



## GRAPHEX MINING LIMITED: BOARD CHARTER

### 1. Introduction

1.1 The Board is primarily responsible for ensuring that Graphex Mining Limited (“**Graphex**” or the “**Company**”) has an appropriate corporate governance structure to ensure the creation and protection of shareholder value.

1.2 The Board is also responsible for ensuring the Company recognizes its legal and other obligations to all legitimate stakeholders from time to time where and to the extent appropriate. “**Stakeholders**” are groups that are likely to feel a social, environmental or economic impact from the Company’s actions. They include shareholders, employees, contractors, regulatory bodies and members of the communities where the Company operates and are affected by the Company’s activities.

1.3 This Board Charter explains the Company’s commitment to corporate governance and sets out the role, responsibilities and conduct of the Board. It is not an “**all inclusive**” document and should be read as an expression of principle.

1.4 To the extent practicable, the Company endorses the ASX Corporate Governance Council’s Principles of Good Corporate Governance and Best Practice Recommendations (the “**ASX Principles**”).

### 2. Purpose and Role

2.1 The Board is responsible for:

- a) setting the direction, strategies and financial objectives of Graphex and ensuring appropriate resources are available;
- b) monitoring the implementation of those policies and strategies and the achievement of those financial objectives;
- c) monitoring compliance with control and accountability systems, regulatory requirements and ethical standards;
- d) ensuring the preparation of accurate financial reports and statements;

- e) reporting to shareholders and the investment community on the performance and state of the Company;
- f) reviewing on a regular and continuing basis:
  - i) executive succession planning (in particular for the Chief Executive Officer or Managing Director); and
  - ii) executive development activities;
- g) delegating powers to the Managing Director as necessary to enable the day-to-day business of the Company to be carried on, and regularly review those delegations; and
- h) determining and regularly reviewing an appropriate remuneration policy for employees of the Company.

2.2 In performing the responsibilities set out above the Board acts at all times:

- a) in a manner designed to create and build sustainable value for shareholders; and
- b) in accordance with the duties and obligations imposed upon it by the Company's Constitution and by law.

### **3. Duties and Responsibilities of the Board**

3.1 In addition to matters expressly required by law to be approved by the Board, powers specifically reserved for the Board are as follows:

- a) appointing and removing the Chief Executive Officer/Managing Director and the Chairman and determining his or her terms and conditions of employment (including remuneration);
- b) reviewing and ratifying each of the following:
  - i) systems of risk management and internal control and compliance, codes of conduct and legal compliance;
  - ii) financial and other reporting; and
  - iii) major capital expenditure, capital management, and acquisitions and divestitures;
- c) any matters in excess of discretions that, from time to time, it may have delegated to the Managing Director, senior management or any other party (for instance, in relation to capital expenditure); and
- d) providing input into and final approval of each of the following,

- i) the strategic plan, at least annually;
  - ii) the budget, at least annually;
  - iii) the remuneration and conditions of service, including financial incentives of senior executives;
  - iv) significant changes to organisational structure;
  - v) the acquisition, establishment, disposal or cessation of any significant business of the Company;
  - vi) the issue of any shares, options, equity instruments or other securities in the Company;
  - vii) any public statements which reflect significant issues of the Company policy or strategy; and
  - viii) any changes to the discretions delegated from the Board.
- e) in discharging his/her duties, each Director must:
- i) exercise care and diligence;
  - ii) act in good faith in the best interests of the Company;
  - iii) not improperly use his/her position or misuse information of the Company; and
  - iv) commit the time necessary to discharge effectively his/her role as a Director.

3.2 All Directors are entitled to be heard at all meetings and to the extent practicable, should bring an objective judgment to bear in decision-making.

#### **4. Board Membership**

4.1 In accordance with the Constitution and the Corporations Act, the Board shall at all times have at least three (3) Directors.

4.2 Directors may appoint Alternate Directors in accordance with the Constitution.

4.3 The Board comprises a majority of independent directors.

4.4 The Directors will appoint an independent Director as Chairman of the Board.

4.5 Nomination and rotation of Directors will be governed by the Corporations Act, the Listing Rules and the Constitution.

## 5. Independence

5.1 An independent Director is a non-executive Director (i.e. is not a member of management) and:

- a) is not a substantial shareholder, as defined in section 9 of the Corporations Act i.e 5% or more, of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- b) is not, and within the last three years has not been:
  - i) employed in an executive capacity by the Company or another group member, or been a director of the Company within three years after ceasing to hold any such employment;
  - ii) a partner, director or senior employee of a material professional adviser or a material consultant to the Company or another group member;
  - iii) 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;
- c) has no material contractual relationship with the Company or another group member other than as a director of the Company;
- d) has no close family ties with any person who falls within any of the categories described above;
- e) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's independence or ability to act in the best interests of the Company; and
- f) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

5.2 For the purpose of this Section 5,

- a) **“material professional adviser”** does not include a professional adviser providing less than 25% of professional advisory services of a same or similar nature to the Company and its group members; and

- b) the guidelines contained in Australian Accounting Standard AASB 1031 “**Materiality**” are followed in determining whether a supplier or customer is a “material supplier or customer”.

## 6. Materiality Threshold

### 6.1 Materiality Threshold

The Board has agreed on the following guidelines for assessing the materiality of matters:

### 6.2 Materiality – Quantitative Balance sheet items

- (a) Balance sheet items are material if they have a value of more than 5% of pro-forma net assets.
- (b) Profit and loss items are material if they will have an impact on the current year operating result of 5% or more.

### 6.3 Materiality – Qualitative

Items are also material if:

- (a) they impact on the reputation of the Company;
- (b) they involve a breach of legislation or may potentially breach legislation;
- (c) they are outside the ordinary course of business;
- (d) they could affect the Company’s rights to its assets;
- (e) if accumulated they would trigger the quantitative tests;
- (f) they involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items; or
- (g) they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

### 6.4 Material Contracts

Contracts will be considered material if:

- (a) they are outside the ordinary course of business;
- (b) they contain exceptionally onerous provisions;
- (c) they impact on income or distribution in excess of the quantitative tests;

- (d) any default, should it occur may trigger any of the quantitative or qualitative tests;
- (e) they are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests;
- (f) they contain or trigger change of control provisions;
- (g) they are between or for the benefit of related parties; or
- (h) they otherwise trigger the quantitative tests.

Any matter which falls within the above guidelines is a matter which triggers the materiality threshold ("**Materiality Threshold**").

## **7. Meetings**

7.1 Board and committee papers are provided to directors, with sufficient time for Directors to read and understand all items presented.

7.2 The non-executive Directors may meet as required for private discussion of management issues without management being present at the discussion.

7.3 The Board will meet at least 8 times per year as a minimum, with extra meetings to be called as required

7.4 The Company Secretary will be the secretary to the Board and will be responsible for maintaining minutes of Board meetings

## **8. Board Committees**

8.1 The Board from time to time may establish committees to assist it in carrying out its responsibilities, and shall adopt charters setting out matters relevant to the composition, responsibilities and administration of such committees, and other matters that the Board may consider appropriate.

## **9. The Chairman**

9.1 The Directors will elect one of their number to the office of chairman and may determine the period for which that director is to be Chairman.

9.2 The Chairman presides over meetings of the Board and general meetings of shareholders.

9.3 The Chairman is responsible for leading and managing the Board in the discharge of its duties.

## **10. The Managing Director**

10.1 The Managing Director's duties are to:

- (a) devote the whole of his or her time, attention and skill during normal business hours and at other times as reasonably necessary, to the duties of the office;
- (b) be accountable for planning, coordinating and directing the operations of the Company to achieve strategic, financial and operating objectives as agreed with the Board;
- (c) formulate and recommend business and financial strategies and plans to develop the Company's business and to implement these plans to achieve agreed performance targets;
- (d) promote the interests of the Company; and
- (e) faithfully and diligently perform the duties and exercise the powers:
  - i) consistent with the position of a Managing Director of the Company and
  - ii) assigned by the Board.

10.2 In fulfilling his or her duties, the Managing Director:

- (a) reports directly to the Board;
- (b) provides prompt and full information to the Board regarding the conduct of the business of the Company; and
- (c) complies with reasonable directions given by the Board.

## **11. The Company Secretary**

11.1 The company secretary supports the effectiveness of the Board by:

- (a) monitoring that Board policy and procedures are followed; and
- (b) coordinating the completion and dispatch of Board agendas and briefing papers.

11.2 The company secretary is responsible to the Board, through the Chairman, on all governance matters.

## **12. Performance Assessment**

12.1 The Board will undertake an annual performance evaluation of itself that:

- (a) compares the performance of the Board with the requirements of its Charter;
- (b) effects any improvements to the Board Charter deemed necessary or desirable; and
- (c) will review this Charter annually.

12.2 The performance evaluation is conducted in such manner as the Board deems appropriate.

### **13. Appointment**

Letters of appointment for each new appointment to the Board will set out the key terms and conditions relative to the appointment.

### **14. Term of Office**

A Director, in accordance with Listing Rule 14.4 must not hold office past the third annual general meeting following the Directors appointment or 3 years, whichever is longer, except that if appointed to fill a casual vacancy or as an addition, must not hold office past the next annual general meeting, without re-election for those circumstances.

### **15. Director Share Trading**

Directors are prohibited by law from taking advantage of their position or information acquired, in the course of their duties, or misusing information for personal gain or to cause detriment to the Company.

There are statutory restrictions on the trading of the Company's shares by Directors (and any person) when in possession of undisclosed price sensitive information. All Directors must comply with the "Insider Trading" prohibitions contained in the *Corporations Act* and with the Company's Securities Trading Policy.

### **16. Corporate Governance**

16.1 The Board is responsible for the adoption, oversight and administration of relevant corporate governance materials of the Company.

16.2 The Annual Report or a Corporate Governance Statement (lodged with ASX and available on the Company's website) will include all required corporate governance disclosure, including the content required by the ASX Principles (as well as an explanation of any departures from the ASX Principles).

16.3 As part of an effective communications strategy, the Company will maintain relevant corporate governance information on its website.



**CHARTER APPROVAL and REVIEW**

Approved by the Board            30 May 2016