

PENINSULA ENERGY LIMITED CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

Introduction

Peninsula Energy Limited (**Peninsula or the Company**) acknowledges and emphasises the importance of all Directors, senior executives and employees maintaining the highest standards of corporate governance practice. In determining what those standards should involve, the Company has referred to the Australian Securities Exchange (**ASX**) Corporate Governance Council's "Corporate Governance Principles and Recommendations, 4th Edition" (**CGC Recommendations**).

The Company's practices are largely consistent with the CGC Recommendations, and the Board has made appropriate statements reporting on the adoption of the CGC Recommendations. Where the Company's corporate governance practices depart from the practices in the CGC Recommendations, the Board has disclosed this departure and the reasons for the adoption of the Company practices as they stand, in compliance with the 'if not, why not' principle, and these are summarised in the Appendix 4G and this Corporate Governance Statement.

A copy of the Company's Charter documents and other documents referred to below are contained on the Company's website at http://www.pel.net.au/corporate/corporate_governance.phtml.

Set out below are the principles and recommendations contained in the CGC Recommendations and a discussion on how they have been implemented by the Company during the year ended 30 June 2020.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1: A listed entity should have and disclose a board charter setting out:

- (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.***

The functions and responsibilities of the Board and those delegated to management are disclosed in the Board Charter on the Company's website.

Without limiting the general role of the Board, which is set out in more detail in the Board Charter, the principle roles and responsibilities of the Board include the matters set out below, subject to delegation to the Managing Director/Chief Executive Officer and senior management as specified elsewhere in this statement or as otherwise appropriate:

- providing leadership and setting the strategic objectives of the Company;
- formulating short term and long term strategies to enable the Company to achieve its objectives, ensuring adequate resources are available to meet strategic objectives and overseeing managements implementation of the Company's objectives and its performance generally;
- identifying other material business risks pertaining to the Company's operations, and to develop and implement strategies to manage these risks, and internal control systems to monitor compliance with and effectiveness of these strategies;
- approving major operating and capital budgets, and variations thereto;
- overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit;
- overseeing the Company's process for making timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities;

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- appointing and approving the terms and conditions and, where necessary, the removal of the Managing Director/Chief Executive Officer and other senior executives;
- appointing and approving the terms and conditions of the appointment of the Chair; and
- endorsing the terms and conditions of senior executives and, through the Remuneration Committee, approving the Company's remuneration framework; and
- monitoring the effectiveness of the Company's governance practices.

The Board has delegated to the Managing Director/Chief Executive Officer the day to day responsibility for running the Company and for the implementation of the policies and strategies established by the Board. The Board also delegates to senior management the responsibilities for the day to day activities required, within their designated areas of control, in order for the Company to achieve its strategic objectives.

Recommendation 1.2: A listed entity should undertake:

- (a) appropriate checks before appointing a director or senior executive or putting someone forward 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.***

The Board has formally adopted a Nomination Committee Charter but given the present size of the Company, has not formed a separate Committee. Instead this function is undertaken by the full Board in accordance with the policies and procedures outlined in the Nomination Committee Charter. The Company also has a procedure guideline for the selection and appointment of Directors.

New candidates are considered with reference to a number of factors which include, but are not limited to, their relevant experience, expertise and professional qualifications, compatibility with the existing Board and possession of complimentary skill sets, absence of conflicts of interest or other legal impediments to serving on the Board, credibility within the Company's industry and scope of activities and their overall integrity and reputation.

The Company has in place appropriate procedures to ensure that material information relevant to a decision to re-elect a Director is disclosed in the notice of meeting provided to security holders.

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

New directors, senior executives and employees receive a letter of appointment which provide the key terms and conditions including position description, remuneration and incentives provided, requirements to adhere to Company policies, term and termination provisions.

Non-Executive Directors are not appointed for fixed terms and are subject to re-election by security holders. Executive Directors and senior executives have written service agreements which set out the material terms of employment, including a description of position and duties, reporting lines, remuneration arrangements and termination rights and entitlements.

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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.

The Company Secretaries reports to the Chair on all matters concerning the Board's activities and responsibilities, including:

- a) advising the Board and its committees on governance matters;
- b) monitoring that Board and committee policy and procedures are followed;
- c) timely completion and despatch of Board and committee papers;
- d) ensuring business at Board and committee meetings is accurately captured in the minutes; and
- e) assisting with the induction of directors.

Directors may contact the Company Secretaries directly and vice versa.

In accordance with the Company's constitution, the appointment and removal of the Company Secretary is a matter for the Board as a whole. A biography of the Company Secretaries is available on the website and in the Director's Report contained within the Annual Report.

Recommendation 1.5: A listed entity should:

- (a) have and disclose a diversity policy;***
- (b) Through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and***
- (c) Disclose in relation to each reporting period:***
 - 1. the measurable objectives set for that period to achieve gender diversity;***
 - 2. the entity's progress towards achieving those objectives; and***
 - 3. the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes).***

The Board has adopted a Diversity Policy as per the CGC Recommendations. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The Diversity Policy outlines the processes by which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company.

The Company is committed to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees and is utilised to enhance the Company's performance.

The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives.

Given the current challenges facing the uranium mining industry, and the relatively small size of the Company, the Board has not determined measurable objectives for increasing gender diversity. All personnel are employed and/or promoted on their merits.

At an appropriate time in the future when the Company is of sufficient size and scale, the Board will determine appropriate measurable objectives for achieving gender diversity.

The Company and its consolidated entities have three (3) female employees:

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- an accounts payable officer;
- a land administrator; and
- a cleaner

whom represent approximately 9% of the total employees, executives and/or board members of the Company and its consolidated entities. There are currently no female members on the Board of the Company.

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 for each reporting period, whether a performance evaluation was undertaken in accordance with that process during or in respect of that period.***

As noted in Recommendation 1.2, the Board assumes the responsibilities of the Nomination Committee in overseeing Board and Board Committee membership, succession planning and performance evaluation, in addition to Board member induction and development.

The Company regularly assesses the skills and competencies required on the Board, although no formal performance evaluation was undertaken during the financial year ended 30 June 2020. The criteria for Board, Board Committee and Director evaluation is described in the Board Charter and also the Remuneration Committee Charter.

Recommendation 1.7: A listed entity should:

- (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and***
- (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.***

The Company regularly assesses the skills and competencies required of all Executive Directors and senior executives including measuring their performance against set objectives.

As part of a comprehensive review of remuneration practices the Company commissioned a benchmarking exercise of the Company's remuneration framework by external advisors in 2015. The review resulted in significant changes to the Company's remuneration framework including the development of short term and long term incentive plans which will drive the collective efforts of the Company workforce to achieve short and long term objectives. Annual performance reviews of all Executive Directors and senior executives occurs to measure their performance against set objectives which also influence the amount of short or long term incentives to be paid in a given year.

PRINCIPLE 2: STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE

Recommendation 2.1: The Board of a listed entity should:

- (a) have a nomination committee which 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***

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The Board has formally adopted a Nomination Committee Charter but given the present size of the Company, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the policies and procedures outlined in the Nomination Committee Charter. When the Company is of sufficient size, a separate Nomination Committee will be formed.

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.

Details of the current Directors, their respective skills, experience, qualifications and a record of their attendance at meetings are included in the Directors Report within the Annual Report. The Board has developed and implemented a Board skills matrix in accordance with the recommendations, as per below:

Collective skills

Self-Assessment Ratings – 1 (very weak), 2 (weak), 3 (acceptable), 4 (strong), and 5 (very strong)

Professional (Director) Skills Self-Assessment

Skill Area	Description
Strategy	Ability to think strategically and identify and critically assess strategic opportunities and threats and develop effective strategies in the context of the strategic objectives of the Company
Financial performance	Accounting and finance – either qualifications OR experience
Risk and compliance oversight	Ability to identify key risks to the Company in a wide range of areas including legal and regulatory compliance, and monitor risk and compliance management frameworks and systems
Corporate Governance	Knowledge OR experience in best practice corporate governance structures, policies and processes (with reference to the ASX Corporate Governance Council Corporate Governance Principles and Recommendation) Australian Institute of Company Directors courses and qualifications
Information technology strategy and governance	Knowledge OR experience in the strategic use and governance of information management and information technology – including personal information privacy and security risk management
Executive management	Experience at an executive level including the ability to: <ul style="list-style-type: none"> • appoint and evaluate the performance of the CEO and other members of management • oversee strategic human resource management including workforce planning, and employee and industrial relations • oversee large scale organisational change
Commercial experience	A broad range of commercial OR business experience, preferably in the small to medium enterprise context, in areas including communications, marketing, business practices and improvement

Industry Skills Self-Assessment

Skill Area	Description
Technical	Qualifications OR experience in a technical skill in the resources industry Including but not limited to geology, exploration, mining, geotechnical, metallurgical, engineering, construction, and operations
Management	Qualifications OR experience in management in the resource industry

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Project	Commercial OR business experience in resource industry projects
Permitting and approvals	Knowledge OR experience in permitting and approvals for mine site operations, including remote fly in and fly out projects
Legal, finance and funding	Commercial OR business experience in legal, finance and funding, including exposure equity and debt markets
Uranium industry and marketing	<ul style="list-style-type: none"> Commercial OR business experience in the Uranium industry, including marketing and sale of uranium oxide to utility customers globally

Personal Attributes

Skill Area	Description
Integrity (ethics)	<p>A commitment to:</p> <ul style="list-style-type: none"> understanding and fulfilling the duties and responsibilities of a director, and maintaining knowledge in this regard through professional development putting the Company's interests before any personal interests being transparent and declaring any activities or conduct that might be a potential conflict <p>maintaining board confidentiality</p>
Effective listener and communicator	<p>The ability to:</p> <ul style="list-style-type: none"> listen to, and constructively and appropriately debate, other people's viewpoints develop and deliver cogent arguments <p>communicate effectively with a broad range of stakeholders</p>
Constructive questioner	The preparedness to ask questions and challenge management and peer directors in a constructive and appropriate way
Contributor and team player	The ability to work as part of a team, and demonstrate the passion and time to make a genuine and active contribution to the board and the Company
Commitment	A visible commitment to the purpose for which the Company has been established and operates, and its on-going success
Influencer and negotiator	<ul style="list-style-type: none"> The ability to negotiate outcomes and influence others to agree with those outcomes, including an ability to gain stakeholder support for the board's decisions
Critical and innovative thinker	<ul style="list-style-type: none"> The ability to critically analyse complex and detailed information, readily distil key issues, and develop innovative approaches and solutions to problems
Leader	<p>Innate leadership skills including the ability to:</p> <ul style="list-style-type: none"> appropriately represent the organisation set appropriate board and organisational culture make and take responsibility for decisions and actions

Diversity and non-skills-based criteria

Skill Area	Description
Diversity	Relatively equal gender representation should be sought for the board
Previous board experience	The board should collectively comprise directors who hold considerable previous experience at board level and/or who have completed formal training in directorship/governance
Conflicts of interest	It is important that directors have no actual or potential conflicts of interest or other affiliations such as would make their appointment inappropriate or hinder their effective contribution to the board

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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 or relationship in question and an explanation of why the Board is of that opinion; and***
- (c) the length of service of each director.***

The Company recognises the importance of maintaining an appropriate balance between independent and non-independent representation on the Board. The criteria used by the Company in assessing independence of its Board members is disclosed in the Corporate Governance Statement in its Annual Report.

The names of the current Directors of the Company, their independence status and their length of service is denoted below:

- John Harrison Non-Executive Chairman (Independent) – appointed 1 September 2014
- Wayne Heili Managing Director/CEO – appointed 3 April 2017
- Mark Wheatley Non-Executive Director (Independent) – appointed 26 April 2016
- Harrison Barker Non-Executive Director (Independent) – appointed 3 August 2015
- David Coyne Non-Executive Director (previously Finance Director/CFO) – appointed 27 March 2017

Details of Directors experience, both current and prior, their interests in the securities of the Company and length of service are provided in the Directors Report of the Annual Report.

Recommendation 2.4: A majority of the Board of a listed entity should be independent directors.

As indicated in Recommendation 2.3, three of the five directors on the Board are considered independent. The Company believes it has the appropriate balance between independent and non-independent representation on the Board.

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.

The Non-Executive Chairman, Mr. John Harrison, is considered an independent director. Details of Mr. Harrison's experience are provided on the Company's website and also in the Directors Report of the Annual Report.

Recommendation 2.6: A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.

The Company does not have a formalised induction program but adheres to the Board Charter and Nomination Committee Charter in inducting new Directors. For a new Director, the Company Secretary provides the following documents:

- Letter of Appointment including appointment terms, Directors duties and obligations, and Director entitlements;
- Consent to Act, which requires formal written consent to become a Director, containing the minimum information required by the Company; and

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The Company encourages Directors to attend relevant external seminars, conferences and educational programs for professional development purposes and relevant industry knowledge. Directors also have the right to seek independent professional advice at the Company's expense in accordance with agreed procedures established by the Board.

PRINCIPLE 3: INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

Recommendation 3.1: A listed entity should articulate and disclose its values

The Board acknowledges and emphasises the importance of all Directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring Directors and employees to:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with the law; and
- encourage the reporting and investigating of unlawful and unethical behaviour.

Directors are obliged to be independent in judgement and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

Recommendation 3.2: A listed entity should:

- (a) have and disclose a code of conduct for its directors, senior executives and employees; and***
- (b) ensure that the board or a committee of the board is informed of any material breaches of that code.***

As detailed above the Company has an established code of conduct and this is disclosed in the Corporate Governance section of its website. There were no material breaches of that code during the financial year.

Recommendation 3.3: A listed entity should:

- (a) have and disclose a whistleblower policy; and***
- (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy***

The Company has a formal whistleblower policy which can be found in the Corporate Governance section of its website. There were no material breaches of that policy during the financial year.

Recommendation 3.4: A listed entity should:

- (a) have and disclose an anti-bribery and corruption policy; and***
- (b) ensure that the board or a committee of the board is informed of any material breaches of that policy***

The Company has a formal anti-bribery and corruption policy which can be found in the Corporate Governance section of its website. There were no material breaches of that policy during the financial year.

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PRINCIPLE 4: SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

Recommendation 4.1: The Board of a listed entity should:

- (a) *have an audit committee which:*
- 1) *has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*
 - 2) *is chaired by an independent director, who is not the Chair of the Board. and disclose:*
 - 3) *the charter of the committee;*
 - 4) *the relevant qualifications and experience of the members of the committee; and*
 - 5) *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.*

The Board has established an Audit and Risk Management Committee which consisted of two Non-Executive Directors throughout the financial year, which is inconsistent with the CGC Recommendations, however deemed appropriate for the size of the Company. The Company was comfortable that the Committee members possess the relevant skills and expertise to perform this function. The Finance Director/CFO and Company Secretary were also present at all Audit and Risk Management Committee meetings. On 4 September 2020 the Company appointed a third Non-Executive Director to the Audit and Risk Management Committee. The Audit and Risk Management Committee operates under a formal Audit and Risk Management Committee charter. A copy of this charter can be accessed on the Company's website under Corporate/Corporate Governance. The Audit and Risk Management Committee is chaired by an independent director.

The Audit and Risk Management Committee is as follows:

- Mr Mark Wheatley – Non-Executive Director (Chairman) (Independent)
- Mr Harrison Barker – Non-Executive Director (Independent)
- Mr David Coyne – Non-Executive Director

The experience and qualifications of members of the Audit and Risk Management Committee are detailed in the Directors Report of the Annual Report.

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.

Prior to the approval of the Company's financial statements each year, the Chief Financial Officer confirms in writing to the Board that the financial reports of the Company for the financial year:

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- 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 practices;
- the statement given in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Recommendation 4.3: A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

The Company's annual and half yearly reports are audited and reviewed by an external auditor. Quarterly activities and cashflow reports are reviewed by the full Board and the Chief Financial Officer.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1: A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under Listing Rule 3.1.

The Company has a written Continuous Disclosure Policy which has been adopted to ensure compliance with the continuous disclosure requirements of the ASX Listing Rules and Corporations Act 2001. The Continuous Disclosure Policy sets out the rules and procedures for ASX information disclosure, the responsibilities of the Board, senior executives and staff to ensure price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely, clear and objective manner, and that all information provided to the ASX is also uploaded to the Company's website as soon as possible after disclosure to the ASX.

The Company Secretary manages the Company's compliance with its continuous disclosure obligations and is responsible for communications with, and coordinating disclosure of information to the ASX.

Directors are circulated all announcements released to ASX prior to announcement. A copy of the Company's Continuous Disclosure Policy is disclosed on the Company's website under Corporate/Corporate Governance.

Recommendation 5.2: A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

The Board receive copies of all material announcements.

Recommendation 5.3: A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation on the ASX Markets Announcements platform ahead of the presentation.

The Company releases copies of investor and analyst presentations on the ASX Markets Announcements platform ahead of the presentation time.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

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

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The Company's web site contains details of its key projects, all of its activities and operations and corporate information. The Company web site is <http://www.pel.net.au>.

Information about the Company's corporate governance policies is available on the Company's website at: http://www.pel.net.au/corporate/corporate_governance.phtml.

Recommendation 6.2: A listed entity should have an investor relations program that facilitates effective two-way communication with investors.

The Company encourages security holder communication throughout the year and at all times security holders can contact the Company via the contact details provided on the Company's website. Security holders may also subscribe to the Company's mailing list via the website. The Company also conducts periodic shareholder information sessions in selected Australian capital cities allowing shareholders to receive updates from members of the executive management team of the Company.

The Company also encourages security holder participation at general meetings and shareholders who are unable to attend general meetings of the Company are encouraged to participate in the meetings by way of appointment of a proxy.

Recommendation 6.3: A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.

The Company encourages participation at meetings of security holders by making Notice of Meetings available on its website. The Company's auditors attend the Annual General Meeting and are available to answer questions from security holders with regard to the conduct of the external audit for the relevant financial year as well as the preparation and content of the Annual Report.

Security Holders are encouraged to ask questions at each security holder meeting.

Recommendation 6.4: A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands

Resolutions are generally passed on a show of hands where the proxy votes clearly indicate that the resolution will be passed by a poll. Where the proxy votes are not clear then the Company would consider if it was more appropriate to decide that resolution by a poll.

Recommendation 6.5: A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company encourages security holder communication throughout the year and at all times security holders can contact the Company via the contact details provided on the Company's website. Security holders may also subscribe to the Company's mailing list via the website.

Security holders have the option to receive electronic versions of the Notice of Meeting and Annual Report.

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PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1: The Board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:***
- 1. has at least three members, a majority of whom are independent directors; and***
 - 2. is chaired by an independent director.***

and disclose:

- 3. the charter of the committee;***
- 4. the members of the committee; and***
- 5. 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 risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework***

The Company has formed a single committee, the Audit and Risk Management Committee, to oversee the audit and risk management processes of the Company. Refer to details provided under Recommendation 4.1. The Audit and Risk Management Committee operates under a formal Audit and Risk Management Committee charter. A copy of this charter can be accessed on the Company's website under Corporate/Corporate Governance. The number of meetings and individual attendances at those meetings is disclosed in the Directors Report contained within the Annual Report.

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 that the entity is operating with due regard to the risk appetite set by the Board; and;***
- (b) Disclose, in relation to each reporting period, whether such a review has taken place.***

The Audit and Risk Management Committee convene at least twice per year. This Committee reviews the effectiveness of the Company's policies and procedures for the identification, assessment, reporting and management of risks. The Committee will conduct a formal risk review annually when the Company is of sufficient size and scale to warrant such a review.

It is the responsibility of the Chief Financial Officer to ensure that the Company operates within a sound structure of internal controls and procedures and within an approved risk management framework as adopted by the Committee.

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 governance, risk management and internal control processes.***

The Company does not have an internal audit function due to its current size. The Audit and Risk Management Committee monitors the need for an internal audit function.

The Company's external auditors are consulted for advice by the Audit and Risk Management Committee.

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Recommendation 7.4: A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.

The Company, as a commodity extraction/ mining company, faces inherent risks in its activities, including economic, financial, environmental, operational, regulatory, social sustainability and market related risks.

The Board regularly monitors the operational and financial performance of the Company's activities. It monitors and receives advice on all areas of operation and financial risk and implements strategies to manage these risks. The Board ensures that good internal control systems are in place and monitors compliance with these systems. Comprehensive operating and capital budgets, and cash flow forecasts, are prepared by the Chief Financial Officer and presented for approval to the Board periodically.

A continual assessment of the Company's risk profile is undertaken and the Chief Financial Officer has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly. The volatile economic environment has emphasised the importance of managing and reassessing the Company's key business risks.

The Board and senior management effectively manages the consolidated group's capital by assessing financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1: The Board of a listed entity should:

(a) have a remuneration committee which:

- 1. has at least three members, the majority of whom are independent directors; and***
- 2. Is chaired by an independent director,***

and disclose

- 3. the charter of the committee***
- 4. the members of the committee; and***
- 5. 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.

The Company has established a Remuneration Committee which is responsible for determining and reviewing the appropriate compensation arrangements and policies for the key management personnel, in accordance with the policies and procedures outlined in the Remuneration Committee Charter. A copy of the Remuneration Committee charter is available on the Company's website under Corporate/Corporate Governance. The Remuneration Committee reviews executive packages annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed companies.

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The Remuneration Committee consists of three Non-Executive Directors and is chaired by an independent director, consistent with the CGC Recommendations.

The Remuneration Committee is as follows:

- Mr John Harrison – Non-Executive Director (Chairman) (Independent)
- Mr Mark Wheatley – Non-Executive Director (Independent)
- Mr Harrison Barker – Non-Executive Director (Independent)

The experience and qualifications of members of the Remuneration Committee are detailed in the Directors Report of the Annual Report, as are the number of times that the committee has met throughout the period and the individual attendances of the members at those meetings.

The Company's Remuneration Policy is to ensure remuneration packages properly reflect each person's duties and responsibilities and support the Company's business objectives. The Policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

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.

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. This framework, which is described in detail below, aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- (i) competitiveness and reasonableness;
- (ii) aligns shareholders and executive interests;
- (iii) performance based and aligned to strategic and business objectives; and
- (iv) transparency.

The amount of remuneration for all key management personnel of the Group, including all monetary and non-monetary components, is detailed in the Remuneration Report within the Directors Report.

The executive remuneration and reward framework has three components:

- (i) base pay and short-term incentives
- (ii) long-term incentives by way of equity rewards
- (iii) other remuneration such as superannuation and long service leave

The combination of these comprises the Key Management Personnel total remuneration. Fixed remuneration, consisting of base salary and superannuation are reviewed annually by the Remuneration Committee, based on individual and area of responsibility performance, the overall performance of the Company and comparable market remunerations.

The payment of bonuses, options and other incentive payments are reviewed by the Remuneration Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses,

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options and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the Remuneration Committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

Remuneration Framework

In April 2015, the Remuneration Committee undertook a comprehensive review of remuneration practices and commissioned a benchmarking exercise of the Company's remuneration framework by external advisors BDO Corporate Finance (WA) Pty Ltd. This work was completed in June 2015 prior to the appointment of BDO Audit (WA) Pty Ltd as the independent auditor of the Company on 12 August 2015. This review resulted in significant changes to the Company's remuneration framework, with the new remuneration structure taking effect from 1 July 2015.

The key outcomes of the review were:

- developing an overarching remuneration framework to formalise reward structures and to establish a framework to guide remuneration practices going forward;
- benchmarking Executive Director, Executive Officer and Non-Executive Director remuneration and consideration of typical market practice of global uranium peer companies to determine the competitiveness of current remuneration arrangements and to identify areas for change;
- design of a new short-term incentive plan (STIP) to drive the collective efforts of the workforce in realising the short-term business strategy; and
- design of a new equity-based long-term incentive plan (LTIP) for executives to encourage long-term sustainable performance.

The objective of the Company's executive reward structure is to ensure reward for performance is competitive and appropriate for the results delivered. The structure aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and reflects current market practice for delivery of reward.

This structure ensures that the remuneration framework best supports the strategic direction of the business.

Pursuant to the BDO review and taking into consideration other market related data, in June 2015 the Board approved new STIP and LTIP plans to which took effect from 1 July 2015. A number of different equity incentive structures were explored, with the Board and the Board's Remuneration Committee taking advice from the external advisor and deciding that the most appropriate long term incentive component of the Company's remuneration framework should be a long term incentive scheme for the issue of Restricted Share Units (**RSUs**). The Board believes use of RSUs is more effective in linking reward with performance, while taking into account challenges and market forces to ensure individuals remain motivated.

The Board assesses the appropriateness of this remuneration framework annually.

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***

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(b) disclose that policy or a summary of it.

The Company's Share Trading policy specifically prohibits Directors and senior executives, employees from engaging in short term trading in the Company's securities. Under the Company's current RSU Plan, participants are prohibited from entering into any hedging transaction with regard to securities issued under the RSU Plan.

PRINCIPLE 9: ADDITIONAL RECOMMENDATIONS THAT APPLY ONLY IN CERTAIN CASES

None of the additional recommendations contained within Principle 9 apply to the Company at this point in time.