

2016 CORPORATE GOVERNANCE STATEMENT

This statement outlines the key aspects of Graphitecorp Limited's corporate governance framework and main governance practices for the year ended 30 June 2016. Copies or summaries of certain governance documents referred to in this statement can be found in the "Corporate Governance" section of the Graphitecorp website at www.graphitecorp.com.au. These charters, policies and procedures are regularly reviewed and updated to ensure that they remain consistent with the Board's objectives, applicable law, and best practice governance. This statement was approved by the Board on 26 August 2016.

The Company has, where appropriate, sought to adopt the 'Principles of Good Corporate Governance and Best Practice Recommendations' (**Guidelines**) as published by the ASX Corporate Governance Council.

The corporate governance principles and practices adopted by the Company may differ from those set out in the ASX Recommendations where the Board considers that adherence is not appropriate, having regard to the nature, complexity and size of the Company's business.

The Company reports below on Graphitecorp's current practice against the Guidelines and outlines its assessment below:

Principles and recommendations		Compliance	Comply
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions expressly reserved to the Board and those delegated to management, and disclose those functions.	<p>The Board is responsible for overall corporate governance of Graphitecorp.</p> <p>The role of the Board and delegation to management have been formalised in the corporate governance charter which outlines the main corporate governance practices in place for Graphitecorp. The Board and each Director are committed to the charter. The conduct of the Board is also governed by Graphitecorp's constitution, and where there is inconsistency with that document, the constitution prevails to the extent of the inconsistency.</p> <p>The charter will be reviewed and amended from time to time as appropriate, taking into consideration practical experience gained as a listed company.</p>	Complies.
1.2	Undertake appropriate checks before appointing a person as a director, and provide shareholders with all material information relevant to a decision on whether or not to elect or re-elect a director.	Graphitecorp has completed police checks, insolvency and banned director searches in relation to the existing Directors. The Company will conduct appropriate checks for future appointments.	Complies.

Principles and recommendations		Compliance	Comply
1.3	Have a written agreement with each director and senior executive setting out the terms of their appointment.	Graphitecorp has entered into written agreements with each Director and senior executive.	Complies.
1.4	The Company Secretary should be accountable directly to the Board on all matters to do with the proper functioning of the Board.	This is consistent with the charter and corporate structure of Graphitecorp. The Company Secretary has a direct relationship with the Board in relation to these matters and operates independently of the executive.	Complies.
1.5	Establish a diversity policy and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them, for reporting against in each reporting period.	Graphitecorp has not adopted a diversity policy. Given that Graphitecorp has only two executives (and no other employees), the Board considers it inappropriate to adopt such a policy. The Board will consider adopting a diversity policy as Graphitecorp's operations grow.	Does not comply.
1.6	Have a process for periodically evaluating the performance of the Board, its committees and individual directors, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.	The corporate governance charter provides for regular performance reviews to be conducted.	Does not currently comply, however, in accordance with the charter Graphitecorp intends to evaluate performance of the Board in September each year and disclose for each reporting period whether an evaluation has been undertaken.
1.7	Have a process for periodically evaluating the performance of Graphitecorp's senior executives, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.	The Board's broad function is to formulate strategy and set financial targets for Graphitecorp, monitor the implementation and execution of strategy and performance against financial targets, appoint and oversee the performance of executive management, and generally take an effective leadership role in relation to Graphitecorp. The Board annually assesses the performance of the Managing Director. This review occurred in June 2016.	Complies.

Principles and recommendations	Compliance	Comply	
Principle 2 – Structure the Board to add value			
2.1	Graphitecorp should have a nomination committee, which has at least three members, a majority of independent directors and is chaired by an independent director. The functions and operations of the nomination committee should be disclosed.	Graphitecorp has not established a nomination committee. Given that Graphitecorp has only two executives (and no other employees), such a policy is not considered necessary. The Board will consider establishing a nomination committee as Graphitecorp's operations grow.	Does not comply.
2.2	Have and disclose a Board skills matrix, setting out what the Board is looking to achieve in its membership.	Graphitecorp intends to informally monitor the experience, expertise, skills and qualifications necessary for the Board over time.	Does not presently comply, however the Board intends to formalise a skills matrix.
2.3	Disclose the names of the directors that the Board considers to be independent directors, and an explanation of why the Board is of that opinion if a factor that impacts on independence applies to a director, and disclose the length of service of each director.	Mr Bellas is not considered independent given his substantial holding in Graphitecorp (over 5%). Mr Baynton and Mr St Baker are not considered independent because each is an executive and substantial Shareholder.	Complies.
2.4	A majority of the Board should be independent directors.	Graphitecorp currently has a three member Board, none of whom are independent. The Board considers that the size and scope of Graphitecorp's activities does not justify the additional cost of appointing two additional independent directors at this stage.	Does not comply.
2.5	The chairman of the Board should be an independent director and should not be the CEO.	The Chairman, Mr Bellas, is a non-executive Director, but he is not considered independent.	Does not comply.
2.6	There should be a program for inducting new directors and providing appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	This is consistent with the corporate governance charter and processes implemented by Graphitecorp.	Complies.

Principles and recommendations		Compliance	Comply
Principle 3 – Act ethically and responsibly			
3.1	Have a code of conduct for the Board, senior executives and employees, and disclose that code or a summary of that code.	Graphitecorp has adopted a code of conduct, which sets out a framework to enable Directors to achieve the highest possible standards in the discharge of their duties and to give a clear understanding of best practice in corporate governance.	Complies.
Principle 4 – Safeguard integrity in corporate reporting			
4.1	The Company should have an audit committee, which consists of only non-executive directors, a majority of independent directors, is chaired by an independent chairman who is not chairman of the Board, and has at least three members. The functions and operations of the audit committee should be disclosed.	Graphitecorp has an audit committee of two – Mr Bellas and Mr Baynton. The size and scope of Graphitecorp's activities does not justify the cost of appointing independent directors at this stage.	Does not comply.
4.2	The Board should, before approving financial statements for a financial period, receive a declaration from the CEO and CFO that, in their opinion, the financial records 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 Graphitecorp, formed on the basis of a sound system of risk management and internal controls, operating effectively.	This is consistent with the approach to be adopted by the audit committee and Board.	Complies.
4.3	Graphitecorp's auditor should attend the AGM and be available to answer questions from security holders relevant to the audit.	Graphitecorp's auditor will be requested to attend the AGM and Shareholders will be entitled to ask questions in accordance with the Corporations Act and these Guidelines.	Complies.
Principle 5 – Make timely and balanced disclosure			
5.1	Have a written policy for complying with continuous disclosure obligations under the Listing Rules, and disclose that policy or a summary of it.	Graphitecorp has a written continuous disclosure policy which is designed to ensure that all material matters are appropriately disclosed in a balanced and timely manner and in accordance with the requirements of the ASX Listing Rules.	Complies.

Principles and recommendations		Compliance	Comply
Principle 6 - Respect the rights of security holders			
6.1	Provide information about Graphitecorp and its governance to investors via its website.	The corporate governance charter and other applicable policies are available on Graphitecorp's website.	Complies.
6.2	Design and implement an investor relations program to facilitate effective two-way communication with investors.	Graphitecorp aims to ensure that all Shareholders are well informed of all major developments affecting Graphitecorp and that the full participation by Shareholders at the Company's AGM is facilitated. In the opinion of the Board, these objectives can be achieved without a formal policy.	Does not comply.
6.3	Disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders.	Graphitecorp intends to facilitate effective participation in the AGM, as well as the ability to submit written questions ahead of the AGM. Graphitecorp intends to adopt appropriate technologies to facilitate the effective communication and conduct of general meetings. In the opinion of the Board, these objectives can be achieved without formal policies or procedures.	Does not comply.
6.4	Give security holders the option to receive communications from, and send communications to, the Company and its share registry electronically.	Graphitecorp has instructed its share registry to facilitate this option for investors, as well as future shareholders at appropriate times.	Complies.
Principle 7 – Recognise and manage risk			
7.1	The Board should have a risk committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members. The functions and operations of the risk committee should be disclosed.	Graphitecorp has a combined audit and risk management committee. See above for independent status of the committee members. The functions and operations of the committee are established under the charter. The size and scope of Graphitecorp's activities does not justify the cost of appointing independent directors at this stage.	Does not comply.

Principles and recommendations		Compliance	Comply
7.2	The Board or a committee of the Board should review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, and disclose, in relation to each reporting period, whether such a review has taken place.	The charter establishes the role of the committee. The committee will establish the risk management framework.	Does not comply to the extent that the committee is newly formed and has not conducted an annual review.
7.3	Disclose if Graphitecorp has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the processes Graphitecorp employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Due to Graphitecorp's limited number of employees and relative nature and scale of its operations, the costs of an independent internal audit function would be disproportionate to the risk it seeks to mitigate. Graphitecorp has an external auditor and the audit and risk management committee will monitor and evaluate material or systemic issues. The Board believes it and the audit and risk management committee have adequate oversight of the existing operations.	Does not comply.
7.4	Disclose whether Graphitecorp has any material exposure to economic, environmental and social sustainability risks and, if so, how it manages those risks.	Graphitecorp has economic, environmental and social sustainability exposures typical for a mineral exploration and development company operating in a remote regional area. The Board has established a Health, Safety, Environment and Sustainability Policy that sets out the objectives and expectations for Graphitecorp to appropriately manage those risks.	Complies.
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should have a remuneration committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members. The functions and operations of the remuneration committee should be disclosed.	The Board has decided that a remuneration committee is unnecessary. The Board believes it can adequately deal with the matters typically within the purview of a remuneration committee.	Does not comply.

Principles and recommendations		Compliance	Comply
8.2	The policies and practices regarding the remuneration of non-executive directors, and the remuneration of executive directors and other senior executives, should be separately disclosed.	Graphitecorp discloses all information regarding policies and practices regarding remuneration in the Remuneration Report section of the Annual Report of the Company. No Director or senior executive is involved directly in deciding their own remuneration.	Complies.
8.3	If Graphitecorp has an equity-based remuneration scheme, it should 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 disclose that policy or a summary of it.	Graphitecorp has a 'rights plan'. In accordance with Graphitecorp's Securities Trading Policy participants are not permitted to enter into transactions which limit economic risk without written clearance.	Complies.

