

CORPORATE GOVERNANCE

In accordance with the NZX Corporate Governance Best Practice Code Appendix 16 ("NZX Code"), and the ASX Corporate Governance Council's Principles and Recommendations (3rd Edition) ("ASX Recommendations") New Talisman Gold Mines Ltd ("Company") has adopted systems of control and accountability as the basis for corporate governance best practice.

Policies and Charters (for the board and its committees), including the Company's Code of Ethics and other policies and procedures relating to the Board and its responsibilities are available on the Company's website www.newtalisman.co.nz.

Commensurate with the spirit of the NZX Code and the ASX Recommendations, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company.

After due consideration by the Board during the Company's 2015/2016 financial year ("reporting period") the Company's corporate governance practices departed from the NZX Code or ASX Recommendations only as set out below.

The information in this statement is current at 31 March 2016.

EXPLANATIONS FOR DEPARTURES FROM NZX CORPORATE GOVERNANCE BEST PRACTICE CODE APPENDIX 16

Recommendation	Notification of Departure	Explanation for Departure
2.6: Every issuer should have a formal and transparent method to recommend Director Remuneration to shareholders	The Remuneration Committee does not recommend remuneration packages to shareholders.	Under the Charter adopted by the Board the Remuneration Committee meets once a year to review the Company's executive compensation programme. Subject to NZX Listing Rule requirements, the Board presently considers that such matters are more efficiently determined by the Remuneration Committee itself rather than by way of recommendation to shareholders.
3.1: For the purposes of Listing Rule 3.6.2 membership on the Audit Committee should comprise solely non-executive Directors of the Issuer	Composition of the Audit Committee for part of the reporting period included one executive director who is not considered independent.	Appointment of an Executive Director to the Audit Committee was necessary to ensure compliance with Listing Rule 3.6.2(b) (that the Audit Committee comprise a minimum of three members). At all times, the majority of the Audit Committee members were independent.

EXPLANATIONS FOR DEPARTURES FROM ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS (2nd Edition)

The Company has followed each of the ASX Recommendations during the reporting period, except in relation to the matters specified below:

Recommendation	Notification of Departure	Explanation for Departure
1.5: The Company should establish a diversity policy and disclose the policy or a	The Company has established a diversity policy, a copy of which is disclosed on the Company's	The Board considers the size of the Company's operations make it impractical to establish meaningful

summary of the policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and the progress towards achieving them.	website. However, the policy does not include requirements for the board to establish measurable objectives for achieving gender diversity, or for the board to assess annually the objectives and the progress towards achieving them.	measurable objective for achieving gender diversity.
1.5: Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	No measurable objectives for achieving gender diversity have been set by the Board.	The Board considers the size of the Company's operations make it impractical to establish meaningful measurable objectives for achieving gender diversity. However, the Board recognises the importance of diversity and has therefore adopted a diversity policy, a copy of which is available on the Company's website.
4.1: Structure the Audit Committee so that it consists of only non-executive directors, a majority of independent directors, an independent chair who is not chair to the Board, and at least 3 members	Composition of the Audit Committee for part of the reporting period included one executive director who is not considered independent.	Appointment of an Executive Director to the Audit Committee was necessary to ensure compliance with Listing Rule 3.6.2(b) (that the Audit Committee comprise a minimum of three members). At all times, the majority of the Audit Committee members were independent.

BOARD COMPOSITION AND EXPERTISE

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in a Statement of Board and Management Functions, which is disclosed on the Company's website.

A profile of each director containing the skills, experience, expertise, formal qualifications and term of office of each director is set out in the director profiles in this Annual Report.

The mix of skills and diversity that the Board is seeking to achieve in its membership is significant experience and expertise in: mine development and underground operations, geological modelling, financial reporting, financial markets, risk management, statutory compliance, resource management, health and safety and employment. Each of these skills are represented in the Board's current composition except significant experience and expertise in financial reporting and mine development. These skills are represented in the senior management team. The size of the Board and the development of the Company's projects places constraints on the mix of skills the Board is able to achieve.

It is the policy of the Board that in determining candidates for the Board, the following process shall occur:

- (a) The Nomination Committee (or equivalent) evaluates the range of skills, experience and expertise of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors on the Board.
- (b) A potential candidate is considered with reference to their skills and expertise in relation to other Board members.
- (c) If relevant, the Nomination Committee recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Re-appointment of directors is not automatic. The Company's Policy and Procedure for Selection and (Re)Appointment of Directors is disclosed on the Company's website.

IDENTIFICATION OF INDEPENDENT DIRECTORS

In considering independence of directors, the Board refers to the criteria for independence as set out in NZX Listing Rule 3.3.2 and Box 2.1 of the ASX Recommendations ("Independence Criteria"). Applying the Independence Criteria during the reporting period and at balance date the Board comprises a majority of independent directors. The independent directors of the Company were the Chair, J (Murray) McKee, Ian Pringle.. Matthew Hill is not an independent director as he is the Chief Executive Officer. Post the balance date Ian Pringle resigned from the board and Mr Murray Stevens was appointed as an independent director and Chairman of the audit committee and member of the nomination committee.

STATEMENT CONCERNING AVAILABILITY OF INDEPENDENT PROFESSIONAL ADVICE

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

DIRECTOR REMUNERATION

Details of remuneration are contained in the Notes to the Financial Statements forming part of this report.

The Company's Remuneration Policy is disclosed on the Company's website. Remuneration of Directors and senior executives is set by reference to payments made by other companies of similar size and industry, and by reference to the skills and experience of the Directors and executives.

There is currently no direct link between remuneration paid to any of the directors and corporate performance such as bonus payments for achievement of key performance indicators. There are no termination, retirement or Company superannuation scheme benefits for non-executive directors.

PERFORMANCE EVALUATION OF THE BOARD, COMMITTEES AND SENIOR EXECUTIVES

The board reviews the size and composition of the board and the mix of existing and desired competencies across members from time to time. Criteria considered by the directors when evaluating prospective candidates are contained in the board's charter. The chair of the board is responsible for ensuring a regular review of the performance of the board, committees and individual directors occurs at least annually. The chair is responsible for determining the process under which this evaluation takes place. The board reviews annually the size and composition of the board and the mix of existing and desired competencies across members.

The board is responsible for evaluating the performance of senior executives. The board evaluates the performance of senior executives via an ongoing process of assessment and a formal annual review in December. During the formal review, the senior executive's performance is measured against their role's assessment criteria.

The Company's Process for Performance Evaluations is disclosed on the Company's website.

CORPORATE CODE OF CONDUCT

The board has adopted a Corporate Code of Conduct (available on the Company's website). Directors, employees and consultants must comply with the policies which the Board has endorsed to achieve ethical behaviour and efficiency within the authorities and discretions designated to them, avoiding putting themselves in a position where they stand to benefit personally or be accused of insider trading. Compliance with all laws and regulations and maintenance of confidentiality and honesty is expected. The Corporate Code of Conduct forms part of every employment and consultancy agreement. Failure to comply can result in disciplinary action, including, where appropriate, dismissal. The Board has not adopted a Whistleblower Policy. However, employees have direct access to the Chair and are encouraged to contact the Chair with any suspected departure from the Company's Code of Conduct.

GENDER DIVERSITY

Diversity Policy: The Company has a *Diversity Policy*. The Company is committed to providing an environment where all employees, potential employees and others in the workplace are treated fairly and all decisions are based on merit.

Measureable objectives for achieving gender diversity – current year:

- The short listing for potential candidates to include at least one female
- Promoting a culture that takes into account domestic responsibilities
- Including women in activities that allow them to develop skills and experience for more senior roles.

Progress toward achieving objectives:

- Female consultants form part of the organisation and due to the size of the business work closely with directors and the Company secretary, enabling them to develop skills and experience for more senior roles

Measurable objectives to be considered in future:

- Involve women in more senior roles within the organisation i.e. senior executive and board positions.

Gender Diversity Information:

Component	Total	Female Component	% Female Component
Non Executive Directors	2	0	0%
Managing Director	1	0	0%
Company Secretary	1	0	0%
Consultants	3	1	33%
Total Organisation	7	1	14.2%

Given the current size, nature and exploration stage of the Company, the Company considers the current gender mix to be acceptable.

AUDIT COMMITTEE

Audit and Risk Management Committee: The Company has an *Audit and Risk Management Charter*. The Company's audit and risk management committee (audit committee) comprises M Stevens (Chairman), J M McKee, and M Hill as members. The skills, experience, expertise and attendance to meetings of members are detailed in the *Board of Directors* section of the Company's 2016 Annual Report. Post the reporting period Dr Pringle resigned and Mr Murray Stevens appointed on 9th May 2016 to Chairman of Audit committee. The Audit committee comprises of 2 independent directors and one Executive Director. As the board is small the company does not comply with recommendation 4.1 a 1 of rev 3. The company by invitation calls upon its external accountant to attend audit committee meetings at half year and annual report audit.

The audit committee met twice during the period ended 30 June 2015. Otherwise matters were attended to by informal meetings and circular resolution.

The Company complies with ASX Recommendation 4.2 as the chairman of the committee is independent. Given the current size and the relative modest complexity of the financial affairs of the Company, the board considers the audit committee to be comprised of the most appropriate mix of skills and expertise in order to carry out the function of the audit committee.

Approval of financial statements: Before the Company's financial statements for the year ended 30 June 2015 were approved by the board, the board received a declaration from its Managing Director and CFO 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.

External auditor attendance at AGM: As in previous years, the Company's external auditor is invited to attend the AGM in October 2016 and will be available to answer questions from security holders relevant to the audit.

External auditor rotation: The *Audit and Risk Management Charter* requires the rotation of auditor/audit partner every 5 years. The Company changed its audit partner in 2015.

External auditor selection and appointment:

For the appointment of a new external auditor: the audit committee instigates a tender process whereby written proposals are sought from various auditors. The committee then reviews proposals and makes recommendations to the board. The Shareholders at the AGM approve the appointment of the auditor.

During the reporting period the Audit Committee had the opportunity to meet with the external auditor in respect of the financial reports. The Audit Committee is responsible for reviewing Annual and Interim Financial Statements, related stock exchange announcements and all other financial information published or released to the market; monitoring and making recommendations for improvement in internal control environment, including effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations; overseeing the risk management and compliance framework; the appointment, removal and remuneration of the external auditors; reviewing the terms of their engagement and the scope and quality of the audit, reviewing and approving the nature and scope of non-audit services and ensuring rotation of the external audit engagement partner.

Details of each of the director's qualifications are included in the Board of Director's Profiles. While the Board Committee members do not have specific financial qualifications, all members considered themselves to be financially literate and have financial experience and industry knowledge. Mr Stevens has significant experience in mineral exploration and development at senior management level, Mr McKee has gained significant financial experience from his careers in management consulting and senior management over the past 30 years and Mr Hill is an experienced merchant banker.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee (N&R) as at the end of the reporting period consists of the following non-executive independent directors: Dr Ian Pringle, Murray McKee and Matthew Hill. Trevor Rintoul was a member of the Committee until 11th September 2015. . Matthew Hill was also a member of the Committee. Post the reporting period Dr Pringle resigned and Mr Murray Stevens appointed on 9th May 2016.

Some responsibilities of the N&R Committee were also addressed by the full Board at Board and Strategy meetings during the reporting period. The Board has adopted, and the N&R Committee applies a Nomination Committee Charter and a Remuneration Policy which is available on the Company's website.

Duties of the N&R Committee includes reviewing remuneration of executive and non-executive directors, incentive schemes and reviewing the Remuneration Committee Policy (disclosed on the Company's website).

The Board has adopted, and the Remuneration Committee applies, a Remuneration Committee Charter which is available on the Company's website.

The Company's Policy for Trading, which is disclosed on the Company's website, states that key management personnel must not enter into transactions or arrangements which operate to limit the economic risk of their security holding in the Company without first seeking and obtaining written acknowledgement from the Chair, Audit Committee Chair or Executive Director; and Key Management Personnel are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

MEETING ATTENDANCE

Director	Board	Audit	Nomination
M McKee	4/4	2/2	1/1
M Hill	4/4	2/2	1/1
I Pringle	4/4	2/2	1/1
T Rintoul*	0/1	0/1	0/1

*T Rintoul retired on 11th September 2015

In addition a number of matters were resolved by circular resolutions.

RISK MANAGEMENT

The Company has continued to develop its strategies for managing risk during the reporting period, particularly where internal controls are concerned. The Company's internal controls are reviewed by the external auditor twice a year, and are monitored regularly by the independent directors. The Board relies on the sign-off of senior management with respect to the financial reports, which sign-off has been provided in respect of the Company's 2015/2016 accounts.

The Company has adopted a Risk Management Policy (a summary is available on the Company's website). Under the Policy, the Board delegates day-to-day management of risk to the Chief Executive Officer. The Policy sets out the role of the Chief Executive Officer and accountabilities. It also contains the Company's risk profile and describes some of the policies and practices the Company has in place to manage specific business risks.

The process of management of material business risks is allocated to the business risk owners within the management team. The Board relies on risk controls being implemented effectively and the primary risk controls reviewed monthly through a standing item on the Board agenda. The Company is in the process of updating its Risk Management Policy to include formal processes to identify, manage and mitigate risk, using a risk register. A significant body of work was completed during the reporting period addressing mine operational risks. This document will be reviewed externally by government regulators. Certain risks pertinent to the sector in which the Company operates are not able to be managed at this time, for example the price of gold.

Material business risks reported on during the reporting period included statutory compliance, health and safety in the operational environment, sustainability of the company's ore resources, environmental risk working in a conservation estate, internal audit compliance, adequacy of computer systems, ethical conduct and business practice, retention of key staff, financial reporting and liquidity risk.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board receives on a regular basis reports from management as to the effectiveness of the Company's management of its material business risks, risk evaluation, analysis and treatment. Risk management is a standing item on the Board agenda, giving opportunity for Board discussion. The Audit Committee and the full Board address areas of risk and evaluates the effectiveness of controls.

ASSURANCES TO THE BOARD

The Chief Executive Officer (CEO) and the Chief Financial officer (CFO) are not required to provide a declaration to the Board in accordance with section 295A of the Corporations Act (Australia) as the Company is instead subject to the laws of New Zealand. However, the Board requires the CEO and the CFO to provide a declaration confirming that the financial reports for the reporting period 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. Assurance is also given that the financial statements are founded on a sound system of risk management and internal compliance and control and that the Company's risk management and internal compliance and control is operating efficiently and effectively.

CONTINUOUS DISCLOSURE

The Company has adopted a Continuous Disclosure Policy which sets out obligations for directors, employees and consultants in relation to continuous disclosure. The Company has also adopted Compliance Procedures to ensure compliance with the ASX Listing Rule requirements in relation to continuous disclosure, and to ensure accountability at a senior executive level for that compliance. Summaries of both these documents are available on the Company's website. In accordance with the NZX and ASX Listing Rules, the Company is required to disclose to the market matters which could be expected to have a material effect on the price or value of the Company's securities. Management processes are in place to ensure that all material matters which may potentially require disclosure are promptly reported to the Chief Executive Officer or the Company Secretary.

who is responsible for ensuring that such information is not released to any person until the NZX and ASX have confirmed its release to the market.

SHAREHOLDER COMMUNICATION

The Board has adopted a Shareholder Communication Policy, a copy of which is disclosed on the Company's website.

DIRECTOR AND OFFICER LIABILITY INSURANCE

The Company maintains director and officer liability insurance and indemnifies directors and officers of the Company against all liabilities which may arise out of the performance of normal duties as directors or officers, unless the liability relates to conduct involving a lack of good faith. This includes indemnity of costs and expenses incurred in defending an action that falls within the scope of the indemnity.

MATERIALITY

To the extent that it is necessary for the Board to consider issues of materiality, including in relation to the independence of directors, the Board refers to the thresholds for qualitative and quantitative materiality as adopted by the Board and contained in the Board Charter, which is disclosed in full on the Company's website. Balance sheet items are material if they have a value of more than 10% of pro-forma net asset. Profit and loss items are material if they have an impact on the current year operating result of 10% or more. Items are also material if they impact on the reputation of the Company, they involve a breach of legislation; they are outside the ordinary course of business; they could affect the Company's rights to its assets; if accumulated, they would trigger the quantitative tests; they involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items; or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%. Criteria for determining the materiality of contracts can be found in "Board and Management" under Corporate Governance on the Company's website.

SHARE TRADING

The Company has adopted a Share Trading Policy to assist with compliance with insider trading regulations under the Securities Market Act 1988 (New Zealand) and the Corporations Act 2001 (Australia). This policy restricts directors, employees and consultants from trading in a number of ways and is available on the Company's website. Application must be made by directors, employees and consultants to the Company for approval prior to trading in the Company's securities. A requirement to comply with this policy forms part of every employment or consultancy agreement.

SUMMARY OF WAIVERS

No waivers to the rules were requested to the Stock Exchanges during the reporting period.

Share Buyback

In compliance with listing rule 4.10.18, the company has a no current share buy back underway.