

Lightning Minerals Limited
CORPORATE GOVERNANCE STATEMENT
29 September 2023

Introduction

Lightning Minerals Limited (“L1M” or the “Company”) is an Australian Securities Exchange (ASX) listed entity.

This Corporate Governance Statement is structured with reference to the CGC’s published guidelines containing 8 key principles. The Board conducts itself in accordance with the ASX Corporate Governance Principles and Recommendations, 4th Edition (2019) as issued by the ASX Corporate Governance Council (ASX Principles and Recommendations), to the extent that the Board considers such principles and recommendations are applicable to an entity of the size and structure of the Company.

The Company has formulated its own corporate governance policies and practices using the ASX Principles and Recommendations as a guide.

The Board will review on an ongoing basis the corporate governance policies and structures that the Company has in place to ensure that these are appropriate for the size and structure of the Company and nature of its activities, and that these policies and structures continue to meet the corporate governance standards that the Board is committed to.

The Company’s Corporate Governance charters and policies can be found on the Company’s website:
<https://lightningminerals.com.au/corporate-governance/>

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

THE ROLE OF BOARD & MANAGEMENT

The Board is responsible for, and has the authority to determine, all matters relating to strategic direction, policies, practices, management goals and the operations of the Company.

It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Company’s officers and management have all entered into service contracts which outline the responsibilities of each of the company’s officers and of management personnel when performing their roles for the Company.

The Company undertakes appropriate reference and background checks prior to appointing a director or senior executive or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing.

COMPANY SECRETARY

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

DIVERSITY

The Company is an equal opportunity employer and values diversity within the Company. At this stage, the Board does not consider it relevant to establish a diversity policy due to the current size of the Company and the scale of its operations.

The Company does not have a diversity policy and therefore has not set any measurable objectives for achieving gender diversity. During the 2023 financial year the Board comprised of four members including one female director. Of the three company employees, there are no female employees or managers.

The Board will consider implementing a diversity policy and measurable objectives to achieving greater diversity in the future.

BOARD AND KMP PERFORMANCE

The Board considers the ongoing development and improvement of its own performance, the performance of individual directors as critical to effective governance.

The Board has adopted a self-evaluation process to measure its own performance. The performance of the Board and individual directors is reviewed when considered necessary by the Board as a whole. This process includes a review in relation to the composition and skills mix of the Directors of the Company. A Board skill assessment was conducted prior to the Company's IPO in 2023 when the Board membership for the Company's ASX listing was being established. Following the resignations of Peter McNeil and Karen Lloyd from the Board on 28 September 2023 the Board will conduct skill assessment and review prior to the intended appointment of a new Chair.

The Board assesses the performance of KMP against qualitative and quantitative key performance indicators relevant to each KMP and provides feedback to KMP. A formal review was not conducted during the financial year, it is intended the formal review of KMP performance will occur this financial year.

INDEPENDENT ADVICE

Directors collectively or individually have the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities. All advice obtained is made available to the Full Board.

PRINCIPLE 2: STRUCTURE THE BOARD TO BE EFFECTIVE ADD VALUE

STRUCTURE AND COMPOSITION OF THE BOARD

The skills, length of service, experience, and expertise relevant to each position held by each director in office at the date of the annual report and throughout the 2023 financial year is included in the Directors' Report.

The Board assesses whether a director is independent in accordance with the CGC's independence guidelines unless otherwise set out below. From ASX Listing to 30 June 2023, the Board consisted of a majority of independent directors with three of four directors being independent (Peter McNeil, Karen Lloyd and Craig Sharpe). Francesco Cannavo, is a substantial shareholder of the Company and therefore is not considered independent. The Board notes that Peter McNeil, Karen Lloyd and Craig Sharpe have previously received options as part of their remuneration, the Board does not consider the issue of such options impacts their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the Company and all shareholders. The Company's Chair during the year, Peter McNeil, was independent, the Company's current Chair, Craig Sharpe is also considered independent. The role of the CEO and Chair are not exercised by the same individual.

NOMINATION OF DIRECTORS

The Board is responsible for the nomination and selection of directors. A separate Nomination Committee has not been formed. The Board considers that at this stage in the Company's development, no benefits or efficiencies are to be gained by delegating this function to a separate committee.

Directors are appointed based on the specific skills required to effectively govern the Company. The Board periodically assesses the competencies and experience of each Board member and the experiences and skills required at Board level to meet its operational objectives. The Board has not developed and disclosed a formal Board skill matrix. The Board will consider developing a formal Board skills matrix in the future.

INDUCTION OF DIRECTORS AND PROFESSIONAL DEVELOPMENT

A new director induction program is in place and existing Directors are required to undergo periodic reviews to evaluate whether there is a need to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

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

VALUES

The Company values high standards of professional conduct and ethics in dealing with all of our stakeholders. The Company is committed to complying with all applicable state, national and international laws. These values and standards are set out in the Company's code of conduct.

CODE OF CONDUCT

The Board has established a Code of Conduct for the Board which is available on the Company's website.

The Board is committed to meeting their responsibilities under the Constitution and Corporations Act when carrying out their functions as company officers.

WHISTLEBLOWER POLICY

The Company's whistle-blower policy is available on its website.

Company policy requires employees who are aware of unethical or illegal practices to report these practices to management. Any reports of unethical or illegal practices are investigated by the Board. Reporters of unethical practices may remain anonymous.

The Board will be informed of any material incidents reported under that policy.

ANTI-BRIBERY AND CORRUPTION POLICY

The Company has an anti-bribery and corruption policy which is available on the Company's website.

CONFLICTS OF INTEREST

The Board is committed to good corporate governance and aims for continuous improvement in these practices. The Company embraces high ethical standards and requires its employees to demonstrate both personal and corporate responsibility. Directors, officers and employees are required to safeguard the integrity of the Company and to act in the best interests of its stakeholders, generally shareholders.

There must be no conflict, between the interests of any Director, officer or employee and the responsibility of that person to the Company and to the stakeholders. All Directors, officers and employees may never improperly use their position for personal or private gain for themselves, a family member, or any other person ("associates").

SHARE TRADING POLICY

The Company has a securities trading policy that regulates the dealings by Directors, Officers and Consultants, in shares, options and other securities issued by the Company. The policy has been formulated to ensure that Directors, Officers, Employees and Consultants who work on a regular basis for the Company are aware of the legal restrictions on trading in Company securities while in possession of unpublished price-sensitive information.

PRINCIPLE 4: SAFEGUARD THE INTEGRITY OF CORPORATE REPORTING

AUDIT COMMITTEE

The Board has assumed the responsibilities normally delegated to the Audit and Risk Committee. Due to the size of the Company, the Board does not believe it is necessary to establish a separate Audit and Risk Committee structure.

In fulfilling the responsibilities of the Audit and Risks Committee, the Board or a delegated member of the Board or KPM:

- Meets with the external auditors at every year and reviews any significant disagreements between the auditors and management irrespective of whether they have been resolved;
- Reviews the audit plan with the external auditors and evaluates the effectiveness of the external audit; and
- Fulfills all obligations of the Audit and Risk Committee Charter.

CEO & CFO DECLARATIONS

The CEO and CFO (or equivalent) have provided the Board with 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.

EXTERNAL AUDITOR

The Company's external auditor is available to answer any questions with regard to the conduct of the audit and their report at each Annual General Meeting.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

PRINCIPLE 5: MAKING TIMELY AND BALANCED DISCLOSURE

The Company has adopted a Communication and Disclosure Policy to ensure compliance with its disclosure obligations under the ASX Listing Rules.

To comply with the ASX Listing Rules, the Company will immediately notify the ASX of 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; and
- that would, or would be likely to, influence persons who commonly invest in securities.

The Communication and Disclosure Policy includes processes designed to ensure that Company information:

- is disclosed in a timely manner;
- is factual;
- does not omit material information; and
- is expressed in a clear and objective manner that allows the input of the information when making investment decisions.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company. Accordingly, in following and adhering to its Communications and Disclosure Policy the Company will comply with its continuous disclosure obligations.

The Company will also ensure a copy of any new and substantive investor or analyst presentation materials will be released on the ASX Markets Announcements Platform ahead of the presentation.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Board is committed to ensuring that Shareholders receive information relating to the Company on a timely basis and shall endeavour to keep Shareholders well informed of all material developments of the Company.

The Board has adopted a Communications and Disclosure Policy, and as part of this policy, will ensure that all relevant announcements and documents are published on the Company's website in a prompt fashion. The Company will respect the rights and entitlements of Shareholders.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Board takes a proactive approach to the Company's risk management and internal compliance and control system. The Board implements and maintains risk management and internal control systems to manage the Company's material business risks. The Board reviews the Company's risk management framework at least annually to satisfy itself that it continues to be sound. A review of the Company's risk management framework occurred during the year prior to ASX Listing.

The Board is responsible for ensuring that risks are identified and mitigated on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board of Directors. An internal audit function has not been established as the Board considers that at this stage in the Company's development, no benefits or efficiencies are to be gained by delegating the tasks to a separate function.

The Company's risk management processes aimed at achieving the following:

- a culture of risk control and the management of risk throughout the Company;
- a culture of risk control that can easily identify risks as they arise and amend practices;
- the installation of practices and procedures in all areas of the business that are designed to minimise an event or incident that could have a financial or other effect on the business and its day to day management; and
- adoption of practices and procedures to minimise many of the standard commercial risks, i.e., taking out the appropriate insurance policies and ensuring compliance reporting is up to date.

Management reports to the Board on the effectiveness of the Company's management of its material business risks. In addition, the Board undertakes a review of all major activities to assess risk and the effectiveness of strategies implemented to manage risk. Management reports to the Board as to the effectiveness of the Company's management of its material business risks.

The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management Policy), which is

developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Board is responsible for the Company's remuneration policy and has adopted a Remuneration Policy which outlines processes by which the Board reviews officer and management remuneration. The Board has assumed the responsibilities normally delegated to the Remuneration Committee. Due to the size of the Company, the Board does not believe it is necessary to establish a separate Committee structure.

The Board monitors and reviews:

- the remuneration arrangements for the Chief Executive Officer and other executive directors and set parameters within which the Chief Executive Officer will review arrangements for other senior executives;
- the remuneration policies, personnel practices and strategies of the Company generally;
- any employee incentive schemes;
- fulfils obligations of the Remuneration Committee Charter
- the remuneration arrangements for non-executive Directors;
- the size and composition of the Board and criteria for Board membership; and
- the membership of the Board and candidates for consideration by the Board.

The Company remunerates directors and key executives fairly and appropriately with reference to the skills and experience of the director/executive and employment market conditions. Any bonus or incentive payments made to directors and executives are based on the achievement of set financial and/or operational performance targets. Payment of equity-based remuneration will be made in accordance with thresholds set in plans. Participants in an equity-based remuneration scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

The Company is committed to remunerating its staff, executives and consultants in a manner that is market-competitive and consistent with 'Best Practice' as well as supporting the interests of Shareholders. Senior Management may receive a remuneration package based on fixed and variable components, determined by their position and experience. Shares and/or Options may also be granted based, with those granted to Directors subject to Shareholder approval.

Non-Executive Directors do not receive performance-based cash bonuses and do not participate in Equity Schemes of the Company without prior Shareholder approval.

The Company has provided disclosure of a summary of its remuneration policies for the Company's officers in Directors' Report.

There is no scheme to provide retirement benefits other than statutory superannuation to non-executive directors. For details of the amount of remuneration, and all monetary and non-monetary components, for each of the highest-paid executives during the year and for all directors, refer to the Directors' report.

This Corporate Governance Statement has been approved has been approved by the Board.