

## CORPORATE GOVERNANCE STATEMENT

The ASX Listing Rules require the Company to prepare a corporate governance statement which discloses the extent to which the Company has complied with the recommendations contained in the 3rd edition of the ASX Corporate Governance Principles and Recommendations.

Further information about the Company's corporate governance practices can be located on the Company's website at [www.galaxylithium.com](http://www.galaxylithium.com) or [www.gxy.com](http://www.gxy.com)

This statement was approved by the Board of Directors and is current as at 19 March 2018.

### PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

**ASX Recommendation 1.1:** A listed entity should disclose:

- (a) the respective roles and responsibilities of its Board and management; and
- (b) those matters expressly reserved to the Board and those delegated to management.

The Company has complied with this recommendation.

The Board has adopted a formal Board Charter that details the respective Board and management roles and responsibilities as well as those matters expressly reserved to the Board and those delegated to management. A copy of the Board Charter is available in the corporate governance section of the Company's website at [www.galaxylithium.com](http://www.galaxylithium.com) or [www.gxy.com](http://www.gxy.com)

**ASX Recommendation 1.2:** A listed entity should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director, and 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.

The Company has complied with this recommendation.

During the period from 1 January 2017 until the date of this statement the following Directors were appointed to the Board:

Director	Date of Appointment
Mr Peter Bacchus	3 January 2017
Mr John Turner	3 January 2017
Ms Xi Xi	14 May 2017 <sup>1</sup>
Ms Florencia Heredia	1 January 2018

*1. Ms Xi resigned effective 11 September 2017*

As part of the appointment process for each of these Director an independent reference checking organisation was commissioned to undertake various background checks on each Director.

Biographical and other relevant details about each of Mr Bacchus, Mr Turner and Ms Xi were provided to shareholders prior to and at the Annual General Meeting held on 18 May 2017 at which each of these Directors was elected.

Information in relation to Ms Heredia is set out in the Directors' Report and on the Company's website, and will be provided to shareholders prior to the Annual General Meeting at which Ms Heredia is nominated for election by shareholders.

**ASX Recommendation 1.3:** A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.

The Company has complied with this recommendation.

Each Director and each senior executive has a written agreement setting out the terms of their appointment. Key details are included in the Remuneration Report.

**ASX Recommendation 1.4:** The company secretary of a listed company should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the board.

The Company has complied with this recommendation.

The Board Charter provides for the Company Secretary to be accountable directly to the Board through the Chairman.

**ASX Recommendation 1.5:** A listed entity should:

- (a) have a diversity policy which includes the requirement for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and assess annually both the objectives and the entity's progress in achieving them;
- (b) disclose that policy or a summary of it;
- (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
- (d) disclose 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).

The Company has complied with this recommendation.

The Company has adopted a Diversity Policy which is available in the corporate governance section of the Company's website at [www.galaxylithium.com](http://www.galaxylithium.com) or [www.gxy.com](http://www.gxy.com)

The measurable objectives for achieving gender diversity set by the Board in accordance with the Company's Diversity Policy and its progress towards achieving them are as follows:

<b>Objective</b>	<b>Target 2017</b>	<b>Actual 2017</b>
1. Proportion of women Directors	15%	16.67% <sup>1</sup>
2. Proportion of women employed in Senior Executive roles <sup>2</sup>	25%	20%
3. Proportion of women employed across the Company	25%	24%
4. Maintain nil gender pay gap for 'like for like' roles <sup>3</sup>	Nil	Nil

Notes:

1. This objective was achieved during the period of Ms Xi Xi's appointment to the board between May and September 2017 and following Ms Florencia Heredia's appointment from 1 January 2018.
2. "Senior Executive" for the purpose of these diversity objectives is defined to mean those persons with a direct or indirect reporting line to the Chief Executive Officer.
3. The 'like for like' gender pay gap measures the difference in base salary over the year between female and male employees in comparable roles.

**ASX Recommendation 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
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company has complied with this recommendation.

The process for periodically evaluating the performance of the Board, its committees and individual directors is set out in the Board Charter, a copy of which is available in the corporate governance section of the Company's website at [www.galaxylithium.com](http://www.galaxylithium.com) or [www.gxy.com](http://www.gxy.com)

Performance reviews were undertaken during the reporting period in accordance with that process.

**ASX Recommendation 1.7:** A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company has complied with this recommendation.

The process for periodically evaluating the performance of the Company's senior executives is set out in the Board Charter, a copy of which is available in the corporate governance section of the Company's website at [www.galaxylithium.com](http://www.galaxylithium.com) or [www.gxy.com](http://www.gxy.com)

Evaluations of senior executive performance were undertaken in accordance with that process during the reporting period.

## **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

**ASX Recommendation 2.1:** The board of a listed entity should:

- (a) have a nomination committee which has at least three members, a majority of whom are independent directors and which is chaired by an independent director; and
- (b) disclose the charter of the committee, the members of the committee and, as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendance of the members at those meetings.

The Company has partially complied with this recommendation.

The composition of the Remuneration and Nomination Committee is as follows:

<b>From 29 March 2017 to 19 March 2018</b>	<b>From 19 March 2018</b>
Mr John Turner (Chairman)	Mr John Turner (Chairman)
Mr Peter Bacchus	Mr Martin Rowley
Mr Martin Rowley	Ms Florencia Heredia
Mr Jian-Nan Zhang	

From the start of the period until the appointment of Mr Peter Bacchus and Mr John Turner on 29 March 2017 the committee comprised the two independent non-executive Directors on the Board.

A copy of the Remuneration and Nomination Committee Charter is available in the corporate governance section of the Company's website at [www.galaxylithium.com](http://www.galaxylithium.com) or [www.gxy.com](http://www.gxy.com)

The number of meetings held during 2017 and the individual attendance of the members at those meetings are set out in the Directors' Report.

**ASX Recommendation 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.

The Company has complied with this recommendation.

The Board has established a skill matrix. On a collective basis the Board has the following skills:

- Strategic expertise - ability to identify and critically assess strategic opportunities and threats, as well as develop strategies to manage them.
- Specific industry knowledge - broad background and experience in the lithium value chain, as well as the industrials and resources sector including exploration, mining, project development and operations.
- International experience - an understanding of the complexities of operating in foreign jurisdictions.
- Accounting and finance - either specific qualifications and experience in accounting and finance related fields or the ability to read and comprehend the Company's accounts, financial material presented to the Board, financial reporting requirements and an understanding of corporate finance.
- Risk management - ability to identify and monitor risks to which the Company is, or has the potential to be, exposed to.
- Experience with financial markets - experience in corporate finance and the equity/debt or capital markets.
- Investor relations - experience in identifying and establishing relationships with shareholders, potential investors, institutions and equity analysts.
- Legal - either specific legal qualifications and experience in general corporate, mining, fiscal and labour laws and/or the ability to consider the legal requirements of the Company's business operations and transactions contemplated by the Company, across the multiple jurisdictions in which it operates.

**ASX Recommendation 2.3:** A listed entity should disclose:

- (a) the names of the directors considered by the board to be 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
- (c) the length of service of each Director.

The Company has complied with this recommendation.

During the period from 1 January 2017 until the date of this report the independence and length of service of each Director is as follows:

Director	Independent	Date of Appointment	Length of Service
Mr Martin Rowley	Yes	28 November 2013	4 years 4 months
Mr Anthony Tse	No	13 October 2010	7 years 5 months
Mr Peter Bacchus	Yes	3 January 2017	1 year 2 months
Ms Florencia Heredia	Yes	1 January 2018	2 months
Mr John Turner	Yes	3 January 2017	1 year 2 months
Ms Xi Xi	Yes	14 May 2017	4 months
Mr Jian-Nan Zhang	Yes	28 November 2013	4 years 4 months

**Notes:**

1. Mr Tse is also the Chief Executive Officer and so is not independent.
2. Ms Xi resigned with effect from 11 September 2017.
3. Mr Turner and Ms Heredia are partners of, and Mr Bacchus is Chairman of, entities which provide professional services to the Company (as set out in more detail in the Remuneration Report). The Board has determined that the value of these services is not sufficiently material to interfere with the directors' capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders in general.

**ASX Recommendation 2.4:** A majority of the board of a listed entity should be independent directors.

The Company has complied with this recommendation.

At all times during the period, and as at the date of this statement, the Board has been comprised of a majority of independent Directors.

**ASX Recommendation 2.5:** The chair of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

The Company has complied with this recommendation.

The Chairman, Mr Martin Rowley, is an independent Director and the Chief Executive Officer of the Company is Mr Anthony Tse.

**ASX Recommendation 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.

The Company has complied with this recommendation.

The Board is responsible for providing new Directors with an induction to the Company and for providing adequate professional development opportunities for Directors and management.

### **PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY**

**ASX Recommendation 3.1:** A listed entity should have a code of conduct for its directors, senior executives and employees and disclose that code or a summary of it.

The Company has complied with this recommendation.

Copies of the Company's Corporate Code of Conduct and Directors' Code of Conduct are available in the corporate governance section of the Company's website at [www.galaxylithium.com](http://www.galaxylithium.com) or [www.gxy.com](http://www.gxy.com)

### **PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

**ASX Recommendation 4.1:** The board of a listed entity should:

- (a) have an audit committee which has at least three members, all of whom are non-executive directors and a majority of whom are independent directors and is chaired by an independent director who is not the chair of the board; and
- (b) disclose the charter of the committee, the relevant qualifications and experience of the members of the committee and, 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.

The Company has partially complied with this recommendation.

The composition of the Audit and Risk Committee is as follows:

**From 29 March 2017 to 19 March 2018**

Mr Peter Bacchus (Chairman)  
Mr Martin Rowley  
Mr John Turner  
Mr Jian-Nan Zhang

**From 19 March 2018**

Mr Peter Bacchus (Chairman)  
Mr Martin Rowley  
Mr John Turner

From the start of the period until the appointment of Mr Peter Bacchus and Mr John Turner on 29 March 2017 the committee comprised the two independent non-executive Directors on the Board.

A copy of the Audit and Risk Committee Charter is available in the corporate governance section of the Company's website at [www.galaxylithium.com](http://www.galaxylithium.com) or [www.gxy.com](http://www.gxy.com)

The relevant qualifications and experience of the members of the Audit and Risk Committee, the number of meetings held during 2017 and the individual attendance of the members at those meetings are set out in the Directors' Report.

**ASX Recommendation 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.

The Company has partially complied with this recommendation.

The Board received the declaration required by ASX Recommendation 4.2 from the CEO and CFO prior to approval of the Company's:

- financial statements for the half year ended 30 June 2017 and the full year ended 31 December 2017; and
- quarterly cash flow statements for the periods ending 30 September 2017 and 31 December 2017.

The Board did not receive the declarations in respect of the quarterly reports and quarterly cash flow statements for the periods ending 31 March 2017 and 30 June 2017 as it believed that the provision of the declaration for the preceding half and full year financial statements was sufficient.

**ASX Recommendation 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.

The Company has complied with this recommendation.

The Company's external auditor attended the 2017 Annual General Meeting and was available to answer questions from security holders relevant to the audit, including questions relating to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in the preparation of its financial statements and the independence of the auditor in relation to the conduct of the audit.

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

**ASX Recommendation 5.1:** A listed entity should have a written policy for complying with its continuous disclosure obligations under the ASX Listing Rules and disclose that policy or a summary of it.

The Company has complied with this recommendation.

A copy of the Continuous Disclosure Policy is available in the corporate governance section of the Company's website at [www.galaxylithium.com](http://www.galaxylithium.com) or [www.gxy.com](http://www.gxy.com)

## PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

**ASX Recommendation 6.1:** A listed entity should provide information about itself and its governance to investors via its website.

The Company has complied with this recommendation.

The Company's website at [www.galaxylithium.com](http://www.galaxylithium.com) or [www.gxy.com](http://www.gxy.com) contains information about the Company's projects, Directors and senior management and the Company's corporate governance practices, policies and charters. Copies of all Company announcements are also made available on the website following release by the ASX.

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

The Company has complied with this recommendation.

The Company's Managing Director & CEO is the Company's main contact for investors and potential investors and makes himself available to discuss the Company's activities when requested, together with other Directors or senior executives as required. In addition to ASX announcements made in accordance with its continuous disclosure obligations, the Company from time to time prepares and releases investor briefing presentations about the Company.

The Company has a Director, Corporate Development and a Director, Corporate Affairs whose roles encompass dealing with investor enquires and communicating with shareholders, potential investors, brokers and institutions.

Contact with the Company can be made via an email address and a phone number provided on the Company's website.

**ASX Recommendation 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.

The Company has complied with this recommendation.

The Company encourages participation of shareholders at its Annual General Meeting each year. Shareholders are encouraged to attend in person or by proxy. At each Annual General Meeting the Chairman allows a reasonable opportunity for shareholders to ask questions of the Board and the external auditors.

Copies of all notices of meetings and explanatory material are made available via the Company's website at [www.galaxylithium.com](http://www.galaxylithium.com) or [www.gxy.com](http://www.gxy.com) as soon as they have been released by the ASX.

**ASX Recommendation 6.4:** A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security register electronically

The Company has complied with this recommendation.

Contact with the Company can be made via the phone number and the email address provided on the website. The Company also has a facility for people to register to receive Company announcements via email.

The Company's share register provides a facility whereby investors can provide email addresses to receive correspondence from the Company electronically and investors can contact the share register via telephone, facsimile or email.

## **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

**ASX Recommendation 7.1:** The Board of a listed entity should:

- (a) have a committee to oversee risk which has at least three members, a majority of whom are independent director and which is chaired by an independent director; and
- (b) disclose the charter of the committee, the members of the committee and 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.

The Company has partially complied with this recommendation.

The composition of the Audit and Risk Committee is as follows:

**From 29 March 2017 to 19 March 2018**

Mr Peter Bacchus (Chairman)  
Mr Martin Rowley  
Mr John Turner  
Mr Jian-Nan Zhang

**From 19 March 2018**

Mr Peter Bacchus (Chairman)  
Mr Martin Rowley  
Mr John Turner

From the start of the period until the appointment of Mr Peter Bacchus and Mr John Turner on 29 March 2017 the committee comprised the two independent non-executive Directors on the Board.

A copy of the Audit and Risk Committee Charter is available in the corporate governance section of the Company's website at [www.galaxylithium.com](http://www.galaxylithium.com) or [www.gxy.com](http://www.gxy.com)

The number of meetings held during 2017 and the individual attendance of the members at those meetings are set out in the Directors' Report.

**ASX Recommendation 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
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

The Company has complied with this recommendation.

The Board and the Audit and Risk Committee conducted a review of the Company's risk management framework during 2017 and satisfied themselves that it continues to be sound.

**ASX Recommendation 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
- (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.

The Company has complied with this recommendation.

The Company does not currently have an internal audit function.

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and design of risk management is delegated to the appropriate level of management within the Company with the Managing Director and Chief Financial Officer being responsible to the Board for the risk management and control framework.

**ASX Recommendation 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.

The Company has complied with this recommendation.

The Company has exposure to economic risks, including general economy wide economic risks and risks associated with the economic cycle.

There may be a requirement in the future for the Company to raise additional funding to pursue its business objectives. The Company's ability to raise capital may be affected by these economic risks.

The Company is also exposed to commodity pricing, interest rate and foreign exchange risk.

The Company has in place risk management procedures and processes to identify, manage and minimise its exposure to these economic risks where appropriate. For further information see the notes accompanying the Company's 2017 Consolidated Financial Statements.

The current operations of the Company are subject to provincial, state and federal laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment. It is the Company's intention to conduct its activities in compliance with all environmental laws and to the highest environmental standards so as to minimise the impacts of these activities on the environment.

The Board has established a Health, Safety, Environment and Community (**HSEC**) Committee which is tasked with overseeing HSEC risks and compliance within the Company. The members of the HSEC Committee are Ms Florencia Heredia (Chair), Mr Peter Bacchus and Mr Jian-Nan Zhang.

The Company has also recruited senior HSEC personnel with responsibility for identifying and managing HSEC risk across the different jurisdictions in which the Company operates. The Company currently works closely and collaboratively with the communities located near its operations, including implementing various initiatives to improve the living standards and employment opportunities of the members of those local communities.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

**ASX Recommendation 8.1:** The board of a listed entity should:

- (a) establish a remuneration committee which has at least three members, a majority of whom are independent directors and which is chaired by an independent director; and
- (b) disclose the charter of the committee, the members of the committee and as at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of members at those meetings.

The Company has partially complied with this recommendation.

The composition of the Remuneration and Nomination Committee is as follows:



**From 29 March 2017 to 19 March 2018**

Mr John Turner (Chairman)  
Mr Peter Bacchus  
Mr Martin Rowley  
Mr Jian-Nan Zhang

**From 19 March 2018**

Mr John Turner (Chairman)  
Mr Martin Rowley  
Ms Florencia Heredia

From the start of the period until the appointment of Mr Peter Bacchus and Mr John Turner on 29 March 2017 the committee comprised two independent non-executive Directors.

A copy of the Remuneration and Nomination Committee Charter is available in the corporate governance section of the Company's website at [www.galaxylithium.com](http://www.galaxylithium.com) or [www.gxy.com](http://www.gxy.com)

The number of meetings held during 2017 and the individual attendance of the members at those meetings are set out in the Directors' Report.

**ASX Recommendation 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.

The Company has complied with this recommendation.

Non-Executive Directors are paid a fixed annual fee for their service to the Company and may, subject to shareholder approval, be granted equity based remuneration.

The Managing Director is paid a fixed annual fee for his service to the Company and may also be entitled to a cash bonus based on satisfactory performance where approved by the Board. Following receipt of shareholder approval at the 2017 Annual General Meeting, the Managing Director also received equity based remuneration in the form of options over the Company's shares.

Senior executives of the Company receive fixed remuneration comprising a base salary, superannuation and other fixed benefits based on the terms of their employment agreements with the Company. They may also be entitled to a cash bonus based on satisfactory performance where approved by the Board. The senior executives also received equity based remuneration in the form of options over the Company's shares.

Further details on the Company's policies and practices regarding the remuneration of Directors and senior executives, together with details of Director and senior executive remuneration, are provided in the Remuneration Report.

**ASX Recommendation 8.3:** A listed entity which has an equity-based remuneration scheme should:

- (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.

The Company has complied with this recommendation.

The Company has a Long-Term Incentive Plan and an Incentive Option Plan which entitle participants to equity-based remuneration. Under the Company's Share Trading Policy a designated person is not permitted to enter into transactions in products associated with the Company's securities which operate to limit the economic risk of their security holding in the Company over unvested entitlements (e.g. hedging arrangements).

A copy of the Company's Share Trading Policy is available in the corporate governance section of the Company's website at [www.galaxylithium.com](http://www.galaxylithium.com) or [www.gxy.com](http://www.gxy.com)