

Corporate Governance Statement

Overview

The Company's Board governs the business on behalf of shareholders as a whole with the prime objective of protecting and enhancing shareholder value. The Board is committed to, and ensures that the:-

- (i) executive management runs the Group in accordance a high level of ethics and integrity;
- (ii) Board and management complies with all applicable laws and regulations;
- (iii) Company continually reviews the governance framework and practices to ensure it fulfils its corporate governance obligations.

Good corporate governance will evolve with the changing circumstances of a company and must be tailored to meet these circumstances. The Board endorses the ASX Corporate Governance Principles and Recommendations ('ASX CGP') however, as a development company, at this stage of the Company's corporate development, implementation of the ASX CGP is not practical in every instance given the modest size and scale of the Company operations.

During the year ended 30 June 2016, the Company considered the 3rd Edition of the ASX CGP. This Statement reports on the revised recommendations and outlines the main corporate governance practices employed by the Board. Where it has not adopted a particular recommendation, an explanation is provided.

This Corporate Governance Statement was approved by the Board on 15th October 2016 and is current as at that date in accordance with ASX Listing Rule 4.10.3. The Corporate Governance Statement is published on the Company's website at www.gulfmanganese.com rather than contain it in its Annual Report.

1. Laying solid foundations for management and oversight

Role and Responsibility of Board and Management

The relationship between the Board and senior management is critical to the Company's long term success. The Board is responsible for the performance of the Company in both the short and longer term and seeks to balance sometimes competing objectives in the best interests of the Group as a whole. The key aims of the Board are to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer and senior management.

The responsibilities of the Board as a whole, the Chairman and individual Directors are set out in the Company's Board Charter and are consistent with ASX CGP 1. A copy of the Board Charter is available in the Corporate Governance section of the Company's website.

Before appointing a new director, the Company will undertake appropriate checks such as a character reference, police clearance certificate, bankruptcy check and any other check it deems appropriate. Where a director is to be re-elected or a candidate is put up for election to shareholders, all material information will be provided to shareholders for consideration.

To ensure that Directors clearly understand the requirements of their role, formal letters of appointment are provided to them. The content of the appointment letter is consistent with that set out in ASX CGP 1.

To ensure that Executives clearly understand the requirements of the role, service contracts and formal job descriptions are provided to them, the content of which is consistent with ASX CGP1.

Access to information

Directors may access all relevant information required to discharge their duties in addition to information provided in Board papers and regular presentations delivered by executive management on business performance and issues. With the approval of their Chairman, Directors may seek independent professional advice, as required, at the Company's expense.

Company Secretary

The Company Secretary, Leonard Math, is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The role of the Company Secretary is consistent with ASX CGP1.

Diversity

The Board has not adopted the Diversity Policy and not set any measurable objectives which is contrary to CGP 1.5. The Board however will continue to monitor the relative merits of adopting a formal diversity policy and measurable objectives in relation to gender diversity as the Group's size and nature of operations evolve.

Board performance

The Board undertakes an annual self-assessment of its collective performance, by way of a series of questionnaires. The results are collated and discussed at a Board meeting and any action plans are documented together with specific performance goals which are agreed for the coming year.

The Chairman undertakes an annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment. A director is nominated to review the individual performance of the Chairman and meets privately with him to discuss this assessment. Due to the Board changes occurred during the financial year, a Board review was not undertaken in accordance with this process. The Board intends to conduct a review in December 2016.

Senior executive performance

The CEO undertakes an annual review of the performance of his direct reports and provides a report to the Board for consideration.

The Chairman undertakes regular review of the CEO and provides a report to the Board for consideration.

2. Structure of the Board

Board composition

The Directors determine the composition and size of the Board in accordance with the Company's Constitution. The Constitution empowers the Board to set upper and lower limits with the number of Directors not permitted to be less than three.

During the financial year ending 2016, the Board consists of:

Craig Munro (Chairman) – appointed 1 February 2016

Hamish Bohannan* (Managing Director) – appointed 1 February 2016

Andrew Wilson (Non-Executive Director) – appointed 17 February 2016

Paul O'Shaughnessy (Non-Executive Director) – resigned 27 July 2016

Graham Anderson (Chairman) – ceased as a Director on 19 July 2015

Peter Williams (Non-Executive Director) – resigned 17 Feb 2016

Michael Walters (Non-Executive Director) – resigned 1 Feb 2016

**Appointed CEO on 28 October 2015*

There are currently 3 Directors appointed to the Board and their skills and experience, qualifications, term of office and independence status is set out in the Directors' Report.

Nominations committee

The Board has established a Remuneration and Nominations Committee to assist the Board in its discharge of duties. Refer to 8. below for further information.

Due to the change and the number of Board members at current, the Board has decided to undertake the responsibilities normally undertaken by a Nomination Committee.

The Company will give consideration at an appropriate time in the Company's development, for the continuation of the Remuneration and Nominations Committee.

Board succession/Board skills matrix

The Board has adopted a Board skills matrix which identifies its collective mix of skills and diversity. The Board's collective skills include board of director experience, CEO succession planning, financial, fundraising, independence, industry knowledge, leadership, legal, lobbying/networking, marketing/PR, risk management and strategic planning.

During the financial year, the composition of the Board was regarded as balanced with a complementary range of skills, independence, diversity and experience to enable it to discharge its duties and responsibilities effectively.

Director independence

Refer to the table below in relation to the independence of directors during the financial year based on the definition of independence published in ASX CGP 2.

Director	Independent	Independent Status
Craig Munro	Yes	Independent
Hamish Bohannan	No	Executive of the Company
Andrew Wilson	Yes	Independent

Independent Decision Making

A majority of the Board are independent which is consistent with ASX CGP 2. All Directors bring to the Board the requisite skills which are complementary to those of the other Directors and enable them to adequately discharge their responsibilities and bring independent judgments to bear on their decisions.

The Board Charter sets out the criteria the Board uses to determine director independence. Materiality thresholds used to assess director independence are set out in the Board Charter.

The Board believes that the interests of the shareholders are best served by:

- The current composition of the Board which is regarded as balanced with a complementary range of skills, diversity and experience as detailed in the Directors' Report; and
- The Independent Directors providing an element of balance as well as making a considerable contribution in their respective fields of expertise.

The following measures are in place to ensure the decision making process of the Board is subject to independent judgments:-

- A standard item on each Board Meeting agenda requires Directors to focus on and declare any conflicts of interest in addition to those already declared;
- Directors are permitted to seek the advice of independent experts at the Company's expense, subject to the approval of the Chairman;
- All Directors must act all times in the interest of the Company; and
- Independent Directors meet as required independently of executive management.

Adoption of these measures ensure that the interests of shareholders, as a whole, are pursued and not jeopardised by a lack of independence.

Inducting new directors

New Non-Executive Directors are provided with a pack of information and documents relating to the Company including the Constitution, Group structure, financial statements, recent Board papers and the various Board policies and charters. A site visit is arranged at an appropriate and cost effective time.

3. Ethical and Responsible Decision Making

Code of Conduct

A Code of Conduct Policy is in place to promote ethical and responsible practices and standards for directors, employees and consultants of the Company to discharge their responsibilities. This Policy reflects the directors' and key officers' intention to ensure that their duties and responsibilities to the Company are performed with the utmost integrity. A copy of the Standards of Conduct policy is available to all employees and is also available in the Corporate Governance section of the Company's website. The terms are consistent with ASX CGP 3.

4. Integrity of corporate reporting

Audit & Risk Committee

During the financial year, the Board had an Audit & Risk Committee to assist the Board in the discharge of its responsibilities.

The Audit & Risk Committee charter is available in the Corporate Governance section of the Company's website and the composition, operations and responsibilities of the Committee are consistent with ASX CGP 4. The members are however considered to be the best qualified to serve on the Committee given their background and experience.

Details of these Directors' qualifications and attendance at Audit & Risk Committee meetings are set out in the Company's Directors' Report.

Due to the change and the current number of Board members, the Board has decided to undertake the responsibilities normally undertaken by the Audit & Risk Committee.

The full Board undertakes all Audit Committee responsibilities which include the following:-

- Reviewing and approving statutory financial reports and all other financial information distributed externally;
- Monitoring the effective operation of the risk management and compliance framework;
- Reviewing the effectiveness of the Company's internal control environment including compliance with applicable laws and regulations;
- The nomination of the external auditors and the review of the adequacy of the existing external audit arrangements; and
- Considering whether non audit services provided by the external auditor are consistent with maintaining the external auditor's independence.

The Company will give consideration at an appropriate time in the Company's development, for the continuation of the Audit & Risk Committee.

CEO/CFO Sign Off

Before the Board approves the Company's financial statements it receives a declaration from its CEO and CFO in accordance with ASX CGP 4.

External Auditor

The lead audit partner responsible for the Group's external audit is required to attend each Annual General Meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

5. Timely and balanced disclosure

Continuous Disclosure Policy

The Company has a written policy on information disclosure that focuses on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities.

A copy of the Continuous Disclosure Policy is located in the Corporate Governance section of the Company's website and the terms are consistent with ASX CGP 5.

The Company Secretary has been nominated as the person responsible for communications with the Australia Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

6. Rights of Securityholders

Website

The Company maintains a website at www.gulfmanganese.com. The website contains information consistent with ASX CGP 6.

Communication

The Company's Shareholder Communications Policy promotes effective communication with the Company's shareholders and encourages shareholder participation at general meetings. A copy of this Policy, which deals with communication through the ASX, the Share Registry, shareholder meetings and the annual report, may be found in the Corporate Governance section of the Company's website. All of the Company's announcements to the market may also be accessed through the Company's website. The Company's annual reports are posted on the Company's website.

Shareholders are provided with the opportunity to question the Board concerning the operation of the Company at the annual general meeting. They are also afforded the opportunity to question the Company's auditors at that meeting concerning matters related to the audit of the Company's financial statements.

Shareholders are also encouraged and given the opportunity to receive electronic communications from, and send electronic communications to, the Company and its share registry.

7. Recognising and Managing Risk

Risk Committee

The Board has established an Audit & Risk Committee to assist the Board in the discharge of its responsibilities. Refer to 4. above.

Due to the changes and the current number of Board members, the Board has decided to undertake the responsibilities normally undertaken by the Audit & Risk Committee.

Internal Audit

The Company does not currently have an internal audit function. Once the Company is at a size and scale that warrants an internal auditor or nears production status, the Board, through the Audit & Risk Committee will be responsible for the appointment and overseeing of the internal auditor.

Exposure to Economic, Environmental and Social Sustainability Risks

The Company's corporate ethics includes a strong focus on environmental responsibility. This approach is integral to ensuring the long-term sustainability of the Company's mining and exploration operations. Environmental policies have been established to ensure that its field operations comply with permits and licenses, and have minimal impact on the surrounding environments.

A comprehensive Environmental Management and Monitoring Program details all environmental monitoring and reporting. Each exploration and mining project has its own site specific environmental management plan.

An important key to the Company's current and future success is open communications with all stakeholders. The Company acknowledges its responsibility towards local communities and are committed to being a good neighbor.

Part of the Company's long-term approach towards community relations is to:

- Pursue mutual benefits for all involved;
- Improve the quality of life for neighboring communities; and
- Working in partnership with the community and local level government to find solutions for any social impact resulting from the mines.

The Company is currently not materially exposed to economic, environmental and social sustainability risk.

8. Remunerating Fairly and Responsibly

Remuneration and Nominations Committee

The Board has established a Remuneration and Nominations Committee to assist the Board in its discharge of duties.

The Remuneration and Nominations Committee Charter is available in the Corporate Governance section of the Company's website and the composition, operations and responsibilities of the Committee is consistent with the terms of ASX CGP 2 and 8.

Details of the Directors' qualifications and attendance at the Remuneration and Nominations Committee meetings are set out in the Directors' Report.

Due to the changes and the number of Board members, the Board has decided to undertake the responsibilities normally undertaken by a Nomination Committee.

The Company will give consideration at an appropriate time in the Company's development, for the continuation of the Remuneration and Nominations Committee.

The Committee seeks to ensure that collectively its membership represents an appropriate balance between Directors with experience and knowledge of the Company and Directors with an external or fresh perspective. It shall review the range of expertise of its members on a regular basis and seeks to ensure that it has operational and technical expertise relevant to the operation of the Company.

Directors are re-elected, nominated and appointed to the Board in accordance with the Board's policy on these matters set out in the Charter, the Company's Constitution and ASX Listing Rules. In considering appointments to the Board, the extent to which the skills and experience of potential candidates complement those of the Directors in office is considered.

The Company's remuneration philosophy, objectives and arrangements are detailed in the Remuneration Report which forms part of the Directors' Report.

Remuneration of Non Executive Directors

The annual total of fees to Non Executive Directors is set by the Company's shareholders and allocated as Directors' Fees by the Board on the basis of the roles undertaken by the Directors. Full details of Directors' remuneration appear in the Remuneration Report. These fees are inclusive of statutory superannuation contributions. No retirement benefits are paid to Non Executive Directors.

During the financial year, equity-based incentive was provided to the Non Executive Directors following shareholders approval.

Remuneration of Executive Management

Remuneration packages for Executive management are generally set to be competitive so as to both retain executives and attract experienced executives to the Company. Packages comprise a fixed (cash) element and variable incentive components. Payment of the variable components will depend on the Company's financial and the executive's personal performance.