



CORPORATE GOVERNANCE STATEMENT

This statement outlines the main Corporate Governance practices that were in place throughout the financial year comply with the Australian Stock Exchange ('ASX') Corporate Governance Council recommendations unless otherwise stated.

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Group's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council ('Council'). Whilst the Company's practices are largely consistent with the Council's guidelines; the Board considers that the implementation of some recommendations are not appropriate having regard to the nature and scale of the Group's activities. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Company and the best interests of shareholders as a whole. When the Company is not able to implement one of the Council's recommendations the Company applies the "if not, why not" explanation approach by applying practices in accordance with the spirit of the relevant principle.

This Corporate Governance Statement has been approved by the Company's Board and is current as at 30 September 2015. It outlines the company's main corporate governance practices for the financial year ended 30 June 2015, and currently. The following discussion outlines the third edition of the ASX Corporate Governance Council's eight principles and associated recommendations and the extent to which the Company complies with those recommendations.

ASX Corporate Governance Principles

- Principle 1 – Lay solid foundations for management and oversight
- Principle 2 – Structure the Board to add value
- Principle 3 – Act ethically and responsibly
- Principle 4 – Safeguard integrity in corporate reporting
- Principle 5 – Make timely and balanced disclosure
- Principle 6 – Respect the rights of security holders
- Principle 7 – Recognise and manage risk
- Principle 8 – Remunerate fairly and responsibly

Details of all of the Council's recommendations can be found on the ASX website at <http://www.asx.com.au>.



Principle 1 – Lay solid foundations for management and oversight

Board of Directors

The Board is responsible for and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board is also responsible for the overall corporate governance and management oversight of the Company and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole.

The Board also ensures that the Company complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Company.

Where the Board considers that particular expertise or information is required, which is not available from within their members, the appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the general role of the Board, the principal functions and responsibilities of the Board include the following:

- Formulation and approval of the strategic direction, objectives and goals of the Company;
- The prudential control of the Company's finances and operations and monitoring the financial performance of the Company;
- The resourcing, review and monitoring of executive management;
- 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 timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market; and
- The establishment and maintenance of appropriate ethical standards.

The CEO has a delegated authority to make decisions in respect of day-to-day administration up to certain delegated levels and day-to-day matters for asset administration including appointment of contractors and budget approved spend including capital expenditure.

The Company has followed Recommendation 1.1 by establishing the functions reserved to the Board and those delegated to senior executives as disclosed above.

The Company has followed Recommendation 1.2 by undertaking appropriate checks including a check on a person's character, experience and education before appointing any director or putting forward a director as a candidate for election. The Company discloses all material information in relation to Board candidates in the notice of meeting at which the director's election is to be considered.

The Company has taken the appropriate measures to provide each Director and senior executive with a copy of the Company's policies which spells out the rights, duties and responsibilities that they should follow.



The Company has followed Recommendation 1.3 by having in place a written agreement with each director and senior executive setting out the terms of their appointment.

The Company has followed Recommendation 1.4 by ensuring the Company Secretary is directly accountable to the Board on all matters to do with the proper functioning of the Board and Committees.

The Company's Board does take into account the gender, age, ethnicity and cultural background of potential Board members. Although the Company has established a Diversity Policy, it does not contain measurable objectives for achieving diversity. This is because the size and nature of the Company is such that the adoption of measurable objectives would not add to the function already provided by the Board and Executive Management in operating under the Diversity Policy. Recommendation 1.5 has therefore not been followed. A current Workplace Gender Equality Report has been included on the Company website which is reviewed and measured periodically by the Board and senior management with the accompanying diversity policy.

Although the Company monitors the performance of the Board, committees and individual directors on an ongoing basis, due to the size and nature of the Company Recommendation 1.6 has not been followed. However, the Company is working toward formalising this process in accordance with Recommendation 1.6 so far as is practicable having regard to the Company's circumstances.

The Company has followed Recommendation 1.7 by periodically evaluating the performance of senior executives. The Chief Executive Officer reviews the performance of direct reports and provides a report and recommendation to the Board. In addition, the Company's senior executives are subject to performance evaluations on a face to face basis with the Board from time to time and the performance evaluation of the Chief Executive Officer is conducted by the Board. The Company, through the CEO, has undertaken an evaluation of the senior executives' performance during the financial year.

Principle 2 – Structure the Board to add value

Board of Directors – Composition, Structure and Process

The Company has followed Recommendations 2.2 and 2.3 as disclosed below.

The composition of the Board has been determined on the basis of providing the Group with the benefit of a broad range of technical, administrative and financial skills, combined with an appropriate level of experience at a senior corporate level. The names and further information regarding the skills, experience, qualifications and relevant expertise of the Directors are set out in the Directors' Report.

The composition of the Board is constantly monitored to ensure that it provides the Group with the appropriate levels of both expertise and experience. The Board comprises a majority of Non-executive Directors. The independence of Directors is based on their capacity to put the best interests of the Group and its shareholders ahead of all other interests.



Independent Directors

An Independent Director, in the view of the Company, is a Non-executive Director who:

- Is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- Within the last three years has not been employed in an executive capacity by the Company, or been a director after ceasing to hold any such employment;
- Within the last three years has not been a principal of a material professional advisor or a material consultant to the Company, or an employee materially associated with a service provider;
- Is not a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Has no material contractual relationship with the Company other than as a director of the Company;
- Has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

The Board composition was altered during the year as a result of the recapitalisation transactions. The Board is currently comprised of 1 independent director Peter Ian Richards the Independent Chairman and a director of the Company since 15 January 2014. Therefore, the Company follows Recommendation 2.3.

The Board is currently comprised of 1 independent director out of a total of 6, and therefore Recommendation 2.4 is not followed. However, the Board considers that the current number of directors is appropriate given the size and stage of development of the Company, the Board composition appropriately reflects the new shareholding structure, and the ability of the Board to function is not compromised.

Chairperson

During the prior, year Peter Ian Richards was appointed Chair of the Company. As a result, the Company complies with Recommendation 2.5. The Chairman leads the Board and has responsibility for ensuring the Board receives accurate, timely and clear information to enable directors to perform their duties as a Board.

Board nominations

Having regard to the current membership of the Board and the size, organisational complexity and scope of operation of the Company, the function of a Nomination Committee is fulfilled by the full Board and a Nomination Committee has not been established. Therefore, Recommendation 2.1 has not been followed.

Skills and training

The Company has followed Recommendations 2.2 and 2.6 by ensuring the Board has the appropriate skills and training as required under Principle 2 and as set out below.



It is the policy of the Board to ensure that the Directors and executives of the Company are equipped with the knowledge and information they need to discharge their responsibilities effectively, and that individual and collective performance is regularly and fairly reviewed. The performance of the Board, committees and individual Directors and executives is monitored on an ongoing basis by the Chairman and the Board. The Chairman also speaks to Directors individually regarding their role as a Director.

Induction and education

The Company has the policy to provide each new Director or officer with a copy of the following documents:

- the Audit Committee Charter;
- the Technical Committee Charter;
- the Code of Conduct;
- the Continuous Disclosure Policy;
- the Share Trading Policy; and
- the Shareholders Communication Policy.

Access to information

Each director has access to Board papers and all relevant documentation.

Skills, knowledge and experience

Directors are appointed based on the specific corporate and governance skills and experience required by the Company. The Board consists of a relevant blend of personal experience in accounting and finance, law, financial and investment markets, financial management and public company administration, and, director-level business or corporate experience required by the Company.

Professional advice

Board members, with the approval of the Chairman, may seek from time to time external professional advice.

Term of appointment as a Director

The Constitution of the Company provides that a Director, other than a Managing Director, may not retain office for more than three calendar years or beyond the third Annual General Meeting following his or her election, whichever is longer, without submitting himself or herself for re-election. One-third of the Directors (excluding a Managing Director) must retire each year and are eligible for re-election. The Directors who retire by rotation at each Annual General Meeting are those with the longest length of time in office since their appointment or last election.



Remuneration

The remuneration of the Directors is determined by the Board as a whole, with the Director to whom a particular decision relates being absent from the meeting during the time that the remuneration level is discussed and decided upon.

For details on the amount of remuneration and any amount of equity based executive remuneration payment for each Director, refer to the Key Management Personnel note to the financial statements and the Remuneration Report in the Directors' Report.

Internal controls

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities. The system of internal control adopted by the Company seeks to provide an appropriate division of responsibility and careful selection and training of personnel relative to the level of activities and size of the Company.

Principle 3 – Act ethically and responsibly

Code of Conduct and Ethical Standards

All Directors, executives and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, endeavouring at all times to enhance the reputation and performance of the Company. Every employee has direct access to a Director to whom they may refer any ethical issues that may arise from their employment. The Company has followed Recommendation 3.1 and has adopted a formal Code of Conduct.

Access to Company Information and Confidentiality

All Directors have the right of access to all relevant Company books and to the Company's executive management. In accordance with legal requirements and agreed ethical standards, Directors and executives of the Company have agreed to keep confidential information received in the course of exercising their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

Share Dealings and Disclosures

The Company has adopted a policy relating to the trading of Company securities. The Board restricts Directors, executives and employees from acting on material information until it has been released to the market. Executives, employees and Directors should consult with the Chairman prior to dealing in securities in the Company or other companies with which the Company has a relationship.

Share trading by Directors, executives or employees is not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act prohibits the purchase or sale of securities whilst a person is in possession of inside information.

The trading windows for restricted persons are 60 days after the release of the half year results, the full year results or the holding of the Annual General Meeting. Restricted persons are prohibited from trading in the Company's securities outside these trading windows unless in special circumstances and with the approval of the Chairman.



Conflicts of Interest

To ensure that Directors are at all times acting in the best interests of the Company, Directors must:

- Disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- If requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot, or is unwilling to remove a conflict of interest then the director must, as required by the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters about which the conflict relates.

Related Party Transactions

Related party transactions include any financial transaction between a director and the Company as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. The Company also discloses related party transactions in its financial statements as required under relevant accounting standards.

Diversity

The Company respects and values diversity in its Board and workforce at all levels as reflected in its diversity policy. The Board is made up of directors with a broad range of skills, backgrounds and experience both local and international levels. The Company advises that 19% of the Company's employees are females, none of whom are classified as key management personnel.

Publicly Available Information

The Company has publicly made available on the Group's website, www.cockatoocoal.com.au, the Code of Conduct, Diversity Policy and Share Trading Policy under the corporate governance section.



Principle 4 – Safeguard Integrity in Corporate Reporting

Audit Committee

The Company has followed Recommendations 4.1, 4.2 and 4.3as disclosed below.

The Company has formed an Audit Committee, which has a documented charter approved by the Board which is available on the Company's website. The Audit Committee comprises a minimum of three members who should be Non-executive Directors and a majority of Independent Directors. The Chairperson should not be the Chairperson of the Board.

At the end of the year, the composition of the Audit Committee was:

- Robert A. Yeates (Chairman);
- Peter Richards; and
- Mark Tomek

Details of these Director's qualifications and attendance at Audit Committee meetings are set out in the Directors' Report.

The Audit Committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group. The Audit Committee has the appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industry in which the Group operates.

The CEO and Company Secretary states in writing to the Board that the financial records of the Group for the financial year have been properly maintained, the Group's financial reports for the financial year ended 30 June 2015 comply with accounting standards and present a true and fair view of the Group's financial condition and operational results. This statement is required annually.

The main responsibilities of the Audit Committee are to:

- Review, assess and approve the annual, half year and concise financial reports and other financial information distributed externally;
- Assess corporate risk assessment processes;
- Assess whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence;
- Each reporting period, ensure that the external auditor provides an independence declaration in relation to the audit or review;
- Provide advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001;
- Assess the adequacy of the internal control framework and the Group's code of ethical standards;
- Organise, review and report on any special reviews or investigations deemed necessary by the Board; and
- Address any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.



The Audit Committee reviews the performance of the external auditors on an annual basis and members of the Audit Committee normally meet with them during the year to:

- Discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- Review the half year and preliminary final reports prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results;
- Review the draft annual and half year financial reports, and recommend Board approval of the financial reports; and
- Review the results and findings of the audit, the adequacy of accounting and financial controls and to monitor the implementation of any recommendations made.

The external auditors will be made available to attend the Company's AGM to answer any questions from security holders relevant to the audit.

CEO and CFO Declarations

The Board has determined that the CEO and Company Secretary are the appropriate persons to make the CEO and CFO declarations as required under section 295A of the Corporations Act and Recommendation 4.2. The Board is also satisfied that the internal control system is operating effectively in all material respects.

Principle 5 – Make Timely and Balanced Disclosure

The Company has followed Recommendations 5.1 and has adopted a formal Continuous Disclosure Policy that has been in place for this reporting period and made publicly available on the Company's website.

Continuous Disclosure to the ASX

The Board has designated the Chairman, CEO and Company Secretary as being responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX. Accordingly the Company will notify the ASX promptly of information:

- Concerning the Company, that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- That would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Announcements are made in a timely manner, are factual and do not omit material information in order to avoid the emergence of a false market in the Company's securities.



Principle 6 – Respect the Rights of Shareholders

Communications

The Company has followed Recommendations 6.1, 6.2, 6.3 and 6.4 and has adopted a Shareholders Communication Policy that is made publicly available on the Company's website.

Communication to the market and shareholders

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs. The Board considers that information will be communicated to shareholders and the market through:

- The Annual Report, which is distributed to shareholders (usually with the Notice of Annual General Meeting);
- The Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- The half-yearly financial statements;
- Quarterly activities and cash flow reports; and
- Other announcements released to the ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders or made available through the Company's website.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements are made available on the Company's website, www.cockatoocoal.com.au, and on the ASX website, www.asx.com.au, under ASX code 'COK'. The Company also maintains an email list for the distribution of the Company's announcements via email.

Principle 7 – Recognise and Manage Risk

The Company has followed Recommendation 7.1 and has designed policies for the oversight and management of material business risks as disclosed below.

The Board is responsible for the identification, monitoring and management of significant business risks and the implementation of appropriate levels of internal control, recognising however that no cost effective internal control system will preclude all errors and irregularities. The Board regularly reviews and monitors areas of significant business risk.

Management are responsible for the overall design and implementation of the risk management and internal control system. The effectiveness of the risk management and internal control system and any significant breaches are reported to the Board as required under Recommendation 7.2.

The principles incorporated in the Company's Audit Committee Charter are set out below.



Internal control and risk management

The primary vehicle for managing corporate risks is the Audit Committee in consultation with the full Board. The Audit Committee and Board review systems of external and internal controls and areas of significant operational, financial and property risk and ensure arrangements are in place to contain such risks to acceptable levels.

The Group ensures that appropriate insurance policies are kept current to cover all potential risks and maintaining Directors' and Officers' professional indemnity insurance.

Internal audit function

The internal audit function is carried out by the Board. The Group does not have an internal audit department nor has an internal auditor. The size of the Group does not warrant the need or the cost of appointing an internal auditor.

The Company has followed Recommendations 7.3 and 7.4 by disclosing the information above.

Principle 8 – Remunerate Fairly and Responsibly

Having regard to the current membership of the Board and the size, organisational complexity and scope of operation of the Company, the function of a Remuneration Committee is fulfilled by the full Board and a Remuneration Committee has not been established. Therefore, Recommendation 8.1 has not been followed.

The functions and responsibilities listed below were carried out by the full Board.

Board Responsibilities

The Board applies and reviews remuneration policies and practices making specific recommendations on the remuneration packages and other terms of employment of its Directors and senior executives with respect to the following:

- Executive remuneration policy;
- Executive Director and senior management remuneration;
- Executive incentive plan;
- Non-executive Directors remuneration;
- Performance measurement policies and procedures;
- Termination policies and procedures;
- Equity based plans; and
- Required remuneration and remuneration benefits public disclosure.



Remuneration Policy

Remuneration of Directors, senior executives and statutory officers is determined by the Board. All salaries of Directors and statutory officers are disclosed in the Annual Report each year, and the Directors' remuneration is adopted by shareholders at the Annual General Meeting. Consultants are engaged as required pursuant to service agreements. Remuneration levels are set so as to attract the best candidates while maintaining a level of remuneration commensurate with Company's of similar size and type. There are no schemes for retirement benefits, other than superannuation.

The Company has a policy to remunerate its Directors and officers based on a fixed and an incentive component salary packages to reflect the short and long term objectives of the Company.

The salary component of the CEO's remuneration is made up of:

- Fixed remuneration;
- Equity based remuneration when invited to participate by the Board in the executive share option plan of the Group;
- Superannuation payment at the rate and in the manner as required by law; and
- Termination payment as required by law.

The salary component of Non-executive Directors is made up of:

- Fixed remuneration; and
- Equity based remuneration when invited to participate by the Board in the Company's executive share option plan.

For details on the amount of remuneration for each Director, refer to the Key Management Personnel note to the financial statements and the Remuneration Report in the Directors' Report. The Remuneration Report outlines the Company's remuneration policy, remuneration structure and amounts paid to Directors and senior executives.