

24 July 2015

## CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement sets out the Company's current position with regards to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition, 2014) (**Principles and Recommendations**).

While the Principles and Recommendations are not mandatory, the Company will be required to disclose the extent to which it complies with the Principles and Recommendations in its future annual reports.

## ASX BEST PRACTICE RECOMMENDATIONS

Item	ASX Best Practice Recommendation	Comment	Implemented
<b>Principle 1: Lay a solid foundation for management and oversight</b>			
1.1	A listed entity should disclose:  (a) the respective roles and responsibilities of its board and management; and  (b) those matters expressly reserved to the board and those delegated to management	The Corporate Governance Policy includes a Board Charter, which outlines the specific responsibilities of the board and senior management, and outlines those matters expressly reserved to the board and those delegated to management. Please refer to the website <a href="http://www.lankagraphite.com">www.lankagraphite.com</a> to obtain a copy of the Board Charter.	Y
1.2	A listed entity should:  (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and  (b) 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 Nomination and Remuneration Policy adopted by the board sets out the process for screening proposed directors and providing security holders with material information regarding whether or not to elect or re-elect a director. Please refer to the website <a href="http://www.lankagraphite.com">www.lankagraphite.com</a> to obtain a copy of the Nomination and Remuneration Policy.	Y
1.3	A listed entity should have a written agreement with each director and senior	The Company's officers and management have all	Y

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	executive setting out the terms of their appointment.	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.	
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 Board Charter provides that the secretary shall be accountable directly to the board in this respect.	Y
1.5	The company should have a diversity policy.	The Company has adopted a Diversity Policy. However, given the size of the Company and its current operations, the Company is not currently in a position to fully implement the recommendations and statements as set out in the Diversity Policy. As the Company grows, it will implement the recommendations and statements as set out in the Diversity Policy. Please refer to the website <a href="http://www.lankagraphite.com">www.lankagraphite.com</a> to obtain a copy of the Diversity Policy.	Y
1.6	A listed entity should have a process for periodically evaluating the performance of the board, its committees and individual directors.	The Company has a process of periodic evaluation and disclosure for the board, its committees and individual directors, as included in its Board Charter	Y
1.7	A listed entity should have a process for periodically evaluating the performance of its senior executives.	The Company has a process of periodic evaluation and disclosure for senior executives, as included in its Board Charter.	Y
	Provide the information indicated in Guide to reporting on Principle 1.		Y
<b>Principle 2: Structure the board to add value</b>			
2.1	The Board should establish a nomination committee	The Board is responsible for the nomination and selection of directors. Given the size of the Company and the nature of its operations, the Board does not believe it to be appropriate to establish a nomination committee at this time. The composition of the Board, its performance and the appointment of new	Y

		Directors will be reviewed periodically by the Board, taking advice from external advisers where considered appropriate. The Board has implemented a Nomination and Remuneration Policy, which is available on the website <a href="http://www.lankagraphite.com">www.lankagraphite.com</a> .	
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 Board has established a Diversity Policy in accordance with the 2014 Amendments to the ASX Corporate Governance Principles and Recommendations, and will endeavour to provide for appointments to the Board and Company in accordance with this Policy as the Company develops and grows.	Y
2.3	A listed entity should disclose the identity of independent directors, and the length of service of such directors.	At the date of this Prospectus, the Company has three directors, being Emily Lee D'Cruz (Executive Director). Alex Cowie (Non-Executive Director) and Alison Coutts (Non-Executive Director).  One further director from Euro, Jitto Arulampalam, is to be appointed as an Executive Chairman on Completion of the Takeover Bid.	Y
2.4	A majority of the board of a listed entity should be independent directors	Two of the Directors are independent, being Alison Coutts and Alex Cowie. The Company considers that two of the Directors being independent is appropriate for a company of its size.	Y
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.	The Board Charter provides that the chair shall not be the same person as the CEO. However, the Company expects that Jitto Arulampalam, an executive director, is to be appointed as an Executive Chairman on Completion of the Takeover Bid.	N
2.6	A listed entity should have a program for	The Nomination Committee	Y

	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.	shall induct new directors and ensure that Board members have access to continuing education to update their skills and knowledge.	
	Provide the information indicated in Guide to reporting on Principle 2.		Y
<b>Principle 3: Act ethically and responsibly</b>			
3.1	A listed entity should have a code of conduct for its directors, senior executives and employees.	<p>The Board has established a Code of Conduct for the Board and Management. The Code of Conduct is available on the website <a href="http://www.lankagraphite.com">www.lankagraphite.com</a>.</p> <p>The Board is committed to meeting their responsibilities under the Constitution and <i>Corporations Act 2001</i> (Cth) when carrying out their functions as company officers.</p>	Y
	Provide the information indicated in Guide to reporting on Principle 3.		Y
<b>Principle 4: Safeguard integrity in corporate reporting</b>			
4.1	<p>The Company should have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p>	<p>The Company has established an Audit and Risk Committee and has adopted a Charter for the Audit and Risk Committee, which is available on the website <a href="http://www.lankagraphite.com">www.lankagraphite.com</a>.</p> <p>The Committee will consist of three non-executive directors (and at least two independent directors) whilst the Company only has four or less directors in total.</p> <p>Meetings of the Committee will be chaired by the non-executive director member. The Company recognises that it is appropriate that the Committee be chaired by an independent chair who is not chair of the Board.</p> <p>However in circumstances where the Company only has three directors or a</p>	<p>Y</p> <p>N</p> <p>N</p>

		small number of directors this may not always be feasible.	
	Provide the information indicated in Guide to reporting on Principle 4		Y
<b>Principle 5: Make timely and balanced disclosure</b>			
5.1	Company should have a written policy for complying with its continuous disclosure obligations under the Listing Rules	The Company has adopted a Communication and Disclosure Policy to ensure compliance with the ASX Listing Rules disclosure requirements. The Communication and Disclosure Policy is available on the website <a href="http://www.lankagraphite.com">www.lankagraphite.com</a> .	Y
	Provide the information indicated in Guide to reporting on Principle 5		Y
<b>Principle 6: Respect the rights of security holders</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	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.	Y
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Board intends to actively engage with security holders at the AGM, meeting with them upon request and responding to any enquiries they may make from time to time.	Y
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	The Board is committed to ensuring that the Company's 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.	Y
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.	The Company provides this option to security holders.	Y
	Provide the information indicated in Guide to reporting on Principle 6.		Y
<b>Principle 7: Recognise and manage risk</b>			
7.1	The board of a listed entity should have a committee or committees to oversee risk;	The Company has established an Audit and Risk Committee which shall	Y

	<p>(a) each of which has at least three members, a majority of whom are independent directors; and;</p> <p>(b) is chaired by an independent director.</p>	<p>be responsible for monitoring, identifying and managing risks, and ensuring that these risk identification and management procedures are implemented and followed.</p> <p>The Committee will consist of three non-executive directors (and at least two independent directors) whilst the Company only has four or less directors in total. Meetings of the Committee will be chaired by the non-executive director member.</p> <p>The Audit and Risk Committee has adopted a Charter, which is available on the website <a href="http://www.lankagraphite.com">www.lankagraphite.com</a>.</p>	<p>N</p> <p>N</p>
7.2	<p>The board or a committee of the board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound.</p>	<p>Pursuant to the Audit and Risk Committee Charter, the Audit and Risk Committee is responsible for periodically reviewing the Company's risk management framework (at least annually) and disclosing, in relation to each reporting period, whether such a review has taken place, and carrying out any processes or procedures required by the Company's Risk Management Policy as amended from time to time;</p>	Y
7.3	<p>The Company should disclose if it has an internal audit function, how the function is structured and what role it performs.</p>	<p>Pursuant to the Audit and Risk Committee Charter, the Audit and Risk Committee will be responsible for reviewing and amending where necessary internal financial and audit controls and accountability mechanisms, reviewing the results of audits, and ensuring the independence, objectivity and competency of internal and external auditors and audit processes and the separation of internal and external audit functions.</p>	Y

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.	As a mining exploration company, the Company is materially exposed to economic, environmental and social sustainability risks. The Company has adopted a Risk Management Policy to assist with management of these risks, which is available on the website <a href="http://www.lankagraphite.com">www.lankagraphite.com</a> .	Y
	Provide the information indicated in the Guide to reporting on Principle 7		Y
<b>Principle 8: Remunerate fairly and responsibly</b>			
8.1	<p>The board of a listed entity should have a remuneration committee which:</p> <p>(a) has at least three members, a majority of whom are independent directors; and</p> <p>(b) is chaired by an independent director.</p>	<p>The Company has not established a separate Remuneration and Nomination Committee. Given the size of the Board and the Company's current operations as at the date of adoption of this Policy, it is considered that no efficiencies or other benefits would be gained by establishing a separate Remuneration and Nomination Committee. The Board will review this position on an ongoing basis as the Company grows.</p> <p>Prior to establishment of the Remuneration and Nomination Committee, the full Board will oversee matters usually the responsibility of a Remuneration and Nomination Committee. Upon establishment, the Remuneration and Nomination Committee will be composed of three members. It will, where possible, consist of a majority of independent directors and be chaired by a person who is not Chairman of the Board.</p>	N
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive	The Board is responsible for the Company's remuneration policy and has adopted a Nomination and	Y

	directors and other senior executives.	Remuneration Policy which outlines the processes by which the Board shall review officer and management remuneration.	
	Provide the information indicated in the Guide to reporting on Principle 8		Y

For further information about the Company's corporate governance policies, and to obtain copies of these policies, please refer to the Company's website [www.lankagraphite.com](http://www.lankagraphite.com).

#### **Compliance with ASX Listing Rules**

The Company confirms that, as at the date of this announcement, it is in compliance with the ASX Listing Rules, and, in particular, ASX Listing Rule 3.1.