



LI-S ENERGY LIMITED
ACN 634 839 857

RISK OVERSIGHT & MANAGEMENT FRAMEWORK

1. STATEMENT OF BOARD COMMITMENT

- 1.1 The Board of Li-S Energy Limited (“Li-S Energy” or “Company”) recognise that effective management of risk is an integral part of good management and vital to the continued growth and success of Li-S Energy.

2. RESPONSIBILITY FOR RISK OVERSIGHT & MANAGEMENT

- 2.1 The Board does not currently have a risk committee. The Li-S Energy Board is responsible for the oversight of the Company’s risk management and control framework and has implemented a policy framework designed to ensure that the Company’s risks are identified, analysed, evaluated, monitored, and communicated within the organisation on an on-going basis, and that adequate controls are in place and functioning effectively.

The Board believes that this approach is appropriate given its size and the nature of the Company’s operations.

- 2.2 The Li-S Energy Risk Oversight & Management Framework:

2.2.1 incorporates the maintenance of appropriate policies, procedures and guidelines which address the unique operating environment of Li-S Energy; and

2.2.2 is utilised by the Board as a means of identifying the:

(a) strengths, weaknesses, opportunities and threats influencing, or having the potential to influence, the Li-S Energy business; and

(b) appropriate oversight strategies to implement in respect of the key risk and opportunity factors confronting the Li-S Energy business.

- 2.3 The Audit Committee assists the Board in this role by reviewing the financial and reporting aspects of the Company’s risk management and control practices.

- 2.4 The full Board are responsible for overseeing management’s risk management and control processes including the development of risk profiles as a part of the overall business and strategic planning process.

- 2.5 The Chief Executive Officer has ultimate responsibility for control and management of operational risk and the implementation of avoidance or mitigation measures within the Company and may delegate control of these risks to the appropriate level of management at each site.

3. IDENTIFIED AREAS OF SIGNIFICANT RISK TO LI-S ENERGY

3.1 Areas of significant business risk identified by Li-S Energy in its risk profiling as at the date of this policy includes:

- 3.1.1 ability for Li-S Energy to secure a continual supply of BNNT at its required volumes and at a commercially viable price point;
- 3.1.2 Li-S Energy's technology being in the pilot research and development phase and the ability to scale up to commercial production may not be possible;
- 3.1.3 changing battery technologies:
 - (a) advanced rechargeable batteries is at a relatively early stage of development;
 - (b) the use of BNNT in a battery application is unknown and the ability to develop a lithium-sulphur battery using BNNT that is more competitive than existing batteries may not be successful;
 - (c) customer demand for new battery technologies is dependent on new products or expanding existing products;
 - (d) customer acceptance of new battery technologies;
 - (e) existing competitors may be able to adapt quickly to develop new technologies or better position themselves in the battery market thus adversely impacting Li-S Energy's business, financial condition and the results of its future operations.
- 3.1.4 protection of intellectual property;
- 3.1.5 obtaining patent protection for the patent applications for the products and technology that are pending or that may be lodged in the future;
- 3.1.6 reliance on relationship with Deakin University, including the use of Deakin personnel, Deakin campus space for the Company's laboratory and office space and its relationship generally as a research collaborator;
- 3.1.7 reliance on key personnel;
- 3.1.8 future funding requirements;
- 3.1.9 information technology and privacy concerns;
- 3.1.10 delays to development of new commercial products could delay new revenue streams;
- 3.1.11 other technology factors under review/monitoring:
 - (a) success of alternative battery chemistries such as nickel-based, lead-acid, solid-state, hydrogen and conventional lithium-ion;
 - (b) availability of government subsidies and incentives to support the development of the battery power industry and specific battery chemistries;
 - (c) continued investment by governments, investors and customer support for development of new battery powered applications;

- (d) heightened awareness of environmental issues and concern about global warming and climate change;
- (e) fluctuations in economic and market conditions that affect the cost of energy stores by batteries such as increases or decreases in the price of electricity;
- (f) changes to the regulations of the energy industries.

4. MONITORING RISK MANAGEMENT

- 4.1 The Board considers the significant business risks applicable to Li-S Energy and its on-going operations annually.
- 4.2 Risk profiles are considered an integral part of any strategic review and business planning process.
- 4.3 Arrangements put in place by the Board to monitor risk management include:
 - 4.3.1 a report is regularly presented to the Board by the Chief Executive Officer which encompasses matters including research and development updates, actual costs against budget, new customer/sales opportunities and other key performance measures together with information relating to product/new technology and industry developments;
 - 4.3.2 reports are regularly prepared and submitted to the Board in relation to the overall financial position of Li-S Energy, together with statements regarding workplace safety, compliance with tax and superannuation legislation and environmental conformance;
 - 4.3.3 presentations made to the Board or Committees of the Board throughout the year by appropriate members of the Company's management team (and/or independent adviser, where necessary) on the nature of particular risks and details of measures which are either in place or can be adopted to manage or mitigate the risk;
 - 4.3.4 regular briefings by the Chief Executive Officer and senior management on market and operational factors which may impact on the performance of Li-S Energy;
 - 4.3.5 reports and advice on areas of operational and financial risk from management and the Audit Committee are provided to the Board for review and strategies are developed, in conjunction with management, to manage and mitigate those risks;
 - 4.3.6 reports by the Chairman of the Audit Committee and circulation to the Board of the minutes of each meeting held by the Audit Committee;
 - 4.3.7 the Chief Executive Officer and Chief Financial Officer report in writing to the Board that the:
 - (a) statement given in accordance with the ASX Corporate Governance Council's Best Practice Recommendation 4.2 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
 - (b) Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.
 - 4.3.8 the Board, or Audit Committee, may request the Chief Executive Officer, Chief Financial Officer and/or another Executive to undertake an internal audit of risk management

controls, systems and practices regarding operational, financial, legal and governance risk at any time and request a report on, and seek clarification of, the audit findings;

4.3.9 the implementation of internal control systems designed to promote effective financial risk control mechanisms by the delegation of certain responsibilities to key senior management executives, and a requirement for monthly reporting of action taken within these approved areas, including:

(a) payments;

(b) execution of contracts, finance agreements and other legally binding arrangements;

(c) imposition of capital expenditure limits for designated senior management and established approval processes.

4.4 The Board has also adopted reporting and other procedures which allow it to monitor:

4.4.1 compliance by Li-S Energy with the continuous disclosure requirements of the Listing Rules and with laws relating to the trading in company securities;

4.4.2 the maintenance of ethical practices within Li-S Energy including compliance with applicable laws and regulations;

4.4.3 and assess the effectiveness of its risk management and control framework.

5. COMPLIANCE, CONTROL & ASSESSMENT OF EFFECTIVENESS

5.1 The Li-S Energy Board will review the effectiveness of the Company's risk management systems and strategies.

5.2 In doing so, the Board:

5.2.1 oversees management's processes with a view to identifying, assessing and monitoring risks associated with Li-S Energy business operations and consults with management regarding the implementation and maintenance of policies and control procedures to give adequate protection against risks;

5.2.2 considers and assesses the appropriateness and effectiveness of management information and other systems of internal control including a review of the external (and/or internal) auditor's reports to management on internal controls (including information technology controls) and action taken or proposed resulting from such reports;

5.2.3 may in its discretion appoint internal auditors to undertake an assessment of the risk management systems and strategies employed by Li-S Energy and to provide a report, or seek clarification, on the findings of such a review.

5.3 The Board and Audit Committee has:

5.3.1 full, free and unrestricted access to all company records, documentation and physical property of Li-S Energy as may be required to fulfil its responsibilities; and

5.3.2 authority to seek any information it requires to fulfil its responsibilities from any officer, employee, consultant or contractor of Li-S Energy and any related company of Li-S

Energy.

- 5.4 The policies, processes, practices and procedures established by management and/or the Board which comprise Li-S Energy risk management and internal control systems provide reasonable assurance that:
- 5.4.1 risk exposure is identified and adequately monitored and managed;
 - 5.4.2 resources are acquired economically, adequately protected and managed efficiently and effectively in the conduct of Li-S Energy business;
 - 5.4.3 significant financial, managerial and operating information is accurate, relevant, timely and reliable;
 - 5.4.4 there is an adequate level of compliance with policies, standards, procedures and applicable laws and regulations; and
 - 5.4.5 established corporate and business strategies and objectives are achieved.
- 5.5 The Risk Oversight & Management Framework is reviewed at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board to ensure that it is operating effectively , in relation to each reporting period and such a review has taken place in the 2021 financial year.

Dated: July 2021