

# Corporate Governance Statement

The Board of Directors of Galaxy Resources Limited (the “Company”) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

This statement sets out the main corporate governance practices in place throughout the financial year in accordance with 3rd edition of the ASX Principles of Good Corporate Governance and Best Practice Recommendations.

Further information about the Company’s corporate governance practices is set out on the Company’s website at [www.galaxylithium.com](http://www.galaxylithium.com).

This Statement was approved by the Board of Directors and is current as at 29 March 2017.

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

**ASX Recommendation 1.1:** a listed entity should establish the functions reserved to the board and those delegated to senior executives and disclose those functions

The Company has complied with this recommendation.

The Board has adopted a formal charter that details the respective board and management functions and responsibilities. A copy of this board charter is available in the corporate governance section of the Company’s website at [www.galaxylithium.com.au](http://www.galaxylithium.com.au).

**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 relevant to a decision on whether or not to elect or re-elect a director.

The Company has partly complied with this recommendation.

On 8 August 2016 Michael Fotios was elected as a Director following the acquisition of General Mining Corporation Limited (“GMM”) by the Company. As Mr Fotios was a director of GMM, an ASX Listed Company at the time of acquisition and it was a condition of the successful takeover of GMM that Mr Fotios be appointed a Director, no checks were undertaken. Mr Fotios resigned as a Director on 23 December 2016.

Information in relation to Directors seeking reappointment is set out in the Directors Report and Notice of Annual General Meeting.

**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 partly complied with this recommendation.

The Company has in place written agreements with each current Director. No formal agreement was entered into with Mr Fotios due to him being a director of General Mining Corporation Limited at the time of his appointment, an ASX listed company. Given the short tenure of Mr Fotios’ appointment, a formal agreement was not entered into with Galaxy Resources Limited.

**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 Chair.

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

- have a diversity policy which includes the requirement for the board to set measurable objectives;
- for achieving gender diversity and assess annually the objectives and the entity’s progress to achieving them;
- disclose the policy or a summary of it;
- disclose the measurable objectives and progress towards achieving them; and
- disclose the respective proportions of men and women on the board and at each level of management and the company as a whole.

The Company partly complies 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).

# Corporate Governance Statement

The Company has not yet set measurable objectives to achieve Gender Diversity. The Company has grown rapidly in the previous 12 months due to the acquisition of General Mining Corporation Limited and commencement of production at the Mt Cattlin project. The Board will consider setting measurable objectives during the next financial year.

There are no women currently on the Board. The company currently has 14 female employees, including in senior management positions, which represents 25% of the total management workforce including Directors.

**ASX Recommendation 1.6:** a listed entity should disclose the process for evaluating the performance of the board, its committees and individual directors and whether a performance evaluation was carried out during the reporting period in accordance with that process.

The Company has complied with this recommendation.

The Board has adopted a self-evaluation process to measure its performance, and that of individual Directors, during each financial year.

A performance review was undertaken during the reporting period.

**ASX Recommendation 1.7:** a listed entity should have and disclose a process for periodically evaluating the performance of its senior executives and disclose in relation to each reporting period where a performance evaluation was undertaken in accordance with a process.

The Company has complied with this recommendation.

Arrangements put in place by the Board to monitor the performance of the Company's executives include:

- a review by the Board of the Company's financial performance; and
- appraisal meetings or discussions incorporating analysis of performance with each individual.

The Company conducted a performance review of senior executives during the year.

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

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

- with at least three members the majority of which are independent directors;
- chaired by an independent Director; and
- disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.

The Company partly complied with this recommendation.

The current members of the Remuneration and Nomination Committee are:

Mr John Turner (Chairman)

Mr Martin Rowley

Mr Jian-Nan Zhang

Mr Peter Bacchus

Mr. Charles Whitfield was a member of the committee until he resigned as a Director on 19 August 2016. Following Mr Whitfield's resignation, the committee had only 2 members until Mr John Turner and Mr Peter Bacchus were appointed to the committee on 29 March 2017.

The qualifications of the members of the committee are set out in the Directors' Report.

The Board will reassess the composition of the committee upon future changes to the size and composition of the Board.

**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 and develop strategies.

Specific Industry knowledge - members of the Board have a broad background and experience in the resources sector including exploration, project development and mining.

# Corporate Governance Statement

International experience - members of the Board have an understanding of the complexities of operating in foreign jurisdictions.

Accounting and finance - members of the Board have 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 working in or raising funds from the equity or capital markets.

Investor relations - Experience in identifying and establishing relationships with shareholders, potential investors, institutions and equity analysts.

Legal - Members of the Board have 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.

**ASX Recommendation 2.3:** a listed entity should disclose the names of the directors considered by the board to be independent directors and provide details in relation to the length of service of each Director

The Company has complied with this recommendation.

During the year, the Chairman Mr. Martin Rowley and Mr Jian-Nan Zhang were considered Independent Directors. Currently Messrs Rowley, Zhang, Bacchus and Turner (a majority of the Board) are considered independent.

The appointment date of current Directors are set out in the Directors Report.

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

The Company partly complied with this recommendation. For part of the year the majority of the board were not considered independent. The majority of Board members are now considered independent.

The Board considers that the composition of the Board during the financial year was appropriate for its size and level of operations. Given the change in size of the Company and scale of operations during the year, 2 new independent Non-Executive Directors have recently been appointed.

The Board will continue to assess its size and composition to ensure it remains appropriate for the Company's level of activities.

**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 considered to be an Independent Director.

Mr Anthony Tse is Managing Director of the Company.

**ASX Recommendation 2.6:** a listed entity should have a program for inducting new directors and provide appropriate professional development opportunities

The Company has complied with this recommendation.

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

## PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

**ASX Recommendation 3.1:** a listed entity should establish a code of conduct and disclose the code or a summary of the code.

The Company has complied with this recommendation.

The Company has established a code of conduct which requires all business affairs to be conducted legally, ethically and with integrity.

A copy of the Company's code of conduct is available in the corporate governance section of the Company's website at [www.galaxylithium.com](http://www.galaxylithium.com).

# Corporate Governance Statement

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

**ASX Recommendation 4.1:** The Board of a listed entity should establish an audit committee:

- with at least three members, all of whom are non-executive directors and a majority of which are independent directors
- chaired by an independent Director; and
- disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.

The Company partly complied with this recommendation.

The current members of the Audit and Risk Committee are:

Mr Peter Bacchus (Chairman)

Mr Martin Rowley

Mr Jian-Nan Zhang

Mr John Turner

Mr Charles Whitfield was a member of the committee until he resigned as a Director on 19 August 2016. Following Mr Whitfield's resignation, the committee had only 2 members until Mr Peter Bacchus and Mr Turner were appointed to the committee on 29 March 2017.

The qualifications of the members of the committee are set out in the Directors' report.

Given the size of the Board not all members of the Audit and Risk Committee were non-executive Directors until Mr Whitfield's resignation. All members of the committee are now Non-Executive Directors, all of whom are considered independent.

The Board will reassess the composition of the committee upon future changes to the size and composition of the Board.

**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 partly complies with this recommendation.

The Board has received the assurance required by ASX Recommendation 4.2 in respect of the financial statements for the half year ended 30 June 2016 and the full year ended 31 December 2016. Given the size and nature of the Company's operations during the year, the Board did not receive the assurance in respect of the quarterly cash flow statements believing that the provision of the assurance for the half and full year financial statements was sufficient.

**ASX Recommendation 4.3:** a listed entity should ensure that the external auditor attends its Annual General Meeting and is available to answer questions from security holders relevant to the audit.

The Company has complied with this recommendation.

The external auditor attends the Annual General Meeting and is available to answer questions from shareholders relevant to the audit and financial statements. The external auditor will also be allowed a reasonable opportunity to answer written questions submitted by shareholders to the auditor as permitted under the Corporations Act.

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

**ASX Recommendation 5.1:** a listed entity should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company has complied with this recommendation.

# Corporate Governance Statement

The Company has established a continuous disclosure policy which is designed to guide compliance with ASX Listing Rule disclosure requirements and to ensure that all Directors, senior executives and employees of the Company understand their responsibilities under the policy. The Board has designated the Managing Director as the person responsible for ensuring that this policy is implemented and enforced and that all required price sensitive information is disclosed to the ASX as required.

In accordance with the Company's continuous disclosure policy, all information provided to ASX for release to the market is posted to its website at [www.galaxylithium.com](http://www.galaxylithium.com) after ASX confirms an announcement has been made.

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).

## 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) contains information about the Company's projects, Directors and management and the Company's corporate governance practices, policies and charters. All ASX announcements made to the market, including annual and half year financial results are posted on the website as soon as they have been released by the ASX. The full text of all notices of meetings and explanatory material, the Company's Annual Report and copies of all investor presentations are posted on the website.

**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 is the Company's main contact for investors and potential investors and make himself available to discuss the Company's activities when requested together with other Directors or senior executives as required. In addition to announcements made in accordance with its continuous disclosure obligations the Company, from time to time, prepares and releases general investor updates about the Company.

The Company has also appointed a Director – Corporate Development whose role encompasses dealing with investor enquires and communicating with shareholders, potential investors, brokers and institutions.

The Company has engaged the services of an Investor relations advisory firm to assist the Company with its investor relations program.

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 any general meetings and its Annual General Meeting each year. Shareholders are encouraged to lodge direct votes or proxies subject to the adoption of satisfactory authentication procedures if they are unable to attend the meeting.

The full text of all notices of meetings and explanatory material are posted on the Company's website at [www.galaxylithium.com](http://www.galaxylithium.com).

**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 facility or the email address provided on the website.

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.

# Corporate Governance Statement

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

**ASX Recommendation 7.1:** The Board of a listed entity should have a committee to oversee risk:

- With at least three members, a majority of which are independent directors;
- Chaired by an independent director; and
- Disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.

The Company partly complied with this recommendation.

The current members of the Audit and Risk Committee are:

Mr Peter Bacchus (Chairman)

Mr Martin Rowley

Mr Jian-Nan Zhang

Mr John Turner

Mr Charles Whitfield was a member of the committee until he resigned as a Director on 19 August 2016. Following Mr Whitfield's resignation, the committee had only 2 members until Mr Peter Bacchus and Mr John Turner appointed to the committee on 29 March 2017 as Chairman.

The qualifications of the members of the committee are set out in the Directors Report.

**ASX Recommendation 7.2:** The Board or a committee of the Board, of a listed entity should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose in relation to each reporting period whether such a review was undertaken

The Company has complied with this recommendation.

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.

The Board conducted a review during the reporting period.

**ASX Recommendation 7.3:** a listed entity should disclose if it has an internal audit function and if it does not have an internal audit function that fact and the processes it employs for evaluating and continually improving the effectiveness of risk management and internal control processes

The Company has complied with this recommendation.

The Company does not 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 minimize its exposure to these economic risks where appropriate

# Corporate Governance Statement

The current operations of the Company are subject to Provincial, State or 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, particularly if advanced exploration or mine development proceed. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

The Board currently considers that the Company does not have any material exposure to social sustainability risk. The Company's Corporate Code of Conduct outlines the Company's commitment to integrity and fair dealing in its business affairs. The code sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behavior expected from employees when dealing with stakeholders.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

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

- With at least three members the majority of which are independent directors
- Chaired by an independent Director; and
- Disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings

The Company partly complied with this recommendation.

The current members of the Remuneration and Nomination Committee are:

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

The qualifications of the members of the committee are set out in the Directors' Report.

Mr Whitfield was a member of the committee until he resignation as a Director on 19 August 2016. Following Mr Whitfield's resignation the committee had only two members until Mr John Turner and Mr Peter Bacchus were appointed to the committee on 29 March 2017.

**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.

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

Executives of the Company typically receive remuneration comprising a base salary component and other fixed benefits based on the terms of their employment agreements with the Company and potentially the ability to participate in bonus arrangements and may, subject to shareholder approval and if appropriate, be granted equity based remuneration.

**ASX Recommendation 8.3:** a listed entity which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme and disclose the policy or a summary of that policy.

The Company has complied with this recommendation.

A participant in an equity based remuneration plan operated by the Company must not enter into a transaction (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the equity based remuneration plan.