved June 2015)
- Community Obligations Policy (approved February 2014).

The corporate governance documents are available on the Moreton Resources website under "Corporate Governance" <http://www.moretonresources.com.au/corporate-governance/>

Principle 1: Lay solid foundations for management and oversight

The Board of Directors of Moreton Resources Ltd (Board) has primary responsibility for guiding and monitoring the business and affairs of the Company, including compliance with its corporate governance framework, and in conjunction with senior management, setting the strategic direction of the Company.

It is the role of Senior Management to manage the Company in accordance with the direction and delegation of the Board and the responsibility of the Board to provide leadership to, and oversee the activities of Management in carrying out those delegated duties.

The Board Charter sets out the roles and responsibilities of the Board, including those matters specifically reserved to the Board. The Charter also sets out the role and responsibility of the Managing Director & CEO, which is primarily the day to day management of the Company. [Recommendation 1.1]

The Board Charter provides that prior to the appointment of a new Director and before a person is put forward as a candidate for election as a Director, appropriate checks will be undertaken including checks regarding the person's experience, education, disqualification from holding certain offices, criminal record and bankruptcy history. [Recommendation 1.2] At any Annual General Meeting the Company provides shareholders with material information in its possession relevant to a decision on whether or not to elect or re-elect a director. [Recommendation 1.2]

Non-executive Directors are provided with a formal letter of appointment which sets out the key terms, conditions, responsibilities and expectations of their appointment. [Recommendation 1.3] Senior Management are employed under individual service contracts, which set out their terms of employment including details of their duties, responsibilities, rights and remuneration entitlements. [Recommendation 1.3]

The Board Charter provides that the Company Secretary is accountable to the Board through the Chairman for all matters concerning the proper functioning of the Board, including advising on governance matters, monitoring that the Board's policies and procedures are followed and ensuring that the business of Board meetings is accurately captured in the minutes. [Recommendation 1.4]

The Company has adopted a Diversity Policy. [Recommendation 1.5(a) & (b)] Given the current small number of staff and the nature of the Company's operations and the stage of its development, the Board does not consider that it is currently necessary or practical to have measurable objectives aimed at achieving gender diversity. The Board will continue to review this matter, including whether it may be appropriate to establish a formal framework in this regard. [Recommendation 1.5(c)]

The proportion of women in the organisation, women in senior management positions and women on the Board are listed in the table below [Recommendation 1.5(c)]

	Number of Women	Total in Group	% Women in Group
Employees	2	2	100%
Senior Management	0	1	0
Board	0	3	0

The Board is responsible for establishing the processes for reviewing the performance of individual Directors, the Board as a whole and Committees. During the year ended 30 June 2016, the Board conducted a review of Board's and individual director's performance, which included a self-evaluation questionnaire and a full Board discussion on Board processes and operations, director contribution and governance. [Recommendation 1.6(a) & (b)]

The Company has established a formal process for evaluating the performance of senior executives which involves a performance and development review cycle where responsibilities and performance objectives are defined and regular feedback is provided through structured performance review meetings held annually. The Remuneration & Nomination Committee is responsible for review of this process and making any relevant recommendations to the Board. The performance of the current senior executives was reviewed in accordance with this process during the reporting period. [Recommendation 1.7]

Principle 2: Structure the Board to add value

The current Board has three Directors comprising Brett Fletcher, Wayne Penning and Jason Elks of whom two are Independent Non-Executive Directors. [Recommendation 2.4]

The Board Charter provides that an independent director is determined by reference to the factors set out in Box 2.3 of the Recommendations.

The Directors possess a range of skills, to varying degrees, as summarised in the table below. [Recommendation 2.2] The Directors undertook the same assessment as they did in the financial year ended 30 June 2015. There being one less Director on the Board this year, the total possible points for each item is 9 rather than 12. Although there is one Director less, proportionally the skills in evidence did not differ materially from those in evidence in the previous year.

Managing and Leadership	
Senior management positions outside the Company	8
Directorships held outside the Company	6
Industry experience and education	
Mining or minerals experience	9
Tertiary engineering or science background	6
Positions held on, or memberships of, industry-related bodies	4
Governance and regulatory	
Membership of governance and/or regulatory bodies	6
Experience in governance of a mining/resource company	7
Strategy	
Mergers and acquisitions experience	8
Experience in growing a business	8
Experience in implementing capital projects	7
Operational	
Financial	7
Risk Management	8
Safety	9

Detailed information about the Directors, including their tenure, skills, experience and expertise relevant to their position, and their non-executive and independent status, are set out in the Directors' Report of the 2016 Annual Report. [Recommendation 2.3]

The Board has established an induction programme to assist and introduce new directors to the business. After their induction, directors are expected to keep themselves updated on changes and trends within the sector and market environment. Directors are encouraged to attend courses and education sessions to contribute to their ongoing professional development. [Recommendation 2.6]

Wayne Penning is the principal at Delphi Partners and previously a partner at McMahon Clark who has provided some legal assistance to the Company on matters such as contract reviews. The Board has considered the amount of work undertaken by the firm and the funds paid to them and concludes that this does not impact on Mr Penning's independence status.

The offices of the Company's Chairman and Managing Director are not held by the same person. [Recommendation 2.5]

The Board has established a Remuneration & Nomination Committee comprising Wayne Penning and Brett Fletcher, both of whom are independent Non-Executive Directors. The Chair of the Committee is Wayne Penning. The Committee's Charter sets out the role and responsibilities, function and composition of the Committee. Details in relation to each of the Committee members, including their qualifications and experience, and their attendance at Committee Meetings during the reporting period are set out in the Directors' Report. [Recommendation 2.1]

Principle 3: Promote ethical and responsible decision making

The Board is committed to ensuring the Company maintains the highest standards of integrity, honesty and fairness in its dealings with all stakeholders, and that the Company complies with all legal and other obligations. The Company has established a Code of Conduct (the Code) which applies to all directors, senior management and staff (Employees). The Code promotes practices that aim to foster the Company's key values, which include providing a safe and healthy work environment, encouraging Employees to act with fairness, honesty and integrity, being aware of and abiding by relevant laws and regulations, and maintaining high standards of professional behaviour. Employees are expected to be honest and ethical in their dealings with each other and all stakeholders. [Recommendation 3.1]

The Board has established a Community Obligations Policy, which states the Company's vision in terms of operating in communities and sets out a series of supporting commitments. The Environmental Management, Health and Safety Policy sets out the responsibilities of the Company with the aim of managing its activities in a manner that minimises the likelihood of any adverse impact on its surroundings and promotes the health and safety of employees, contractors and the general public.

The Company's Securities Trading Policy applies to all Employees. The Policy sets out the prohibitions against insider trading, and prescribes certain requirements for dealing in Moreton Resources securities. Employees are prohibited from trading in Moreton Resources securities while in possession of material non-public information, which is information a reasonable person would expect to have a material effect on the price or value of Moreton Resources securities. The Policy provides for certain black-out periods when no trading may occur.

Principle 4: Safeguard integrity in financial reporting

From 1 January 2016, the accountabilities and responsibilities of the Audit and Risk Committee have been carried out by the full Board. The Board has agreed a Committee Charter, which sets out the roles responsibilities required to be undertaken when acting as the Committee. [Recommendation 4.1]

The Board has not established a formal procedure for the selection, appointment and rotation of the external auditor. The performance of the external auditor is reviewed on an ongoing basis by the Board.

Prior to approval of the Company's half year and annual financial reports, the Managing Director/CEO and Financial Controller are required to provide written assurances in relation to the half year and annual financial reports that the declaration provided in accordance with section 295A of the *Corporations Act 2001*

(Cth) is founded on a sound system of risk management and internal compliance and control, and that the system is operating effectively in all material respects in relation to financial reporting risks. These assurances were provided in the reporting period. [Recommendation 4.2]

The external auditor attends the Company's Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and preparation and conduct of the Independent Auditor's Report. Shareholders are also given the opportunity to submit written questions prior to the meeting. The Company considers that this is important in promoting and encouraging shareholder participation and reflects and supports the roles of the auditor and the auditor's accountability to shareholders. [Recommendation 4.3]

Principle 5: Make timely and balanced disclosure

The Company's External Communications Policy set out the policies and procedures relating to:

- the Company's continuous disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001* (Cth) (**the Corporations Act**);
- how staff are required to deal with potentially price-sensitive information, and communications with external shareholders such as the media, security holders and the community to ensure that the Company meets its continuous disclosure obligations; and
- the Company's shareholder communications policy generally.

It is the Company's policy to ensure that all market participants have an equal opportunity to review and access material information made available by the Company, and that the Company complies with both the letter and spirit of its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

The External Communications Policy facilitates compliance with the Company's continuous disclosure obligations by setting out procedures that must be followed if staff become aware of material information, and the obligations of senior management and the Board to continuously assess and consider continuous disclosure matters. The Policy specifies those persons permitted to speak to ASX or other external parties in relation to the Company, and those disclosure matters that fall within the reserved powers of the Board. Other matters dealt with in the Policy include:

- dealing with market speculation and rumour;
- trading halts
- management of information during periods where the Company may be in possession of price-sensitive information;
- analyst briefings; and
- monitoring of media and social media.

[Recommendation 5.1]

Principle 6: Respect the rights of Shareholders

The Company's External Communications Policy sets out its policy and practices relating to Moreton's commitment to providing shareholders with the necessary information and facilities to allow them to exercise their rights effectively, including:

- providing shareholders with ready access to information about Moreton Resources and its governance;
- communicating openly and honestly with shareholders;
- facilitating communications being sent to and from the Company and to and from the Share Registrar, via electronic means; and
- encouraging and facilitating shareholder participation in shareholder meetings.

The Company's website www.moretonresources.com.au provides detailed information about its business and operations. The Investor Centre section of the website provides a link to the ASX share price, Annual and periodic reports, and other ASX announcements.

Shareholders can find information about the Company's corporate governance practices in the Corporate Governance section of the website. This includes the Company's constitution, Board and Committee Charters and governance policies.

[Recommendation 6.1, 6.2, 6.3, 6.4]

Principle 7: Recognise and manage risk

In the absence of a separate Audit and Risk Committee, the Board has retained all responsibilities in regard to financial risk management, the oversight and management of material business risk and the effectiveness of the Company's management of its material business risks.

The key elements of the Company's risk management process are as follows:

- the establishment and implementation of risk management processes;
- the establishment, implementation and maintenance of the Company's risk management systems and frameworks; and
- Senior Management is responsible for management of operational risk and the implementation of risk management strategies.

The Board notes the risk register at each of its meetings and reviews risk management processes on an annual basis. This was done for the year under review. The Board regularly considers a range of risk management matters at its meetings. [Recommendation 7.2]

During the year, the Company's risk management systems and control frameworks included:

- the Board's ongoing monitoring of management and operational performance;
- a system of budgeting forecasting and reporting to the Board;
- approval procedures for significant expenditure above threshold levels; and
- review of tax risks.

[Recommendation 7.1]

The Company does not retain an Internal Audit function. The Board considers this is appropriate, taking into account the Company's stage of development, the scale of its operations and the relative simplicity of its finance function. Senior Management fulfils the internal audit function within the Company and is responsible for identifying relevant business risks, designing controls to manage those risks and ensuring the relevant controls are appropriately implemented. Senior Management monitors the adequacy of the risk management system and reports to the Board on a regular basis. The internal audit function comprises:

- regular review and testing of the adequacy of controls for risks identified as in the higher range;
- management confirmation on a periodic basis that the assessment of identified risks and their controls remain appropriate; and
- identification of any new risks or enhanced controls that may be required. [Recommendation 7.3]

At this time, the Board does not consider that the Company has any material exposure to economic, environmental and social sustainability risks. [Recommendation 7.4]

Principle 8: Remunerate fairly and responsibly

The Board has established a Remuneration & Nomination Committee. The Committee comprises Wayne Penning (Chair) and Brett Fletcher. Each Committee member is an independent Non-Executive Director.

The Committee's Charter sets out the role, responsibilities, composition and function of the Committee. Details of the members of the Committee, including their attendance at meetings during the reporting period, are set out in the Directors' Report. [Recommendation 8.1]

The maximum aggregate amount of fees (including superannuation payments) that can be paid to Non-Executive Directors is subject to approval by shareholders. Other than superannuation entitlements, no termination or retirement benefits are payable to Non-Executive Directors. The Company may invite Non-Executive Directors to participate in equity-based remuneration plans. [Recommendation 8.2]

Executive remuneration consists of a base salary and performance incentives. Long term performance incentives may include options, performance rights, or other equity-based products granted at the discretion of the Board on the recommendation of the Remuneration & Nomination Committee, and subject to obtaining any relevant shareholder approvals. The grant of equity-based incentives is designed to recognise and reward effort as well as to provide additional incentive to deliver on the Company's strategy for the benefit of the Company as a whole, and may be subject to attaining specified performance hurdles. Members of senior management are offered a competitive level of base pay at market rates, taking into account comparable companies – these are reviewed on at least an annual basis to ensure market competitiveness.

More detailed information regarding remuneration, including the Company's overarching remuneration philosophy and policy, is contained in the Remuneration Report under section 300A of the Corporations Act, in the Directors' Report of the 2016 Annual Report. [Recommendation 8.3]