



## CORPORATE GOVERNANCE STATEMENT FOR FINANCIAL YEAR ENDED 30 JUNE 2018

The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for oversight of the management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Galan Lithium Limited ('Galan' or 'the Company') has adopted policies, procedures and practices as tools to support the Board's strong belief in good corporate governance. Commensurate with the spirit of the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council ('Council'), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" regime, where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and an explanation for the adoption of its own practice.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of its operations.

The following outlines the adherence (or otherwise) of the Company for each of the Principles & Recommendations during the financial year ended 30 June 2018 ('Reporting Period'). Please note that the Company changed its name from Dempsey Minerals Limited to Galan Lithium Limited on 10 August 2018 whilst the ASX ticker code was changed from DMI to GLN on 15 August 2018.

### Principle 1: Lay solid foundations for management and oversight

#### Recommendations 1.1

The Board has adopted a Charter that sets out the roles and responsibilities of the board. This may be viewed on the Company's website at [https://galanlithium.com.au/wp-content/uploads/2018/08/GLN\\_BOARD-CHARTER.pdf](https://galanlithium.com.au/wp-content/uploads/2018/08/GLN_BOARD-CHARTER.pdf). The Charter includes, amongst other things that the Board will be responsible for:

- Setting the strategic aims of the Company and overseeing management's performance within that framework
- Making sure that the necessary resources (financial and human) are available to the Company and its senior executives to meet its objectives
- Overseeing management's performance and the progress and development of the Company's strategic plan
- Determining the remuneration policy for the Board members, Company Secretary and Senior Management
- Controlling and approving financial reporting, capital structures and material contracts
- Ensuring that a sound system risk management and internal controls are in place
- Setting the Company's values and standards
- Undertaking formal and rigorous reviews of the Corporate Governance policies to ensure adherence to the ASX Corporate Governance Council
- Ensuring that the Company's obligations to shareholders are understood and met

- Ensuring the health, safety and well-being of employees in conjunction with the senior management team, including developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to assure the well-being of all employees
- Ensuring an adequate system is in place for the proper delegation of duties for the effective operative day to day running of the Company without the Board losing sight of the direction that the Company is taking

#### **Recommendations 1.2 to 1.4**

In determining candidates for the Board, Board members follow a process whereby they evaluate the mix of skills, experience and expertise of the existing Board and identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, will be recommended to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board consists of five (5) members, one of which holds an executive position as Managing Director. All directors have appointment contracts. The financial and other remuneration details are disclosed in the Directors Report of each annual report.

The Company Secretary is charged with facilitating the Company's corporate governance processes and so shares primary responsibility, along with the Managing Director, for ensuring that the Board processes and procedures run efficiently and effectively.

#### **Recommendation 1.5**

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. The Company has adopted a Workplace Diversity Policy which can be viewed on the Company's website at [https://galanlithium.com.au/wp-content/uploads/2018/09/GLN\\_WORKPLACE-DIVERSITY-POLICY.pdf](https://galanlithium.com.au/wp-content/uploads/2018/09/GLN_WORKPLACE-DIVERSITY-POLICY.pdf)

The Board has also adopted a policy to address harassment and discrimination in the Company, which it believes will facilitate an environment that encourages a diverse workforce.

The proportion of women on the board and women in senior executive positions as at 30 June 2018 and 30 June 2017 are as follows:

	2018		2017	
	No.	%	No.	%
Women on the Board	0	0%	0	0%
Women in senior management roles	0	0%	0	0%

#### **Recommendations 1.6 and 1.7**

The Board undertakes an annual review of its own performance with external advice as appropriate. During the Reporting Period the Company undertook an informal evaluation of its Directors.

The same evaluation process, as stated above, will apply to senior executives when, and if, they are engaged by the Company.

### **Principle 2: Structure the board to add value**

#### **Recommendation 2.1**

The Board has not established a separate nomination committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate nomination committee. Accordingly, the Board performs the role of the nomination committee. Items that are usually required to be discussed by a nomination committee are marked as separate agenda items at Board meetings when required. The Board deals with any conflicts of interest that may occur when convening in the capacity of the nomination committee by ensuring that any Director with conflicting interests is not party to the relevant discussions.

## **Recommendation 2.2**

The Company does not comply with Recommendation 2.2 as it has decided that due size, composition and structure of the Board, there is no current requirement for the disclosure of a board skills matrix. However, it does disclose the skills and expertise of its directors on its website and in the Directors Report of each annual report.

## **Recommendation 2.3**

The Board currently consists of five (5) directors, which includes a Managing Director, a non-executive chairman and three non-executive directors. Details of their experience, qualifications and committee memberships (if applicable) are set out in the Director's Report of the annual report. The following Directors have been in office since the start of the Reporting Period to the date of the annual report unless otherwise stated:

Nathan McMahon - Non-Executive Chairman from February 2011 (not independent)

Juan Pablo Vargas de la Vega – Managing Director since June 2018 (not independent)

Chris Chalwell - Non-Executive Director since February 2011 (independent)

Terry Gardiner - Non-Executive Director since December 2013 (independent)

Jinyu (Raymond) Liu – Non-Executive Director since June 2018 (not independent)

Election of Board members is substantially the province of the shareholders in general meeting. However, the Company commits to bringing on board, directors who bring characteristics which allow a mix of qualifications, skills, experience, expertise and diversity to the Board.

## **Recommendation 2.4**

The Company does not comply with Recommendation 2.4 in that only 40% of the current serving directors are considered independent.

Mr Chalwell is a Non-Executive Director and is considered to be Independent. Mr Chalwell is not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgement.

Mr Gardiner is a Non-Executive Director and is considered independent. Mr Gardiner is not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgement.

Mr McMahon is a Non-Executive Director/Chairman of the Company and is not considered independent as he is a substantial shareholder of the Company.

Mr de la Vega is Managing Director and a substantial shareholder of the Company and is not considered independent.

Mr Liu is a Non-Executive Director and a substantial shareholder of the Company and is not considered independent.

Given the size of the Company and the industry in which it operates, the current Board structure is considered to best serve the Company in meeting its objectives, given the size of its capitalisation and existing projects. The composition of the Board is reviewed on an annual basis to ensure that the Board has the appropriate mix of expertise and experience.

## **Recommendation 2.5**

The Company does not comply with Recommendation 2.5 in that the Chairman is not independent. The Company considers this to be appropriate and in its best interests. Given the size of the Company and the nature of its activities, it is best served by a chairman with sound Company and mining industry knowledge as well as significant equity in the Company.

## **Recommendation 2.6**

Any new directors undergo an induction process in which they are given a full briefing on the Company. They will also be provided with letters of appointment to the Board, setting out the key terms and conditions relative to their appointment.

To assist Directors with independent judgement, it is the Board's policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the Director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified and to receive continuing education concerning key developments in the Company and in the industry and environment within which the Company operates.

### **Principle 3: Promote ethical and responsible decision making**

#### **Recommendation 3.1**

The Directors, officers, employees and contractors of the Company are required to conduct themselves in accordance with the Galan Code of Conduct which can be viewed on the Company's website at [https://galanlithium.com.au/wp-content/uploads/2018/08/GLN\\_CODE-OF-CONDUCT.pdf](https://galanlithium.com.au/wp-content/uploads/2018/08/GLN_CODE-OF-CONDUCT.pdf).

### **Principle 4: Safeguard integrity of financial reporting**

#### **Recommendation 4.1**

The Board has not established a separate audit committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate audit committee. Accordingly, the Board performs the role of audit committee. Items that are usually required to be discussed by an audit committee are marked as separate agenda items at Board meetings when required. The Board deals with any conflicts of interest that may occur when convening in the capacity of the audit committee by ensuring that any Director with conflicting interests is not party to the relevant discussions.

All of the Directors consider themselves to be financially literate and to possess relevant industry experience. Details of each of the Director's qualifications and skill sets are set out in the Directors' Report of each annual report.

#### **Recommendation 4.2**

The Chairman and the CFO will provide a declaration to the Board in accordance with section 295A of the Corporations Act on at least an annual basis. Such declaration 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.

The above declaration has been provided for the Reporting Period.

#### **Recommendation 4.3**

The shareholders in a general meeting are responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

The auditor of the Company attends the AGM and is available to answer any questions from the shareholders that are relevant to the accounts or the audit of the Company.

### **Principle 5: Make timely and balanced disclosure**

#### **Recommendation 5.1**

The Board has designated the Managing Director (Primary) and the Company Secretary (Secondary) as the persons responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. Galan has a Continuous Disclosure Policy which can be viewed on the Company's website at [https://galanlithium.com.au/wp-content/uploads/2018/08/GLN\\_CONTINUOUS-DISCLOSURE-POLICY.pdf](https://galanlithium.com.au/wp-content/uploads/2018/08/GLN_CONTINUOUS-DISCLOSURE-POLICY.pdf).

## **Principle 6: Respect the rights of security holders**

### **Recommendations 6.1, 6.2, 6.3 and 6.4**

The Company is owned by its shareholders and the Board's primary responsibility is to shareholders and to achieve the Company's corporate objectives and therefore increase the Company's value.

The Board of Galan is committed to open and effective shareholder communication to ensure they are informed of all significant developments concerning the Company. The Company principally engages with its shareholders via general meetings and its AGM or personally as requested by individual shareholders, a practice that the Company encourages.

Galan has in place an effective Shareholder Communications Policy which can be viewed on the Company's website at [https://galanlithium.com.au/wp-content/uploads/2018/08/GLN\\_SHAREHOLDER-COMMUNICATIONS-POLICY.pdf](https://galanlithium.com.au/wp-content/uploads/2018/08/GLN_SHAREHOLDER-COMMUNICATIONS-POLICY.pdf).

## **Principle 7: Recognise and manage risk**

### **Recommendations 7.1, 7.2, 7.3 and 7.4**

The Board has not established a separate risk management committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate risk management committee.

The Board has adopted a Risk Management Policy. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Board's collective experience will enable accurate identification of the principal risks which may affect the Company's business. Management of these risks will be discussed by the Board at periodic (at least annual) strategic planning meetings. In addition, key operational risks and their management, will be recurring items for deliberation at Board meetings. An informal review of the risk management framework was undertaken in the Reporting Period.

A copy of the Galan Risk Management Policy can be viewed on the Company's website at [https://galanlithium.com.au/wp-content/uploads/2018/08/GLN\\_RISK-MANAGEMENT-POLICY.pdf](https://galanlithium.com.au/wp-content/uploads/2018/08/GLN_RISK-MANAGEMENT-POLICY.pdf).

## **Principle 8: Remunerate fairly and responsibly**

### **Recommendation 8.1**

The Board has not established a separate remuneration committee. Given the current size and composition of the Company, the Board believes that there would be no efficiencies gained by establishing a separate remuneration committee. Accordingly, the Board performs the role of remuneration committee. Items that are usually required to be discussed by a remuneration committee are marked as separate agenda items at Board meetings when required. The Board deals with any conflicts of interest that may occur when convening in the capacity of the remuneration committee by ensuring that any Director with conflicting interests is not party to the relevant discussions.

### **Recommendation 8.2**

The maximum remuneration of Non-executive Directors is the subject of shareholder resolution in accordance with the Company's Constitution, and the *Corporations Act 2001* as applicable. The appointment of Non-executive Director remuneration within that maximum will be made by the Board having regard to the inputs and value of the Company of the respective contributions by each Non-executive Director. Usually Non-Executive Directors do not receive performance based bonuses but may participate in equity schemes of the Company.

### **Recommendation 8.3**

The Company discloses information on an annual basis in respect of its Employee Incentive Plan in the notes to the financial statements contained in the annual report.

A copy of the Galan Securities Trading Policy can be viewed at [https://galanlithium.com.au/wp-content/uploads/2018/08/GLN\\_SECURITY-TRADING-POLICY.pdf](https://galanlithium.com.au/wp-content/uploads/2018/08/GLN_SECURITY-TRADING-POLICY.pdf)