

CORPORATE GOVERNANCE STATEMENT PACIFIC BAUXITE LIMITED (THE GROUP)

STATEMENT

This Corporate Governance Statement is current as of 26 September 2019 and approved by the Board of Directors on that date.

Pacific Bauxite Limited (**Pacific Bauxite** or the **Group**) has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Group's Board is committed to administering the policies and procedures with openness and integrity, and pursuing the true spirit of corporate governance commensurate with the Group's needs. To the extent they are applicable, Pacific Bauxite has adopted the eight recommendations set by the Australian Securities Exchange Corporate Governance Council (**ASX**) in its publication Corporate Governance Principles and Recommendations (3rd Edition) (**Recommendations**). Where, after due consideration, the Group's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

As the Group's activities develop in size, nature and scope, the Board's implementation of additional corporate governance structures will be given further consideration.

Pacific Bauxite's website (www.pacificbauxite.com.au) includes further information about the Group's corporate governance practices. In accordance with the recommendation of the ASX, some information about the Group is published on the website.

Key corporate governance issues are outlined below, followed by explanations of areas where the Group's policy differs from recommended practice.

Board Composition

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the financial report and their term of office are detailed in the Directors' Report to the Pacific Bauxite Ltd 2019 Annual Report lodged.

Corporate Reporting

The Directors have made the following certifications to the Board:

- that Pacific Bauxite's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Group's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

Code of Conduct

The Group has developed a Code of Conduct (**Code**), which has been fully endorsed by the Board and applies to all Directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that at all times all Pacific Bauxite personnel act with the utmost integrity, objectivity, in the best interests of the Group and in compliance with the letter and the spirit of the law and the Group's policies.

Any breaches of the Code are reported to the Chairman in the first instance for notification to the Board.

The Directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

Continuous Disclosure and Shareholder Communication

Pacific Bauxite has a policy that information concerning the Group that a reasonable person would expect to have a material effect on the price of its securities is continuously disclosed as required under the ASX Listing Rules.

The Group encourages communication with shareholders and the attendance and effective participation by shareholders at general meetings.

The Chairman and Company Secretary, in conjunction with the other Board members, have been nominated as the people responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to ASX is posted on the Group's website as soon as it is disclosed to the ASX.

Annual and half yearly reports are made available on Pacific Bauxite's website and mailed to those shareholders who request a hard copy.

Independent Advice

There is no formal policy or procedure regarding the taking of professional advice by the independent Directors. However, no restrictions are placed on them taking advice on matters arising from their roles as independent Directors of Pacific Bauxite, or the reimbursement of the costs incurred by the Group.

Independence of Board Members

The determination by the Board as to whether individual Directors are independent is a matter of judgment. In making this determination, the Board has followed the guidance in Box 2.3 of the Recommendations. The Board considers that the relationships the independent Directors have with the Group do not materially impact on their independence. In determining the materiality of these relationships, the Board has considered both quantitative and qualitative factors. In determining the quantitative factors the Board considers that a relationship is immaterial where it is equal to or less than 5% of the base amount. In applying this level of materiality to the relationship of the independent Directors, in the case of shareholders and suppliers, the Board considers that the independent Directors' interest is less than 5% of the base amount. In respect to the qualitative measures the Board has considered the factors affecting the independent Directors' relationship with the Group and considers these qualitative factors to be immaterial in the assessment of their independence.

Mr. Lewis, a Non-Executive Director, is considered by the Board to be an independent Director.

Mr. Smith, a Non-Executive Director, is considered by the Board to be an independent Director.

Mr. McKenzie, a Non-Executive Director, is considered by the Board to be an independent Director.

Trading Policy

The Group's policy regarding Directors and employees trading in its securities is set by the Board of Directors. The policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

Remuneration Policy

The Group's remuneration policy was developed by and approved by the Board. All executives receive a salary and statutory superannuation where applicable.

The Group occasionally participates in share-based remuneration for its Directors and management and also employees and consultants. The terms of the shares and options issued to Directors, employees and consultants are based on what similar sized companies in the mining industry are offering. All shares and options to be issued to Directors require shareholder approval before being issued.

The amount of remuneration paid to all Directors, including monetary and non-monetary components, is detailed in the Directors' Report of the 2019 Pacific Bauxite Ltd Annual Report under the "Key Management Personnel Remuneration" heading. All remuneration paid to executives is valued at the

cost to the Group and expensed. Shares given to executives are valued as the difference in the market value of those shares and the amount paid by the executive. Options given to executives are valued using the Black-Scholes methodology.

Corporate Governance Summary

This Corporate Governance summary discloses the extent to which the Group will follow the Recommendations set by the ASX Corporate Governance Council. While the Recommendations are not mandatory, the Recommendations not followed by the Group have been identified below and reasons have been provided for not following them.

	ASX Principle	Complied	Reference/Comment
Principle 1:	Lay solid foundations for management and oversight		
1.1	A listed entity should disclose the respective roles and responsibilities of its board and management, and those matters expressly reserved to the board and those delegated to management.	YES	The Group has adopted a Board charter, which sets out the roles and responsibilities of the Board and management. A copy of the Board charter is available on the Group's website.
1.2	Undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election as a director and provide security holders with all material information in its possession relevant to a decision to whether or not elect or re-elect a director.	YES	The Group undertakes appropriate checks before appointing a person or putting forward to security holders a candidate for election as a Director. All material relevant to a decision to elect/re-elect a Director is provided to security holders in a Notice of Meeting in which a resolution to elect/re-elect is voted on.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	YES	Each Director has a written agreement outlining the terms of their appointment.
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.	YES	The Board Charter outlines the roles and responsibilities of the Company Secretary. The Company Secretary is accountable directly to the Board through the Chair on all governance matters.
1.5	<p>A listed entity should have a diversity policy, including requirements for the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entities progress in achieving them.</p> <p>The entity should disclose this policy or a summary of it.</p> <p>Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them including:</p> <ul style="list-style-type: none"> • The prospective proportions of men and women on the board and senior executive positions and across the whole organisation. • If the entity is a "relevant employer" under the Workplace Gender Equality Act, the Entity's most recent "Gender 	YES	<p>A copy of the Policy is on the Company's website: The Group's commitments are as follows:</p> <ul style="list-style-type: none"> • The Company Attract, develop and retain employees from the widest possible pool of talent. • Embrace diversity and inclusion within our teams. • Respect the diversity of everyone involved in our domestic and international activities, including all employees and stakeholders. • Foster a culture that maximises the benefits of diverse experiences and perspectives. <p>Our employment decisions will be transparent and fair, based on role requirements. We expect all contractors working on our sites to</p>

	Equality Indicators", as defined in and published under the Act.		<p>have policies and procedures in place that will ensure their employees are treated no less fairly than our own.</p> <p>The Company does not presently believe that setting mandatory measurable objectives regarding gender diversity adds additional value to the Company at this stage. Our employment decisions are made transparently, fairly, and purely based on role requirements.</p> <p>As at 30 June 2019 there were two (2) females in senior executive positions.</p> <p>The Group is not a "relevant employer" under the Workplace Gender Equality Act.</p>
1.6	<p>A listed entity should have and disclose a process for periodically evaluating performance of the board and individual directors.</p> <p>Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	NO	<p>The Group does not currently have a formal performance evaluation process. Performance evaluation is considered informally from time to time in Board meetings. No specific performance evaluation was undertaken during the reporting period, and the Board does not at this stage consider any benefits would be gained by introducing a formal evaluation process.</p>
1.7	<p>A listed entity should have and disclose a process for periodically evaluating performance of its senior executives.</p> <p>Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	NO	<p>The Group does not currently have a formal performance evaluation process. Performance evaluation is considered informally from time to time in Board meetings. No specific performance evaluation was undertaken during the reporting period, and the Board does not at this stage consider any benefits would be gained by introducing a formal evaluation process.</p>
Principle 2: Structure the board to add value			
2.1	<p>The board of a listed entity should have a nomination committee which has at least three members a majority of whom are independent and is chaired by an independent director. The entity should disclose the charter of the committee, the members for the committee and as at the end of the reporting period the number of times the committee met during the period and the in the individual attendances of the members of the committee, or</p> <p>If no nomination committee exists, disclose that fact the processes it employs to address board succession issues and to ensure the board has the appropriate balance of skills, knowledge and experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>NO</p> <p>YES</p>	<p>No separate nomination committee has been established however this function is carried out by the full Board. The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has relevant industry experience and specific expertise relevant to the Group's business and level of operations.</p>

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.	NO	Although no formal skills matrix has been prepared, the Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has relevant industry experience and specific expertise relevant to the Group's business and level of operations. The Board does not consider a skills matrix would provide any benefits to the Group at this time.
2.3	A listed entity should disclose the names of the directors considered by the board to be independent directors; If a director has an interest, position, association or relationship of a type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3 rd Edition), 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 disclose the length of service of each director.	YES	The Board comprises three Directors, all of which are considered independent. None of these Board members' independence is compromised by virtue of the factors contained in Box 2.3.
2.4	The majority of the board should be independent.	YES	
2.5	The chair should be an independent director and should not also hold the position of CEO.	YES	The position of Independent Chairman is not currently the CEO.
2.6	The listed entity should have a program for inducting new directors and provide appropriate professional development for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	NO	Although no formal program exists, the Board actively encourages continuing professional development of all key staff.
Principle 3: Promote ethical and responsible decision-making			
3.1	A listed entity should have a code of conduct for its Directors senior executives and employees and should disclose that code or a summary of it.	YES	The Group has formulated a Code of Conduct a summary is detailed above. A Code of Conduct for Directors and Key Executives is also disclosed on the Group's website.
Principle 4: Safeguard integrity in financial reporting			
4.1	The board should have an audit committee which has at least three members all of whom are non-executive directors and a majority of whom are independent directors. The committee should be chaired by an independent Director. The board should disclose the charter of the committee, the relevant qualifications and experience of its members and in relation to each reporting period the number of times the committee met and the individual attendances of each member.	NO YES	The Board does not currently have a separate audit committee. The Group's financial statements are prepared internally and reviewed in detail by the Board. The Board also relies on the functions and capabilities of the external auditors to ensure the proper audit of the financial statements. Whilst the Board considers this process sufficient to ensure the integrity in financial reporting in the current circumstances, it will continue to monitor whether any further

	If the board 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 process for the appointment and removal of the external auditor and the rotation of the audit engagement partner.		safeguards are required and make changes accordingly. The process of removing and appointing the external auditor is in line with the provisions of the Corporations Act 2001. The Group actively discusses the independence of the engagement partner with the external auditor to ensure that their integrity is maintained.
4.2	The board should, before it approves the financial statements for the financial period received from its CFO and CEO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with appropriate accounting standards and give a true and fair view of the financial position and performance and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	YES	
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.	YES	
Principle 5: Make timely and balanced disclosure			
5.1	Companies should have a written policy for complying with its continuous disclosure obligations under the Listing Rules and disclose that policy or a summary of it.	YES	A copy of the Continuous Disclosure Policy is available on the Group's website. The Board receives regular reports on the status of the Group's activities and any new proposed activities from the CEO and other key personnel.
Principle 6: Respect the rights of shareholders			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	YES	In line with adherence to continuous disclosure requirements of ASX, all shareholders are kept informed of major developments affecting the Group. This disclosure is through regular shareholder communications including the Annual Reports, Half Yearly Reports, Quarterly Reports, the company website and the distribution of specific releases covering major transactions and events or other price sensitive information.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Group has formulated a Shareholder Communication Policy which can be viewed on the Group's website.
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.	YES	The Group has formulated a Shareholder Communication Policy which can be viewed on the Group's website.
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.	YES	

Principle 7: Recognise and manage risk			
7.1	<p>The board of a listed entity should have a committee to oversee risk, each of which:</p> <ul style="list-style-type: none"> a) Has at least three members, the majority of which are independent, b) Is chaired by an independent Director; <p>and disclose:</p> <ul style="list-style-type: none"> c) The charter of the committee d) The members of the committee <p>and</p> <ul style="list-style-type: none"> e) As at the end of each reporting period, the number of times the committee met during the period and the individual attendances of the members of those meetings. <p>If it does not have a committee, disclose that fact and the process it employs for overseeing the entity's risk management framework.</p>	<p>NO</p> <p>YES</p>	<p>Given the current size and nature of the business, the risk management of the business is carried out by the Board, no separate committee exists.</p> <p>The Board is aware of the various risks that affect the Group and its particular business and has implemented a number of controls to mitigate or limit the effects of these risks. The Group has formulated a risk management policy which can be viewed on the Group's website.</p>
7.2	The board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose whether such a review has taken place.	YES	An informal review is undertaken on a regular basis at Board meetings.
7.3	<p>The listed entity should disclose whether it has an internal audit function, or</p> <p>If it doesn't the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control process.</p>	<p>NO</p> <p>YES</p>	The Board is aware of the various risks that affect the Group and its particular business and has implemented a number of controls to mitigate or limit the effects of these risks. As the Group grows and increases in size and activity, the Board will develop formal policies to deal with risk oversight management and internal compliance.
7.4	The 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.	YES	The Group does not believe it has any material exposure to economic, environmental or social sustainability risks.
Principle 8: Remunerate fairly and responsibly			
8.1	<p>The board should establish a remuneration committee, which has at least three members, the majority that are independent, chaired by an independent director and disclose the charter of the committee, the members of the committee and at the end of each reporting the number of times the committee met throughout the period and the individual attendances of the members at those meeting, or</p> <p>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>NO</p> <p>YES</p>	<p>Due to the early stage of development and small size of the Group, a remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. The Board considers that it is more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily fall to a remuneration committee. In addition, all matters of remuneration will continue to be in accordance with Corporations Act requirements, especially with respect to related party transactions. That is, none of the Directors participate in any deliberations regarding their own remuneration or related issues.</p>

8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors, executive directors and senior executives.	YES	Refer to page 2 of this report as well as information contained in the Remuneration Report of the 2019 Pacific Bauxite Ltd Annual Report.
8.3	A listed entity which has an equity-based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether through use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it.	NO	The Group has an employee option plan. There is no specific policy on allowing participants to hedge or limit their economic risk. However given there are no employees other than the Directors and the Company Secretary the Corporations Act prohibits these individuals from entering into arrangements that limit their exposure to these risks.