

## Corporate Governance Statement

PepinNini Lithium Limited (the Company) and the board are committed to achieving and demonstrating the highest standards of Corporate Governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

The relationship between the board and senior management is critical to the Group's long-term success. The Directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

A description of the Company's main Corporate Governance practices is set out below. All of these practices, unless otherwise stated, were in place for the entire year.

### *PRINCIPLE 1- Lay solid foundations for management and oversight*

#### **Recommendation 1.1**

The board operates in accordance with the broad principles set out in its charter, available at the company's website. The charter includes details on the board's composition, responsibilities, performance review and evaluation procedures, ethical standards, and required communications with shareholders.

Responsibility for the Group's Corporate Governance rests with the board. The board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of the Company's shareholders (with a view to building sustainable value for them) and those of employees and other stakeholders.

The board's broad function is to:

- a) chart strategy and set financial budgets for the Company;
- b) monitor the implementation and execution of strategy and performance against financial budgets; and
- c) appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role in relation to the Company.

Power and authority in certain areas is specifically reserved to the board, consistent with its function as outlined above. These areas include:

- a) composition of the board itself including the appointment and removal of Directors;
- b) oversight of the Group, including its control and accountability system;
- c) appointment and removal of senior management and the Company Secretary;
- d) reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliance;
- e) monitoring senior management's performance and implementation of strategy; and
- f) approving and monitoring financial and other reporting; and
- g) monitoring the operation of committees.

The board held 12 board meetings during the year. The number of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2018, and the number of meetings attended by each Director is disclosed in the Directors' Report on page 9 of the Financial Report.

Responsibilities delegated by the Board to Management:

- Preparing budgets for review and approval by the Board,
- developing appropriate policies and procedures for the management and control of the business,
- the implementation of corporate direction and company policies,
- providing the Board with accurate and timely information to enable the Board to perform its responsibilities; and

- the day to day management of the Company's activities

**Recommendation 1.2**

There are processes in place to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director.

Security holders will be provided with all material information in the Company's possession relevant to a decision on whether or not to elect or re-elect a Director in the Notice of Meeting.

**Recommendation 1.3**

The Company has written agreements with each Director and senior executive setting out the terms of their appointment.

With the prior approval of the Chairman, which may not be unreasonably withheld or delayed, each Director has the right to seek independent legal and other professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors. Any costs incurred are borne by the Company.

**Recommendation 1.4**

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

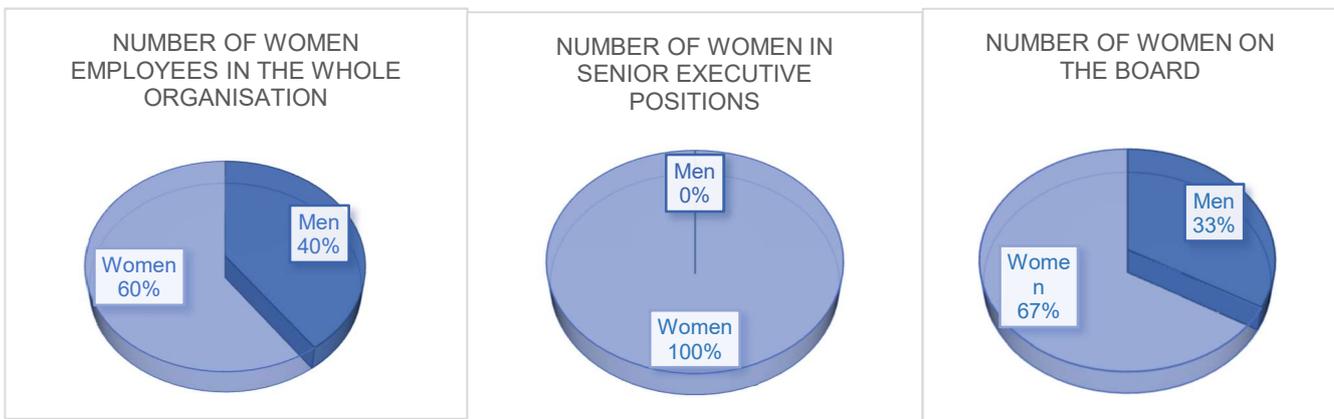
The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

**Recommendation 1.5**

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has developed a diversity policy which is available on the Company's website. This policy outlines the Company's diversity objectives in relation to gender, age, cultural background and ethnicity. The policy does not contain measurable objectives, however the company assesses performance quarterly and reports every six months.

PepinNini participated in 2014 in a benchmarking study carried out by Melbourne Business School and University of SA in relation to gender diversity. The study found that in 2008 PepinNini Gender diversity overall within the company was 50:50 male to female and in comparable companies the ratio was 68:32 male to female and at Board level PepinNini was 75:25 male to female and comparable companies were 92:8 male to female. In 2012 PNN gender diversity remained unchanged whereas peers had improved to overall 64:36 and at board level 89:11 male to female.

In 2018 in accordance with ASX Corporate Governance Principles, the board has achieved the following objectives in relation to gender diversity.



Senior executives are individuals at the highest level of the company's management who have the day-to-day responsibilities of managing the company.

### **Recommendations 1.6 and 1.7**

The Corporate Governance charter adopted by the board requires individual performance review and evaluation to be conducted formally on an annual basis. In addition, an external review of the performance of Directors and key executives is planned for intervals not exceeding three years to ensure independent professional scrutiny and benchmarking against developing best market practice. The board acknowledges that performance can always be enhanced and will continue to seek and consider ways of further enhancing performance both individually and collectively. The Company's practice complies with the guidelines in this area.

All PepinNini executive Directors have an annual performance review linked to company performance encompassing financial viability, operational activities for both WH&S and statutory regulatory compliance and corporate statutory compliance. Performance reviews of all Directors and management were undertaken in the reporting year based on individual performance indicators which were evaluated by both the employee and a reporting senior officer. The indicators related internally to the organisation and externally such as share price performance. Shareholders are invited to evaluate the company's performance at the Annual Meeting of Shareholders to approve the remuneration and financial report of the company. These reports were approved within the reporting year which indicates committee and board approval of the company's performance.

### **PRINCIPLE 2 - Structure the board to add value**

#### **Recommendation 2.1**

The board has not formed a separate Nomination Committee. The full board consists of three Directors and has formed the view that it is more efficient for the board as a whole to deal with matters that would otherwise be dealt with by a Nomination Committee. Strategies such as reviewing the skill base and experience of existing Directors and identification of attributes required in new Directors are in place and, if necessary, appropriate independent consultants will be engaged to identify possible new candidates for the board.

The Group's size is not sufficient to warrant the establishment of separate committees for the nomination of Directors, and risk management. As an alternative the Group has formed a Corporate Governance committee to assist with the building of its own internal practices concerning good Corporate Governance. As part of their regular Corporate Governance Committee meetings, the Directors discuss and action matters concerning:

- risk management;
- issues relevant to policies and practices for all Directors and senior management; and
- any recommendations concerning the appointment of new Directors and senior management.

Items of business that the committee will address at its meetings are:

- board and committee structure to facilitate a proper review function by the board;
- corporate risk assessment and compliance with internal controls;
- review and evaluation of market practices and trends on remuneration matters;
- the performance of senior management;
- development of suitable criteria such as skills, qualifications and experience for board candidates;
- identification and consideration of possible candidates; and
- review of the performance of each Director and of senior management each year in accordance with the procedures developed and adopted by the board.

Whilst items of risk management will be discussed on a quarterly basis, items concerning remuneration and nominations will be discussed annually.

#### **Recommendation 2.2**

The board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between Directors with experience and knowledge of the Group and Directors with an external or fresh perspective; and
- the size of the board is conducive to effective discussion and efficient decision-making.

The Company has 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, which is available on the Company's website.

### **Recommendation 2.3**

Details of the members of the board, their experience, expertise, qualifications, term of office and independent status are set out in the Directors' Report under the heading Information on Directors.

It is the Company's practice to allow its executive Directors to accept appointments outside the Company with prior written approval of the board. No appointments of this nature were accepted during the year ended 30 June 2018.

The commitments of non-executive Directors are considered by the board prior to the Directors' appointment to the board of the Group and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each non-executive Director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

It is company policy that the Directors declare their interests in dealings with the Company which create a conflict of interest, and take no part in decisions relating to them or the preceding discussions. In addition, those Directors do not receive any papers from the Group pertaining to those dealings. There were no such conflicts of interest during the reporting period.

The Company regards its non-executive Director Philip Clifford as not independent for the purposes of the ASX Governance Principles. This is regularly assessed by the board to ensure the status of independence reflects current operations.

### **Recommendation 2.4**

The board currently performs its roles and function, consistent with the above statement of its overall Corporate Governance responsibility. The board comprises one non-executive, non-independent Director and two non-independent executive Directors.

Currently, none of the three Directors satisfies the criteria for independence. The Company considers that the expense involved in the recruitment and employment of additional independent Directors is not justified given the present size and complexity of its operations. Together, the current Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company and have demonstrated that they make quality and independent judgments in the best interests of the Company on all relevant issues. Procedures are in place whereby Directors having a conflict of interest in relation to a particular item of business must exclude themselves from the meeting before commencement of discussion of the topic.

It is intended that, subject to the performance of the Company, new candidates for the board will be considered.

### **Recommendation 2.5**

The board considers the position of Ms Holland-Kennedy as Chairman and Managing Director to be appropriate as she is one of the founders of the Company, is a substantial shareholder, has been instrumental in the development of the Company, has a comprehensive knowledge of its operations and has successfully built value for shareholders since the Company listed on the ASX. Ms Holland-Kennedy's industry experience and her involvement with the Company since its inception are well recognised and viewed positively by shareholders. Clear protocols are in place to deal with conflicts of interest. The Company Secretary, Justin Nelson acts as an independent Chairman when the board is discussing items in which a conflict of interest may arise.

The board does however recognise that as the Company expands its operations, the ability of the Chairman to provide an independent view of management may require the appointment of an independent Chairperson in the future.

### **Recommendation 2.6**

The Company has a sound programme for inducting new Directors.

The board periodically reviews whether there are any gaps in the skills or knowledge of Directors and considers professional development opportunities to fill these gaps.

## ***PRINCIPLE 3- Act ethically and responsibly***

### **Recommendation 3.1**

The Company has developed and adopted a detailed code of conduct to guide Directors and employees in the performance of their duties. The Company has also developed and adopted a formal code to regulate dealings in

securities by Directors and senior management and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.

The Directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

A copy of the Code is available on the Company's website.

#### ***PRINCIPLE 4 - Safeguard integrity in corporate reporting***

##### **Recommendation 4.1**

The Audit Committee meets and reports to the board as required, but in any case at least twice each year. Its members are currently one executive Director. The committee has authority to seek any pertinent information it requires from any employee or external party. The Company's external auditor is invited to attend each meeting of the committee.

The charter of the audit committee is disclosed on the Company's website. The responsibilities of the audit committee include:

- oversee the existence and maintenance of internal controls and accounting systems, including the implementation of mandatory and non-mandatory accounting policies and reporting requirements
- oversee the financial reporting process, including reviewing and reporting to the board on the accuracy of all financial reports lodged with ASX which include the quarterly, half-yearly and annual financial reports
- recommendations to the board regarding the nomination, removal and remuneration of the external auditors
- review the existing external audit arrangements, including ensuring that any non-audit services provided do not impair auditor independence and
- assessing the adequacy of external reporting for the needs of shareholders.

In fulfilling its responsibilities, the audit committee:

- receives regular reports from management and the external auditors;
- meets with the external auditors at least twice a year, or more frequently if necessary;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- meets separately with the external auditors at least twice a year without the presence of management;
- provides the external auditors with a clear line of direct communication at any time to either the Chairman of the audit committee or the Chairman of the board.

The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Details of the members of the board, their experience, expertise, qualifications, term of office and independent status are set out in the Directors' Report under the heading Information on Directors.

A record of the attendance of committee members is included in the Annual Report.

The Audit Committee is not in compliance with the Guidelines as only one member is a non-executive Director. To safeguard the integrity of financial reporting, the Chairman of the Audit Committee is assumed by the Company Secretary, Justin Nelson who is independent, and regular sessions are held with the external auditors in the absence of management to discuss any issues or concerns the auditor or independent Director may have. Separate audit committee meetings are held to finalise annual and half yearly financial reports before recommending approval by the board.

##### **Recommendation 4.2**

There is a process for ensuring that at the end of each quarter, the Managing Director and Finance Director have made the following certifications to the board:

- The financial records for the Company for the reporting period have been properly maintained.

- The financial statements and associated notes comply in all material respects with the Australian Accounting Standards.
- The financial statements and associated notes give a true and fair view, in all material respects, of the financial position and performance of the Company.
- The statements made above regarding the integrity of the financial statements have been formed on the basis of a sound system of risk management and internal compliance and control which, in all material respects, implements the policies adopted by the board of Directors.
- The risk management and internal compliance and control systems of the Company, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.

#### **Recommendation 4.3**

The external auditor attends the Annual General Meeting of shareholders of the Company and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

The Company and audit committee policy is to appoint an external auditor who clearly demonstrates quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. No change to External Auditor occurred during the year, BDO Audit (SA) Pty Ltd conducted the year ended 30 June 2018 Audit.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 22 to the financial statements. It is the policy of the external auditor to provide an annual declaration of independence to the audit committee.

#### ***PRINCIPLE 5 - Make timely and balanced disclosure***

##### **Recommendation 5.1**

The Group's policies are outlined in the Company Policies and Procedures Document available from the Company's website. These policies ensure continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Procedures have been established for reviewing whether any price sensitive information has been inadvertently disclosed and if so, this information is also immediately released to the market.

#### ***PRINCIPLE 6 - Respect the rights of security holders***

##### **Recommendation 6.1**

The Company's website provides up to date information about the Company and its governance procedures.

All information disclosed to the ASX is posted on the Company's website as soon as possible after it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website.

All shareholders who have requested will receive a copy of the Company's Annual Report. In addition, the Company provides opportunities for shareholders to download from the website, annual and quarterly reports.

##### **Recommendation 6.2**

The board strives to communicate with shareholders both regularly and clearly – both by electronic means and using more traditional communication methods.

##### **Recommendation 6.3**

Shareholders are encouraged to attend and participate at General Meetings. The Group's auditor will always attend the Annual General Meeting of shareholders of the Company and is available to answer shareholders' questions.

##### **Recommendation 6.4**

The Company's share registry gives security holders the option to receive communications from, and send communications to, the Company and the registry electronically. The email address provided to security holders is monitored daily.

## **PRINCIPLE 7 - Recognise and manage risk**

### **Recommendations 7.1 and 7.2**

The board has not formed a separate committee to oversee risk. The full board consists of three Directors and has formed the view that it is more efficient for the board as a whole to deal with matters that would otherwise be dealt with by a risk committee. Items of risk management, including corporate risk assessment and compliance with internal controls, are discussed at each monthly board meeting.

The Group's size is not sufficient to warrant the establishment of separate committees for the nomination of Directors, and risk management. As an alternative the Group has formed a Corporate Governance committee (currently consisting of three Directors and the company secretary) to assist with the building of its own internal practices concerning good Corporate Governance. As part of their Corporate Governance Committee meetings, the Directors discuss and action matters concerning:

- risk management;
- issues relevant to policies and practices for all Directors and senior management; and
- any recommendations concerning the appointment of new Directors and senior management.

Items of business that the committee will address at its meetings are:

- board and committee structure to facilitate a proper review function by the board;
- corporate risk assessment and compliance with internal controls;
- review and evaluation of market practices and trends on remuneration matters;
- the performance of senior management;
- development of suitable criteria such as skills, qualifications and experience for board candidates;
- identification and consideration of possible candidates; and
- review of the performance of each Director and of senior management each year in accordance with the procedures developed and adopted by the board.

Whilst items of risk management will be discussed on a quarterly basis, items concerning remuneration and nominations will be discussed annually.

A review of the Company's risk management framework has taken place during the reporting period.

### **Recommendation 7.3**

As a junior exploration company PepinNini does not have an internal audit function. The audit committee, working with management, has responsibility for evaluating and continually improving the effectiveness of the Company's risk management and internal control processes.

The board through the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are available on the Company's website. In summary the company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct, set out in the Company's Policies and Procedures, is required at all times and the board actively promotes a culture of quality and integrity.

Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, IT security, compliance and other risk management issues. The internal audit reporting group carries out regular systematic monitoring of control activities and report to both relevant operations and administrative management and the audit committee. The company risk management policy and the operation of the risk management and compliance system is managed by the company risk management group consisting of senior management and senior executives chaired by the Managing Director. The board receives updates at monthly Directors' meetings on material risks that may impede meeting operational and business objectives. The risk management group is then responsible for implementing appropriate controls to effectively manage those risks which are in turn monitored by the board.

### *The environment, health and safety management systems (EHSMS)*

The Company recognises the importance of environmental and work health and safety (WH&S) issues and is committed to the highest levels of performance. To help meet this objective the EHSMS was established to facilitate the systematic identification of environmental and WH&S issues and to ensure they are managed in a structured manner. The system allows the company to:

- monitor its compliance with all relevant legislation
- continually assess and improve the impact of its operations on the environment
- encourage employees to actively participate in the management of environmental and WH&S issues
- use energy and other resources efficiently and
- encourage the adoption of similar standards by the Group's principal suppliers and contractors

Information on compliance with significant environmental regulations is set out in the Directors' Report.

### **Recommendation 7.4**

#### *Economic Risk Factors*

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption in Australia, the rate of growth of Australia's gross domestic product, interest rates and the rate of inflation. The Company is aware of the economic risk of operating in another country such as Argentina and continually monitor events to ensure sovereign risk is perceived and managed.

#### *Environmental and Social Sustainability Risk Factors*

The Company's exploration and development activities are subject to extensive laws and regulations relating to numerous matters including resource licence consent, conditions including environmental compliance and rehabilitation, taxation, employee relations, health and worker safety, waste disposal, protection of the environment, native title and heritage matters, protection of endangered and protected species and other matters. The Company requires permits from regulatory authorities to authorise the Company's operations. These permits relate to exploration, development, production and rehabilitation activities.

Obtaining necessary permits can be a time consuming process and there is a risk that the Company will not obtain these permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict the Company from proceeding with the development of a project or the operation or development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in suspension of the Company's activities or forfeiture of one or more of the Tenements.

The company and its controlled entities have implemented strategies of constant surveillance and monitoring actions with scheduling systems and communication safeguards at both board and management level to endeavour to manage these risks.

In relation to Tenements which the Company has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to Tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected.

Further to this, it is possible that an Indigenous Land Use Agreement (ILUA) may be registered against one or more of the Tenements in which the Company has an interest. The terms and conditions of any such ILUA may be unfavourable for, or restrictive against, the Company.

The Directors will closely monitor the potential effect of native title claims involving Tenements in which the Company has or may have an interest. This is also the case with tenements held in Argentina.

***PRINCIPLE 8 - Remunerate fairly and responsibly***

**Recommendation 8.1**

A Remuneration Committee with a formal charter has been established. The Remuneration Committee is not in compliance with the Guidelines in that it has less than three members and the majority of members are not independent. To safeguard the integrity of remuneration setting the Chair of the Remuneration Committee is independent.

The Remuneration Committee meets and reports to the board annually. Its members are currently one executive Director and one non-executive Director. Details of the Directors' attendance at the remuneration committee meetings is set out in the Directors' Report on page 9. The remuneration committee advises the board on remuneration and incentive policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for executive Directors, other senior executives and non-executive Directors and employees.

**Recommendation 8.2**

Each employee signs a formal employment contract at the time of their appointment covering a range of matters including their duties, responsibilities and any entitlements on termination. The contract refers to a specific job description. The job description and employee performance are reviewed on an annual basis by executive management and where necessary the job description is revised in consultation with the relevant employee.

Further information on Directors' and executives' remuneration including principles used to determine remuneration is set out in the Directors' Report of the annual financial report under the heading "Remuneration report".

**Recommendation 8.3**

Directors, senior executive officers and employees are not permitted to trade in derivatives of our securities. The Company has a trading policy that all Directors and Employees agree to and abide by. The policy is available on the Company's website [www.pepinnini.com.au](http://www.pepinnini.com.au).