

# STRANDLINE RESOURCES LIMITED CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2018



This statement outlines the Corporate Governance Practices adopted by the Board of Directors for the financial year ended 30 June 2018.

This statement is current as at 26 September 2018 and has been approved by the Board.

This statement explains how Strandline addresses the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations – 3rd Edition (“ASX Principles or Recommendations”).

In addition to the information contained in this statement, the Company’s website [www.strandline.com.au](http://www.strandline.com.au) has a dedicated corporate governance section which includes copies of key corporate governance policies adopted by the Company.

Where Strandline’s corporate governance practices do not correlate with the ASX Principles and Recommendations, it is because the Board does not consider it practical to implement those recommendations due to the size and stage of development of Strandline’s operations and the Board’s reasoning for any departure is explained. As the Company's activities develop in size, nature and scope the implementation of additional corporate governance structures will be given further consideration.

## **Principle 1: Lay solid foundations for management and oversight**

### ***1.1 A listed entity should disclose the respective roles and responsibilities of its board and management and those matters expressly reserved to the board and those delegated to management***

The primary responsibility of the Board is to represent and advance shareholders’ interests and to protect the interests of all stakeholders. To fulfill this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The responsibilities of the Board include:

- protection and enhancement of shareholder value;
- formulation, review and approval of the objectives and strategic direction of the Company;
- approving all significant business transactions including acquisitions, divestments and capital expenditure;
- monitoring the financial performance of the Company by reviewing and approving budgets and monitoring results;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the review and performance and remuneration of Executive Directors and key staff;
- the establishment and maintenance of appropriate ethical standards; and
- evaluating and, where appropriate, adopting with or without modification, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Board has established functions that are reserved for the Board, as separate from those functions discharged by the Managing Director and senior executives, and they are summarised in the Company’s Board Charter which is available on the Company’s website <http://www.strandline.com.au/irm/content/corporate-governance.aspx>

# STRANDLINE RESOURCES LIMITED

## CORPORATE GOVERNANCE STATEMENT

### FOR THE YEAR ENDED 30 JUNE 2018

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***1.2 A listed entity should carry out appropriate checks of board candidates and provide information to shareholders that is material to their candidacy***

The Board oversees arrangements for the effective appointment of new Directors. When considering the appointment of a new Director, the Board may engage the services of an executive recruitment firm to assist identify suitable candidates to be shortlisted for consideration for appointment to the Board and to carry out appropriate reference checks before the Board makes an offer to a preferred candidate.

Newly appointed directors must stand for reappointment at the next subsequent AGM. The Notice of Meeting for the AGM provides shareholders with information about each Director standing for election or re-election including details of relevant skills and experience.

***1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment***

New Directors consent to act as a director and receive a formal letter of appointment which sets out duties and responsibilities, rights, and remuneration entitlements.

Each Executive is employed under a Service Agreement which sets out the terms on which the Executive is employed including details of the Executive's duties and responsibilities, rights, and remuneration entitlements. The Service Agreement also sets out the circumstances in which the employment of the Executive may be terminated by either the Company or the Executive, including details of the notice periods required to be given by either party, or the amounts payable to the Executive as a consequence of the termination by the Company of the Executive's employment.

***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***

Strandline's Company Secretary has a direct reporting line and is accountable to the Chair of the Board for all company secretarial duties or conduct of the Board.

***1.5 A listed entity should have a policy concerning diversity and disclose that policy together with measurable objectives for achieving gender diversity and its progress towards achieving those objectives***

The Company's policy regarding equal employment opportunity and diversity is set out on the Company's website <http://www.strandline.com.au/irm/content/corporate-governance.aspx>

The Company's Equal Employment Opportunity and Diversity Policy does not include measurable objectives as the Board believes that the Company will not be able to successfully meet these given the size and stage of development of the Company.

Given the size of the Company the Directors do not consider it appropriate to set measurable objectives in relation to diversity. Notwithstanding this the Company strives to provide the best possible opportunities for current and prospective employees of all backgrounds in such a manner that best adds to overall shareholder value and which reflects the values, principles and spirit of the Company's Equal Employment Opportunity and Diversity Policy.

For the 2018 financial year, the Company had a total of 2 women employees out of a total of 7 employees and contractors, however, the Company had no women in senior executive positions or women on the Board.

# STRANDLINE RESOURCES LIMITED

## CORPORATE GOVERNANCE STATEMENT

### FOR THE YEAR ENDED 30 JUNE 2018

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#### ***1.6 A listed entity should disclose the process for evaluating the performance of the Board, its committees and individual Directors***

The Company's Board Charter sets out the process to undertake an annual performance evaluation of the Board which includes comparing the performance of the Board with the requirements of its Charter.

For the 2018 financial year the Board undertook a self-assessment process on the performance of the Board and individual directors.

#### ***1.7 A listed entity should disclose the process for evaluating the performance of senior executives***

The performance of the Company's Managing Director/CEO for the 2018 financial year was reviewed by the Remuneration Committee. There was no formal performance evaluation undertaken of other senior executives which is carried out on a continuing and informal basis.

### **Principle 2: Structure the Board to add value**

#### ***2.1 The Board of a listed entity should establish a nomination committee***

Given the Company's size and the complexity of its affairs, it is not considered necessary to have a separate Nomination Committee. The Board as a whole will identify candidates and assess their skills in deciding whether an individual has the potential to add value to the Company. The Board may also seek independent advice to assist with the identification process.

In selecting and appointing new Directors the Board undertakes a proper assessment of prospective Directors which includes, but is not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities.

#### ***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***

For the 2018 financial year the Board did not have a skill matrix setting out the skills and diversity that the Board currently has or is seeking to achieve in its membership. The Board is satisfied that it has an appropriate mix of skills for strategic decision-making and effective oversight in relation to the Company's mineral sands exploration and development activities in Australia and in Tanzania. The skills, experience and expertise of each director is set out in the Directors' Report in the Annual Report.

#### ***2.3 A listed entity should disclose whether its Directors are independent***

Strandline considers a Director to be independent where they are free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the entity and its security holders generally.

The Board has adopted a definition of independence based on that set out in Recommendation 2.3 of the ASX Corporate Governance Council Principles and Recommendations. The Board will review the independence of each Director in light of interests disclosed to the Board from time to time.

# STRANDLINE RESOURCES LIMITED

## CORPORATE GOVERNANCE STATEMENT

### FOR THE YEAR ENDED 30 JUNE 2018



Details of the Board of Directors as at the date of this statement, their appointment date and independence status is as follows:

Director	Appointment Date	Independent Status
Didier Murcia	23 October 2014	Independent Non-Executive Chairman
Luke Graham	19 September 2016	Non-Independent Managing Director/CEO
Peter Watson	10 September 2018	Non-Independent Executive Director
Tom Eadie	9 October 2015	Non-Independent Non-Executive Director
John Hodder	8 June 2016	Non-Independent Non-Executive Director

The Board has determined that Mr Murcia is considered to be independent as they are not members of management and there is no relationship affecting that status. They are not substantial shareholders, past or present employees, professional advisers, consultants, suppliers or customers with or to the Company, nor do they have any contractual relationship with the Company other than as a Director.

The Board has determined that Mr Graham (Managing Director/CEO) and Mr Peter Watson (Executive Director) are not considered to be independent.

Mr Eadie was the former Managing Director of the Company. In accordance with Recommendation 2.3, the Board is of the view that Mr Eadie are not independent director as he were previously employed in an executive capacity within the last three years.

Mr Hodder is the nominated representative of Ndovu Capital VII B.V. (Ndovu). Ndovu is the Company's largest shareholder holding 33.45% of the issued capital. In accordance with Recommendation 2.3, the Board is of the view that Mr Hodder is not an independent director as he is the representative of a substantial shareholder as defined in the Corporations Act 2001.

#### ***2.4 A majority of the Board of a listed entity should be independent directors***

The Board at the date of this statement does not consist of a majority of independent directors. The composition of the Board is presently six Directors, four of whom are Non-Executive and two are Executive Directors. Of the six Directors, two are independent and four are non-independent.

The Board considers that the composition of the existing Board is appropriate given the scope and size of the Company's operations and the skills and experience of the existing Board members. Appropriate mechanisms are in place to avoid perceived or actual conflicts of interest.

#### ***2.5 The Chair of the Board of a listed entity should be an independent director and should not be the same person as the Managing Director***

The role of the Chairman is undertaken by Mr Didier Murcia, an independent Non-Executive Director. The role of the Managing Director is undertaken by Mr Luke Graham.

# STRANDLINE RESOURCES LIMITED CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2018



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## ***2.6 The Board should establish a program for inducting new directors and provide appropriate professional development opportunities for Directors***

The Company does not have a formalised induction or development program for new directors. Directors are assisted by fellow directors and senior management to maintain and develop their skills and knowledge in relation to corporate governance policies and the business sectors in which the company operates in. All directors have direct access to the entire senior management team, including the company secretary, and are provided with information on a timely basis. The skills and knowledge of non-executive directors is also developed and maintained by their directorships with other public and private companies.

### **Principle 3: Act ethically and responsibly**

#### ***3.1 A listed entity should establish a Code of Conduct***

The Company has established a formal Code of Conduct to guide the Directors, the Managing Director and employees with respect to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account legal obligations and reasonable expectations of stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Code of Conduct is disclosed on the Company's website <http://www.strandline.com.au/irm/content/corporate-governance.aspx>

The Company has also established a Whistleblower Policy which is disclosed on the Company's website <http://www.strandline.com.au/irm/content/corporate-governance.aspx>

### **Principle 4: Safeguard integrity in corporate reporting**

#### ***4.1 The Board of a listed entity should establish an appropriately structured audit committee***

The Board established an Audit & Risk Committee during the 2018 financial year. The Committee members consist of Mr Eadie and Mr Hodder. The composition of the Committee does not meet the requirement of Recommendation 4.1 to consist of at least three members. The Board considers that the membership of the Committee consists of the most appropriately qualified directors to sit on the Committee. The Board of Strandline previously carried out all necessary audit committee functions which includes reviewing the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Committee meets on a regular basis and discusses matters normally captured under the terms of reference of an audit committee, being company risk, controls and general and specific financial matters.

#### ***4.2 CEO and CFO certification of financial statements***

Both the Managing Director and the Chief Financial Officer make a statement to the Board prior to approval of the annual and half-yearly accounts, and also in regards to the quarterly Appendix 5B report, that in their opinion, the financial records of the Company 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 Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

# STRANDLINE RESOURCES LIMITED CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2018



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## **4.3 External auditor attends AGM**

The external auditor attends Strandline's Annual General Meeting. Shareholders are given a reasonable opportunity at the meeting to ask the auditor questions relevant to the conduct of the audit, the Independent Audit Report, the accounting policies adopted by Strandline and the independence of the auditor.

## **Principle 5: Make timely and balanced disclosure**

### **5.1 A listed entity should establish written continuous disclosure policies and ensure compliance with those policies**

The Company has established a Continuous Disclosure Policy designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance.

The Company's Continuous Disclosure Policy is publicly available on the Company's website <http://www.strandline.com.au/irm/content/corporate-governance.aspx>

## **Principle 6: Respect the rights of shareholders**

### **6.1 A listed entity should provide information about itself and its governance to investors via its website**

Strandline's website at [www.strandline.com.au](http://www.strandline.com.au) provides detailed information on the Company, including its background, objectives, projects, contact details and all key corporate policies and statements. ASX announcements, Company Reports and presentations are uploaded to the website following release to the ASX.

### **6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors**

The Company respects the rights of its shareholders and stakeholders and seeks to facilitate the effective exercise of those rights by promoting effective proactive communication and encouraging shareholder participation at annual general meetings. Shareholder feedback through our website and third party sites provide the opportunity to address questions to the company. Appropriate measures are also taken to keep shareholders informed about the Company's activities and to listen to issues or concerns raised by shareholders. The Company has established a Shareholder Communications Policy which is available on Strandline's website at <http://www.strandline.com.au/irm/content/corporate-governance.aspx>

Fundamental to Strandline's investor relations program is the management of its continuous disclosure obligations which facilitates all shareholders having access to important company information. In addition to lodging this information with the ASX, Strandline uses its website to make available to shareholders information about the company and its activities.

Shareholders can also register with the Company to receive e-mail notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is posted.

# STRANDLINE RESOURCES LIMITED

## CORPORATE GOVERNANCE STATEMENT

### FOR THE YEAR ENDED 30 JUNE 2018

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#### ***6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of shareholders***

Notices of meeting sent to Strandline's shareholders comply with the "Guidelines for notices of meeting" issued by the ASX in August 2007.

The Chair also encourages shareholders at the meeting to ask questions and make comments about Strandline's operations. The Chair may respond directly to questions or at his discretion may refer a question to another Director, the Managing Director or a senior executive.

#### ***6.4 A listed entity should give shareholders the option to receive communications from, and send communications to, the entity and its share registry electronically***

Shareholders have the option of electing to receive all shareholder communications by e-mail. Strandline provides a printed copy of the Annual Report to only those shareholders who have specifically elected to receive a printed copy.

All announcements made to the ASX are available to shareholders by e-mail notification when a shareholder provides the Company with an e-mail address and elects to be notified of all Strandline ASX announcements.

The Strandline Share Register is managed and maintained by Computershare Investor Services Pty Limited. Shareholders can access their shareholding details or make enquiries about their current shareholding electronically by quoting their Shareholder Reference Number (SRN) or Holder Identification Number (HIN), via the Computershare investor centre at: <https://www-au.computershare.com/Investor>

### **Principle 7: Recognise and manage risk**

#### ***7.1 A listed entity should establish an appropriately structured risk management committee for the oversight of material business risks***

The Board has an Audit & Risk Committee which was established during the 2018 financial year. The Committee members consist of Mr Eadie and Mr Hodder. The composition of the Committee does not meet the requirement of Recommendation 7.1 to consist of at least three members. The Board considers that the membership of the Committee consists of the most appropriately qualified directors to sit on the Committee. The Board of Directors is responsible for overseeing and approving policies for the management and oversight of material business risks, internal compliance and internal controls. The objectives of Strandline's risk management program are contained in the Risk Management Policy which is available on the Company's website at <http://www.strandline.com.au/irm/content/corporate-governance.aspx>

The Company has in place a system of risk management that identifies and categorises and manages material business risks faced by the Company.

The Board has delegated responsibility for establishing and maintaining effective management strategies for material business risks to the Managing Director. The Board requires that the Managing Director reports regularly as to the effectiveness of the Group's risk management systems.

The Board recognises that no cost effective internal control system will preclude all errors and irregularities. The Board reviews the business and financial risk management systems and internal control systems implemented by management to obtain reasonable assurance that the entity's assets are safeguarded and that the reliability and integrity of its financial information is maintained.

# STRANDLINE RESOURCES LIMITED

## CORPORATE GOVERNANCE STATEMENT

### FOR THE YEAR ENDED 30 JUNE 2018

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#### ***7.2 The Board or a Committee of the Board should review the company's risk management framework at least annually to satisfy itself that it continues to be sound***

The Company's risk management framework was reviewed during the year by the full Board. In addition, the Board and senior management discuss on an ongoing informal basis the risks facing the company, acceptable levels of risk and the measures for managing risks.

#### ***7.3 A listed entity should disclose the structure and role of its internal audit function***

The Company does not have an internal audit function due to its size and stage of development of Strandline's operations. The Board believes that the external financial audits and the Board's and management regular reviews of risk management and internal control processes are sufficient for a company of this size.

#### ***7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and how those risks are managed***

The Company has exposure to the following risks:

- Equity Capital Markets – the Company is without a cash flow and is reliant upon the existing shareholders and equity capital markets to fund the company's activities. The Company maintains close control on its finances and communicates frequently to its shareholders and the market as to the Company's strategy to manage this risk.
- Commodity price – the company, like all resource companies, is exposed to commodity price volatility. At this stage (pre-development) the company's risk exposure in this area is at its lowest.
- Environmental risks – at the present stage of pre-project development the Company is exposed to few environmental risks. The Company has an Environmental Policy and an active Risk/Hazard identification programme at its operating sites.
- Social sustainability risks – also at this present stage of pre-project development the Company is exposed to few social and sustainability risks. The Company maintains close awareness of its social responsibilities and to this end in Tanzania, it maintains regular personal contact between Strandline personnel and representatives of the local community and regional administration. At this stage of project pre-development the Company uses these contact sessions to manage local expectations of employment and community development in particular.

### **Principle 8: Remunerate fairly and responsibly**

#### ***8.1 The Board of a listed entity should establish a remuneration committee***

The Board has a Remuneration Committee which was established during the 2018 financial year. The Committee members consist of Mr Murcia and Mr Hodder. The composition of the Committee does not meet the requirement of Recommendation 8.1 to consist of at least three members. The Board considers that the membership of the Committee consists of the most appropriately qualified directors to sit on the Committee. The Board of Strandline previously carried out any necessary remuneration committee functions.

#### ***8.2 A listed entity should distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives***

Strandline's remuneration structure distinguishes between Non-Executive Directors and that of the Managing Director and senior executives.



# STRANDLINE RESOURCES LIMITED CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

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A Remuneration Report required under Section 300A(1) of the Corporations Act is provided in the Directors' Report of the Company's Annual Report.

***8.3 A listed entity should establish a policy on whether participants in equity based remuneration schemes are able to enter into transactions which limit the economic risk of participating in those schemes***

In accordance with the Company's Share Trading Policy which is available on the Company's website at <http://www.strandline.com.au/irm/content/corporate-governance.aspx> all participants in equity based incentive plans are prohibited from entering into transactions which limit the risk of participating in unvested entitlements in Strandline shares.

Dated: 26 September 2016