

SAPEX Group Limited (ACN 619 195 283)

Corporate Governance Statement

DATED: July 2017

The Board ("**Board**") of SAPEX Group Limited ("**Company**") recognizes the need for a well-articulated and robust corporate governance framework, standards and accountability. The Board is of the view and believes that good corporate governance is essential to the preservation and enhancement of Shareholder value.

The Company has adopted a NSX compliant constitution ("**Constitution**").

The Board will continually review its corporate governance policies, and to adopt them as and when the need arises in the future. Disclosure of these corporate governance policies will be given in accordance with the NSX Listing Rules and be made available on request.

The Board endorses the recommendations contained in the ASX Corporate Governance Council's Principles and Recommendations, 3rd edition, 2014 ("**CG Recommendations**").

Those principles marked with ✓ have been implemented by the Company. Those principles marked with a ✗ either have not been fully implemented or are to be addressed during the FY2018 reporting year. The commentary in the Summary Table below addresses the reasons for the departure from the requirements.

Summary Table:

Principle 1 – Lay solid foundations for management and oversight		
1.1	<p>The Company recognises that the overall responsibility of the Board is to represent and advance Shareholders' interests and to protect the interests of all stakeholders.</p> <p>As at the date of this statement the Board has formally adopted board charter setting out the respective roles and responsibilities of the Board and management. The key responsibilities of the Board include but not limited to:</p> <ul style="list-style-type: none"> ▪ setting the long-term strategy and annual business plan including objectives and milestones to be achieved; ▪ monitoring the performance of the Company against the financial objectives and operational goals set by the Board and reviewing the implementation of Board approved strategies; ▪ assessing the appropriateness of the skill sets and the levels of experience of the members of the Board, individually and as a whole and selecting new members to join the Board when a vacancy exists; ▪ appointing, removing and determining the terms of engagement of the Directors, senior management; ▪ overseeing the delegation of authority for the day to day management of the Company; ▪ ensuring that the risk management systems, financial reporting and information systems, personnel, policies and procedures are all operating efficiently and effectively by establishing a framework of internal controls and compliance; ▪ approving the capital structure and major funding requirements of the Company; ▪ the Board being satisfied that the financial statements of the Company have been fairly and accurately set out the financial position and performance of the Company; ▪ assuring itself that audit arrangements are in place; ▪ ensuring that the Company acts legally and responsibly with respect to all matters; and ▪ reporting to and advising shareholders. 	✓

1.2	<p>Criminal record checks have not been carried out on all Board members prior to their appointment.</p> <p>However, all members of the Board have executed a declaration and undertaking, including the existence of any criminal conviction. The Company will provide Shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director at future general meetings.</p> <p>The Company is not of a size to warrant the establishment of the Remuneration, Nomination and Diversity Committee and such activities shall be conducted by the Board.</p>	X
1.3	All Directors and senior executives have a written agreement with the Company setting out the terms of their appointment.	✓
1.4	The Company Secretary is accountable directly to the Board, through the Chairman on all matters to do with the proper functioning of the Board.	✓
1.5	<p>In establishing the Board and senior management team ("Senior Management"), regard was had to the objective of achieving gender diversity. The current Board consists of 5 male directors, and the current Senior Management team consists of 2 male managers.</p> <p>The Board has a Diversity Policy in place and entrusts the Board with the responsibility for designing and overseeing the Diversity Policy.</p> <p>Under the Diversity Policy, the Board is:</p> <ul style="list-style-type: none"> ▪ required to develop initiatives that will promote and achieve diversity goals; ▪ responsible for reviewing this diversity policy and will assess the status of diversity within the Company and the effectiveness of this policy in achieving the measurable objectives which have been set to achieve diversity; and ▪ responsible for assessing the effectiveness of the Company's diversity objectives each year. 	✓
1.6 & 1.7	<p>The performance of the Board will be subject to review in a number of ways:</p> <ul style="list-style-type: none"> ▪ Under the Board Charter each Director's performance is assessed when standing for re-election; ▪ Board composition will be also reviewed periodically either when a vacancy arises or if it is considered that the Board would benefit from the services of a new Director, given the existing mix of skills and experience of the Board, which would match the strategic demands of the Company; ▪ Once it has been agreed that a new Director is to be appointed, a search will be undertaken and appropriate checks undertaken sometimes using the services of external consultants. Shareholders will be advised of all material information regarding a Director proposed for election or appointment to the Board. Nominations would then be received and reviewed by the Board; and ▪ remuneration of the Non-Executive Directors is reviewed and approved by the Board. The remuneration payable to Directors must comply with the NSX Listing Rules. <p>The Company will disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with the above process</p>	✓

	The performance of the Senior Management will be subject to review by the independent Directors in a meeting separate to the Board Meetings. The Chairperson shall be responsible for the independent Director meetings take place on a regular basis.	
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Principle 2 – Structure the Board to add value		
2.1	<p>The Board has not yet formed a Nomination and Remuneration and Diversity Committee ("NRDC") as it considers that this is not currently required given the size of the Company and the relatively small management and employee team. The Board will continually review the need for a NRDC and, if the need arises in the future, will ensure that it is in compliance with the CG Recommendations.</p> <p>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, the performance of the Board will be reviewed as set out under Principles 1.5-1.7 above.</p>	X
2.2	The Board has not, at this point in time adopted a board skills matrix. However, in establishing the Board, the Company has taken into account and had regard to the skills and expertise required of the Directors relevant to the Company's business, its Listing in Australia and operations in South East Asia. Directors with the desired skills and expertise were carefully selected for appointment to the Board.	✓
2.3 & 2.4	<p>The Board is comprised of five (5) members, three (3) of whom are considered to be independent Directors, being:</p> <ul style="list-style-type: none"> ▪ Peter Chambers (Non-Executive Chairperson, Independent) ▪ Arran Marshall (Non-Executive Director, Independent) ▪ Peter Van Ratingen (Non-Executive Director, Independent) <p>The Board will regularly assess the independence of each Director in light of the interests disclosed by them. That assessment shall be made at least annually at, or around, at the time that the Board considers candidates for election to the Board.</p> <p>The Company Constitution requires that each Director must not hold office (without re-election) past the third annual general meeting following his/her appointment or election or 3 years, whichever is longer. The current Board consists of:</p> <ul style="list-style-type: none"> ▪ Peter Chambers (Non-Executive Chairperson, Independent) ▪ Arran Marshall (Non-Executive Director, Independent) ▪ Peter Van Ratingen (Non-Executive Director, Independent) ▪ Ronald Kenneth Larson (Executive Director, Non-Independent) ▪ Kyle Roy Kenneth Larson (Executive Director, Non-Independent) <p>The Company has considered the recommendation of having a majority of the Board as independent Directors and is satisfied that the composition of the Board reflects an appropriate range of independence and skill and experience for Listing the Company on the NSX. Together, the Directors have a broad range of experience, expertise, skills, qualifications and professional networks relevant to the business of the Company. Accordingly, on listing the Company will be compliant with Recommendation 2.4.</p>	✓
2.5	The Chairperson of the Board is Peter Chambers who is a non-executive and independent director. The roles of Chair and Executive Director are exercised by different individuals.	✓

2.6	<p>Under the Board Charter, the Directors have had an extensive induction into the business of the Company prior to accepting their appointment and have received continuing information on the Company and its operations since being appointed.</p> <p>Directors are also given access to continuing education in relation to the Company extending to its business, the industry in which it operates, and other information and training as required by them to discharge the responsibilities of their office.</p>	✓
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Principle 3 – Act ethically and responsibly

3.1	<p>The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. The Company intends to maintain a reputation for integrity. The Company's officers and employees are required to act in accordance with the law to the highest of ethical standards.</p> <p>Accordingly, the Board has adopted a Code of Business Conduct which sets the values, commitments, ethical standards and policies of the Company.</p> <p>The Code of Business Conduct shall apply to all Directors, as well as all officers, employees, contractors, consultants, other persons that act on behalf of the Company.</p>	
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Principle 4 – Safeguard integrity in financial reporting

4.1	<p>To safeguard the integrity of the Company's corporate reporting, the Company Constitution sets out the following:</p> <ul style="list-style-type: none"> ▪ Auditors of the Company are appointed and removed and their remuneration, rights and duties are regulated by the <i>Corporations Act 2001</i> (Cth) ("Act"); ▪ Auditors of the Company or partner or employee or employer of an auditor cannot be appointed as a Director of the Company; and ▪ Financial statements of the Company for each financial year must be audited by the auditors in accordance with the Act. <p>The Board has not yet formed an audit and risk committee (ARC) as it considers that this is not currently required given the size of the Company and the relatively small management and employee team. The Board will continually review the need for a ARC and, if the need arises in the future, will ensure that it is in compliance with the CG Recommendations.</p>	✓
4.2	<p>The Board has not yet had to approve the entity's financial statements for a financial period and accordingly has not been required to receive relevant declarations from the CEO and Chief Financial Officer ("CFO") in respect of the financial records of the Group. It is the intention of the Board that these declarations will be required for both the half-year and full-year results and this fact has been communicated to both the CEO and CFO.</p>	X
4.3	<p>SAPEX has not yet held an Annual General Meeting (AGM) but it is the intention of the Board to ensure that its external auditor attends the AGM and is available to answer questions from security holders relevant to the audit. The Company adopted a formal Disclosure Policy with the objective to provide information in a clear and objective manner.</p>	X

Principle 5 – Make timely and balanced disclosure		
5.1	<p>Consistent with the Board's commitment to improving its disclosure policy, the Board has adopted a Disclosure Policy, which sets out the Company's commitment to the objective of promoting investor confidence and the rights of shareholders by:</p> <ul style="list-style-type: none"> ▪ complying with the continuous disclosure obligations imposed by law; ▪ ensuring that company announcements are presented in a factual, clear and balanced way; ▪ ensuring that all shareholders have equal and timely access to material information concerning the Company; and ▪ communicating effectively with shareholders and making it easy for them to participate in general meetings. <p>The Disclosure and Communication Policy is available on the Company's website.</p>	✓

Principle 6 – Respect the rights of Shareholders		
6.1	<p>The Company recognises the rights of its shareholders and other interested stakeholders to have easy access to balanced, understandable and timely information concerning the operations of the Group. The Chief Executive Officer and the Company Secretary will be primarily responsible for ensuring communications with shareholders are delivered in accordance with this strategy and with its current market disclosure policy.</p> <p>The Company strives to communicate with shareholders and other stakeholders in a regular manner as outlined in Principle 5 of this statement.</p> <p>Information concerning the Company and its governance practices will be made available on its website in due course.</p>	✓
6.2	<p>As mentioned above under Recommendation 5.1, the Board has adopted a Disclosure Policy which supports its commitment to effective communication with its shareholders. In addition, the Company intends to communicate with its shareholders:</p> <ul style="list-style-type: none"> ▪ by making timely market announcements; ▪ by posting relevant information on to its website; ▪ by inviting shareholders to make direct inquiries to the Company; and through the use of general meetings. 	✓
6.3	<p>The Board has adopted a Disclosure Policy having regard to the CG Recommendations.</p> <p>The Board encourages participation of shareholders at the Annual General Meeting or any other shareholder meetings to ensure a high level of accountability and identification with the Company's strategy and goals. Shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors, issue of shares and changes to the constitution.</p>	✓
6.4	<p>All Shareholders of the SAPEX will be able to communicate with the Company and its share registry both by mail and electronically.</p>	✓

Principle 7 – Recognise and manage risk		
7.1	The Board has not yet formed an audit and risk committee (ARC) as it considers that this is not currently required given the size of the Company and the relatively small management and employee team. The Board will continually review the need for a ARC and, if the need arises in the future, will ensure that it is in compliance with the CG Recommendations.	X
7.2	<p>Under the Board Charter, the Board will ensure that the Company has in place an appropriate risk management framework and will set the appetite within which the Board expects management to operate.</p> <p>Further, it is intended that the Audit and Risk Committee will, among other things, regularly review and update the risk profile and ensure that the Company has an effective risk management system.</p> <p>As part of this process, the Board will review, at least annually, the Company's risk management framework in order to satisfy itself that it continues to be sound.</p> <p>The Company intends to disclose, at the relevant time, whether a review the Company's risk management framework was undertaken during the relevant reporting period.</p>	X
7.3	<p>The identification, monitoring and, where appropriate, the reduction of significant risk to the Company will be the responsibility of the Board as the ARC has been established to date. At this point in time the Board will review and monitor the parameters under which such risks will be managed. Management accounts are prepared and reviewed with the CEO at subsequent Board meetings. Budgets are prepared and compared against actual results. The potential exposures with running the Company will be managed by the appointment of senior staff that have significant broad-ranging industry experience, work together as a team and regularly share information on current information.</p> <p>The Board has not yet formed an internal audit function as it considers that this is not currently required given the size of the Company and the relatively small management and employee team. The Board will continually review the need for a ARC and, if the need arises in the future, will ensure</p>	X
7.4	The Board expects a report on the risk management framework by December 2017 and has requested that management address risks to the Company including but not limited to economic, environmental and sustainability risks. The outcome of that review will be reported in the Company's annual report.	X

Principle 8 – Remunerate fairly and responsibly		
8.1	<p>As mentioned under Principle 2.1, the Board has not adopted a NRC. To ensure the appropriateness of remuneration, the Company Constitution sets out the following:</p> <ul style="list-style-type: none"> ➤ Remuneration of Non-Executive Directors must comply with NSX Listing Rules, including that: <ul style="list-style-type: none"> ○ fees payable to Non-Executive Directors must be by way of a fixed sum, and not by way of commission on or a percentage of profits or operating revenue; ○ the remuneration payable to Executive Directors must not include a commission on or percentage of operating revenue; and ○ the total fees payable to Directors must not be increased without the prior approval of members in general meeting. ➤ Remuneration of Executive Directors must comply with the NSX Listing Rules and the terms of any agreement entered into. The Board may fix the remuneration of each Executive Director which comprise salary or commission on or participation in profits of the Company. 	X
8.2	As mentioned under Principle 8.1, the Board has practices in place regarding the remuneration of Non-Executive Directors and other senior executives.	✓

8.3	The Board has not yet adopted a securities trading policy as it considers that this is not currently required give the size and circumstances of the Company. The Board will continually review the need for such a policy and, if the need arises in the future, will ensure that it is in compliance with the CG Recommendations.	X
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