

# Corporate Governance Statement 2018

The board (the "Board") of directors (the "Directors") of Serpentine Technologies Limited (the "Company") is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board continuously reviews its governance practices to ensure they remain consistent with the needs of the Company.

The Company complies with the recommendations set out in the Australian Securities Exchange ("ASX") Corporate Governance Council's Corporate Governance Principles and Recommendations 3<sup>rd</sup> Edition (the "ASX Principles"). This statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of these practices, unless otherwise stated, are in place.

The Company publishes its corporate governance policies, code of conduct and its Board and committee charters on its investor website at <http://serpentinetechnologies.com.au/corporate/> (the "Company Website"). Additional information that is relevant to this corporate governance statement can also be found in the Company's annual report (the "Annual Report") for its latest financial year ended June 30, 2018 (the "2018 Financial Year").

This Corporate Governance Statement is current as at 27 September 2018

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

*A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.*

**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.*

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of those goals, monitoring systems of risk management and internal control, codes of conduct and legal compliance.

**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.*

The Board has adopted a Nomination Committee to carry out the responsibilities delegated by the Board relating to the Company's director nominations process and procedures (see *Recommendation 2.1*, below). The Nomination Committee is responsible for conducting the appropriate checks prior to the appointment of a person as a director of the Company or prior to putting forward to security holders a new candidate for election as a director. These processes are governed by the Company's Nomination Committee Charter. Checks undertaken may include checks as to the person's character, experience, education, criminal record and bankruptcy history.

Material information relevant to a decision on whether or not to elect or re-elect a director is provided to security holders in all Notices of Meeting which contain director election or re-election resolutions.

**Recommendation 1.3:** *A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

Appointment terms of the Company's directors and senior executives are summarised in written agreements.

**Recommendation 1.4:** *The company secretary of a listed entity should be accountable to the board through the chair, on all matters to do with the proper functioning of the board.*

The Company's Secretary is accountable to the Company's Board through the chair, ensuring the Company's Board receives adequate support to function properly.

**Recommendation 1.5:** *A listed entity should:*

- (a) *Have a diversity policy in place 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:*
  - (1) *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*
  - (2) *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.*

## Corporate Governance Statement 2018

The Company has adopted a Diversity Policy which can be viewed on the Company Website. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits arising from employee and board diversity.

The Diversity Policy outlines the requirements for the Board to develop objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. To assist in fostering diversity, the policy includes the requirement for the Company to take diversity of background into account (in addition to candidates' skills and experience in a variety of the specified fields) when selecting new directors, senior management and employees.

The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements and achieving these objectives in the future as director and senior executive positions become vacant and appropriately qualified candidates become available.

The total proportion of men and women on the Board, in senior executive positions (being the "C-level" executives of the Company and its operating subsidiary) and across the whole organisation as at June 30, 2018 is listed below:

Category	Men	Women
Board	3	0
Senior Management	1	0

The Group has not disclosed in this Corporate Governance Statement its measurable objectives for achieving gender diversity and therefore has not complied with recommendation 1.5(a) of the Corporate Governance Principles and Recommendations. Kabuni is currently in an early stage of its development and, given that the Company currently has few employees, the application of measurable objectives in relation to gender diversity at various levels of the Serpentine Business is not considered to be appropriate or practical. The Board will review this position on an annual basis and will implement measurable objectives for increasing diversity as and when the Directors find them to be in the Company's best interests.

**Recommendation 1.6:** *A listed entity should:*

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

As part of the annual review of the performance of the Board, the appropriate size, composition and terms and conditions of appointment to and retirement from the Board are considered pursuant to the Company's Performance Evaluation Policy. The level of remuneration for Non-Executive Directors is considered with regard to practices of other public companies and the aggregate amount of fees approved by shareholders.

The Board also reviews the appropriate criteria for Board membership collectively. The Board has established processes to review its own performance and the performance of individual directors (including the Managing Director/Chief Executive Officer (the "CEO")) and any committees of the Board, annually. The Board continually evaluates the composition and performance of the Board, however a formal performance evaluation of its performance and the performance of its committees and individual directors was not conducted in respect of the 2018 Financial Year.

**Recommendation 1.7:** *A listed entity should:*

- (a) *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.*

The CEO is responsible for assessing the performance of the key executives within the Company and its operating subsidiary. The Company has implemented a process whereby annual and quarterly priorities and key performance indicators ("KPIs") are established for each key executive and their department. These priorities and KPIs are continuously reviewed in regular formal meetings with the CEO and the other executives, which take place on a weekly, monthly, quarterly and annual basis. Each executive's performance is accordingly regularly evaluated against these priorities and KPIs, examining the effectiveness and results of their contribution and to identify areas of potential improvement.

### PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

*A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.*

**Recommendation 2.1:** *The board of a listed entity should:*

- (a) *Have a nomination committee which:*
  - (1) *Has at least three members, a majority of whom are independent directors; and*
  - (2) *Is chaired by an independent director, and disclose:*
  - (3) *The charter of the committee;*

## Corporate Governance Statement 2018

- (4) *The members of the committee; and*
- (5) *As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *If it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

The Board has established a nomination committee (the "Nomination Committee") of the Board, to carry out the responsibilities delegated by the Board relating to the Company's director nominations process and procedures. The Board has adopted the Nomination Committee charter that sets out the roles and responsibilities of the Nomination Committee, which can be viewed on the Company Website.

Pursuant to the Nomination Committee Charter, the Nomination Committee shall consist of three or more directors. A majority of the members of the Nomination Committee shall be independent in accordance with all applicable corporate and securities laws and stock exchange listing standards and policies. Currently, all Directors are the members of the Nomination Committee and Stuart Carmichael is the chair. Mr. Carmichael is considered to be an "independent" Director. During the 2018 Financial Year, the Nomination Committee did not meet separately as a committee, other than during regular Board meetings.

**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.*

Given that Serpentine is currently in an early stage of its development, the Board has not yet established a formal board skills matrix. Gaps in the collective skills of the Board are regularly reviewed as part of the Remuneration and Nomination Charters, with the Remuneration and Nomination Committee proposing candidates for directorships for consideration by the Board having regard to the desired skills and experience required by the Company as well as the proposed candidates' diversity of background.

**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 that might cause doubts about their independence as a director but the board is of the opinion that their independence isn't compromised, 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.*

The names of the Directors as at the end of the 2018 Financial Year, their length of service and status as independent (in the reasonable opinion of the Board) is set out below:

Director	Date of Appointment	Whether Considered Independent
Stuart Carmichael	30 June 2017	Non-executive Chairman / considered independent
Colm O'Brien	18 July 2016	Non-executive Director / considered independent
Michael Edwards	3 November 2017	Non-executive director / considered independent

Director independence is ascertained by the Board in accordance with all applicable corporate and securities laws and stock exchange listing standards and policies.

**Recommendation 2.4:** *A majority of the board of a listed entity should be independent directors.*

As at the end of the 2018 Financial Year, all Board members were considered to be independent Directors.

**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.*

As at the end of the 2018 Financial Year, the Chairman of the Board was considered to be independent and is not the CEO of the Company.

## Corporate Governance Statement 2018

**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.*

The Company has established Performance Evaluation Practices to establish review processes relating to the performance of the Board. Professional development opportunities and induction procedures are considered on an individual director basis, with opportunities provided to individual directors where appropriate.

### PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

*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.*

The Company recognises the importance of establishing and maintaining high ethical standards in conducting its business and is committed to increasing shareholder value in conjunction with fulfilling its responsibilities as a good corporate citizen. All directors, managers and employees are expected to act with the utmost integrity, honesty and objectivity, striving at all times to enhance the reputation and performance of the Company. The Company has established a Code of Conduct which can be viewed on the Company Website. This code of conduct aims to encourage the appropriate standards of conduct and behaviour of the directors, officers, employees and contractors of the Company. Breaches of the Code of Conduct are required to be reported on a timely basis in accordance with the reporting requirements set out therein.

### PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

*A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.*

**Recommendation 4.1:** *The board of a listed entity should:*

- (a) *Have an audit committee which:*
  - (1) *Has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*
  - (2) *Is chaired by an independent director, who is not the chair of the board, and disclose:*
    - (3) *The charter of the committee;*
    - (4) *The relevant qualifications and experience of the members of the committee; and*
    - (5) *In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

The Board has established an audit committee (the "Audit Committee") of the Board, to assist the Board in overseeing the Company's accounting and financial reporting processes and the preparation and auditing of the Company's financial statements. The Audit Committee is responsible for monitoring and reviewing the integrity of the Company's financial reporting, and reviewing the internal financial control system and risk management framework and systems. The Board has adopted the Audit Committee charter that sets out the roles and responsibilities of the Audit Committee, which can be viewed on the Company Website.

Pursuant to the Audit Committee Charter, the Audit Committee shall consist of three or more directors. Each member of the Audit Committee shall be independent in accordance with all applicable corporate and securities laws and stock exchange listing standards and policies. Each member of the Audit Committee must be financially literate, as this term is defined under Canadian National Instrument 52-110 - *Audit Committees*.

As at the end of the most recently completed financial period, the members of the Company's audit committee were:

Member	Independence <sup>(1)</sup>	Financial Literacy <sup>(2)</sup>
Stuart Carmichael	Independent	Financially literate
Michael Edwards	Independent	Financially literate
Colm O'Brien	Independent	Financially literate

Notes:

- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the Company's board of directors, reasonably interfere with the exercise of a member's independent judgement.

## Corporate Governance Statement 2018

---

- (2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Each member of the Audit Committee has adequate education and experience that is relevant to their performance as an Audit Committee member and, in particular, the requisite education and experience that have provided the member with the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

For details regarding the qualifications and experience of the members of the Audit Committee, see 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.*

In accordance with Recommendation 4.2 and Section 295A of the *Corporations Act 2001* the Board receives a signed declaration from the CFO and CEO prior to the approval of the Company's 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 any questions from security holders relevant to the audit.*

The Company welcomes the attendance of its auditor at its Annual General Meeting.

### PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

*A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.*

**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.*

The Company has established policies and procedures to ensure timely disclosure of all material matters and ensure that investors have access to information on financial performance. This ensures the Company is compliant with the information disclosure requirements under the ASX Listing Rules and applicable Canadian securities laws. The policies and procedures include a Continuous Disclosure Policy that includes identification of matters that may have a material impact on the price of the Company's securities, notifying them to the ASX, posting relevant information on the Company Website, issuing media releases and filing news releases and prescribed reports on SEDAR in Canada.

The Managing Director/CEO and the Company Secretary have been appointed as the Company's disclosure officers responsible for implementing and administering the Continuous Disclosure Policy. The disclosure officers are responsible for all communication with any applicable stock exchanges, including the ASX, and for making decisions on what should be disclosed publicly under the Continuous Disclosure Policy.

A copy of the Continuous Disclosure Policy is available on the Company Website. The Board receives regular reports on the status of the Company's activities and any new proposed activities. Disclosure is reviewed as a routine agenda item at Board meetings.

### PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

*A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.*

**Recommendation 6.1:** *A listed entity should provide information about itself and its governance to investors via its website.*

In line with adherence to the continuous disclosure requirements of the ASX, all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Report, Half Yearly Report, Quarterly Reports, the Company Website and the distributions of specific releases covering major transactions and events or other price sensitive information.



## Corporate Governance Statement 2018

---

The Company values its relationship with shareholders and understands the importance of communication with them in accordance with the requirements of the ASX and applicable Canadian securities laws. To keep shareholders informed, the Company maintains a website at <http://serpentinetechnologies.com.au/corporate/>.

**Recommendation 6.2:** *A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

The Company has formulated a Shareholders Communication Policy which can be viewed on the Company 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.*

Shareholders are encouraged to participate at all Annual General Meetings and other General Meetings of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting. The meetings shall also be conducted to allow questions and feedback to the Board and management of the Company.

**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.*

The Company encourages the use of electronic communication and offers security holders the option to receive and send electronic communication to the Company and its share registry where possible.

### PRINCIPLE 7: RECOGNISE AND MANAGE RISK

*A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.*

**Recommendation 7.1:** *The board of a listed entity should:*

- (a) *Have a committee or committees to oversee risk, each of which:*
  - (1) *Has at least three members, a majority of whom are independent directors; and*
  - (2) *Is chaired by an independent director, and disclose:*
    - (3) *The charter of the committee;*
    - (4) *The members of the committee; and*
    - (5) *As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *If it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

The Company does not have a risk committee as that role is assumed by the full Board. The Board oversees an ongoing assessment of the Company's effectiveness of risk management and internal compliance and control. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to report back (at least annually) on the efficiency and effectiveness of risk management, inter alia, by benchmarking the Company's performance against industry standards.

The risk profile of the Company contains both financial and non-financial factors including but not limited to political, social, economic and environmental risks. Consideration will be given to whether the Company has a material exposure to any of these risks. To mitigate/manage these risks, the Company has in place a broad range of risk management policies and procedures including competent management in all disciplines, an experienced Board, regular Board meetings, six monthly financial audits, rigorous appraisal of new investments and advisers familiar with the Company. A copy of the Company's Risk Management and Internal Compliance and Control charter, can be viewed on the Company Website.

**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.*

The Company does not have a risk committee as that role is assumed by the full Board. The Board is responsible for reviewing the Company's risk management framework. Risk framework reviews may occur more or less frequently than annually as necessitated by changes in the Company and its operating environment. A risk framework review has not taken place during the 2018 Financial Year.

**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 and internal control processes.*

## Corporate Governance Statement 2018

---

As set out in Recommendation 7.1, the full Board is responsible for overseeing the establishment and implementation of effective risk management and internal control systems to manage the Company's material business risks and for reviewing and monitoring the Company's application of those systems in line with the Company's Audit Committee Charter.

**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.*

A summary of material business risks that could affect the Company's financial performance are set out in the Annual Report. As set out in Recommendation 7.1, the full Board is responsible for overseeing the establishment and implementation of effective risk management and internal control systems to manage the Company's material business risks and for reviewing and monitoring the Company's application of those systems in line with the Company's Audit Committee Charter.

### PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

*A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.*

**Recommendation 8.1:** *The board of a listed entity should:*

- (a) *Have a remuneration committee which:*
  - (1) *Has at least three members, a majority of whom are independent directors; and*
  - (2) *Is chaired by an independent director, and disclose:*
    - (3) *The charter of the committee;*
    - (4) *The members of the committee; and*
    - (5) *As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *If it does not have a 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.*

The Board has established a remuneration committee (the "Remuneration Committee") of the Board, to carry out the responsibilities delegated by the Board relating to the review and determination of executive compensation of the Company. The Board has adopted the Remuneration Committee charter that sets out the roles and responsibilities of the Remuneration Committee, which can be viewed on the Company Website.

Pursuant to the Remuneration Committee Charter, the Remuneration Committee shall consist of three or more directors. A majority of the members of the Remuneration Committee shall be independent in accordance with all applicable corporate and securities laws and stock exchange listing standards and policies. Currently, all Directors are the members of the Remuneration Committee and Stuart Carmichael is the chair. Mr. Carmichael is considered to be an "independent" Director. During the 2018 Financial Year, the Remuneration Committee did not meet separately as a committee, other than during regular Board meetings.

**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.*

The Company's policies and practices regarding the remuneration of executive and non-executive directors and other senior executives are disclosed in the Annual Report.

**Recommendation 8.3:** *A listed entity which has an equity-based compensation 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.*

The Company has established a Securities Trading Policy which outlines, among other things, when Directors, senior management and other employees of the Company may deal in the Company's securities. This policy also prohibits key management personnel from entering into certain hedging arrangements of the nature referred to in Recommendation 8.3. For further details, refer to the Securities Trading Policy, which is available on the Company Website.