



MALABAR COAL LIMITED ABN 29 151 691 468 (COMPANY)

Principles of Corporate Governance

DATE: Wednesday, 17 April 2019

A. Principles of Corporate Governance

A. 1 Board of Directors

(a) General

This document sets out the main principles adopted by the Board of Directors of the Company in order to implement and maintain a culture of good corporate governance both internally and in its dealings with outsiders.

The Board of the Company is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

The matters set out in this document are logically, subject to the Corporations Act and the Constitution.

The purpose of preparing and disclosing the matters set out in this document are to:

- (1) formalise procedures to ensure the Company and the Board act in a transparent and appropriate manner in both its internal and external dealings;
- (2) ensure that appropriate checks, balances and procedures are in place to monitor the operations of the Company and those charged with its management;
- (3) provide for a transparent method for shareholders to evaluate the performance of the Company from a corporate governance perspective.

(b) Functions, Powers and Responsibilities of the Board

Generally, the powers and obligations of the Board are governed by the Corporations Act and the general law. Without limiting those matters, the Board expressly considers itself responsible for the following:

- (1) ensuring compliance with the Corporations Act and all relevant laws;
- (2) developing, implementing and monitoring operational and financial targets for the Company;
- (3) appointment of appropriate staff, consultants and experts to assist in the Company's operations, including the selection and monitoring of a chief executive officer;
- (4) ensuring appropriate financial and risk management controls are implemented;
- (5) approving and monitoring financial and other reporting;
- (6) setting, monitoring and ensuring appropriate accountability for directors' and executive officers' remuneration;
- (7) establishing and maintaining communications and relations between the Company and third parties, including its shareholders;
- (8) implementing appropriate strategies to monitor performance of the Board in implementing its functions and powers;
- (9) oversight of the Company including its framework of control and accountability systems to enable risk to be assessed and managed;
- (10) appointing and removing the chief executive officer;
- (11) ratifying the appointment and, where appropriate, removal of the chief financial officer and the company secretary;
- (12) input into and final approval of the management's development of corporate strategy and performance objectives;
- (13) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- (14) monitoring senior management's performance, implementation of strategy and

- ensuring appropriate resources are available;
- (15) approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
 - (16) approval of the annual budget;
 - (17) monitoring the financial performance of the Company;
 - (18) liaising with the Company's external auditors;
 - (19) monitoring, and ensuring compliance with, all of the Company's legal obligations;
 - (20) approving and monitoring financial and other reporting;
 - (21) appointing and overseeing Committees where appropriate to assist in the above functions and powers.

(c) Structure of the Board

The structure of the Board is determined in accordance with the following principles:

- (1) to aim for, so far as is practicable given the size of the Company, have sufficient independent directors;
- (2) to aim for, so far as is practicable given the size of the Company, a chairperson who is not the chief executive officer;
- (3) to have at least three directors.

In assessing the independence of directors, the Company has regard to Principle 2 of the *Corporate Governance Principles and Recommendations* and regards an independent director as a non-executive director (that is, not a member of management) who:

- (1) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- (2) within the last three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- (3) within the last three years has not been a principal of a material professional advisor or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- (4) is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- (5) has no material contractual relationship with the Company or another group member other than as a director of the Company;
- (6) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the directors' ability to act in the best interests of the Company; and
- (7) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the directors' ability to act in the best interests of the Company.

In an effort to ensure that the Board comprises members with a broad range of experience, expertise and skills relevant to the Company, the Board has established a Nominations and Remuneration Committee, within the guidelines set out in Section F.

Refer to the Company's website for a list of current Directors.

A. 2 Chairperson

The Chairperson is responsible for leadership of the Board, for efficient organisation and

conduct of the Board's function and the briefing of all Directors in relation to issues arising at Board meetings. The Chairperson is also responsible for shareholder communication and arranging Board performance evaluation.

A. 3 Chief Executive Officer/Managing Director (if any)

The Chief Executive Officer or Managing Director (if any) is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategies set by the Board. In carrying out his/her responsibilities, the Chief Executive Officer or Managing Director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial position and operating results.

The Chief Executive Officer or Managing Director (if any) (together with the Chief Financial Officer, if there is one) shall be required to state in writing to the Board that the financial reports of the Company represent a true and fair view in all material respects, of the Company's financial conditions and operating results and are in accordance with relevant accounting standards.

A. 4 Corporate Ethics

The Company has adopted a separate Corporate Ethics Policy which has been agreed to by each member of the Board, setting out, in addition to these principles, the obligations of integrity and honesty on each member of the Board and their obligations with respect to trading in Securities in the Company.

In addition to the Corporate Ethics Policy, the Company also adheres to the following statement of principles and responsibilities with respect to both its internal dealings with employees and consultants, and external dealings with shareholders and the community at large.

A. 5 Corporate Code of Conduct

(a) Introduction

This code of conduct sets out the standard which the Board, management and employees of the Company are encouraged to comply with when dealing with each other, shareholders, and the broader community.

(b) Commitment of the Board and Management to Corporate Code of Conduct

The Board and Management approve and endorse this code of conduct. The Board and Management encourage all staff to consider the principles of the code and use them as a guide to determine how to respond when acting on behalf of the Company.

(c) Responsibilities to Shareholders and the Financial Community Generally

The Company aims:

- (1) to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and the financial community;
- (2) comply with systems of control and accountability which the Company has in place as part of its corporate governance; and
- (3) to act with honesty, integrity and fairness.

(d) Responsibilities to Clients, Customers and Consumers

The Company is to comply with all legislative and common law requirements which affect its business. Any transgression from the applicable legal rules is to be reported to the Board as soon as a person becomes aware of such a transgression.

(e) Employment Practices

The Company will employ the best available staff, both male and female, from a diverse background, with skills required to carry out their roles. The Company will ensure that

Diversity objectives are adopted at all levels of the Company. The Company will ensure a safe work place and maintain proper occupational health and safety practices commensurate with the nature of the Company's business and activities.

(f) Responsibility to the Community

The Company will recognise, consider and respect legal requirements impacting upon its operations and comply with all applicable legal requirements. The Company will act with honesty, integrity and fairness in all dealings with the community.

(g) Responsibility to the Individual

The Company recognises and respects the rights of individuals and to the best of its ability will comply with the applicable legal rules regarding privacy, privileges, private and confidential information. The Company and the Board will maintain the Company's and our shareholders', customers' and suppliers' information confidentiality unless required to be disclosed by law.

(h) Obligations Relative to Fair Trading and Dealing

The Company will deal with others in a way that is fair and will not engage in deceptive practices.

(i) Conflicts of Interest

The Board, Management and employees must not involve themselves in situations where there is a real or apparent conflict of interest between them as individuals and the interest of the Company (excluding those matters which may be subject to legal professional privilege). Where a real or apparent conflict of interest arises, the matter should be brought to the attention of the Chairperson or the Managing Director (if any) in the case of a board member, the non-conflicted board member; in the case of a member of Management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner for all concerned.

(j) Compliance with the Code

Any breach of compliance with this code is to be reported directly to the Chief Executive Officer, Managing Director or Chairperson, as appropriate.

(k) Periodic Review of Code

The Company will monitor compliance with the code periodically by liaising with the Board, Management and staff especially in relation to any areas of difficulty which arise from the code and any other ideas or suggestions for improvement of the code. Suggestions for improvements or amendments to the code can be made at any time.

(l) Code of Conduct for employees (and contractors)

The Company shall ensure that the above principles are implemented and adopted by employees and contractors of the Company by importing the following principles into the terms of such engagements:

- (1) to actively promote the highest standards of ethics and integrity in carrying out their duties for the Company;
- (2) disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware and which they believe could compromise in any way the reputation or performance of the Company;
- (3) respect confidentiality of all information of a confidential nature which is acquired in the course of the Company's business and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated;
- (4) deal with the Company's customers, suppliers, competitors and each other with the highest level of honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which the Company operates;

- (5) protect the assets of the Company to ensure availability for legitimate business purposes and ensure all corporate opportunities are enjoyed by the Company and that no property, information or position belonging to the Company or opportunity arising from these are used for personal gain or to compete with the Company;
- (6) the Company is committed to the ideal of equal employment opportunity and to providing a workplace that is free of harassment and discrimination. To this end the Company will observe the rule and spirit of the legal and regulatory environment in which the Company operates;
- (7) report any breach of this code of conduct to Management, who will treat reports made in good faith of such violations with respect and in confidence.

A. 6 **Selection of External Auditor and rotation of Audit Engagement Partner**

(a) Responsibility

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company.

(b) Selection Criteria

Mandatory criteria

Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. Further the successful candidate must have arrangement in place for the rotation of the audit engagement partner on a regular basis.

Other criteria

Other than the mandatory criteria mentioned above, the Board may select an external auditor based on criteria relevant to the business of the Company such as experience in the industry in which the Company operates, references, cost and any other matters deemed relevant by the Board.

(c) Review

The Audit Committee will review the performance of the external auditor on an annual basis.

A. 7 **Committees**

As set out in Section A. 1(b) above, one of the functions of the Board is to form and monitor any special purpose Committees established to review certain aspects of the operations of the Company, having regard to these principles.

The Company has established:

- (a) an Audit Committee;
- (b) a Health, Safety and Environmental Committee; and
- (c) a Nominations and Remuneration Committee.

The Company has not formally established a Corporate Governance Committee as the Directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of this Committee at the time of adoption of this Charter. The Board as a whole is able to address the issues that would otherwise be addressed by this Committee and is guided by the Charter set out in this document. The Company will review this position annually and determine whether additional special purpose committees need to be established.