

EUROPEAN LITHIUM LIMITED

CORPORATE GOVERNANCE - RISK MANAGEMENT POLICY

As the Board currently does not have a Managing Director, all reference to a Managing Director will be assumed by the Executive Chairman.

Identification of Risk

The Board is responsible for the oversight of the Group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director and Company Secretary having ultimate responsibility to the Board for the risk management and control framework.

The primary objectives of the risk management 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
- senior management, the Board and investors understand the risk profile of the Company.

In line with these objectives the risk management system covers:

- Operations risk;
- Financial reporting; and
- Compliance / regulations
- System/IT process risk

Arrangements put in place by the Board to monitor risk management include:

- monthly reporting to the Board in respect of operations and the financial position of the Company;
- monthly cash rolling forecasts prepared.

A risk management register has also been developed and provides a framework for systematically understanding and identifying the types of business risks threatening the Company as a whole, or specific business activities within the Company.

Integrity of Financial Reporting

The Company's Managing Director and Chief Financial Officer report, in accordance with section 295A of the Corporations Act, in writing to the Board that:

- the financial statements of the Company and its controlled entities (where appropriate) for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Review of Risk Management Policy

Given the speculative nature of the Company's business it is subject to general risks and certain specific risks. The Company has developed and implemented a Risk Register. The analysis and

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evaluation criteria are used to continually assess the impact of risks upon the Company's business objectives. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. The annual business planning process includes careful consideration of internal and external risk profile of the company. Managers will report monthly to the Board on the areas they are responsible for, including key business risks. The Company's business risk management process provides a comprehensive, integrated approach for carrying out risk management activities. This process will allow management to minimise the potential impact of business risks in achieving objectives to create and protect shareholder value.

Responsibilities

Managing Director

The Managing Director is accountable to the Board, for ensuring that the risk management system is implemented and maintained in accord with the Risk Management Policy. Assignment of responsibilities in relation to risk management is the prerogative of the Managing Director.

Senior Executives

Senior Executives are accountable for strategic risk management within areas under their control including the dissemination of the risk management process to operational managers. Collectively the Senior Executive is responsible for:

- The formal identification of strategic risks that impact upon the Company's business;
- Allocation of priorities;
- The development of strategic risk management plans;
- The Senior Executive review progress against agreed risk management plans.

Company Secretary

In conjunction with the Managing Director the Company Secretary is accountable for the implementation of the Risk Policy and for maintaining a programme of risk reassessment. The Company Secretary also provides advice to the relevant Senior Executives on risk management matters relevant to their responsibilities. The Company Secretary is to assist senior management and the Board in the effective discharge of their responsibilities with regard to the Company internal control environment by ensuring the efficiency and effectiveness of Company processes and identifying opportunities to improve operating performances. At appropriate intervals, the Company Secretary shall determine the adequacy and effectiveness of the Company's system of internal accounting and operating controls and determine if the business unit/function are managing risks, in accordance with management instruction, policies and procedures, in a manner consistent with Company objectives.

Review

This Policy will be formally reviewed by the Board no less than every 3 years or when certain milestones of the Company are approaching.