



Phillips River

Corporate Governance Statement

This statement reports on the main corporate governance practices of Phillips River Mining Limited (ACN 004 287 790) (**Company**) as at 21 September 2015 and it has been approved by the Board of the Company.

The directors of the Company recognise the need for high standards of corporate governance. The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement.

Commensurate with the spirit of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (3rd edition)* (**Principles & Recommendations**), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. It should be noted that the Company is a small company with a strong commitment to containing costs. This commitment, when related to the relatively small size of the Company, makes it difficult to fully attain all of the recommended principles; indeed, many of the principles have limited relevance to the operation of a smaller entity.

Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and an explanation for the adoption of its own practice.

The Phillips River Board largely supports and is largely, though not totally in compliance with the ASX Recommendations published by the ASX Corporate Governance Council ("**ASXCGC**").

The following governance-related documents are maintained by the Company and can be reviewed on request:

1. **Charters**

- Board Charter

2. **Policies and Procedures**

- Policy and Procedure for Selection and Appointment of Directors
- Process for Performance Evaluation
- Code of Conduct
- Compliance Procedures for ASX Listing Rule Disclosure Requirements (summary)
- Procedure for the Selection, Appointment and Rotation of External Auditor
- Shareholder Communication Strategy
- Risk Management Policy (summary)
- Policy for Trading in Company Securities

The Company reports below on how it has followed, (or otherwise departed from), each of the recommendations during the 2014/2015 financial year (**Reporting Period**).

The information in this statement is current at **21 September 2015**.

PRINCIPLE 1 — LAY SOLID FOUNDATION FOR MANAGEMENT AND OVERSIGHTS

Recommendation 1.1 — Roles and responsibilities of the Board and Senior Executives

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chair or the lead independent director, as appropriate.

Recommendation 1.2 — Performance evaluation for senior executives

Prior to the appointment of a Senior Executives, the Company undertakes checks which it believes are appropriate to verify a director's character, experience, education, criminal record and bankruptcy history including for new directors:

- o background and reference checking;
- o requesting information in relation to the person's current and previous positions, directorships, bankruptcy history and any potential conflicts of interests.

The Company ensures that all material information in its possession relevant to a shareholder's decision whether to elect or re-elect a director, including the information referred to in Recommendation 1.2, is provided to shareholders in the Company's Notice of Annual General Meeting.

Recommendation 1.3 — Role of the Board

Each director and senior executive of the Company has an agreement in writing with the Company which sets out the key terms and conditions of their appointment including their duties, rights and responsibilities and (to the extent applicable) the matters referred to in the commentary to Recommendation 1.3

Recommendation 1.4 — Board processes

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for Directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

It is also responsible for approving and monitoring financial and other reporting. Details of the Board's charter can be reviewed on request.

The full Board currently holds various meetings throughout the year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairperson, Managing Director and Company Secretary. Any submissions are circulated in advance.

Recommendation 1.5 – Diversity

The Company recognises that a diverse and inclusive workforce is not only good for employees, it is also good for our business.

Given the size of the Company and status of the Company's exploration and development projects, the directors believe that it is not appropriate at this stage to adopt a Diversity Policy.

The Board has not set measurable objectives for achieving gender diversity. Given its small size and the fact that the Company does not currently have any employees, the Company does not have and does not intend to adopt a specific diversity policy or quota in this area. It is the Company's intention however to provide equal opportunity in respect to employment and ensure appropriate selection criteria based on diverse skills, experience and perspectives is used when hiring new staff.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board are set out in the following table:

	Proportion of women
Whole organisation	0 out of 3 (0%)
Board	0 out of 3 (0%)

Notwithstanding this, the Company is committed to establishing a Diversity Policy which will be based on the following key principles, reflective of the ASX guidelines on diversity:

1. Treat others with respect, value differences and maintain privacy;
2. Value diversity and it will bring opportunities to enhance our businesses;
3. Women and minority cultural groups will not be disadvantaged in gaining employment and accessing the benefits and privileges that other persons in the company enjoy in their employment with the Company;
4. Transparency will be exercised in all recruitment decisions from Board level to entry level;
5. Workforce composition statistics will be reviewed annually to determine if there are any areas that warrant an increased focus on diversity; and
6. Public reporting of progress against the Company's diversity objectives.

Recommendation 1.6 – Board Assessment

The Board recognises that as a result of the Company's size and its position as a publicly listed exploration and development company, the assessment of the Board's overall performance and its own succession plan is conducted on an ad hoc basis.

Whilst Recommendation 1.6 is not strictly followed the Directors consider that at the date of this report the evaluation process of company directors is appropriate and effective. A more formal process of assessing the Board will be considered in the future as the Company develops.

Recommendation 1.7 – Senior Executive Assessment

The Board recognises that as a result of the Company's size and its position as a publicly listed exploration and development company, the assessment of the Company's senior executive is conducted on an ad hoc basis.

Whilst Recommendation 1.7 is not strictly followed the Directors consider that at the date of this report the evaluation process of senior executive is appropriate and effective. A more formal process of assessing senior executives will be considered in the future as the Company develops.

PRINCIPLE 2 — STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1— Nomination committee

The Company is not currently considered to be of a size, nor are its affairs of such complexity to justify the establishment of separate committees (i.e. Audit or Remuneration or Nomination or Risk Management Committee). In lieu of a nomination committee, all matters which may be capable of delegation to a committee are dealt with by the full Board.

Directors are selected by reference to their background and experience which is relevant to the business needs of the Company. New directors are invited to join the Board by the chairperson, who makes the invitation based on recommendations made by the Nomination Committee and approved by the Board.

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of Non-Executive Directors on a case by case basis and in conformity with the requirements of the Listing Rules and the Corporations Act.

Recommendation: 2.2 — Skills, experience, expertise and period of office of each Director

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report.

The Board considers that the mix of skills and diversity for which it is looking to achieve in membership of the Board is represented by the Board's current composition, as the directors possess the skills and expertise necessary to look at taking on new Company projects, improving the Company's projects and growing the Company.

Recommendations 2.3 and 2.4 — Independent directors

The Company currently does not have any independent directors. Due to the very small size of the Company and the fact that it currently does not run an operating business, the Directors do not see any advantage to shareholders in appointing independent directors or re-structuring the board at this time. However it is the intention of the directors to review the composition of the Board upon the acquisition of the Kiwanda Assets to ensure that it remains appropriate and meets good corporate governance practices.

The Board considers the independence of directors having regard to the relationships listed in Recommendation 2.1 of the *Principles & Recommendations* and the Company's materiality thresholds.

The Board has agreed on the following guidelines, as set out in the Company's Board Charter for assessing the materiality of matters:

- Balance sheet items are material if they have a value of more than 5% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 5% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if

accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 5% or more on balance sheet or profit and loss items, or 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 5%.

- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

Recommendation 2.5 — Chairman and Managing Director

The roles of the Chairman and Managing Director are separate. Christopher West has been appointed Chairman of the Company. Mark Sumner has been appointed Managing Director.

The Chairman, Christopher West, is considered not to be independent within the meaning of Item 1 in Box 2.1 of the *Principles & Recommendations*. This is because of Mr West's shareholding interests in Kiwanda Group LLC, which is a substantial shareholder of the Company (holding an interest of 19.9%).

The Board considers Mr West the best person to lead the Board at this time, drawing on his 30 years of experience and skills in the resource funds management and corporate finance industries.

Recommendation: 2.6 — New director programs and development

All directors are expected to maintain the skills required to effectively discharge their obligations to the Company. Each Director and any new director has the right of access to all relevant Company information and to the Company's executives. Directors are encouraged to undertake continuing professional education and, if this involves industry seminars and approved education courses, where appropriate, this is paid for by the Company.

PRINCIPLE 3 — ACT ETHICALLY AND RESPONSIBLY

Recommendation: 3.1 — Code of Conduct

The Company's directors, officers, employees and key contractors / consultants are required to conduct themselves with the highest ethical standards. The Company's Code of Conduct Policy can be viewed upon request to the Company and covers the following items: Aligning the behaviour of the Board and management with the code of conduct by maintaining appropriate core Company values and objectives

- Fulfilling responsibilities to shareholders by delivering shareholder value
- Usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure
- Fulfilling responsibilities to clients, customers and consumers by maintaining high standards of product quality, service standards, commitments to fair value, and safety of goods produced
- Employment practices such as occupational health and safety, employment opportunity, the community activities, sponsorships and donations
- Responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution

- Compliance with legislation including policies on legal compliance in countries where the legal systems and protocols are significantly lower than Australia's
- Conflicts of interest
- Corporate opportunities such as preventing Directors and key executives from taking advantage of property, information or position for personal gain
- Confidentiality of corporate information
- Fair dealing
- Protection and proper use of the Company's assets
- Compliance with laws
- Reporting of unethical behaviour.

PRINCIPLE 4 — SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation: 4.1, 4.2 and 4.3 — Audit Committee

The Company is not currently considered to be of a size, nor are its affairs of such complexity to justify the establishment of an Audit Committee.

For the 2014 financial year, the Managing Director and Chief Financial Officer has provided a statement to the Board in writing 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, together with the efficient and effective operation of the risk management and internal compliance and control systems.

The Company's auditor Deloitte attends the Company's Annual General Meeting and is available to answer questions from shareholders relevant to the audit from shareholders.

PRINCIPLE 5 — MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation: 5.1 and 5.2 — Continuous Disclosure

The Company has established policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance. All Directors and the Company Secretary are responsible to ensure that disclosure policy is adhered to. The Managing Director works with the Chairman in dealing with media contact and any external communications.

The Company is currently undertaking a further review of its Continuous Disclosure policy following ASX's update to Guidance Note 8 relating to continuous disclosure of companies.

The Company Secretary is responsible for communications with the Australian Securities Exchange (**ASX**) including responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing information going to the ASX, shareholders and other interested parties.

Current and archived news items announced by the Company are available free of charge at www.asx.com.au.

PRINCIPLE 6 — RESPECT THE RIGHTS OF SECURITY HOLDERS.

The Board aims to ensure that shareholders are kept fully informed at all times and have access to all information necessary to assess the performance and prospects of the Company.

Recommendation: 6.1 and 6.2

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The Board is committed to ensuring that shareholders are at all times provided with information sufficient to enable effective monitoring of the Company's performance by means of:

- The Annual Report and Half Yearly Report.
- Periodic reports and special reports when matters of material interest arise.
- The Annual General Meeting and other meetings called to obtain approval of any Board action as required.
- Continuous disclosure.

Recommendation: 6.3 — Security holder participation at meetings

Shareholders are also encouraged to participate in the Annual General Meeting (AGM) to ensure a high level of accountability and identification with the Company's strategies and goals. Important issues are presented to shareholders as separate resolutions.

Shareholders who are unable to attend the AGM may vote by appointing a proxy using the form included with the Notice of Meeting or via the online facility. Further, shareholders are also invited to submit questions in advance of the AGM so that the Company can ensure those issues are addressed at the meeting.

Recommendation: 6.4 — Electronic communications

Shareholders have the option to receive communications from, and send communications to, the Company and its share registry, Computershare Limited, electronically.

PRINCIPLE 7 — RECOGNISE AND MANAGE RISK

Recommendation: 7.1 and 7.2, — Risk Management Policy

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks with the assistance of senior management. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board adopts practices designed to identify significant areas of business risks and to effectively manage those risks in accordance with the Company's risk profile. Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risks.

Recommendation: 7.3 — Internal Audit

The Company has established robust internal assurance processes in lieu of a dedicated internal audit program. The Company utilises both external and internal resources to provide an internal control function.

Recommendation: 7.4 — Risk Management

The Company's main areas of risks, and its approach to managing these risks, are set out as follows.

Mining, exploration and development

The Company's current major area of focus is to complete the acquisition of a number of phosphate and coal mining assets from Kiwanda Mines and Lara together with an equity capital raising by the Company. If these transactions do not occur, then it is likely that the Company will be wound up.

The Company undertakes minerals exploration and mining development and, as such, faces risks inherent to its business, including economic, environmental and social sustainability risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term.

One of the Company's core values is safety; it prioritises safety and health to people, the environment and community. The Company views sustainable and responsible business practices as an important long term

driver of performance and shareholder value and is committed to transparency, fair dealing, responsible treatment of employees and partners and positive interaction with the community.

PRINCIPLE 8 — REMUNERATE FAIRLY AND RESPONSIBLY

Recommendations 8.1, 8.2 and 8.3. —Remuneration

Given the size of the Company and status of the Company's exploration and development projects, the directors believe that it is not appropriate, nor is the Company able, at this stage to comply with Recommendations 8.1, 8.2 and 8.3.

Upon the successful completion of the proposed acquisitions from Kiwanda Mines and Lara the Company will become a producing mining company and have numerous employees. It is the Directors' intention that suitable remuneration practices will be adopted and implemented at that time.