

Gindalbie Metals Ltd

ACN 079 280 014

Corporate Governance Statement

26 October 2015

Gindalbie is committed to creating and building sustainable value for shareholders and protecting stakeholder interests.

Gindalbie recognises that high standards of corporate governance are essential to achieving that objective. Gindalbie continues to develop and review its corporate governance practices by reference to the ASX Corporate Governance Principles and Recommendations (**Governance Principles**).

The specific elements of Gindalbie's corporate governance practices are set out below. These practices reflect the Company's existing corporate governance policies and is current as at 29 July 2015. This statement has been approved by the Board. Copies of the relevant policies are available in the corporate governance section of the Company's website at www.gindalbiemetals.com.au

ROLE OF THE BOARD

The Board's primary role is the protection and enhancement of long-term shareholder value. The Board takes responsibility for the Company's corporate governance program and oversees its strategic direction and conduct of business activities.

BOARD FUNCTIONS

The Company has established the functions reserved for the Board. These functions are provided in the Board Charter. The Board Charter recognises that the following overall powers and responsibilities are reserved for the Board.

- Corporate governance;
- Approving strategic direction;
- Approving and monitoring capital expenditure;
- Monitoring of financial performance and integrity with financial reporting;
- Reviewing and monitoring the systems of risk management, internal controls and compliance;
- Appointing, removing and setting succession policies for the Board and Executives; and
- Establishing and monitoring the achievement of management's goals.

A copy of the Board Charter is available on Company's website (www.gindalbie.com.au).

MANAGEMENT FUNCTIONS

The Company has established the functions that are reserved for management. These reserved functions are provided for in the Board Charter.

The Board Charter recognises that the actual implementation of corporate strategy and day to day management of project development and exploration has been delegated by the Board to the

Managing Director and executive management. Responsibilities are delineated by formal authority delegations and detailed in relevant executive contracts of employment.

BOARD COMPOSITION

The composition of the Board provides the Company with a broad base of industry, business, financial, technical and corporate skills and experience considered necessary to represent shareholders and fulfil the business objectives of the Company.

The Board currently comprises one Executive and six Non-Executive Directors. During the majority of the reporting period there was one Executive and seven Non-Executive Directors.

The Company is required to comment on Recommendation 2 of the Governance Principles as relates to the “independence” of the Chair and the Board. The Company agrees in principle with the definition of “independence” proposed by Recommendation 2.

The Chairman, Mr Keith Jones, meets the definition of “independence” under Recommendation 2 as he has not served as an Executive Director of the Company.

As concerns the overall composition of the other Non-Executive Directors, the Company recognises that the Board does not currently have a majority of Directors who meet the test of “independence” under Recommendation 2 of the ASX Corporate Governance Principles and Recommendations. Of the Board’s six current Non-Executive Directors, three are considered independent by the Company: Mr Keith Jones, Mr Robin Marshall and Mr Paul Hallam. As Mr Ge Li, Mr Chen Ping, and Mr Anlin Shao, are all representative Directors of major shareholder Ansteel, these Directors are not considered “independent” for the purposes of Recommendation 2.

The Board is mindful of the Governance Principles and the preference for a majority of independent Directors. The Board will continue to monitor and review its composition

Mr Michael O’Neill is currently the Acting Managing Director of the Company.

The skills, experience and expertise relevant to each Director are provided in the Directors’ Report on pages 8-9 of the Annual Report. The Board selects Board members by reference to the relevance of their overall industry experience and ultimately their ability to contribute towards the strategic direction of the Company. The Board assesses the skills and diversity of its existing Board members when considering selecting new Board appointees and will engage with external search providers where appropriate. The Board has developed a diversity policy and understands the importance of ensuring diversity of Board members and employees as concerns, age, gender, ethnicity and cultural background.

BOARD MEETINGS

The Board currently holds four scheduled meetings during the year together with additional meetings for strategic planning and special matters. During the reporting period ten formal Board meetings were held. The Chairman manages the conduct of Gindalbie meetings and strives to ensure open and constructive discussions between Board members and management.

Standing agenda items include:

- Managing Director’s report (Legal, corporate, project development, EH&S);
- Disclosure and Compliance – ASX & ASIC;
- Chief Financial Officer’s report;

COMMITTEES

Gindalbie does not have a Remuneration or Nomination Committee of the Board of Directors nor does it have an Audit Committee. The full Board of Directors undertake the role of these individual committees. Given the composition of the Board and the size of the Company, it felt that individual committees are not warranted, however it is expected that as the Company's operations expand that each of these committees will be established. An update as to these matters is provided in the corporate governance statement.

EVALUATION OF BOARD AND SENIOR EXECUTIVES

The performance of the Board and Senior Executives is reviewed on an ongoing basis to ensure alignment to the Company's corporate objectives.

In particular the assessment of Senior Executives is conducted by reference to agreed key performance indicators which are agreed at the start of each year and formally reviewed at the end of the relevant year. The evaluation of the Board is overseen by the Chairman and Board members are required to complete questionnaires providing feedback on the Board's performance. The review process for Committees is undertaken by way of feedback from the Board..

The review process for Senior Executives was undertaken either during or shortly following the end of the reporting period in accordance with the process disclosed.

BOARD EDUCATION

The Company has a process to educate new Directors about the nature of the business, current issues, the corporate strategy and the expectations of the consolidated entity concerning performance of Directors. Directors also have the opportunity to visit all operations and meet with management to gain a better understanding of each business unit. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

Each Director has the right of access to all relevant Company information, to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the consolidated entity's expense.

CODE OF CONDUCT

The Board is responsible for setting the tone of legal, ethical and moral conduct to ensure the Company is considered reputable by the industry and outside entities. Gindalbie has adopted a Code of Conduct setting out minimum standards for Directors, managers and employees as to the practices necessary to maintain confidence in the Company's integrity and to take into account the Company's legal obligations and expectations of stakeholders. The code of conduct sets out responsibility and accountability for reporting and investigating any unethical practices.

A copy of the Code of Conduct is on the Company's website (www.gindalbie.com.au).

The key elements of the Code include:

- Obligation to abide by laws and regulations where the Company operates;
- Responsibility to community and broader stakeholder interests;
- Mandatory compliance with breaches reportable to relevant managers; and
- Ongoing disclosure in respect of any conflicts of interest.

TRADING IN COMPANY SECURITIES BY DIRECTORS AND SENIOR EXECUTIVES

To safeguard against insider trading, Gindalbie's Policy on Trading in Company Securities prevents Directors and employees trading if they are aware of any information that would be expected to have a material effect on the price of Company securities.

A copy of the Policy on Trading in Company Securities is located on the Company's website (www.gindalbie.com.au).

The key elements of the Policy include:

- Explanation of insider trading provisions and consequences;
- Additional restrictions on trading by Directors and senior executives requiring disclosure;
- Hedging restrictions in respect of unvested remuneration entitlements
- Restrictions on trading by Directors and senior executives within periods leading up to and following ASX announcements; and
- Restrictions on trading by Directors and senior executives within nominated 'black out' periods prior to reporting of statutory accounts.

CONTINUOUS DISCLOSURE

Gindalbie is committed to ensuring compliance with the continuous disclosure obligations under the ASX Listing Rules and the Corporations Act. The Board has implemented a Continuous Disclosure Policy. A copy is available on the Company's website (www.gindalbie.com.au).

The Managing Director and Company Secretary have responsibility to oversee compliance with the Policy.

The key elements of the Policy include:

- Overview of continuous disclosure obligations;
- Reporting to Managing Director and Company Secretary for factual assessment and release as ASX announcement; and
- Restrictions on Directors, senior managers and employees governing market sensitive information prior to release of ASX announcements.

SHAREHOLDER COMMUNICATION

Gindalbie is committed to promoting effective communications with shareholders. The Board has implemented a Policy to Promote Effective Communication with Shareholders. A copy is available on the Company's website (www.gindalbie.com.au).

The key elements of the Policy include:

- Production of annual report, quarterly reports, and release of ASX announcements;
- Release of information on Company website – including announcements, policies and Charter documents;
- Release of shareholder communications by email;
- Question time encouraging participation by shareholders at the Annual General Meeting;
- Manager Investor Relations provides central contact point within Gindalbie;
- Attendance of external auditor at Annual General Meeting; and

- Shareholder voting on key issues impacting Directors' remuneration and other matters.

RISK MANAGEMENT

Gindalbie is committed to ensuring it has effective risk management systems in place. The Board ensures that management designs and operates a risk management and internal control system to manage the Company's material business risks. Management provides updates on those risks to confirm if those risks are being managed effectively. The Board review matters of significance. Based on management's reports during the financial year, the Board considers that the Company's material business risks are being properly managed.

The key elements of the risk management process include:

- Undertaking periodic risk assessments of material business risks;
- Developing reporting systems to the Board to provide assurance that key business risks are being managed effectively;
- Management provides Board with assurance as to integrity of financial reporting and Auditor performance;
- Managing Director and Chief Financial Officer provide the Board with assurance that their section 295A Corporations Act declaration is based on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks. This assurance has been provided for this reporting period;
- Risk management and reporting systems to oversee control of occupational, health and safety obligations, environment and sustainability risks;
- Regular assessment by the Board of material business risks and relevant controls on a formal risk register; and
- Reporting of the highest level material business risks and updates to risk controls by the Management and the Board.

REMUNERATION

Gindalbie is committed to developing effective remuneration policies that are aligned to the Governance Principles.

An overview of the Company's strategy towards remuneration is set out on pages 11-14 of the Annual Report.

DIVERSITY POLICY

Gindalbie understands the value inherent in a diverse workforce and promotes a high performance culture that draws on the diverse and relevant experience, skills, expertise, perspectives and the unique personal attributes of its Board members and employees.

| Measurable Objective | Measurable Objective | Proportion of female employees | Progress towards target |
|---|----------------------|--------------------------------|-------------------------|
| Female employees in Gindalbie | 20% | 40% (2 of 5) | Exceed |
| Female employees in combined executive and senior management positions within Gindalbie | 10% | 33% (1 of 3) | Exceed |
| Female members on Boards of Gindalbie and KML | 0% | 0% | No target |

Gindalbie has no barriers to diversity and supports equality of opportunity to all in employment, based on ability and merit irrespective of their gender, race, ethnic origin, disability, age, nationality, national origin, sexuality, religion or belief, marital status and social class.

The Company sets out above its Board approved measurable objectives and targets in connection with gender diversity for the reporting period.

The Company has set targets that it considers reasonably achievable within the mining industry taking into account the higher proportion of male employees working in this segment of the market.

A copy of the Diversity Policy is available on the Company's website (www.gindalbie.com.au).

| | Description | Complied | Note |
|----------|--|-------------------|------|
| 1 | Lay solid Foundations for Management and Oversight | | |
| 1.1 | Establish the functions reserved to the board and those delegated to senior executives and disclose those functions | Yes | |
| 1.2 | Disclose the process for evaluating the performance of senior executives | Yes | |
| 2 | Structure of the Board to Add Value | | |
| 2.1 | A majority of the Board should be independent Directors | No | 1 |
| 2.2 | The Chairperson should be an independent Director | Yes | |
| 2.3 | The roles of Chairperson and Managing Director should not be exercised by the same individual | Yes | |
| 2.4 | The Board should establish a Nomination Committee | No | 2 |
| 2.5 | Disclose the process for evaluating the performance of the board, committees and individual directors | Yes | |
| 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. | Yes | |
| 3 | Promote Ethical and Responsible Decision making | | |
| 3.1 | Establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> • The practices necessary to maintain confidence in the Company's integrity' • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • The responsibility and accountability of individuals for reporting investigating reports of unethical practices. | Yes Yes Yes | |
| 3.2 | Establish a policy concerning diversity and disclose the policy or summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progressing achieving them. | Yes | |
| 3.3 | Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them. | Yes | |
| 3.4 | Disclose in each annual report the portion of women in the whole organisation, women in senior executive positions and women on the board. | Yes | |
| 4 | Safeguard Integrity in Financial Reporting | | |
| 4.1 | The Board should establish an Audit Committee | No | 1 |
| 4.2 | Structure of the Audit Committee so that it consists of: <ul style="list-style-type: none"> • Only Non-executive Directors; • A majority of Independent Directors • An independent Chairperson, who is not chairperson of the Board; and • At least three members | No | 1 |
| 4.3 | The Audit Committee should have a formal charter | No | 1 |
| 5 | Make Timely and Balance Disclosure | | |
| 5.1 | Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements to ensure accountability at a senior management level for that compliance and disclose those policies or a summary of those policies | Yes | |
| 6 | Respect the Rights of Shareholders | | |

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|----------|---|-----|---|
| 6.1 | Design a communications policy for prompting effective communication with shareholders and encourage their participation at general meetings and disclose their policy of a summary thereof. | Yes | |
| 6.2 | A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | Yes | |
| 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. | Yes | |
| 6.4 | A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | Yes | |
| | | | |
| 7 | Recognise and Manage Risk | | |
| 7.1 | Establish policies for the oversight and management of material business risks and disclose a summary of those policies. | Yes | |
| 7.2 | Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has report to it as to the effectiveness of the company's management of its material business risks | Yes | |
| 7.3 | Board should disclose whether it has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. | Yes | |
| 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. | Yes | |
| 8 | Remunerate Fairly and Responsibly | | |
| 8.1 | Board should establish a remuneration committee | No | 1 |
| 8.2 | The remuneration committee should be structured so that it: <ul style="list-style-type: none"> • Consists of a majority of independent directors • Is chaired by an independent chair • Has at least three members | No | 1 |
| 8.3 | Company should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives | | |

Note:

1. Gindalbie does not have a Remuneration or Nomination Committee of the Board of Directors nor does it have an Audit Committee. The full Board of Directors undertake the role of these individual committees. Given the composition of the Board and the size of the Company, it felt that individual committees are not warranted, however it is expected that as the Company's operations expand that each of these committees will be established. An update as to these matters is provided in the corporate governance statement.
2. The Company acknowledges that it does not comply with ASX Corporate Governance Principle 2.1 stating that the majority of the board should be independent. However, the board believes that the present board structure provides sufficient independence to lead the Company forward.