

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement outlines the governance processes and procedures of Cowan Lithium Ltd (the “Company”) as at 19 July 2018 and has been approved by the Board of the Company as at that date.

A copy of this Corporate Governance Statement is available in the Corporate Governance section of our website at www.Cowanlithium.com.au/corporate-governance, together with copies of our Board Charters and Company’s key policies referred to in this Corporate Governance Statement.

Commitment to good governance

The Directors believe that effective corporate governance improves company performance, enhances corporate social responsibility and benefits all stakeholders. Governance practices are not a static set of principles and the Company assesses its governance practices on an annual basis. Changes and improvements are made in a substance over form manner, which appropriately reflect the changing circumstances of the Company as it grows and evolves. Accordingly, the Board has established a number of practices and policies to ensure that these intentions are met and that all shareholders are fully informed about the affairs of the Company.

ASX Recommendations

The Company complies with all relevant ASX Recommendations other than as set out in the table below. Reasons for non-compliance are explained in this Corporate Governance Statement.

ASX Recommendation	Description
1.5	A listed entity should 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.
1.6	A listed entity should have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors.
2.4	A majority of the board of a listed entity should be independent directors.
8.3	A listed entity which has an equity-based remuneration scheme should: <ul style="list-style-type: none"> (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.

BOARD STRUCTURE AND COMPOSITION

The Board currently comprises three Directors listed below. Two are Non-Executive Directors and one is an Executive Director.

Director	Term	Classification
Michael Naylor	Director since 22 March 2018	Executive
Mark Calderwood (Chairman)	Director since 22 March 2018	Non-Executive
Mark Turner	Director since 21 March 2018	Non-Executive

Role and responsibilities of the Board

The Board is collectively responsible for the success of the Company. In order to achieve this objective, the Board must promote and protect the interests of all shareholders as a whole and other stakeholders. The Board must also ensure that the Company complies with all of its contractual, statutory and legal obligations.

The conduct of the Board is regulated by the Company's constitution, Code of Conduct and other Company policies.

The roles and responsibilities of the Board and the Senior Management ("Executives") are set out in the Company's Board and Executive Charter.

Under the Board and Executive Charter, the Board has the following key responsibilities:

- leading and setting the strategic direction/objectives of the Company
- appointing the Chairman of the Board
- appointing, and when necessary replacing, the Executive Director
- approving the appointment, and when necessary replacement, of Executives and the Company Secretary
- overseeing the Executives' implementation of the Company's strategic objectives and the Executives' performance generally
- approving operating budgets, major capital expenditure and significant acquisitions and divestitures
- overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit, satisfying itself financial statements released to the market fairly and accurately reflect the Company's financial position and performance
- overseeing the Company's processes and procedures for making timely and balanced disclosure of all material information that a reasonable person would expect to have a material effect on the price or value of the Company's securities
- reviewing, ratifying and monitoring the effectiveness of the Company's risk management framework, corporate governance policies and systems designed to ensure legal compliance
- approving the Company's remuneration framework

The Board has delegated responsibility for the day to day management of the Company to the Executive Director, however, the Board remains ultimately responsible for the strategic direction of the Company.

The Board and Executive Charter provides that the Executive Director has the following key responsibilities:

- overseeing the day-to-day operations and administration of the Company
- leading and supervising the Senior Management Team
- keeping the Board informed of any material issues or developments within the Company

The Executive Director is supported by other Senior Management in respect of:

- implementing the strategic direction/objectives provided by the Board
- developing control and accountability systems in respect of compliance, risk management and corporate governance
- operating within the risk appetite set by the Board
- maintaining accurate financial and other reports

Directors' skills

The Directors are all professionals with a wealth of experience in different areas relevant to the Company's business. The Company is committed to ensuring the Board is comprised of directors who

possess the appropriate mix of skills, expertise and diversity to adequately discharge its responsibilities and duties.

The Board is looking to maintain and build on the following skills that the Board collectively has:

Resources Former or current executive/management role or long term Board experience in the resources sector. Expertise in exploration, development, processing, production and distribution of minerals	100%
Technical Relevant technical qualifications or experience in metallurgy, geology, engineering, exploration and mining operations, accounting or legal fields	89%
Governance and risk management Experience in an organisation with similar rigorous governance standards. Experience in implementing effective risk management controls, experience as risk or audit committee chairman	67%
Capital markets Current or former role in investment banking, funds management or corporate advisory. Proven experience with M&A or equity and debt capital raisings	89%
Business acumen Proven track record in business at a senior executive. Listed company experience. Experience in business analysis	89%
Team orientated behavioural characteristics Proven leadership characteristics in other executive or Board roles. Investor relations or community liaison experience. Commitment to health and safety. Former or current role in HR	89%

The Board structure and composition will be reviewed as and when the Company's strategic direction and activities change. The Company will only recommend the appointment of additional directors to the Board where it believes the expertise and value added outweighs the additional cost.

Director appointments

As stipulated in the ASX Recommendations, background checks are carried out on all new director candidates prior to their appointment or submission to shareholders for election. These checks include character references, confirmations of experience and education, criminal record and bankruptcy history checks.

When deciding to appoint a new director or renew an existing director's tenure, the Board takes into account: the number of directors necessary to add value to the Company, the specific skills sets or experience required by the Company at its current stage, the decision-making and judgment skills a director might bring to the Board and a director's capacity to commit adequate time to the role.

Each Director and Executive of the Company has an agreement in writing with the Company which sets out the key terms and conditions of their appointment including their duties, rights and responsibilities and (to the extent applicable) the matters referred to in the commentary to Recommendation 1.3.

The Company ensures that all material information in its possession relevant to a shareholders' decision whether to elect or re-elect a Director is provided to shareholders in the Notice of Annual General Meeting.

Company Secretary

The Company Secretary has a direct line of reporting to the Chairman and is responsible for the proper functioning of the Board including advising on governance matters and supporting the Chairman and the Board.

The responsibilities of the Company Secretary are set out in the Board and Executive Charter.

Board, Committee, Director and Executive evaluation

The Board and Executive Charter requires that the Board undertakes an annual performance evaluation of the Board and individual directors in such a manner as the Board deems appropriate. The Company's process for evaluating the performance of the Executives is stated in the Board and Executive Charter.

The Board is in the process of developing formal evaluation guidelines and in the coming year, it is the Company's intention that all Directors will receive annual individual performance evaluations in accordance with the Board Charter and Evaluation Policy.

Board committees

Nomination committee

The Board is currently not of a relevant size that justifies the formation of a separate Nomination Committee. The current board members carry out the roles that would otherwise be undertaken by a nomination committee and each director excludes himself from matters in which he has a personal interest.

The roles and responsibilities conducted by the full board 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 include:

- considering the size and composition of the Board;
- assessing and determining the independent status of each director;
- regularly determine whether each director has enough time to commit to carry out his or her responsibilities;
- implementing a plan for identifying, assessing and enhancing director competencies;
- developing and implementing processes to identify suitable candidates for nomination or appointment to the Board;
- developing and implementing induction procedures for new directors;
- developing, implementing and reviewing the Company's succession plans in place for membership of the Board and the Executives;
- developing and implementing processes for evaluating the performance of the Board and individual directors;

When deciding to appoint a new director or renew an existing director's tenure, the Board takes into account: the number of directors necessary to add value to the Company; the specific skills sets or experience required by the Company at its current stage of growth; the decision-making and judgment skills a director might bring to the Board; and a director's capacity to commit adequate time to the role.

Audit Committee

The company does not have a separate audit committee. Given the size of the board it has been decided that there are no efficiencies to be gained from forming a separate audit committee. The current board members carry out the roles that would otherwise be undertaken by an audit committee.

The procedures detailed in the Audit and Risk Management Committee Charter outlines the process employed by the board of directors to 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.

Independence

The independence of Directors is assessed according to the policy on the independence set out in the Board and Executive Charter, which has regard to Box 2.3 of the ASX Recommendations. Their independence is assessed on appointment, annually and when Director's circumstances change such that an assessment may be required. Directors are required to inform the Board if there is a change in the Director's interests, positions, or associations that could bear upon their independence.

ASX recommendation 2.4 suggests a majority of the board of a listed entity should be comprised of independent directors. The Board regularly assesses whether each Director is independent in accordance with the Recommendations and, when assessing a Director's independence, materiality is assessed on a case by case basis having regard to the individual circumstances of the Director. Accordingly:

Michael Naylor is not considered to be independent as he is a Senior Executive of the Company.

Mark Calderwood (Chairman) is not considered to be independent as he has a relevant interest of 5% or more in the Company's shares and because he is an executive director of Tawana Resources which has a 15% interest in Cowan Lithium.

Mark Turner is not considered to be independent as he is a non-executive director of Tawana Resources which has a 15% interest in Cowan Lithium.

The Company does not meet the Recommendation that there be a majority of independent directors. The Board considers that given the size and scope of the Company's operations, it has the relevant experience in the exploration and mining industry and is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both along term strategic and operational perspective.

To assist the directors of the Board with their independent decision making, the Board collectively, and each Director, has, subject to prior consultation with the Chairman, the right to seek independent professional advice at the Company's expense. A copy of such advice is required to be made available to all members of the Board.

Director induction and development

In order for the new Director to participate fully and actively in Board decision-making at the earliest opportunity, an induction process is carried out immediately after appointment. This induction is facilitated by the Company Secretary and involves meeting with other members of the Board, the Executive Director and the Executives and being provided with a pack of relevant documents and information.

All directors are expected to maintain skills required to effectively discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education which is paid for by the Company where appropriate.

Promoting ethical and responsible decision making

The Company has a Code of Conduct, Continuous Disclosure Policy, Diversity Policy and Security Trading Policy which set out the standards of behaviour expected of all its employees, Directors, officers, contractors and consultants. Copies of these documents are available at www.cowanlithium.com.au/corporate-governance.

DISCLOSURES AND COMMUNICATIONS WITH SHAREHOLDERS

Market disclosures

The Company is committed to transparent and effective communication with its shareholders and disclosures to the market.

The Company has a Continuous Disclosure Policy which is available from the Corporate Governance section of the Company's website. This policy is designed to ensure that Cowan complies with its continuous disclosure obligations under the *Corporations Act 2001* (Cwlth) ("Corporations Act") and the ASX Listing Rules such that:

- all investors have equal and timely access to material information
- Company announcements are factual and presented in a clear and balanced manner

The purpose of the policy is to:

- summarise the Company's disclosure obligations in accordance with the ASX Listing Rules and the Corporations Act
- explain what type of information needs to be disclosed
- identify who is responsible for disclosure
- explain how individuals at the Company can assist to ensure the Company meets its disclosure obligations

The requirements set out in this policy apply to all directors, officers and employees of the Company and its subsidiaries.

The Company Secretary is responsible for ensuring disclosure of information to the ASX.

Communications with shareholders

The Company respects the rights of its shareholders and is committed to communicating effectively with them. The Company has a Shareholder Communications Policy which sets out how the Company communicates with shareholders and the market effectively and is designed to promote a two-way dialogue.

The Chairman, the Executive Director and the Company Secretary have the primary responsibility for communication with shareholders. Information is communicated through:

- continuous disclosure to relevant security exchanges of all material information
- periodic disclosure through the annual, half year and quarterly financial reports
- notices of meetings and explanatory material
- investor presentations
- the annual general meeting (AGM)
- the Company's website www.cowanlithium.com.au

The Company's website contains information about the Company and its operations and is updated with material announcements released to the ASX as soon as practicable after confirmation of release by the ASX. In addition, shareholders' can be notified by email of all material announcements by subscribing to the Company's mailing list.

The Company makes available a telephone number and email address for shareholders to make enquiries. Upon admission onto the Company's share register the Company's security registry provides shareholders with the option to receive communications from, and send communications to, the Company's security registry electronically including the Annual Report and Notice of Meeting and electronic voting.

Cowan shareholders are provided an opportunity to ask questions at the Company's AGM, which is also attended by the Company's external auditor (who can answer questions about the annual audit).

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk management

The company does not have a separate Risk Management Committee. Given the current size of the company and board, the directors believe there are no efficiencies in forming a separate committee and the board as a whole performs this role. However, the Company does have an Audit and Risk Management Charter which is available on the Company's website at www.cowanlithium.com.au.

The Board is ultimately responsible for overseeing the risk management framework and setting the Company's risk appetite.

Financial and operating risks are addressed through individual approved policies and procedures covering financial, contract management, safety and environmental activities of the Company.

The Company also engages an insurance broking firm as part of its annual assessment of the coverage for insured assets and risks.

The results of all the various reviews and insurances are reported to the Board at least annually.

Reporting on Company risk management occurs on an ongoing basis and reported to the Board (by the Executive Director). Business risks will be continually assessed (at least annually) by the Board in accordance with the Company's risk management and internal compliance and control policy. The Board believes that it has a thorough understanding of the Company's key risks and will manage them appropriately.

MD and CFO certifications

The integrity of the Company's financial reporting relies upon a sound system of risk management and control. Before approving the financial statements each year and half year, the Executive Director provides the Board with a declaration in accordance with s295A of the Corporations Act stating that:

- in their opinion, the Group's financial records have been properly maintained and that the financial statements comply with the relevant accounting standards and give a true and fair view of the consolidated Group's financial position and performance
- the opinion has been formed on a sound system of risk management and internal control which is operating effectively

Risk and assurance

Given the Company's current size and level of activity, the Board does not deem it appropriate to create an internal audit function or engage an external advisor to complete this function. Through external audit procedures and internal risk management policies and procedures the Board considers there to be sufficient processes in place for evaluating and continually improving the effectiveness of its risk management and internal control processes. Copies of the Company's Audit and Risk Management Committee Charter are available on the Company's website.

Economic, environmental and social sustainability risks

The Company, as an exploration and junior production company, faces inherent risks in its activities, including economic, environmental and social sustainability 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 procedures in place for reporting on significant risks (as described above), which are continually being developed and updated to help manage these risks.

REMUNERATION POLICIES

The Company has not established a separate remuneration committee. Given the current size of the company and board, the directors believe there are no efficiencies in forming a separate committee

and the board as a whole performs this role. The board of directors reviews and approves recommendations in terms of compensation and incentive plan arrangements for directors and senior executives, having regard to market conditions and the performance of individuals and the consolidated entity. The Nomination and Remuneration Committee reviews and recommends to the Board remuneration arrangements for directors and senior executives, having regard to market conditions and the performance of individuals and the consolidated entity.

The procedures detailed in the Nomination and Remuneration Charter outlines the process employed by the board of directors for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

SECURITIES DEALING POLICY

The Company has the Securities Trading Policy available in the Corporate Governance section of our website. The purpose of the policy is to ensure that employee in possession of inside information concerning the Company do not engage in insider trading. The policy applies to directors, officers, employees and contractors of the Company.

The Company does not have a formal policy on restricting directors and employees from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested incentive. The Corporations Act already prohibits the Company's key management personnel or their closely related parties from hedging unvested incentives. The Company will update its Securities Trading Policy in 2018 to extend this restriction to employees who have been issued incentives.

The Company has an equity-based remuneration scheme. The Company has an internal policy on director and employee incentive hedging which imposes securities trading restrictions on Tawana employees. Under the policy, employees who have been issued Incentives are strictly prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested scheme entitlement.

DIVERSITY

The Company is committed to workplace diversity through acting in fairness and without prejudice. The Company believes that decision-making is enhanced through diversity, and supports and encourages diversity at all levels of the organisation in accordance with the Company's Diversity Policy.

Under the principles outlined in the Company's Nomination and Remuneration Committee Charter the Board is responsible for setting measurable objectives for achieving gender diversity and annually reviewing any such objectives and the Company's progress towards achieving them.

Given the small number of employees the Company has to date, the Directors do not consider it appropriate to set measurable objectives in relation to diversity. Notwithstanding this, the Company strives to provide the best possible opportunities for current and prospective employees of all backgrounds in such a manner that best adds to shareholder value and which reflects the values, principles and spirit of the Company's Diversity Policy.

In any event, the Company strives to provide the best possible opportunities for current and prospective employees of all backgrounds in such a manner that best adds to overall shareholder value and which reflects the values, principles and spirit of the Company's Diversity Policy.

As at July 2018 the Company had:

- 1 female senior manager and no female Directors
- a total of 1 female employee/consultant out of a total of 4 employees/consultants.

Senior management positions for these purposes are the roles of the Executive Director, CFO, Chief Technical Officers.