

Lithium Power International Limited

Corporate Governance Statement

Lithium Power International Limited (ASX: LPI) (“the Company”) is pleased to submit its Corporate Governance Statement in connection with the Company’s Annual Report and Appendix 4G lodged with the ASX on 27 September 2018. This Corporate Governance Statement can also be viewed on the Company’s website.

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Corporate Governance Statement

Lithium Power International Limited ACN 607 260 328 (**Company**) is committed to the highest standards of corporate governance. The Corporate Governance Statement is current as at the date of the Annual Report, dated 27 September 2018, and has been approved by the Board of the Company on that date.

This Corporate Governance Statement discloses the extent to which the Company follows, as at the date of the signing and lodgment of the Annual Report for the period 1 July 2017 to 30 June 2018 with the Australian Securities Exchange (ASX), the recommendations set by the ASX Corporate Governance Council in its publication Corporate Governance Principles and Recommendations (**Recommendations**). The Recommendations are not mandatory, however the Recommendations that are not followed have been identified and reasons provided for not following them along with what (if any) alternative governance practices the Company intends to adopt in lieu of the recommendation.

The Company's corporate governance policies are available on the Company's website at <http://www.lithiumpowerinternational.com>.

Principle 1 – Lay solid foundations for management and oversight

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

ASX Recommendation 1.1	Comply
<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> 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 	Yes

The Board has adopted a formal Board Charter that details the functions and responsibilities of the Board, the roles and responsibilities of the Chairman and Company Secretary, Directors' access to the Company's records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy. A copy of the Board Charter is available on the Company's website.

ASX Recommendation 1.2	Comply
<p>A listed entity should:</p> <ul style="list-style-type: none"> 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 in its possession relevant to a decision on whether or not to elect or re-elect a director. 	Yes

The appointment of new Directors and undertaking of appropriate checks before appointment is the responsibility of the entire Board. The Board ensures that all material information to a decision on whether or not to elect or re-elect a Director is provided to security holders.

Due to the size and stage of development of the Company, the Company does not consider that it is practicable to have a separate nomination committee with responsibility of the appointment of Directors or to implement a corresponding nomination committee charter.

Shareholders are provided with all material information in the Company's possession that is relevant to a decision on whether to elect or re-elect a Director in the Notice of Meeting for the Company's Annual General Meeting (AGM).

ASX Recommendation 1.3	Comply
A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes

The Company has and will enter into written agreements with all directors and senior executives setting out the key terms and conditions of their appointment.

ASX Recommendation 1.4	Comply
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.	Yes

The Company Secretary is accountable to the Board through the Chair, and all directors have access to the Company Secretary. The Company Secretary's role in respect of matters relating to the proper functioning of the Board includes advising the Board and its committees on governance matters, monitoring that Board and committee policies and procedures are followed, coordinating all Board business (including agendas, board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings) and carrying out the legislative and administrative requirements of the Board.

For further detail, please refer to the Board and Committee Charters which are available on the Company's website.

ASX Recommendation 1.5	Comply
<p>A listed entity should:</p> <ol style="list-style-type: none"> 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; disclose that policy or a summary of it; and 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: <ol style="list-style-type: none"> 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 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. 	No

The Company is committed to providing an inclusive workplace and recognises the value that a workforce made up of individuals with diverse skills, values, backgrounds and experiences will bring to the Company. At the core of the Company's diversity policy is a commitment to equality and respect.

Although the Company has a diversity policy in place, the Board does not presently intend to set measurable gender diversity objectives because:

- it is the Board's view that the existing Directors and senior executives have sufficient skill and experience to carry out the Company's plans;

- if it becomes necessary to appoint any new Directors or senior executives, the Board considers that the application of a measurable gender diversity objective requiring a specified proportion of women on the Board and in senior executive roles may, given the small size of the Company and the Board, unduly limit the Company from making appointments based on skills and merit; and
- 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) for each financial year will be disclosed in the Company’s Annual Report.

As the Company continues to grow, the Board intends to review its practices and, if deemed necessary in the future, the Board may consider adopting measurable gender diversity objectives.

ASX Recommendation 1.6	Comply
<p>A listed entity should:</p> <ol style="list-style-type: none"> have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>Yes</p>

The Board Charter requires that each year the Board will conduct an evaluation of its effectiveness and performance that evaluates:

- its own performance;
- the performance of its committees (if any); and
- the performance of individual Directors.

The Company may conduct an evaluation with the aid of an independent advisor.

ASX Recommendation 1.7	Comply
<p>A listed entity should:</p> <ol style="list-style-type: none"> have and disclose a process for periodically evaluating the performance of its senior executives; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>Yes</p>

The Board is responsible for evaluating the performance of the Company’s senior executives. The Board has further responsibility for evaluating the remuneration of the Company’s senior executives. A senior executive, for these purposes, means a member of the senior management team as distinct from the Board, who has the opportunity to materially influence the integrity, strategy and operation of the Company and its financial performance and includes, as the context requires, the executive directors, the Chief Financial Officer/Company Secretary, and the general managers of the Company.

The Company intends to complete performance evaluations in respect of the senior executives (if any) for each financial year in accordance with the applicable processes.

Principle 2 – Structure the Board to add value

A listed entity should have a board of appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

ASX Recommendation 2.1	Comply
<p>The board of a listed entity should:</p> <p>a. have a nomination committee which:</p> <ol style="list-style-type: none"> has at least three members, a majority of whom are independent directors; and is chaired by an independent director, and disclose: the charter of the committee; the members of the committee; and 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 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.</p>	No

The Company does not currently have a Nomination Committee. The Company's Board Charter provides that the Board will comprise at least 3 directors.

The Company does not have a Nomination Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Nomination Committee.

The Company will review its practices and, if deemed necessary in the future, consider whether a Nomination Committee should be established.

ASX Recommendation 2.2	Comply
<p>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.</p>	No

The Board strives to ensure that it comprises directors with a blend of skills, experience and attributes appropriate for the Company and its business. The Board is of the belief that a board skills matrix is not required given the stage of development of the Company's business. The Board will continue to monitor whether it will be appropriate for the Company to adopt a board skills matrix as the Company continues to develop.

ASX Recommendation 2.3	Comply
<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> 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. 	Yes

At the time of the lodgment of the Annual Report, the only independent Director is Mr Russell Barwick. The Company has disclosed in its Annual Report, and on the ASX website, any instances where ASX Recommendation 2.3 applies and an explanation of the Board's opinion as to why the relevant Director is still considered to be independent.

The Company's Annual Report discloses the length of service of each Director, as at the end of the financial year.

ASX Recommendation 2.4	Comply
A majority of the board of a listed entity should be independent directors.	No

At the time of the Annual Report, one of the total of four directors is considered independent.

The Board does not currently consider an independent majority of the Board to be appropriate given:

- (a) the Company considers at least two Directors should be executive Directors for the Company to be effectively managed; and
- (b) the Company considers it necessary, given the nature and scale of its activities, to attract and retain suitable Directors by offering Directors an interest in the Company.

The Board has taken the following steps to structure the Board to add value despite not having a majority of independent Directors:

- (a) membership of the Board is focused on providing the Company with a broad base of industry, business, technical, financial and corporate skills and experiences considered necessary to fulfil the business objectives of the Company;
- (b) membership of the Board is reviewed on an on-going basis by the Chairman of the Board to determine if additional core strengths are required to be added to the Board in light of the nature of the Company's business and its objectives; and
- (c) membership of the Board is aligned with the Company's Joint Venture vehicle, Minera Salar Blanco.

ASX Recommendation 2.5	Comply
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.	No

The Board's non-executive Chair, Mr David Hannon, does not satisfy the criteria of an independent director, due to being a substantial security holder of the Company. The Chair does not perform the role as CEO of the Company.

The Board considers Mr Hannon's role as Chair essential to the success of the Company in its current stage, wherein the Company continues to focus on the strategic development of the business.

ASX Recommendation 2.6	Comply
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.	Yes

In accordance with the Company's Board Charter, the Board is responsible for the approval and review of induction and continuing education programs and procedures for Directors and senior executives to ensure that they can effectively discharge their responsibilities. The Company Secretary is responsible for facilitating inductions and professional development.

Principle 3 – Act ethically and responsibly

A listed entity should act ethically and responsibly.

ASX Recommendation 3.1	Comply
A listed entity should: <ol style="list-style-type: none"> have a code of conduct for its directors, senior executives and employees; and disclose that code or a summary of it. 	Yes

- (a) The Company's Corporate Code of Conduct applies to the Company's Directors, senior executives and employees.
- (b) The Company's Corporate Code of Conduct is available on the Company's website.

Principle 4 – Safeguard Integrity in corporate reporting

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

ASX Recommendation 4.1	Comply
The board of a listed entity should: <ol style="list-style-type: none"> have an audit committee which: <ol style="list-style-type: none"> has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and is chaired by an independent director, who is not the chair of the board, and disclose: <ol style="list-style-type: none"> the charter of the committee; the relevant qualifications and experience of the members of the committee; and 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 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. 	No

The Company has Audit and Risk Management Committee with its primary purpose to assist the Board in carrying out its financial reporting, external audit, risk management systems and internal control structure functions.

The Committee has three members, being Mr. Russell Barwick (Chair), Mr David Hannon and Mr Reccared Fertig. All members are non-executive directors of the Company and the chair of the Committee is an independent director who is not chair of the Board, however the Committee does not comprise a majority of independent directors.

The Charter of the Audit and Risk Management Committee is available on the Company's website.

ASX Recommendation 4.2	Comply
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.	Yes

Prior to approving the Company's financial statements for a financial period, the Company obtains a declaration from the CEO and the 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.

ASX Recommendation 4.3	Comply
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.	Yes

The Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

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.

ASX Recommendation 5.1	Comply
A listed entity should: <ol style="list-style-type: none"> have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and disclose that policy or a summary of it. 	Yes

The Continuous Disclosure Policy is available on the Company's website.

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.

ASX Recommendation 6.1	Comply
A listed entity should provide information about itself and its governance to investors via its website.	Yes

Information about the Company and its governance is available in the investor relations section on the Company's website.

ASX Recommendation 6.2	Comply
A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	No

The Company does not currently have a formal investor relations program in place, but ensures that all material information is conveyed to investors via the investor relations section of the Company's website.

ASX Recommendation 6.3	Comply
A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes

Shareholders are encouraged to participate at all general meetings and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary provides material stating that all Shareholders are encouraged to participate at the meeting.

ASX Recommendation 6.4	Comply
A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes

Security holders of the Company can register to receive email notifications when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.

Shareholders' queries are referred to the Company Secretary at first instance.

Principle 7 – Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

ASX Recommendation 7.1	Comply
<p>The board of a listed entity should:</p> <ol style="list-style-type: none"> have a committee or committees to oversee risk, each of which: <ol style="list-style-type: none"> has at least three members, a majority of whom are independent directors; and is chaired by an independent director, and disclose: <ol style="list-style-type: none"> the charter of the committee; the members of the committee; and 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 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. 	No

The Board has established an Audit and Risk Management Committee with its primary purpose being to assist the Board in carrying out its financial reporting, external audit, risk management systems and internal control structure.

The composition of the committee is set out above in comments to ASX Recommendation 4.1. As noted above in ASX Recommendation 2.3, the only independent Director who is a member of the Committee is Mr Russell Barwick.

ASX Recommendation 7.2	Comply
<p>The board or a committee of the board should:</p> <ol style="list-style-type: none"> review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and disclose, in relation to each reporting period, whether such a review has taken place. 	Yes

Given the stage of the Company's development, the Board does not consider that a formal review of the Company's risk management framework is required. The Board considers risk management at each Director's meeting.

ASX Recommendation 7.3	Comply
<p>A listed entity should disclose:</p> <ol style="list-style-type: none"> if it has an internal audit function, how the function is structured and what role it performs; or 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. 	Yes

The Company does not currently have an internal audit function. The Board plays an active role in monitoring the daily affairs of the Company. Each Director has access to external auditors and the auditor has access to each Board Member. In the event of a resignation of external auditors, the Board will appoint a new external auditor, whose appointment will be subsequently

ratified by shareholders in general meeting. In all other cases, an external auditor is appointed by shareholders in general meeting. An external auditor can be removed by shareholders in general meeting. The Board does not have a policy for the rotation of external audit engagement partners of the Company.

ASX Recommendation 7.4	Comply
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.	Yes

The Company's Board Charter provides that the Board is required to ensure that business risks facing the Company are, where possible, identified and that appropriate monitoring and reporting internal controls are in place to manage such risks. The Company discloses this information in its Annual Report and on the ASX website as part of its continuous disclosure obligations.

Principle 8 – Remunerate fairly and responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

ASX Recommendation 8.1	Comply
<p>The board of a listed entity should:</p> <ol style="list-style-type: none"> have a remuneration committee which: <ol style="list-style-type: none"> has at least three members, a majority of whom are independent directors; and is chaired by an independent director, and disclose: <ol style="list-style-type: none"> the charter of the committee; the members of the committee; and 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 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. 	No

The Company does not have a Remuneration Committee as the Board considers that, given the present size and scale of the Company's operations, the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Remuneration Committee.

The Board will continue to monitor whether the establishment of a Remuneration Committee becomes appropriate in the future.

ASX Recommendation 8.2	Comply
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.	Yes

The Company discloses its remuneration policy in its Annual Report.

ASX Recommendation 8.3	Comply
<p>A listed entity which has an equity-based remuneration scheme should:</p> <ul style="list-style-type: none"> 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. 	No

The Company currently has in place an equity based remuneration scheme. Under the terms of the scheme, hedging transactions are prohibited. A summary of the scheme was disclosed in the Company's Notice of Meeting that approved the scheme.