

Andromeda Metals Limited Corporate Governance Statement

Introduction

The Board of Andromeda Metals Limited (**Company**) is committed to responsible financial and business practices and the highest standards of corporate governance to protect and advance shareholder's interests.

This Corporate Governance Statement provides information about the Company's corporate governance practices in compliance with ASX Listing Rule 4.10.3 and the *ASX Corporate Governance Principles and Recommendations (Third Edition) (Recommendations) (Recommendations)*. The Company has adopted and significantly complies, to the extent appropriate to the size and nature of the Company's operations, with the Recommendations except where specifically stated.

The information in this Corporate Governance Statement is current as at 31 October 2019 and has been approved by the Board of the Company.

The governance documents referred to in this Corporate Governance Statement are available on the Company's website at www.andromet.com.au.

ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

Principle 1: Lay solid foundations for management and oversight

The Board

The Board has responsibility for the overall corporate governance of the Company including strategic direction, establishment of goals for management, and monitoring the achievement of those goals.

Board Charter

The Board Charter establishes and defines the roles and responsibilities of the Board, which can be accessed from the Company's website at www.andromet.com.au.

Responsibilities

The Board retains full responsibility for overseeing and appraising the Company's strategies, policies and performance. However, to assist with discharging its responsibilities it has established the following committees:

1. Audit and Risk Committee; and
2. Remuneration Committee.

The Board's key functions include:

- ensuring the future of the Company through the promotion of its growth and positive image;
- the adoption and monitoring of a strategic plan for the Company;

- the prudent management of the Company's risks and its capital;
- ensuring that the directors and senior management collectively have the full range of skills needed for the effective and prudent operation of the Company;
- ensuring the Company has adequate internal controls (both operational and financial) to maintain liquidity and solvency;
- reviewing the long term positioning, branding, digital, marketing and communication strategies of the Company;
- selecting new directors of the Company and making recommendations to shareholders; and
- approving and monitoring the annual and half year reports.

Appointment

The Board will identify suitable candidates with appropriate skills, experience, expertise and diversity to complement the existing Board, in order for the Board to discharge its duties and pursue its business objectives effectively.

The Board will also undertake appropriate checks on any candidate and seek confirmation to ensure that the candidate has sufficient time to fulfil their responsibilities as a director.

The Board will provide relevant information on board members seeking re-election to shareholders so as to enable shareholders to make informed decisions.

A written agreement together with a deed of access and indemnity is provided to each incoming director. The agreement sets out the terms of appointment, expectations and responsibilities of the role, remuneration, director independence requirements, access to corporate resources and confidentiality requirements. The deed indemnifies the director in respect of certain liabilities and legal expenses incurred by them whilst acting as a director and insures them against certain risks they are exposed to as a director.

Evaluation of the Board

In accordance with the Board Charter, the performance of the Board is reviewed by the Board at board meetings and annually by both the Board and the Remuneration Committee to ensure that collectively the Board has the required skills, knowledge and experience to understand the risks of the Company.

Evaluation of senior executive performance

The Board reviews the performance of the Managing Director annually against agreed financial and non-financial performance measures, based on the level of achievement of a number of company level and individual performance hurdles. The Managing Director will undertake a similar annual review of the performance of the other senior executives, which is reviewed by the Board and the Remuneration Committee.

The Remuneration Report, which is contained within the Directors' Report of the 2019 Annual Report, is available on the Company's website at www.andromet.com.au.

Company Secretary

The Company Secretary is responsible for the day to day operations of the secretarial duties of the Company and oversees the compliance obligations of the Company. The Secretary is the contact person with the ASX and ASIC.

Diversity

The Company is committed to being an inclusive workplace that values and promotes diversity in the workplace. The Company provides a working environment which is free from unlawful discrimination, harassment, bullying and victimisation. The Company recognises that a diverse range of perspectives within the workforce facilitates good decisions, business practices and ethical behaviours.

Due to the nature of the Company's business, only a small number of directors, executives and employees are required to manage the Company's operations. When recruitment is undertaken, a diverse range of candidates are considered, with the final selection based on merit.

Principle 2: Structure the Board to add value

The Board has established a Remuneration Committee to recommend the director nominees for each annual general meeting. The Committee also makes recommendations to the Board on remuneration packages and policies applicable to directors and the management team including senior executives.

Remuneration Committee

Composition of Remuneration Committee

The Board has established a Remuneration Committee which consists of a majority of whom are independent directors. The Board completes an assessment of the independence of each director prior to their appointment and as necessary thereafter.

The Remuneration Committee is chaired by independent director, Mr Rhod Grivas.

Charter

The Charter of the Remuneration Committee is available on the Company's website www.andromet.com.au.

Members

The members of the Remuneration Committee are Mr Rhod Grivas and Mr Andrew Shearer, both of whom are independent directors. In light of the size of the Board, the Company only has two members of the Board who have been appointed to the Remuneration Committee, they are both independent and the Chair is independent.

Skills

The Board, as it is currently constituted, has a broad range of skills, knowledge and experience which is sufficient and appropriate to steer the strategic direction of the Company, challenge management and

discharge its obligations effectively. The individual qualifications and experience of each of the directors is set out in the Director's Report within the 2019 Annual Report, which is available on the Company's website at www.andromet.com.au.

Independence

The ability of directors to exercise independence judgement is a crucial feature of good corporate governance. Independent, non-executive directors are unfettered by management and free from any business or other relationship that could materially interfere with the independent exercise of their judgement.

The Board has determined both Mr Rhod Grivas and Mr Andrew Shearer are independent directors in accordance with the Board Charter on the basis that they are free from any interest, position, association or relationship that might influence or reasonably be perceived to influence the independent exercise of their judgement.

The length of the service of all the directors is subject to the Company's Constitution, the ASX Listing Rules and the seeking of re-election every 3 years which is to be approved by shareholders.

Induction

All new directors participate in an induction program which involves senior management. The induction program includes briefings on the Company's strategy, organisation structure, corporate governance practices, risk management framework, culture, charters and policies regarding the required ethical conduct of directors and employees.

The Company supports appropriate professional development opportunities where required for directors and senior management to develop and maintain the skills and knowledge needed to perform their roles effectively.

Principle 3: Act ethically and responsibly

Code of Conduct

The Company has adopted a Code of Conduct to guide the standards of ethical behaviour expected of directors, officers and employees in the performance of their work. In summary, the Code of Conduct requires directors, officers and employees to:

- act in the best interests of the Company and with honesty, integrity and fairness;
- comply with the laws and regulations which apply to the Company and its operations;
- not knowingly participate in any illegal or unethical activity;
- immediately report any concern about a possible breach of the Code of Conduct or any reportable matter under the Code;
- not enter into any arrangement or participate in any activity that would conflict with the interests of the Company or cause the Company to breach any of its legal or regulatory obligations;
- not act in a way which would be likely to negatively affect the Company's reputation;
- not take advantage of the Company's property or information or your position (or opportunities

- arising from these) for personal gain or to compete with the Company; or
- not take advantage of or misuse a third party's property or information.

The Code of Conduct is available at the Company's website: www.andromet.com.au.

Principle 4: Safeguard integrity in corporate reporting

Audit and Risk Committee

Purpose of the Committee

The Company has established an Audit and Risk Committee which assists the Board in fulfilling its statutory and fiduciary obligations by providing independent and objective recommendations and assurance on the effectiveness of governance, operational risk management, financial reporting, internal control processes and the external audit.

Composition of the Audit and Risk Committee

The Audit and Risk Committee comprises two non-executive directors, both of whom are independent directors, and is chaired by Mr Andrew Shearer an independent chair, who is not the Chairman of the Board. In light of the size of the Board, the Company only has two members of the Board who have been appointed to the Audit and Risk Committee, they are both independent and the Chair is independent.

Technical expertise

The experience and qualifications of each member of the Audit & Risk Committee is available on the Company's website at: <http://www.andromet.com.au/corporate/board-and-management>.

Meetings

The Audit and Risk Committee meets at least twice per year to coincide with the review of the half year and annual financial reports to satisfy its objectives.

For details of the number of meetings of the Committee held during the year, and the attendees at those meetings, refer to Meetings of Directors on page 22 of the 2019 Annual Report.

Reporting

The Chair of the Audit and Risk Committee communicates the findings of the Committee to the Board after each meeting.

The Company's Charter of the Audit and Risk Committee has adopted a formal policy on the appointment and independence of the external auditors to ensure appropriate control processes are in place to review the nomination and performance of the external auditor.

The directors require the Managing Director and the Executive Director to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results, and are in accordance with relevant accounting standards.

The Executive Director has provided a written statement to the Board in accordance with section 259A of the *Corporations Act 2001* (Cth) that their view provided on the Company's financial report is founded

on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board.

The external auditor attends each AGM and is available to answer shareholder questions at the AGM.

Principle 5: Make timely and balanced disclosure

The Board has adopted a Continuous Disclosure Policy, which sets out the key obligations of the Board and senior management to ensure that the Company complies with its disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Board has overall responsibility for the establishment, implementation and supervision of the Company's continuous disclosure, however it has delegated authority to the Company Secretary (and other authorised representatives from time to time) for the release of market communications.

The Company is committed to regularly communicating with shareholders in a timely, accessible and clear manner with respect to both procedural matters and major issues affecting the Company. The Company's Continuous Disclosure Policy sets out the practices which the Company implements to support effective communication with its shareholders.

A copy of the Company's Continuous Disclosure Policy is available on the Company's website at: www.andromet.com.au.

Principle 6: Respect the rights of security holders

The Company aims to communicate all important information relating to the Company to its shareholders. The Company's website at www.andromet.com.au contains extensive information about the Company, its activities, portfolio, investment performance, the directors and senior executives. It is updated regularly to keep shareholders informed at all times.

The Company meets its aims as follows:

- the Company's website includes copies of announcements lodged with the ASX;
- the Company provides copies of all of its charters and policies on its website;
- each shareholder receives a Notice of Meeting invitation to attend the Annual General Meeting and has the opportunity to attend and participate in the meeting either in person or by representative;
- shareholders also have an opportunity to submit questions to the Board and to the Company's auditors at its Annual General Meetings - the Board regards the annual general meeting as a good forum in which to discuss issues relevant to the Company and accordingly encourages full participation by shareholders;
- shareholders can sign up to receive ASX announcements via email and can contact Company representatives via email addresses listed on the Company's website; and
- shareholders can also elect to communicate with the Company's share registry electronically.

Principle 7 – Recognise and manage risk

The Board considers ongoing risk management to be a core component of the management of the Company. The Board monitors the business risks of the Company in the discharge of its stewardship responsibilities. The Company operates in a competitive environment and the business is exposed to a range of commercial, economic and market risks that cannot be fully predicted or controlled.

Changing conditions have the potential to impact to the Company's business but the Company must have exposure to risk if it is to succeed in the objective of maximising long-term shareholder returns.

The material risks affecting the Company are actively monitored and managed through the adopted corporate risk register together with internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with relevant laws and regulations maintained by the Audit and Risk Committee with the assistance of the Board and the Company's external auditors.

Additionally, the Board receives reports from the Managing Director on internal control and risk management, and a declaration in accordance with section 295A of the Corporations Act on the integrity of the Company's financial statements.

Risk management and internal control systems are reviewed by the Audit and Risk Committee prior to implementation by the Board.

The Board Audit and Risk Committee Charter is available on the Company's website at: www.andromet.com.au.

The Company and the Board recognises there are a number of business risks that could materially impact the Company. Control measures and improvement actions for minimising and treating risks are contained in the Company's corporate risk register.

The key areas of risk that have been identified are:

- personnel and safety;
- financial and access to capital;
- intellectual property management;
- statutory / regulatory;
- tenement management;
- stakeholders; and
- environmental.

Principle 8 – Remunerate fairly and responsibly

The Board has established a Remuneration Committee which operates under the Remuneration Committee Charter. The charter is available on the Company's website at www.andromet.com.au.

Remuneration Committee

Purpose of the Committee

The Remuneration Committee has been established to make recommendations to the Board regarding the director nominees for each annual general meeting and ensures that the Board have the benefit of qualified and experienced independent directors.

Composition of Remuneration Committee

The Board has established a Remuneration Committee which consists of two members, the majority of whom are independent directors.

The Remuneration Committee is chaired by independent director, Mr Rhod Grivas.

Charter

The Charter of the Remuneration Committee is available at the Company's website: www.andromet.com.au.

Members

The members of the Remuneration Committee are Mr Rhod Grivas (Chair) and Mr Andrew Shearer.

Meetings

The Charter of the Remuneration Committee dictates that it is to meet at least two times each year in order for the Committee to fulfil its obligations.

For details of the number of meetings of the Committee held during the year, and the attendees at those meetings, refer to Meetings of Directors on page 22 of the 2019 Annual Report.

Reporting

The Chair of the Remuneration Committee communicates the findings of the Committee to the Board after each meeting.

For further details of the remuneration policies of the Company, please refer to the Remuneration Report on pages 24 - 28 of the 2019 Annual Report.

The non-executive directors' remuneration is fixed and is subject to a maximum remuneration pool of \$350,000, which was approved by shareholders on 17 November 2009.

The Company does not provide any scheme for retirement benefits, other than statutory superannuation, for non-executive directors.

Equity-based remuneration

The Company's remuneration policy is to ensure that remuneration is competitive in attracting, motivating and retaining employees of high calibre and appropriately reflect the duties and responsibilities of each executive. The Company offers a combination of fixed annual remuneration and

performance related remuneration through its Loan Funded Employee Share Plan. The purpose of this equity based remuneration scheme is to create a strong link between increasing shareholder value and executive reward.

Company policy prohibits executives from entering into transactions which limit the economic risk of participating in the scheme.