

# XRF SCIENTIFIC LIMITED

## 2019 CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement is accurate as at 26 August 2019 and has been approved by the board.

### ASX CORPORATE GOVERNANCE COUNCIL'S PRINCIPLES

The table below summarises the Company's compliance with the ASX Corporate Governance Council's Revised Principles and Recommendations.

		Comply?	Reference/Explanation
<b>Principle 1 – Lay solid foundations for management and oversight</b>			
1.1	A listed entity should disclose:		
	(a) the respective roles and responsibilities of its board and management; and	Yes	Page 6
	(b) those matters expressly reserved to the board and those delegated to management.	Yes	Page 9
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	Yes	Page 6
	(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.	Yes	Page 7
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	Terms of employment for senior executives are contained within contracts signed on the dates of their appointment. Terms of appointment for directors are specified in the Company's Constitution.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	Page 6
1.5	A listed entity should:		
	(a) have a diversity policy 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;	No	The Company has an equal opportunity policy, however, measurable objectives for gender diversity have not yet been set.
	(b) disclose that policy or a summary of it; and	No	Refer to page 11 for a summary of XRF's equal opportunity policy.
	(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:	No	Measurable objectives for gender diversity have not yet been set.
	(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	Yes	Page 11

		Comply?	Reference/Explanation
	(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.	N/A	The Company is not a "relevant employer" as defined by the Workplace Gender Equality Act.
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	Yes	Page 6
	(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Page 6
1.7	A listed entity should:		
	(a) have and disclose a process for periodically evaluating the performance of its senior executives; and	Yes	Refer to the Remuneration Report in the 2019 Annual Report.
	(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Performance reviews for FY19 have been completed as per Company policy.
<b>Principle 2 - Structure the board to add value</b>			
2.1	The board of a listed entity should:		
	(a) have a nomination committee which:	N/A	Given the size of the Company, it is determined that the Board will execute the functions of a nomination committee and that a separate nomination committee is not warranted.
	(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 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.	Yes	Page 6
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.	Yes	Page 8
2.3	A listed entity should disclose:		
	(a) the names of the directors considered by the board to be independent directors;	Yes	F. Grimwade and D. Kiggins and are independent directors.
	(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and	N/A	None of the directors considered to be independent have interests, positions or relationships as listed in Box 2.3 of the ASX guidance document.
	(c) the length of service of each director.	Yes	Page 7
2.4	A majority of the board of a listed entity should be independent directors.	No	Two out of four board members are considered independent. The Directors do not believe that this impacts the effectiveness of the Board.
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.	Yes	F.Grimwade is an independent, non-executive director and does not perform the role of CEO.

		Comply?	Reference/Explanation
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.	Yes	Page 6
<b>Principle 3 – Act ethically and responsibly</b>			
3.1	A listed entity should:		
	(a) have a code of conduct for its directors, senior executives and employees; and	Yes	Page 10
	(b) disclose that code or a summary of it.	Yes	Page 10
<b>Principle 4 – Safeguard integrity in corporate reporting</b>			
4.1	The board of a listed entity should:		
	(a) have an audit committee which:	Yes	Page 8
	(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and	No	The Committee consists of two independent, non-executive Directors. Given the size of the Company, the Board do not believe that this impacts the effectiveness of the Committee.
	(2) is chaired by an independent director, who is not the chair of the board,	Yes	Page 8
	and disclose:		
	(3) the charter of the committee;	Yes	Page 8
	(4) the relevant qualifications and experience of the members of the committee; and	Yes	Page 7
	(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	Yes	Page 9
	(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.	N/A	
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.	Yes	The Board receives a declaration statement from the CEO and the CFO prior to the approval of half-year and full-year financial reports.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	BDO attends each AGM and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.
<b>Principle 5 – Make timely and balanced disclosure</b>			
5.1	A listed entity should:		
	(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and	Yes	Page 10
	(b) disclose that policy or a summary of it.	Yes	Page 10

		Comply?	Reference/Explanation
<b>Principle 6 – Respect the rights of security holders</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes	Information about the Company and its governance is available in the "Corporate Governance" section of the Company's website.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	Page 10
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.	Yes	All shareholders receive written notice of general meetings and are encouraged to attend and participate.
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.	Yes	Contact details for the Company and its share registry are available on their respective websites. Shareholders can provide their email address to receive certain communications electronically.
<b>Principle 7 – Recognise And manage risk</b>			
7.1	The board of a listed entity should:		
	(a) have a committee or committees to oversee risk, each of which:	Yes	Page 8
	(1) has at least three members, a majority of whom are independent directors; and	No	The Committee consists of two independent, non-executive Directors. Given the size of the Company, the Board do not believe that this impacts the effectiveness of the Committee.
	(2) is chaired by an independent director, and disclose:	Yes	Page 8
	(3) the charter of the committee;	Yes	Page 8
	(4) the members of the committee; and	Yes	Page 7
	(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	Yes	Page 9
	(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.	N/A	
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	Yes	Page 10
	(b) disclose, in relation to each reporting period, whether such a review has taken place.	Yes	A review of the risk register will be conducted in the second half of the 2019 calendar year.
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	N/A	Due to the size and nature of the Company's operations, the Company does not currently have a formal internal audit function.
	(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 management and internal control processes.	Yes	The Audit and Governance Committee is responsible for monitoring the Company's risk management and internal financial control systems.

		Comply?	Reference/Explanation
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.	Yes	The Company has a risk register in place which assigns ratings to potential risks, based on the impact and likelihood of a negative outcome. Mitigation strategies are outlined for each risk identified.
<b>Principle 8 – Remunerate fairly and responsibly</b>			
8.1	The board of a listed entity should:		
	(a) have a remuneration committee which:	Yes	Page 8
	(1) has at least three members, a majority of whom are independent directors; and	No	The Committee consists of two independent, non-executive Directors. Given the size of the Company, the Board do not believe that this impacts the effectiveness of the Committee.
	(2) is chaired by an independent director, and disclose:	Yes	Page 8
	(3) the charter of the committee;	Yes	Page 8
	(4) the members of the committee; and	Yes	Page 7
	(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	Yes	Page 9
	(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.	N/A	
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.	Yes	Refer to the Remuneration Report in the 2019 Annual Report.
8.3	A listed entity which has an equity-based remuneration scheme should:	N/A	The Company does not currently have any equity-based remuneration schemes in place.
	(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.		

## **ROLE OF THE BOARD**

The Board of Directors is responsible for the overall corporate governance of XRF Scientific Limited and is committed to the principles underpinning best practice in corporate governance, applied in a manner that meets ASX standards and best addresses the Directors' accountability to shareholders. Whilst the Company will endeavour to comply with all of the guidelines under the ASX Corporate Governance Recommendations, the Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the additional expense of compliance with all recommendations.

A brief summary of XRF's main corporate governance policies and practices is outlined below.

## **THE BOARD OF DIRECTORS**

The Board is predominantly comprised of non-executive directors. Presently there are three non-executive directors (two independent) and one executive director. The Chairman is an independent director. It is XRF's aim to have a majority of non-executive directors on the Board.

All new directors are appointed by an ordinary resolution of the Company's shareholders at the annual AGM. The Company's Constitution requires that directors submit for re-election after a maximum period of three years. The remainder of the Board is responsible for ensuring that new directors are provided with a comprehensive induction programme.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, experience and achievement, credibility within the Company's scope of activities, intellectual ability to contribute to the Board's duties and ability to undertake Board duties and responsibilities. The Company's full Board is responsible for such nominations and appointments rather than a separate committee.

### **Relationship with management**

Directors may delegate their powers as they consider it appropriate. Ultimate responsibility for strategy and control and oversight of sound and prudent management of the Company rests with the directors, however, the day-to-day operation and administration of the Company is delegated by the Board to the Managing Director.

The Company Secretaries are accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

### **Performance of the Board**

The Board undertakes regular self-assessment of its collective performance, the performance of the Chairman and the performance of its committees. The results are discussed at Board level and any action plans are documented together with specific performance goals which are agreed for the coming year. The structure of the Board was most recently reviewed in 2018 after the retirement of the previous Chairman. Further, the Chairman undertakes regular assessment of the performance of individual directors and meets privately with each director to discuss this assessment. The next Board review is expected to be performed in the second half of the 2019 calendar year.

## INFORMATION ON DIRECTORS

---

### **Fred Grimwade**

*Date of appointment:*

*Qualifications:*

*Experience:*

*Other current directorships:*

*Former directorships in last 3 years:*

*Special responsibilities:*

*No. of shares:*

### **Chairman (Non-Executive)**

1 May 2012 (7 years)

Bachelor of Commerce and Law, Master of Business Administration, Fellow of the Governance Institute of Australia, Fellow of the Australian Institute of Company Directors, and Life Member of the Financial Services Institute of Australasia

Has held general management positions at Colonial Agricultural Company, the Colonial Group, Western Mining Corporation and Goldman, Sachs & Co. Currently a Principal and Director of Fawcner Capital.

Chairman of CPT Global Ltd; Non-Executive Director of Select Harvests Ltd, Australian United Investment Company Ltd and other private companies

Chairman of Troy Resources Ltd; Non-Executive Director of NewSat Ltd and other private companies

Chairman of the Remuneration Committee, member of the Audit & Governance Committee

500,000 fully paid ordinary shares

---

### **David Brown**

*Date of appointment:*

*Qualifications:*

*Experience:*

*Other current directorships:*

*Former directorships in last 3 years:*

*Special responsibilities:*

*No. of shares:*

### **Director (Non-Executive)**

7 June 2004 (15 years)

Bachelor of Science, Bachelor of Economics

Has over 45 years of experience in research and development and manufacturing of X-Ray Flux chemicals; formerly Chief Chemist for Swan Brewery Co. Ltd and Chairman of Scientific Industries Council of WA

Private companies only

Private companies only

Technical consultant to XRF Chemicals Pty Ltd

8,800,000 fully paid ordinary shares

---

### **David Kiggins**

*Date of appointment:*

*Qualifications:*

*Experience:*

*Other current directorships:*

*Former directorships in last 3 years:*

*Special responsibilities:*

*No. of shares:*

### **Director (Non-Executive)**

1 May 2012 (7 years)

Bachelor of Science (Hons), Fellow of the Institute of Chartered Accountants of England and Wales, Fellow of the Institute of Chartered Secretaries and Administrators, and member of Australian Institute of Company Directors

Ten years at Arthur Andersen, working in audit and business consulting in the UK, Australia, Africa and the Middle East. Formerly GM Business Development and Company Secretary at Automotive Holdings Group Ltd; Finance Director and Company Secretary at Global Construction Services Ltd; Chief Financial Officer at Heliwest. Currently the Chief Financial Officer at Stealth Global Holdings Ltd.

Private companies only

Private companies only

Chairman of the Audit & Governance Committee, member of the Remuneration Committee

212,900 fully paid ordinary shares

---

### **Vance Stazzonelli**

*Date of appointment:*

*Qualifications:*

*Experience:*

*Other current directorships:*

*Former directorships in last 3 years:*

*Special responsibilities:*

*No. of shares:*

### **Managing Director (Executive)**

22 February 2018 (1 year)

Bachelor of Commerce (Professional Accounting)

Vance joined XRF Scientific as Chief Financial Officer in October 2009. He was subsequently appointed to Chief Operating Officer in January 2011 and then Chief Executive Officer in August 2012. On 22 February 2018, he was appointed as Managing Director.

Private companies only

Private companies only

N/A

520,000 fully paid ordinary shares

---

## COMMITTEES OF THE BOARD

### Audit and Governance Committee

The Audit and Governance Committee is comprised of two Board members, including the non-executive Chairman and a non-executive director. The Committee is chaired by an independent director. The primary responsibilities of this Committee are to monitor the integrity of the financial statements of the Company, oversee the Company's risk management framework, and to review and monitor the Company's internal financial control system. The Committee has implemented a formal charter, which is accessible in the Corporate Governance section of XRF's website.

### Remuneration Committee

The Remuneration Committee is comprised of two Board members, including the non-executive Chairman and a non-executive director. The Committee is chaired by an independent director. The primary responsibility of this Committee is to discharge the Board's responsibilities in relation to remuneration of the Company's executives, including securities and benefit plans. Further information on directors' and executives' remuneration is set out in the Remuneration Report. The Committee has implemented a formal charter, which is accessible in the Corporate Governance section of XRF's website.

## BOARD SKILLS MATRIX

The following matrix summarises the range of skills and experiences possessed by the Company's Board of Directors:

Skill	No. of Board members	No. of Audit and Governance Committee members	No. of Remuneration Committee members
Industry professional experience	2	0	0
Executive experience	4	2	2
International experience	4	2	2
Corporate governance	4	2	2
Mergers and acquisitions experience	4	2	2
Shareholder relations	4	2	2
Corporate financing	4	2	2
Accounting	4	2	2
Sales and marketing	4	2	2
Legal knowledge	4	2	2



## MEETINGS OF DIRECTORS

The number of meetings held by the Board of Directors including meetings of the committees of the Board and the number of meetings attended by each of the Directors during the financial year ended 30 June 2019 were as follows:

	Meetings of full Board of Directors		Meetings of Sub-committees			
			Audit & Governance		Remuneration	
	A	B	A	B	A	B
Fred Grimwade	12	12	3	3	3	3
David Brown	12	12	*	*	*	*
David Kiggins	12	11	3	3	3	3
Vance Stazzonelli	12	12	*	*	*	*
<b>Kenneth Baxter (resigned 29 October 2018)</b>	4	4	2	2	2	2

**A** = Meetings held during the time the director held office or was a member of the Committee during the year

**B** = Meetings attended

**\*** = Not a member of the relevant Committee

## RESPONSIBILITIES OF THE BOARD

The management and control of the business is vested in the Board. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of the shareholders. The Board strives to create shareholder value and ensure that shareholder's funds are safeguarded.

The key responsibilities of the Board include:

- The overall corporate governance of the Company including its strategic direction and financial objectives, establishing goals for management and monitoring the attainment of these goals;
- Approving strategic plans, key operational and financial matters, and investment/divestment proposals;
- Approving the nominations of Directors to the Board and appointment of key executives;
- Evaluating and rewarding senior management and ensuring executive succession planning;
- Ensuring that the Directors have a good understanding of the Company's business;
- Ensuring Management maintains a sound system of internal controls to safeguard the assets of the Company;
- Monitoring the performance of the Company;
- Appointing and removing the Managing Director or Chief Executive Officer;
- Ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer (or equivalent) and/or the company secretary;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance, safety and occupational health policies, community and environmental issues;
- Monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available; and
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures, together with any recommendations from management associated with these activities.

## **POLICIES AND PROCEDURES**

### **Code of Conduct**

The Company recognises the importance of a work environment which actively promotes best practice. The purpose of this Code is to describe the standards of behaviour and conduct expected from workplace participants in their dealings with customers, suppliers, clients, co-workers, management and the general public at all times during their engagement with the Company.

The Company expects all workplace participants to observe the standards set out in this Code. Compliance with this Code is expected and non-compliance may result in disciplinary action, including the termination of employment or contract for services. Any material breaches of the code would be reported to the Board immediately by the Managing Director.

A copy of the Code of Conduct can be found in the Corporate Governance section of XRF's website.

### **Shareholder Communications Strategy**

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders through:

- Continuous disclosure in the form of public announcements on the ASX;
- Annual and half-year reports to shareholders;
- Investor briefings;
- The Managing Director's address delivered at the Annual General Meeting; and
- Notices of all meetings of shareholders and explanatory notes of proposed resolutions.

### **Continuous Disclosure Policy**

The Company has adopted a continuous disclosure policy to comply with its continuous disclosure obligations of ASX. The aims of this policy are to:

- Report continuous disclosure matters to the Board;
- Assess new information and co-ordinate any disclosure or releases to the ASX, or any advice required in relation to that information, in a timely manner;
- Provide an audit trail of the decisions regarding disclosure to substantiate compliance with the Company's continuous disclosure obligations;
- Ensure that employees, consultants, associated entities and advisors of the Company understand the obligations to bring material information to the attention of the Board; and
- Ensure that all material announcements are reviewed and authorised by the Board prior to release. Additionally, the Board regularly receives summaries of all announcements made by the Company.

### **Risk Management Policy**

The Board has developed and implemented policies and practices which ensure that the material risks facing the Company are adequately identified, assessed, monitored, and managed throughout the whole organisation. These include:

- A risk register has been designed and implemented, stating the significant business risks faced by the Company. The Risk Matrix has been approved by the Board and is reviewed on an annual basis.
- Comprehensive Board papers containing relevant operational, strategic, financial and legal information circulated to Directors before each meeting;
- Actual results for the Company presented to the Board at each meeting, compared against budget and forecast, with revised forecasts if required; and
- Insurance cover appropriate to the size and nature of the Company's operations to reduce the financial impact of any significant insurable losses.

## **POLICIES AND PROCEDURES continued**

### **Securities Trading Policy**

The Company has adopted a policy that imposes certain restrictions on Directors and employees trading in the securities of the Company. The restrictions have been imposed to prevent trading in contravention of the insider trading provisions of the Corporations Act. A copy of the policy can be found in the Corporate Governance section of XRF's website.

### **Equal Opportunity Policy**

The Company values its employees and believes in conducting business ensuring fair, equitable and non-discriminatory employment and operational practices. Equal opportunity in employment means that an employee is judged on their ability to do their job based on merit rather than any assumption about the employee based on particular characteristics.

The Company has an Equal Opportunity policy, however, measurable objectives for gender diversity have not yet been set.

The respective proportions of men and women on the Board, in senior executive positions and across the whole Company at 30 June 2019 was:

Whole organisation – 18%

Senior executive positions – 17%

Board of Directors – 0%

For the purposes of this report, "senior executive" is defined as an individual in charge of a team of employees or business function. Due to the size of the Company and number of Directors, there are no current plans to appoint additional directors.