

**Alloy Resources Limited and its Controlled Entities**  
**ABN 20 109 361 195**

**Corporate Governance Statement**

The Directors of Alloy Resources Limited ("Alloy") or the ("Company") support the establishment and ongoing development of good corporate governance for the Company and the Group.

Alloy has adopted systems of control and accountability as the basis for the administration of corporate governance. These policies and procedures are summarised below. The Board of the Company is committed to administering the policies and procedures with openness and integrity, commensurate with the Company's needs.

The Board has adopted, and endorses The ASX Corporate Governance Council Principles and Recommendations (3rd Edition) as amended from time to time (ASX Recommendations) and has adopted the ASX Recommendations that are considered appropriate for the Company given its size and the scope of its proposed activities.

Further information about the Company's corporate governance practices is set out on the Company's website at [www.alloyres.com](http://www.alloyres.com). In accordance with the recommendations of the ASX, information published on the Company's website includes:

- Board Charter
- Code of Conduct for Directors and Key Executives
- Code of Ethics and Conduct
- Share Trading Policy
- Shareholder Communication Strategy
- Continuous Disclosure Policy
- Diversity Policy
- Risk Management Policy

This Statement sets out the corporate governance practices in place as at 30 June 2017 and has been approved by the Board of Alloy Resources Limited.

*Corporate Governance Council Principle 1*

***Lay Solid Foundations for Management and Oversight***

**Role of the Board of Directors**

The role of the Board is to build long term sustainable value for its security holders whilst respecting the interests of its stakeholders.

In order to fulfil this role, the Board is responsible for the overall corporate governance of the Company including formulating its strategic direction, setting remuneration and monitoring the performance of Directors. The Board approves and monitors expenditure, ensure the integrity of internal controls and monitors and approves financial and other reporting.

In complying with Recommendation 1.1 of the Corporate Governance Council, the Board has adopted a Board Charter which clarifies the respective roles and responsibilities of the Board and management, those matters expressly reserved to the Board, and those delegated to management.

**Appointment of Directors**

As part of the process for the identification of suitable future candidates for appointment as a director of the Company, the Board takes into consideration the person's character, experience, education, criminal record and bankruptcy history.

Candidate details, as recommended by the ASX Corporate Governance Principles and Recommendations, are included in the relevant notice of meeting at which the Company seeks approval from security holders for the election or re-election of an individual as a director of the Company.

**Written Agreements**

Executive directors and other senior executives of the Company are engaged subject to the terms of written service contracts, key details of which are published in the Company's annual report.

Non-executive directors are required to enter into written agreements for the provision of their services.

The respective executive and non-executive agreements set out the terms of their respective appointments, including but not limited to, duties and responsibilities, remuneration (and where appropriate, any termination provisions) and indemnity and insurance arrangements.

**Alloy Resources Limited and its Controlled Entities**  
**ABN 20 109 361 195**

**Board Processes**

An agenda for Board meetings has been determined to ensure certain standing information is addressed and other items which are relevant to reporting deadlines and or regular review are scheduled when appropriate. The agenda is regularly reviewed by the Executive Chairman and the Company Secretary.

**Executive Chairman and Company Secretary**

The Board requires the Executive Chairman and the Company Secretary to provide a written statement that the Consolidated Financial Statements of Alloy present a true and fair view, in all material aspects, of the financial position and operational results. In addition, confirmation is provided that all relevant accounting standards have been appropriately applied.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board

**Evaluation of Senior Executive Performance**

The Company has not complied with Recommendation 1.7 of the Corporate Governance Council as the Board have not undertaken a formal review of senior executive performance for the year ended 30 June 2017.

Due to the early stage of development of the Company, it is difficult for quantitative measures of performance to be established. As the Company progresses its current projects, the Board intends to establish appropriate evaluation procedures.

**Diversity Policy**

The Board has implemented a Diversity Policy in line with Corporate Governance guidelines. The Group believes that the promotion of diversity on its Board, in senior management and within the organisation generally is good practice and adds to the strength of the Group.

The policy affirms existing employment arrangements which seek to attract and retain people by promoting an environment where employees are treated with fairness and respect and have equal access to opportunities as they arise. Diversity within the workforce includes such factors as religion, race, ethnicity, language, gender, disability and age.

The Board has adopted a diversity policy that details the purpose of the policy and the employee selection and appointment guidelines, consistent with the recommendations of the Corporate Governance Council. The Board believes that the adoption of an efficient diversity policy has the effect of broadening the employee recruitment pool, supporting employee retention, including different perspectives and is socially and economically responsible governance practice.

The Company employs new employees and promotes current employees on the basis of performance, ability and attitude. The Board is continually reviewing its practices with a focus on ensuring that the selection process at all levels within the organisation is formal and transparent and that the workplace environment is open, fair and tolerant.

The Company, in keeping with the recommendations of the Corporate Governance Council provides the following information regarding the proportion of gender diversity in the organisation as at 30 June 2017:

	Proportion of female / total number of persons employed
Females employed in the Company as a whole	0 / 0
Females employed in the Company in senior positions	0 / 0
Females appointed as a Director of the Company	0 / 3

### **Diversity Policy (continued)**

The recommendations of the Corporate Governance Council relating to reporting require a Board to set measurable objectives for achieving diversity within the organisation, and to report against them on an annual basis. The Company has implemented measurable objectives as follows:

<b>Measurable Objective</b>	<b>Objective Satisfied</b>	<b>Comment</b>
Adoption and promotion of a Formal Diversity Policy	Yes	The Company has adopted a formal diversity policy which has been made publicly available via the Company's website.
To ensure Company policies are consistent with and aligned with the goals of the Diversity Policy	Yes	The Company's selection, remuneration and promotion practices are merit based and as such are consistent with the goals of the Company's Diversity Policy.
To provide flexible work and salary arrangements to accommodate family commitments, study and self-improvement goals, cultural traditions and other personal choices of current and potential employees.	Yes	The Company will, where considered reasonable, and without prejudice, accommodate requests for flexible working arrangements.
To implement clear and transparent policies governing reward and recognition practices.	Yes	The Company grants reward and promotion based on merit and responsibility as part of its annual and ongoing review processes.
To provide relevant and challenging professional development and training opportunities for all employees.	Yes	The Company seeks to continually encourage self-improvement in all employees, irrespective of seniority, ability or experience, through external and internal training courses, regular staff meetings and relevant on job mentoring.

The Company has not implemented specific measurable objectives regarding the proportion of females to be employed within the organisation or implemented requirements for a proportion of female candidates for employment and Board positions. The Board considers that the setting of quantitative gender based measurable targets is not consistent with the merit and ability based policies currently implemented by the Company.

The Board will consider the future implementation of gender based diversity measurable objectives when more appropriate to the size and nature of the Company's operations.

### **Evaluation of Board Performance**

The Company does not have a formal process for the evaluation of the performance of the Board and as such does not comply with Recommendation 1.6 of the Corporate Governance Council. The Board is of the opinion that the competitive environment in which the Company operates will effectively provide a measure of the performance of the Directors, in addition the Chairman assesses the performance of the Board, individual directors and key executives on an informal basis.

### *Corporate Governance Council Principle 2* **Structure the Board to Add Value**

#### **Board Composition**

The Constitution of the Company provides that the number of Directors shall not be less than three. There is no requirement for any shareholding qualification.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the scope of activities of the Company, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

**Alloy Resources Limited and its Controlled Entities**  
**ABN 20 109 361 195**

Directors are initially appointed by the Board and are subject to re-election by shareholders at the next general meeting. In any event one third of the Directors are subject to re-election by shareholders at each general meeting.

The Board is presently comprised of three members, two non-executive and one executive.

<b>Name</b>	<b>Position</b>	<b>Status</b>	<b>Length of Service</b>
Mr Andy Viner	Executive Chair	Non-Independent	6 years
Mr Allan Kelly	Non-executive Director	Independent	8 months
Mr Kevin Hart	Non-executive Director/Company Secretary	Non-independent	13 years

The Board has assessed the independence of its non-executive directors according to the definition contained within the ASX Corporate Governance Guidelines and has concluded that the current non-executive Director, Mr Allan Kelly is the only director that meets the recommended independence criteria. As the Board does not have a majority of independent directors as set out in the best practice recommendations, the Company does not comply with Recommendation 2.4 of the Corporate Governance Council. However, the Board considers that both its structure and composition are appropriate given the size of the Company and that the interests of the Company and its shareholders are well met.

#### **Independent Chairman**

The Chairman is not an independent director and as such Recommendation 2.5 of the Corporate Governance Council has not been complied with, the roles of Chairman and Chief Executive Officer are exercised by the same individual. The Board however believes, given the current size of the Company, Mr Viner has the capacity and industry experience to fulfil both these roles at the present time.

#### **Nomination Committee**

The Board does not have a separate Nomination Committee comprising of a majority of independent Directors and as such does not comply with Recommendation 2.1 of the Corporate Governance Council. The selection and appointment process for Directors is carried out by the full Board. The Board considers that given the importance of Board composition it is appropriate that all members of the Board partake in such decision making.

#### **Induction program**

The Company does not have a formal induction process, however, new Directors appointed to the Board are provided with written material incorporating Financial, Corporate and Operating information in relation to the Company.

#### **Education**

All Directors are encouraged to attend professional education courses relevant to their roles.

#### **Independent professional advice and access to information**

Each Director has the right to access all relevant information in respect to the Company at the expense of the Company and to make appropriate enquiries of senior management.

#### **Skills and Experience**

The Board has considered the key skill sets that would be appropriate for the organisation in its present stage. Skill sets currently on the Company's Board include technical, financial, managerial, corporate, and commercial.

Key skill sets for the Board include:

- geology,
- accounting and finance
- public company management and
- .

The skills, experience and expertise of all Directors is set out in the Directors' details section of the Directors' Report of the 2017 Annual Report.

***Act Ethically and Responsibly***

The Board actively promotes ethical and responsible decision making.

**Code of Conduct**

The Board has adopted a Code of Conduct that applies to Directors and key Executives of the Company and as such complies with Recommendation 3.1 of the Corporate Governance Council. This Code addresses expectations for conduct in accordance with legal requirements and agreed ethical standards.

In addition, the Board has adopted an Ethics and Conduct Policy which applies to all employees, consultants and Directors.

The Ethics and Conduct Policy addresses the following:

- Confidential Information;
- Rights of Security holders;
- Privacy;
- Security Trading;
- Communications;
- Conflicts of Interest;
- Responsibility to Suppliers and Customers;
- Laws and Regulations;
- Employment; and
- Adherence to Policies and Procedures.

**Security Trading Policy**

The Board has adopted a policy and procedure on dealing in the Company's securities by directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information. Further, in keeping with listing Rule Amendments, additional restrictions are placed on trading by relevant persons including directors, key management personnel and employees. It also provides that notification of intended trading should be given to the Chairman prior to trading.

The law prohibits insider trading and the Corporations Act and the ASX Listing Rules require disclosure of any trading undertaken by directors or their related entities in the Company's securities.

***Corporate Governance Council Principle 4***  
***Safeguard Integrity in Corporate Reporting***

**Audit Committee**

The Company does not have a separately constituted audit committee with a composition as suggested by Recommendations 4.1 of the Corporate Governance Council. The Company is not of a size nor are the affairs of a complexity sufficient to warrant the existence of a separate audit committee. The full Board is able to meet objectives of the best practice recommendations and discharge its duties in this area. The relevant experience of Board members is detailed in the Directors' section of the Directors' Report.

External audit recommendations, internal control matters and any other matters arising from the half-year audit review and the annual statutory audit are discussed directly between the Board and the audit engagement partner.

**Financial Reporting**

The Board relies on senior executives to monitor the internal controls within the Company. Financial performance is monitored on a regular basis by the Executive Chairman who reports to the Board at the scheduled Board Meetings.

**Alloy Resources Limited and its Controlled Entities**  
**ABN 20 109 361 195**

**Executive Chairman and Chief Financial Officer Written Statement**

The Board requires the Executive Chairman and the Company Secretary provide a written statement that the Consolidated Financial Statements of company present a true and fair view, in all material aspects, of the financial position and operational results and have been prepared in accordance with Australian Accounting Standards and the Corporation Act. The Board also requires that the Executive Chairman and Company Secretary provide sufficient assurance that the declaration is founded on a sound system of risk management and internal control, and that the system is working effectively.

The declarations have been received by the Board, in accordance with Recommendation 4.2 of the Corporate Governance Council.

**External Auditors**

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. Performance of the external auditor is reviewed annually by the Board. Audit Partner rotation is as required by the Corporations Act 2001. The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

*Corporate Governance Council Principle 5*  
**Make Timely and Balanced disclosure**

**Timely and balanced disclosure**

The Board is committed to the promotion of investor confidence by providing full and timely information to all security holders and market participants about the Company's activities and to comply with the continuous disclosure requirements contained in the Corporations Act 2001 and the Australian Securities Exchange Listing Rules. The Company has adopted a Continuous Disclosure Policy designed to ensure compliance with the ASX Listing Rule Requirements in accordance with Recommendation 5.1 of the Corporate Governance Council.

Continuous disclosure is discussed at all regular Board meetings and on an ongoing basis the Board ensures that all activities are reviewed with a view to the necessity for disclosure to security holders.

In accordance with ASX Listing Rules the Company Secretary has been appointed as the Company's disclosure officer.

*Corporate Governance Council Principle 6*  
**Respect the Rights of Security Holders**

**Communications**

The Board supports practices that provide effective and clear communications with security holders and allow security holder participation at general meetings. A formal Shareholder Communications Policy has been adopted and therefore the Company complies with Recommendation 6.1 of the Corporate Governance Council.

In addition to electronic communication via the ASX web site, the Company publishes all significant announcements together with all quarterly reports. These documents are available on the company's website.

*Corporate Governance Council Principle 7*  
**Recognise and Manage Risk**

**Oversight of the risk management system**

The Board has not established a formal Audit and Risk Management Committee and therefore does not comply with Recommendation 7.1 of the Corporate Governance Council. However, the Board delegates day-to-day management of risk to the Executive Chairman and Company Secretary who are responsible for implementing and maintaining a framework of control and accountability systems to enable risk to be assessed and managed.

## **Alloy Resources Limited and its Controlled Entities**

**ABN 20 109 361 195**

### **Risk management and internal control systems**

The Executive Chairman and Company Secretary, with the assistance of senior executives as required, have responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

In order to implement risk management strategies, it was considered important that the Company establish an internal control regime in order to:

- Assist the Company to achieve its strategic objectives;
- Safeguard the assets and interests of the Company and its stakeholders; and
- Ensure the accuracy and integrity of external reporting.

Key identified risks to the business are monitored on an ongoing basis as follows:

- Business risk management  
The Company manages its activities within budgets and operational and strategic plans.
- Internal controls  
The Board has implemented internal control processes typical for the Company's size and stage of development. It requires the senior executives to ensure the proper functioning of internal controls and in addition it obtains advice from the external auditors as considered necessary.
- Financial reporting  
Directors approve an annual budget for the Company and regularly review performance against budget at Board Meetings.
- Operations review  
Members of the Board from time to time visit the Company's exploration project areas, reviewing development activities, geological practices, environmental and safety aspects of operations.

The Company's risk management strategy is evolving and will be an ongoing process and it is recognised that the level and extent of the strategy will develop with the growth and change in the Company's activities.

### **Economic, Environmental and Social Sustainability Risks**

The Company is focused on the discovery and exploitation of mineral deposits and operates in diverse physical environments in Western and South Australia. As a result, there is some potential for material exposure to economic, environmental and social sustainability risks.

The Company is very aware of the potential for risk in this area and is committed to ensuring that sound environmental management and safety practices are carried out in its exploration activities.

Alloy's underlying goals relating to environmental sustainability are to minimise any adverse impacts upon the environment resulting from the Company's activities.

The Company's activities are conducted in a manner that minimises its environmental "footprint" as much as possible, and are conducted strictly in accordance with all necessary permits and approvals from regulators.

### **Risk Reporting**

As the Board has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively therefore not complying with Recommendation 7.2 of the Corporate Governance Council. The Board believes that the Company is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficient complexity to justify the implementation of a more formal system for identifying, assessing monitoring and managing risk in the Company.

### **Internal audit**

The Company does not have an internal audit function. The Board does not consider that the Company's operations are of a size or complexity to require a dedicated internal audit function and that processes and inherent risks are sufficiently transparent as to be identified by board members.

*Corporate Governance Council Principle 8*  
**Remunerate Fairly and Responsibly**

The Company's remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Disclosure of the details of the nature and amount of each element of directors, including non-executive directors, and executive's remuneration is included in the Consolidated Financial Statements.

No bonuses and/or incentive payments have been paid and are not anticipated.

**Remuneration Committee**

The Board does not have a separate Remuneration Committee and as such does not comply with Recommendation 8.1 of the Corporate Governance Council. Due to the early stage of development and small size of the Company, a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives.

The full Board determines all compensation arrangements for Directors. It is also responsible for setting performance criteria, performance monitors, share option schemes, incentive performance schemes, superannuation entitlements, retirement and termination entitlements and professional indemnity and liability insurance cover.

The Board ensures that all matters of remuneration will continue to be in accordance with Corporations Act requirements, by ensuring that none of the Directors participates in any deliberations regarding their own remuneration or related issues.

**Distinguish Between Executive and Non-Executive Remuneration**

The Company does distinguish between the remuneration policies of its Executive and Non-Executive Directors in accordance with Recommendation 8.2 of the Corporate Governance Council.

Executive Directors receive salary packages which may include performance based components, designed to reward and motivate, including the granting of share options, subject to shareholder approval.

Non-Executive Directors receive fees agreed on an annual basis by the Board, within total Non-Executive remuneration limits voted upon by shareholders at Annual General Meetings.

**Equity based remuneration**

The company's security trading policy does not specifically preclude participants from entering into transactions which limit the economic risk of participating in equity based schemes and as such the Company is not compliant with Recommendation 8.3 of the Corporate Governance Council. It is noted that the Corporations Act prohibits key management personnel of an ASX listed company of entering into arrangements that have the effect of limiting their exposure to risk relating to an element of their remuneration that is unvested