

CORPORATE GOVERNANCE STATEMENT

Dated: 20 September 2016

This table on Corporate Governance Statement sets out the extent to which the group has followed the recommendations of the ASX Corporate Governance Principles and Recommendations – 3rd edition.

Principles and Recommendations	Compliance	Comment
1. Lay solid foundations for management and oversight		
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.	Complies	The group's Corporate Governance Statement includes a Board Charter, which states the specific responsibilities of the Board and management. The Board delegates responsibility for the day to day operations and administration of the group to the executive director.
1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and (b) 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.	Complies	The Board has carried out checks on each director's character, experience, education and qualifications. No adverse information has been revealed from the checks on any director. The Board will carry out appropriate checks on each director before he or she is put forward for election.
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Does not comply	There is no written agreement with each director. The Board will implement written agreement with each director and senior executive to formalise the mutual understanding of the terms of their appointment.
1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Complies	The appointment or removal of the company secretary is made with Board's approval and the role and accountability of the company secretary is also approved by the Board.
1.5 A listed entity should: (a) have a diversity policy which	Complies	The Company has a Diversity Policy that sets measurable objectives and their achievements at the end of each financial

includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

- (b) disclose that policy or a summary of it; and
- (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 either:
 - (1) 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); or
 - (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

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.

year will be reported at the time the annual report is released.

The Diversity Policy is disclosed on the Company's website www.ausmonresources.com.au.

It sets out the measurable objectives for achieving gender diversity set by the Board.

The operations of the Group during the financial year did not require an increase in Board members and number of personnel. Consequently no progress has been made towards achieving the objectives set out in the Diversity Policy.

The Company is not a "relevant employer" under the Workplace Gender Equality Act.

Complies

The Board undertakes bi-annual self-assessment of its collective performance and the performance of the Chairman. The Chairman undertakes a bi-annual assessment of the performance of individual directors.

A performance evaluation has been undertaken during the year and no action has been proposed from the process.

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 Board undertakes bi-annual assessment of its senior executives.

A performance evaluation has been undertaken for the Managing Director/Company Secretary who is the only senior executive during the year and no action has been proposed from the process.

2. Structure the Board to Add Value

2.1 The board of a listed entity should:

- (a) have a nomination committee which:
 - (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director,and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) 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; or

Does not comply

See disclosure under 2.1(b) below.

- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Complies

The Board does not have a nomination committee.

The Board consists of 4 persons: 3 independent directors (Mr B Patkin the Chairman, Mr G Zheng and Dr R Shaw) and one non-independent Director (Mr J Wang).

The Chairman in consultation with all the Directors assesses the composition of the Board for balance in skills, knowledge, experience, independence and diversity to recommend any additions and/or succession plans to the Board and as the

<p>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.</p>	<p>Complies</p>	<p>Company develops.</p> <p>The Board has a balanced mix of skills matrix.</p> <p>The Chairman, Mr B Patkin is a broker experienced in funds raising, business management and corporate governance. Mr J Wang is a financial executive with corporate governance skills. Mr G Zheng is experienced in business management.</p> <p>A new director, Dr R Shaw, has been appointed on 15 September 2016 to broaden the skills base of the Board to include technical knowledge in energy and mineral resources and management of public listed companies.</p>
<p>2.3 A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(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</p> <p>(c) the length of service of each director.</p>	<p>Complies</p>	<p>The Board consist of 4 Directors:</p> <ul style="list-style-type: none"> - Chairman Mr B Patkin is an independent director appointed in July 2014. - Mr J Wang is a founder director appointed in November 2008 and currently the Managing Director and Company Secretary, therefore not independent. - Mr G Zheng is a founder director appointed in November 2008 and an independent director since October 2014 when he ceased to be a substantial shareholder with no executive duties. - Dr R Shaw was appointed on 15 September 2016 and is presently an independent. However discussions are in progress for him to assume an executive role when he will cease to be independent.
<p>2.4 A majority of the board of a listed entity should be independent directors.</p>	<p>Complies</p>	<p>The Board consist of 3 independent non-executive directors Mr B Patkin, Mr G Zheng and Dr R Shaw, one non-independent Director, Mr J Wang who is the Managing Director and Company Secretary. However discussions are in progress for Dr R Shaw to assume an executive role when he will cease to be independent and the Company will not be complying with this recommendation 2.4.</p> <p>The Company believes that the present size of its operations and current stage of its development do not justify the increased cost of a larger number of directors and that</p>

			the eventual non-compliance to Recommendation 2.4 will not adversely affect the Company. However, the Company will consider increasing the size of the Board with independent Directors as the business develops further.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Complies	The Chairman Mr B Patkin is a non-executive and independent.
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.	Complies	The Board has plans for directors to attend conferences and courses to acquire skills and knowledge in finance and the industry that the group operates that may be required for them to perform their duties effectively.
3.	Act ethically and responsibly		
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	Complies	The group's Corporate Governance Statement includes a Code of Conduct on Ethical Standards, which provides a guide to ethical conduct of Directors, senior executives and employees. The group's Corporate Governance Statement also includes a Code of Conduct on Securities Trading. A Securities Trading Policy has been lodged with the Australian Securities Exchange and publicly released on 23 December 2010.
4.	Safeguard integrity in corporate reporting		
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board,	Does not comply	The Board consists of one non-independent Director (Managing Director Mr J Wang) and 3 independent and non-executive directors (Chairman Mr B Patkin, Mr G Zheng and Dr R Shaw). However discussions are in progress for Dr R Shaw to assume an executive role when he will cease to be independent. The current stage of establishment and size of the group does not justify the cost of increasing the number of directors. Therefore an audit committee with a composition that satisfies Recommendation 4.1 is not established.

and disclose:

- (3) the charter of the committee;
- (4) the relevant qualifications and experience of the members of the committee; and
- (5) 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; or

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Complies

All matters relating to the audit functions and to safeguard the integrity of the group's corporate reporting are handled by the Board.

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.

Complies

The Board requires the Managing Director who is a professional accountant to provide such a declaration at the relevant time.

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.

Complies

The auditor is invited to attend all AGMs to be available to provide responses on questions relevant to the audit.

5. Make timely and balanced disclosure

5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Complies	<p>The group's Corporate Governance Statement states the policies to ensure compliance with ASX Listing Rule disclosure requirements.</p> <p>The Board has delegated the function of continuous disclosure as required under the ASX Listing Rules to the Managing Director/Company Secretary to assess the type of information that needs to be disclosed and to ensure that group's announcements are made in a timely manner, are factual, do not omit material information and are in compliance with the ASX Listing Rules. Information which is considered to be price sensitive is approved by the Board before its release.</p>
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6. Respect the rights of security holders

6.1	A listed entity should provide information about itself and its governance to investors via its website.	Complies	<p>The Company's website www.ausmonresources.com.au provides information on the Company and its governance.</p>
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Complies	<p>The Company's website www.ausmonresources.com.au provides a facility for investors to register their email address for receipt of announcements made by the Company and also for investors to send emails to the Company.</p>
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.	Complies	<p>All shareholders are notified in writing of general meetings and encouraged to attend and participate in person or by proxy or representative.</p>
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.	Complies	<p>The Company's website www.ausmonresources.com.au provides a facility for investors to register their email address for receipt of announcements made by the Company and also for investors to send emails to the Company.</p> <p>The Company's share registry Boardroom Pty Limited has facilities on their website www.boardroomlimited.com.au for investors to receive and send communications electronically.</p>

7. Recognise and manage risk

<p>7.1 The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) 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; or</p>	<p>Does not comply</p>	<p>The Board consists of one non-independent Director (Managing Director Mr J Wang) and 3 independent and non-executive directors (Chairman Mr B Patkin, Mr G Zheng and Dr R Shaw). However discussions are in progress for Dr R Shaw to assume an executive role when he will cease to be independent.</p> <p>The Company believes that the present size of its operations and current stage of its development do not justify the increased cost of a larger number of directors and that not establishing a risk committee will not adversely affect the Company. However, the Company will consider increasing the size of the Board with independent directors as the business develops further.</p>
<p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>Complies</p>	<p>The group's Corporate Governance Statement includes a business risk oversight and management policy.</p> <p>The Board monitors and receives advice as required on areas of operational and financial risk, and considers appropriate risk management strategies.</p> <p>Specific areas of risk that are identified are regularly considered by Board discussions. Included in these areas are performance of activities, human resources, health, safety and the environment, continuous disclosure obligations, asset protection and financial exposures.</p>
<p>7.2 The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p>	<p>Complies</p>	<p>The Board reviews annually its risk management framework for its soundness.</p>

	(b) disclose, in relation to each reporting period, whether such a review has taken place.		The Board has reviewed its risk management during the year and no action has been proposed from the process.
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	Does not comply	The current stage of establishment and size of the group does not justify the cost of increasing the number of staff to implement an internal audit function.
	(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.	Complies	The evaluation and continuous improvement in the effectiveness of its risk management and internal control processes are considered by the Board at its regular meetings.
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.	Complies	The business of minerals exploration of the company exposes it to environmental and social sustainability risks. Independent technical advisers are engaged when required to assist in the operations and advise on management and containment of those risks.
8.	Remunerate fairly and responsibly		
8.1	The board of a listed entity should:		
	(a) have a remuneration committee which:	Does not comply	The Board consists of one non-independent Director (Managing Director Mr J Wang) and 3 independent and non-executive directors (Chairman Mr B Patkin, Mr G Zheng and Dr R Shaw). However discussions are in progress for Dr R Shaw to assume an executive role when he will cease to be independent.
	(1) has at least three members, a majority of whom are independent directors; and		
	(2) is chaired by an independent director,		
	and disclose:		The current stage of establishment and size of the group does not justify the cost of increasing the number of directors. Therefore a remuneration committee with a composition that satisfies Recommendation 8.1 is not established.
	(3) the charter of the committee;		
	(4) the members of the committee; and		
	(5) 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; or

<p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>Complies</p>	<p>The Board reviews the level and composition of remuneration packages applicable to all directors and senior executives on an annual basis by reference to market practice for the industry in which the Company operates and the Company's financial condition. Where necessary, the Board will obtain independent advice.</p>
<p>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.</p>	<p>Complies</p>	<p>The group's Corporate Governance Statement describes the policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p> <p>The Company's Constitution provides that the remuneration of non-executive directors will be not more than such fixed sum per annum as may from time to time be determined by a general meeting.</p> <p>The Board reviews the remuneration packages and policies applicable to all directors and senior executives on an annual basis. Where necessary, the Board will obtain independent advice.</p>
<p>8.3 A listed entity which has an equity-based remuneration scheme should:</p> <p>(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</p> <p>(b) disclose that policy or a summary of it.</p>	<p>Complies</p>	<p>The Company does not permit the use of derivatives or otherwise by participants in the Employee Incentive Plan.</p>