

# SAYONA MINING LIMITED

ABN 26 091 951 978

## CORPORATE GOVERNANCE STATEMENT 2017

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Sayona Mining Limited ("Sayona Mining" or "Company") is committed to implementing the highest standards of corporate governance and to determine these standards, the Company has used the reporting recommendations set out by the Australian Securities Exchange (ASX) Corporate Governance Council's *Corporate Governance Principles and Recommendations* (ASX Principles and Recommendations) as the basis for its corporate governance policies.

While seeking to implement optimal corporate governance practices, the Company does not accept that all the recommendations are applicable to the Company due to the current size and nature of its operations. Where the Company has not fully adopted the relevant recommendation, the reasons for non-adoption are set out below.

To assist the Board carry out its functions, it has developed a set of Corporate Governance Policies to guide the Non-Executive Directors, the Executive Directors and other senior executives in the performance of their roles.

### **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.

Pursuant to Principle 1, the Company has established the functions reserved to the Board and established the functions delegated to senior executives. The Board of Directors' role is to govern the Company rather than to manage it and to ensure that it represents effectively the interests of all shareholders. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of the Managing Director to manage the Company in accordance with the direction and delegations of the Board and it is the responsibility of the Board to oversee the activities of the Managing Director in carrying out these delegated duties.

#### **1.1 A listed entity should disclose the respective roles and responsibilities of its board and management and, those matters expressly reserved to the board and those delegated to management.**

It is the role of the board to protect and enhance long-term shareholder value, provide strategic direction for the Company, establish goals for management and monitor the achievement of those goals.

The Company has developed a Statement of Board and Management Functions which identifies matters reserved for the Board and documents the role and responsibilities of the Board. Whilst in effect during the reporting period, the Company has subsequently adopted a Board Charter which is available on its website. The Board's responsibilities include:

- Supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed;
- Ensuring the Company is properly managed;
- Approving the annual budget, major capital expenditure, capital management, and acquisitions and divestments;
- Monitoring the financial performance of the Company;
- Approving and monitoring financial and other reporting;
- Liaising with the Company's external auditors and Audit Committee; and
- Monitoring the environmental and the occupational health and safety performance of the Company.

In addition, the non-executive directors are responsible for reviewing and challenging executive performance. The Managing Director is responsible for running the affairs of the Company under delegated authority from the board and to implement the policies and strategy set by the board. The role of management is to support the Managing Director and implement the running of the general operations and financial business of the Company.

The Company confirms that the processes implemented by the Board and Management are in accordance with this principle.

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**1.2 A listed entity should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director and, 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 Company has processes in place, which require a number of checks to be performed to ensure suitability of any candidate for election as a director. Checks may include personal character, experience, education, criminal history and bankruptcy history. All material information that is in the Company's position is provided to security holders in the Notice of Meeting where a decision on whether or not to elect or re-elect a Director is required.

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

Upon appointment Directors are provided with formal appointment letters setting out the key terms and conditions regarding their appointment. Similarly senior executives (including the Managing Director) are provided with formal appointment letters making clear the responsibilities of their role, remuneration, appointment term and entitlements on termination.

**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 decision to appoint or remove a company secretary is a matter for the board. The company secretary is a director of the Board with the remaining 3 directors ensuring accountability.

**1.5 A listed entity should:**

- (a) have a diversity policy which includes requirements for the board or a relevant committee off the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;**
- (b) disclose that policy of a summary of it; and**
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them.**

The Company has implemented a Diversity Policy which is available on its website. The Diversity Policy is a commitment by the Company to actively seek to maintain a diverse workforce to create a workplace that is fair and inclusive, applies fair and equitable employment practices and provides a working environment that will allow all employees to reach their full potential.

The Company is of the view that any measurable statistical objectives on a diverse workforce must be fit for purpose, in line with the Company strategic objectives and ensure the Company is in compliance with all relevant legislative requirements. As at the date of this Annual Report, the Company is of the opinion that measurable objectives are not appropriate at its present stage of development, however, the Company will consider implementation of measurable objectives in future.

As at the date of this Annual Report, no members of the Board are women. The Company currently employs one executive and two employees. None of these positions are held by women. The Company will look to increase gender diversity at a Board and senior executive level in future years as the Company develops.

**1.6 A listed entity should 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. And**

**1.7 A listed entity should 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**

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The Board considers the evaluation of its own and senior executive performance as fundamental to establishing a culture of performance and accountability. The Board collectively undertakes a review of the Board and individual Directors performance at least once a year. During the reporting year an evaluation of the Board was undertaken on an informal basis. As the activities of the Company develop, it will implement more formal evaluation procedures, including quantitative measures of performance.

The Board confirms that an evaluation was undertaken within the reporting period for both the board and executive performance.

### PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

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

The Sayona Mining Board (as at the date of this Statement) is comprised of four Directors that have wide ranging experience in the mineral exploration, mining and financial sectors and a diverse skill set which is set out in the Directors' Report in the Annual Report along with details of the Directors, period of office and their qualifications.

#### 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.**

**(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.**

Sayona Mining does not comply with this recommendation as a nomination committee has not been established. Currently, the role of the nomination committee is undertaken by the full Board. The size and nature of the Company's activities do not justify the establishment a separate committee at this time. The Board regularly reviews the composition, skill base and effectiveness of the Directors of the Board.

The Board has a policy and procedure for nominating and appointing new Directors. Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, independence and ability to meet the Board's expectation as set out in the Corporate Governance Manual. Directors are initially appointed by the full Board, subject to election by shareholders at the next general meeting. Directors are required to retire and be subject to re-election by shareholders at least once every three years.

#### 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.

The Company's Board Skills Matrix is set out below and evidences the mix of skills and diversity that the Board currently has.

Skill	Directors
Finance	2
Strategy Development	4
Risk Management	3
Multi-jurisdictional experience	4
Public Board Experience	4
Industry Knowledge	4
Compliance and Corporate Governance	1

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### **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 of the ASX Principles and Recommendations 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.**

As at the date of this report, the Board comprises two Executive Directors, Messrs Dan O'Neill and Paul Crawford, and two Non-Executive Directors. One of the Non-Executive Directors, Mr Allan Buckler, holds more than 5% of the voting shares of the company, and therefore does not meet the criteria for independence. However, the Board considers it appropriate for Mr Buckler to remain a member of the Board. Non-Executive Director Mr James Brown meets the criteria for independence proposed by the ASX Principles and Recommendations.

The length of service of each director can be found within the Directors' Report of the Annual Report.

### **2.4 A majority of the board of a listed entity should be independent directors**

Sayona Mining is not compliant with this recommendation. The Company recognises the importance of independent Directors and the external perspective and advice that they can offer. However the size and nature of the Company's activities does not justify expanding the Board at this time.

The current composition of the Board is considered appropriate.

### **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.**

Sayona Mining is not fully compliant with the recommendation. At this point in the Company's evolution, it is not considered necessary to have a permanent board chairman, with the role at board meetings being rotated between the non-executive directors. Not all non-executive directors are independent.

The Chairman is not the same person as the CEO.

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

The Company has a programme for inducting new Directors which includes the provision of a copy of all relevant Company policies and information.

The Company, in the absence of a formal program of professional development, expects that the Directors maintain the necessary skills and knowledge to perform their role as Directors. The Company may provide assistance in meeting this obligation.

## **PRINCIPLE 3 - ACT ETHICALLY AND RESPONSIBLY**

A listed entity should act ethically and responsibly.

### **3.1 A listed entity should have a code of conduct for its directors, senior executives and employees, and disclose that code or a summary of it.**

The Company is committed to promoting a high standard of conduct. The board have formally adopted a code of conduct that expects all Directors and employees to act with the utmost integrity and objectivity striving at all times to enhance the reputation and performance of the Company, in the following areas:

- professional conduct;
- dealings with suppliers, advisers and regulators;

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- dealings with the community; and
- dealings with other employees.

A copy of the Code of Conduct is given to all contractors and relevant personnel, including Directors and each individual is accountable for such compliance. Any breach of applicable laws, accepted ethical commercial practices or other aspects of the Code of Ethics and Conduct will result in disciplinary action.

Personnel are expected to report any instances of suspected non-compliance and investigating reports of unethical practices. These instances will be investigated fairly. Individuals who report suspected non-compliance in good faith will be appropriately protected.

The Code of Conduct can be found at the Company's website under Corporate Governance.

### **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.

#### **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.**

Sayona Mining has not established an audit committee. The role of the audit committee has been assumed by the full Board. The size and nature of the Company's activities does not justify the establishment of an audit committee at this time. An audit committee will be established as and when the need for such a committee arises.

The Company has developed a procedure for the selection and appointment of the external auditor and for the rotation of external audit engagement partners. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company.

The Board reviews the performance of the external auditor on an annual basis.

#### **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.**

The Board of Sayona Mining receives a declaration from the CEO and Chief Financial Officer prior to approving the entity's financial statements for a financial period, confirming 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

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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.

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

The Auditor of the Company attends the 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.

### **5.1 A listed entity should have a written policy for complying with its continuous disclosure obligations under the Listing Rules, and disclose that policy or a summary of it.**

The Sayona Mining Board has adopted a policy and rules to ensure the Company complies with its obligations under the ASX Listing Rules regarding continuous disclosure and ensures accountability at a senior executive level for that compliance. The Board has designated the Company Secretary as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX.

The Continuous Disclosure Policy is available on the Company's website [www.sayonamining.com.au](http://www.sayonamining.com.au).

### **PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS**

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

### **6.1 A listed entity should provide information about itself and its governance to investors via its website**

Sayona Mining provides information to shareholders via its website <http://www.sayonamining.com.au/>. The website contains information on the company's activities, copies of ASX announcements, annual reports and financial statement, board members, corporate governance and all other information that the Board has determined as appropriate. Sayona Mining Board respects the rights of its shareholders and to facilitate the effective exercise of those rights, it has adopted a policy on communication with shareholders and implemented a set of processes to ensure timely and effective communication with shareholders and the wider investment community. The Company is committed to:

- communicating effectively with shareholders through releases to the market via the ASX, the Company's website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company and ask questions regarding the conduct of audit and about the functioning of the Company generally; and
- making it possible for shareholders to receive communication by electronic means.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

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

The Company has designed and implemented its investor relations program to ensure effective two-way communication with investors.

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Communication occurs via the Company's website, company updates and ASX Announcements, with investors having the ability to use the contact functions on the website and attend General Meetings of the Company.

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

Shareholders are provided with a copy of the Notice of Meeting for all General Meetings and a copy of the Annual Report is provided to shareholders in the manner nominated by them. Conduct of all General Meetings includes opportunities for shareholders to vote and to ask questions of management and the Board.

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

Shareholders have the option to receive communications from, and to send communications to the Company, and its security registry electronically.

## **PRINCIPLE 7 - RECOGNISE AND MANAGE RISK**

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

### **7.1 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**

Given the size and scale of operations and stage of development of the Company, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate risk management committee. Presently, the full Board carries out the functions of a risk management committee.

The primary objectives of the risk management and internal control system at the Company are to ensure:

- all major sources of potential, opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
- business decisions throughout the Company appropriately balance the risk and reward trade off;
- regulatory compliance and integrity in reporting is achieved; and
- the Board, senior executives and investors understand the risk profile of the Company.

The system covers:

- operations risk;
- financial reporting; and
- compliance.

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Any matters of significance to the Company or materially relevant to its assets, liabilities or profits are signed off by the Board after discussion and evaluation of submissions made by the Executive Director or other party.

The Board has required the management of the Company to design and implement the risk management and internal control systems to manage the Company's material business risks. As required by the Board, management has reported to the Board that the Company's material business risks have been managed effectively. The Executive Director reviews risk in response to changing business conditions and regulations. Regular reviews of risk and a regular update of the risk profile is undertaken by the Board. This normally occurs in conjunction with the strategic planning process.

The Chief Executive Officer and the Chief Financial Officer/Company Secretary provide a written assurance that the risk management system is effective, efficient and accurately reflected in the Company's financial statements and that:

- the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control ; and
- the Company's risk management and internal control system is operating effectively in all material respects in relation to financial reporting risks.

### **7.2 The board or a committee of the board should:**

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

The Board of Sayona Mining undertakes periodic reviews of the Company's risk management framework to ensure that it is satisfied that the framework continues to be sound. The Board confirms that a review was undertaken within the reporting period.

### **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**
- (a) 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**

Sayona Mining does not have an internal audit function. A flat reporting structure and a continuous review process ensures that the effectiveness of its risk management and internal control processes are the subject of regular evaluation and a focus for continual improvement.

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

The Company's share price, future revenues and cash flows may be impacted by changes in the prices of minerals commodities. Commodity prices are influenced by physical and investment demand and may rise or fall. Fluctuations in commodity prices, specifically lithium products may influence projects in which the Company is involved. Similarly, the demand for products which use lithium may impact commodity prices and in turn adversely affect the Company's own financial position and/or Share price.

The international prices of most commodities are denominated in United States dollars. Changes in the Australian/United States dollar exchange rate may impact the value of the Company and its Shares. Exchange rates are influenced by numerous macro-economic factors beyond the Company's control.

The Board of the Company meets on a regular basis to analyse exposure and to evaluate management strategies in the context of the most recent economic conditions and forecasts. The Board has overall responsibility for the establishment and oversight of the company's risk management framework. Management is responsible for developing and monitoring the risk management policies.



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Mineral exploration and development carries some level of environmental risk. The Company may require statutory approval from relevant environmental authorities before it can undertake certain activities that may impact on the environment. Development of identified mineral resources will be dependent on the project meeting environmental guidelines and gaining the required approvals from government departments.

The Company conducts its activities to the highest standard of environmental obligation, including compliance with all environmental laws. The Company continually monitors its ongoing environmental obligations and risks and implements rehabilitation and corrective actions as appropriate to remain compliant.

### **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.

#### **8.1 The board of a listed entity should:**

**(a) have a remuneration committee 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 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.**

Sayona Mining has not established a remuneration committee. The role of the remuneration committee has been undertaken by the full Board. The size and nature of the Company's activities does not justify the establishment of a committee at this time. The committee will be established as and when the need for such a committee arises.

Details of the Company's remuneration policy are provided in the Director's Report and Financial Statements contained within the Annual Report.

Discussion on the Company's remuneration policies of Non-Executive Directors, the Executive Directors and Senior Executives of the consolidated entity and the relationship between such policy and the Company's performance is provided in the Directors' report.

The Company has prohibited the entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration.

#### **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.**

Discussion on the Company's remuneration policies of Non-Executive Directors, the Executive Directors and Senior Executives of the consolidated entity and the relationship between such policy and the Company's performance is provided in the Directors' Report contained within the Annual Report.

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

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

The Company has prohibited the entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration.

The conditions of grant of any equity-based remuneration explicitly prohibits this.