

Corporate Governance Statement

Novo Lítio Ltd

Novo Lítio's Board of Directors (**Board**) is responsible for the overall corporate governance of the Company, and it recognises the need for the highest standards of ethical behaviour and accountability. It is committed to administering its corporate governance structures to promote integrity and responsible decision making. Accordingly, the Company has, where appropriate, sought to adopt the 'Corporate Governance Principles and Recommendations' (Third Edition) (**ASX Recommendations**) published by the ASX Corporate Governance Council.

The corporate governance principles and practices adopted by the Company may depart from those generally applicable to ASX-listed companies under ASX Recommendations where the Board considers compliance is not appropriate having regard to the nature and size of the Company's business.

The Company sets out below its report in relation to its compliance with ASX Recommendations and those matters of corporate governance where the Company's practice departs from the ASX Recommendations to the extent that they are currently applicable to the Company. This statement is current as at 28 September 2017 and has been approved by the Board.

ASX Corporate Governance Principles and Recommendations

1. Principle 1: Lay a solid foundation for management and oversight – companies should establish and disclose the respective roles and responsibilities of board and management and how their performance is monitored and evaluated

1.1 Recommendation 1.1

A listed entity should disclose:

- (a) the respective roles and responsibilities of its board and management; and
- (b) those matters expressly reserved to the board and those delegated to management.

Compliance with ASX Recommendation: followed

The Company has adopted a Board Charter.

Under the Board Charter, the Board is responsible for the overall operation and stewardship of the Company and its subsidiaries and, in particular, is responsible for:

- (a) setting the strategic direction of the Company, establishing goals to ensure that these strategic objectives are met and monitoring the performance of management against these goals and objectives;
- (b) ensuring there are adequate resources available to meet the Company's objectives;
- (c) appointing the Managing Director, evaluating the performance and determining the remuneration of senior executives, and ensuring that appropriate policies and procedures are in place for recruitment, training, remuneration and succession planning;
- (d) evaluating the performance of the Board and its Directors on an annual basis;
- (e) determining remuneration levels of Directors;

- (f) approving and monitoring financial reporting and capital management;
- (g) approving and monitoring the progress of business objectives;
- (h) ensuring that any necessary statutory licences are held and compliance measures are maintained to ensure compliance with the law and licence(s);
- (i) reviewing and ratifying systems of risk management and internal compliance, code of conduct and legal compliance;
- (j) ensuring that the Company has appropriate corporate governance structures in place, including standards of ethical behaviour and a culture of corporate and social responsibility; and
- (k) ensuring that the Board is and remains appropriately skilled to meet the changing needs of the Company.

In complying with Recommendation 1.1 the Company has adopted a Board Charter which discloses the respective roles and responsibilities of the Board and senior management and identifies those matters expressly reserved to the Board and those delegated to management.

A copy of the Board Charter is available at www.novolitio.com

1.2 Recommendation 1.2

A listed entity should:

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
- (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.

Compliance with ASX Recommendation: followed

Appropriate background checks were carried out prior to the election of all directors and all material information relevant to Directors who stood, and are yet to stand, are contained in the Notices of Meeting.

As a matter of practice, the Company includes in its notices of meeting a brief biography of each Director who stands for election or re-election. The biography sets out the relevant qualifications and professional experience of the nominated Director for consideration by shareholders.

1.3 Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Compliance with ASX Recommendation: followed

On appointment to the Board, all Directors enter into written service agreement with the Company either in the form of a letter of appointment for Non-Executive Directors or a written employment agreement for Executive Directors. The agreements summarise the Board policies and terms of appointment, including compensation relevant to the office of Director.

Key terms of agreements are summarised in the Company's Remuneration Report within the Annual Report.

1.4 Recommendation 1.4

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

Compliance with ASX Recommendation: followed

The Company Secretary reports directly, and is accountable, to the Board through the Chairman in relation to all matters to do with the proper functioning of the Board. All Directors have unfettered access to the Company Secretary.

The Company Secretary advises and supports the Board members on general governance matters, implements adopted governance procedures.

The decision to appoint or remove the Company Secretary is made and approved by the Board.

1.5 Recommendation 1.5

A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- (b) disclose that policy or a summary of it; and
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
 - (d) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
 - (e) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

Compliance with ASX Recommendation: partially followed

The Company has adopted a Diversity Policy a copy of which can be found on the Company's website: www.novolitio.com

Appointments are made on ability and availability, not necessarily on gender. However, the policy has enabled the Company to engage one woman on staff which comprises approximately 15% of all of the staff, including Directors.

The Company has not fully complied with recommendation 1.5 in setting measurable objectives for achieving gender diversity. The Board continues to monitor diversity across the organisation and is satisfied with the current level of gender diversity within the Company as disclosed above. Due to the small size of the Company, its level of activity and its small number of employees, the Board does not

consider it appropriate at this time to formally set measurable objectives for gender diversity.

1.6 Recommendation 1.6

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Compliance with ASX Recommendation: not followed

The Company does not have in place a formal process for evaluation of the Board, its committees and individual Directors.

The small size of the Board and the nature of the Company's activities make the establishment of a formal performance evaluation strategy unnecessary. Performance evaluation is a discretionary matter for consideration by the entire Board and in the normal course of events the Board will review performance of the management, Directors and the Board as a whole.

1.7 Recommendation 1.7

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Compliance with ASX Recommendation: followed

The Company does have in place a process for evaluation of its key executives. The Chairman with input from the other Directors evaluates performance with the Managing Director on a regular basis. The Managing Director evaluates performance of the other Executives on a regular basis. Such performance evaluations were undertaken twice during the reporting period.

2. Principle 2: Structure the Board to add value – a listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively

2.1 Recommendation 2.1

The board of a listed entity should:

- (a) have a nomination committee which:
 - (i) has at least three members, a majority of whom are independent directors; and
 - (ii) is chaired by an independent director,
 and disclose:
 - (iii) the charter of the committee;
 - (iv) the members of the committee; and
 - (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Compliance with ASX Recommendation: followed

The full Board, which comprises two Non-Executive Directors and two Executive Director, considers the matters and issues that would otherwise be addressed by a nomination committee. The Board considers that, given the current size and scope of the Company's operations, efficiencies or other benefits would not be gained by establishing a separate nomination committee.

Under the Board Charter, candidacy for the Board is based on merit against objective criteria with a view to maintaining an appropriate balance of skills and experience. As a matter of practice, candidates for the office of Director are individually assessed by the Chairman and the Managing Director before appointment or nomination to ensure they possess the relevant skills, experience, personal attributes and capability to devote the necessary time and commitment to the role.

The Board intends to reconsider the requirement for, and benefits of, a separate nomination committee as the Company's operations grow and evolve.

2.2 Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

Compliance with ASX Recommendation: not followed

The Company does not currently have a skills or diversity matrix in relation the Board members. Given the size and scope of the Company's operations, the Board considers that its members have the

appropriate and relevant mix of geological, metallurgical, financial and operational experience in the exploration and mining industry, and is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and operational perspective.

The Board may adopt such a matrix at a later time as the Company's operations grow and evolve.

2.3 Recommendation 2.3

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- (c) the length of service of each director.

Compliance with ASX Recommendation: followed

The Company has two Directors who satisfy the criteria for independence as outlined in ASX Recommendation 2.3, being Mr John Fitzgerald and Mr Dudley Kingsnorth.

The Board currently comprises the following members:

- (a) Mr John Fitzgerald - Chairman:
Mr Fitzgerald has held this office since 23 December 2015.
The Board (excluding Mr Fitzgerald) consider Mr Fitzgerald be independent as he is not an executive of the Company and is not a substantial shareholder in the Company.

Mr David Frances – Managing Director:
Mr Frances has held this office since 19 April 2016.
The Board (excluding Mr Frances) does not consider Mr Frances to be independent as he is an executive employee of the Company.

Mr Francis Wedin – Technical Director:
Mr Wedin was appointed as a Director on 23 December 2016.
The Board (excluding Mr Wedin) does not consider Mr Wedin to be independent as he is an executive employee of the Company.

Mr Dudley Kingsnorth - Non-Executive Director
Mr Kingsnorth was appointed as a Director on 22 August 2016.
The Board (excluding Mr Kingsnorth) considers Mr Kingsnorth to be independent as he is not an executive of the Company and is not a substantial shareholder in the Company.

2.4 Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

Compliance with ASX Recommendation: not followed

The Board does not comprise a majority of “independent directors” at present.

Currently 50% of the Board satisfies the criteria for independence for the purposes of ASX Recommendation 2.3.

However, given the size and scope of the Company's operations, the Board considers that it has the relevant experience in the exploration and mining industry and is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and operational perspective.

The Board Charter provides that where practical the Company will endeavour to ensure that it has a majority of independent directors at all times. Accordingly, the Board will consider the appointment of further independent Non-Executive Directors as suitably qualified candidates are identified and as the size and scale of the Company's operations determine.

2.5 Recommendation 2.5

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Compliance with ASX Recommendation: followed

The Chairman is considered to be an independent director and the roles of Chairman and Managing Director are exercised by different persons.

2.6 Recommendation 2.6

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Compliance with ASX Recommendation: followed

The Company does not currently have a formal induction program for new Directors nor does it have a formal professional development program for existing Directors. However, the Board does provide new Directors with all information and access needed to undertake the role and organises site visits for new Directors..

All Directors are experienced in exploration and mining company operations, albeit in different aspects (e.g. technical, operations, finance, legal and corporate governance etc), and most have extensive listed company experience. All of the current Directors are also involved, or been involved, in other listed companies. The Board seeks to ensure that all of its members understand the Company's operations, including where practical site visits. Directors also attend, on behalf of the Company and otherwise, technical and commercial seminars and industry conferences which enable them to maintain their understanding of industry matters and technical advancements.

Noting the above, the Board considers that a formal induction program is not necessary given the current size and scope of the Company's operations, and the experience of the Directors, though the Board may adopt such a program in the future as the Company's operations grow and evolve.

3. Principle 3: Act ethically and responsibly – a listed entity should act ethically and responsibly

3.1 Recommendation 3.1

A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and
- (b) disclose that code or a summary of it.

Compliance with ASX Recommendation: followed

The Board believes that the success of the Company has been and will continue to be enhanced by a strong ethical culture within the organisation.

Accordingly, the Company has established a Corporate Code of Conduct which sets out the standards with which the Directors, officers, managers, employees and consultants of the Company are expected to comply in relation to the affairs of the Company's business and when dealing with each other, shareholders and the broader community.

The Code sets out the Company's policies on various matters, including the following:

- (a) compliance with applicable laws, rules and regulation;
- (b) conflicts of interest;
- (c) fair trading;
- (d) dealings with the Company's assets and property;
- (e) use and confidentiality of information;
- (f) continuous disclosure and securities trading (also covered by discrete policies);
- (g) health, safety and environment;
- (h) employment practices; and
- (i) gifts and entertainment.

The Code of Conduct also outlines the procedure for reporting any breaches of the Code and the possible disciplinary action the Company may take in respect of any breaches.

In addition to their obligations under the Corporations Act in relation to inside information, all Directors, employees and consultants have a duty of confidentiality to the Company in relation to confidential information they possess.

In fulfilling their duties, each Director dealing with corporate governance matters may obtain independent professional advice at the Company's expense, subject to prior approval of the Chairman, whose approval will not be unreasonably withheld.

A copy of the Code of Conduct is available at the Company's website: www.novolitio.com.

4. Principle 4: Safeguard integrity in corporate reporting.

4.1 Recommendation 4.1

The board of a listed entity should:

- (a) have an audit committee which:
 - (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
 - (ii) is chaired by an independent director, who is not the chair of the board, and disclose:
 - (iii) the charter of the committee;
 - (iv) the relevant qualifications and experience of the members of the committee; and
 - (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Compliance with ASX Recommendation: 4.1(a) not followed, 4.1(b) followed

The Company does not have an audit committee.

The role of the audit committee is undertaken by the full Board, which comprises two Non-Executive Directors and two Executive Directors.

The Board has charged the Company Secretary with preparing the annual and half yearly reports. These reports are subsequently audited by the Company's auditors, Ernst & Young. The Company Secretary also compiles the information and prepares the Company's quarterly financial reports.

All Company reports are reviewed by the Board before they are finalised and the Directors are given the opportunity to question and consider the veracity of the information in the reports. The Board is given the opportunity to meet with the Company auditor separately and prior to the final sign-off of the half yearly and final annual accounts.

The Board considers that, given the current size and scope of the Company's operations and that only one Director holds an executive position in the Company, efficiencies or other benefits would not be gained by establishing a separate audit committee at present.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate audit committee.

External auditor

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. It is the auditor's policy to rotate engagement partners on listed companies at least every five years. The Auditor's engagement partner was last rotated in financial year 2015.

4.2 Recommendation 4.2

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration 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.

Compliance with ASX Recommendation: followed

As a matter of practise, the Company obtains declarations from its Executive Director and Company Secretary before its financial statements are approved substantially in the form referred to in ASX Recommendation 4.2.

4.3 Recommendation 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

Compliance with ASX Recommendation: followed

In accordance with the Company's Communications Policy, the auditor's lead engagement partner (or his delegate) will be present at the Annual General Meeting to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.

The Auditor's lead engagement partner attended the Company's 2015 Annual General Meeting. There were no questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report for year ended 30 June 2015.

5. Principle 5: Make timely and balanced disclosure – a listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities

5.1 Recommendation 5.1

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or a summary of it.

Compliance with ASX Recommendation: followed

The Company is a “disclosing entity” pursuant to section 111AR of the Corporations Act and, as such, complies with the continuous disclosure requirements of Chapter 3 of the ASX Listing Rules and section 674 of the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company is required to disclose to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is committed to observing its disclosure obligations under the Corporations Act and its obligations under the ASX Listing Rules. All relevant information provided to ASX will be posted on the Company’s website.

The Company has adopted a Continuous Disclosure Policy, the purpose of which is to:

- (a) ensure that the Company, as a minimum, complies with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules and, as much as possible, seeks to achieve and exceed best practice;
- (b) provide shareholders and the market with timely, direct and equal access to information issued by the Company; and
- (c) promote investor confidence in the integrity of the Company and its securities.

In the Company’s current stage of development, matters of crucial importance arise regularly. The Executive Director will discuss significant issues with Board members who jointly will make a decision on the timely release of factual and balanced information concerning the Company’s activities.

Presentations that are made to analysts or investors are posted on the Company’s website. If the presentations contain information that has not previously been announced to ASX that could have a material effect on the share price, the presentation is released to the ASX before the presentation is delivered.

A copy of the Continuous Disclosure Policy is available at the Company’s website: www.novolitio.com

6. Principle 6: Respect the rights of security holders – A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively

6.1 Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

Compliance with ASX Recommendation: followed

Information on the Company's corporate governance, including copies of its various corporate governance policies and charters, is available at www.novolitio.com

Information is conveyed to shareholders via the annual report, quarterly reports and other announcements which are delivered to the Australian Securities Exchange and posted on the Company's website.

6.2 Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

Compliance with ASX Recommendation: followed

The Company has adopted a Communications Policy, the purpose of which is to facilitate the effective exercise of shareholders' rights by communicating effectively with shareholders, giving shareholders ready access to balanced and understandable information about the Company and its corporate strategies and making it easy for shareholders to participate in general meetings of the Company.

The Company communicates with shareholders:

- (a) Through releases to the market via the ASX;
- (b) Through the Company's website;
- (c) Through information provided directly to shareholders; and
- (d) At general meetings of the Company

A copy of the Company's Communications Policy is available at www.dakotaminerals.com.au.

6.3 Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

Compliance with ASX Recommendation: followed

In accordance with the Communications Policy, the Company supports shareholder participation in general meetings and seeks to provide appropriate mechanisms for such participation. As a matter of practise, in its notices of meeting, the Company encourages those shareholders who cannot attend general meetings in person to appoint proxies on their behalf.

The Company's Shareholder Communications Policy sets out the Company's procedures in relation to shareholder participation.

Mechanisms for encouraging and facilitating shareholder participation will be reviewed regularly to encourage the highest level of shareholder participation.

6.4 **Recommendation 6.4**

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Compliance with ASX Recommendation: followed

The Company considers that communicating with shareholders by electronic means is an efficient way to distribute information in a timely and convenient manner.

In accordance with the Shareholder Communication Policy, the Company has, as a matter of practise, provided new shareholders with the option to receive communications from the Company electronically and the Company encourages them to do so. Existing shareholders are also encouraged to request communications electronically.

The Company provides a hard copy of the annual report to only those shareholders who have specifically elected to receive a printed hard copy.

7. Principle 7: Recognise and manage risk – a listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework

7.1 Recommendation 7.1

<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk each of which:</p> <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, <p>and disclose,</p> <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>
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Compliance with ASX Recommendation: 7.1(a) not followed, 7.1(b) followed

The Company does not have a separate risk management committee.

The role of the risk management committee is undertaken by the full Board, which comprises two Non-Executive Directors and two Executive Directors.

The Board considers that, given the current size and scope of the Company's operations, efficiencies or other benefits would not be gained by establishing a separate risk management committee at present.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate risk management committee.

However, the Board has adopted a Risk Management Policy that sets out a framework for a system of risk management and internal compliance and control, whereby the Board delegates day-to-day management of risk to the Managing Director.

The Managing Director has established and maintains a comprehensive Risk Register and regularly reports to the Board on the key risks identified for the Company's operations and mitigating action being taken to minimise those risks. The greatest risk, of course, is the low probability of success for minerals exploration.

Risk management and assessment is a recurring item at each Board meeting.

7.2 Recommendation 7.2

The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

Compliance with ASX Recommendation: followed

The Board has responsibility for the monitoring of risk management and a Risk Register Report summarising the material risks and whether those risks are managed effectively is regularly reviewed and updated. The Board believes that the Consolidated Group is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficiently complexity to justify the implementation of a more formal system for identifying, assessing, monitoring and managing risk in the Company.

7.3 Recommendation 7.3

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

Compliance with ASX Recommendation: 7.3(a) not followed, 7.3(b) followed

The Company does not currently have an internal audit function. This function is undertaken by the full Board.

The Company has adopted internal controls procedures including:

- a) identification of key risks in a Risk Register;
- b) managing activities within budgets and operational plans;
- c) approval of all invoices by the Managing Director or in his absence the Chairman before payment.
- d) regular visits to the Company's exploration project areas to review the geological practices including the environmental and safety aspects of the Company's operations.
- e) Continuous internal monitoring of the Company's tenement portfolio to ensure renewal of its tenement assets.
- f) Appraisal procedures and due diligence requirements, both geological and legal, for potential acquisitions, divestments and or joint ventures.
- g) Reliance on auditor reviews and senior management declarations.

The Board considers that an internal audit function is not currently necessary given the current size and scope of the Company's operations and that only one Director holds an executive position in the Company.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of adopting an internal audit function.

7.4 Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

Compliance with ASX Recommendation: followed

The Company's primary operation of mineral exploration and development is speculative in nature and has inherent risks. It is subject to various economic, environmental and social sustainability risks, which may materially impact the Company's ability to operate and to generate value for shareholders. These include:

- (a) **Exploration:** The success of the Company depends on the delineation of economically mineable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to the Company's exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities. The actual costs of exploration may materially differ from those estimated by the Company.
- (b) **Title risks:** All exploration leases held either by the Company or through its subsidiaries. The Company has in place internal tenement management and monitoring to ensure continuity of its tenement assets.
- (c) **Future capital requirements:** The Company will need to raise funding for exploration activities and working capital from time to time. However, there is no guarantee that appropriate or adequate funding will be available.
- (d) **Commodity price fluctuations:** The Company's future revenue will depend upon demand and commodity prices and in particular for copper and gold.
- (e) **Exchange rate fluctuations:** International prices of most commodities are denominated in United States dollars, whereas the income and expenditure of the Company, whilst operating on Australian projects, will be in Australian currency. This will expose the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar, subject to any currency hedging the Company may undertake. The exchange rate is affected by numerous factors beyond the control of the Company, including international markets, interest rates, inflation and the general economic outlook.
- (f) **Environmental risks:** The operations and proposed activities of the Company are subject to State and Federal laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's proposed activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. Such impact can give rise to substantial costs for environmental rehabilitation, damage, control and losses.

Delay in obtaining or failure to grant any environmental approvals that may be required from relevant government or regulatory authorities may impede or prevent the Company from undertaking its planned activities.

In addition, if there are environmental rehabilitation conditions attaching to the mining

tenements of the Company, failure to meet such conditions could lead to forfeiture of the Tenements (or any additional tenement interests held by the Company in the future). The Company will attempt to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

Further, the Company is unable to predict the impact of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

- (g) **Securities market conditions:** As with all securities markets, the price of the Company's shares and other securities is subject to fluctuations in the market.

8. Principle 8: Remunerate fairly and responsibly – companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear

8.1 Recommendation 8.1

The board of a listed entity should:

(a) have a remuneration committee which:

- (i) has at least three members, a majority of whom are independent directors; and
- (ii) is chaired by an independent director,

and disclose:

- (iii) the charter of the committee;
- (iv) the members of the committee; and
- (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Compliance with ASX Recommendation: 8.1(a) not followed, 8.1(b) followed

The Company has not established a separate remuneration committee and does not have a formal remuneration policy in place.

The role of the remuneration committee is undertaken by the full Board. The Board considers that, given its current size, efficiencies or other benefits would not be gained by establishing a separate remuneration committee.

The maximum aggregate remuneration payable to Non-Executive Directors is \$250,000 and was approved by the shareholders at the 2016 Annual General Meeting in accordance with the Company's Constitution.

The Company sets out the remuneration paid or provided to Directors and key management personnel annually in the remuneration report contained within the Company's annual report to shareholders.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate remuneration committee.

8.2 Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Compliance with ASX Recommendation: followed

The Company's policies and practices regarding the remuneration of Executive and Non-Executive Directors and other senior executives is set out in the Remuneration Report contained in the Company's Annual Report for each financial year.

8.3 Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- (b) disclose that policy or a summary of it.

Compliance with ASX Recommendation: not applicable

Whilst the Company's Securities Trading Policy sets out the circumstances in which the Company's Directors, executives and employees are prohibited from dealing in the Company's securities, there is no specific policy guidance on whether participants in the Company's equity-based remuneration scheme are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

However, the Directors note that there is no market for exchange-traded Performance rights or Options in respect of the Company's securities and, for all practical purposes, there is no capacity for scheme participants to directly limit the economic risk associated with their holdings of Company securities pursuant to the Company's equity-based remuneration scheme.

The Securities Trading Policy is available at www.novolitio.com