



Related Party Policy

Section 1 Background

1.1 Purpose of Policy

- (a) The Board of Directors (**Board**) of Atlantic Lithium Limited ACN 127 215 132 (**Company**) are dedicated to encouraging transparency and best practice when undertaking transactions, in order to facilitate informed member decisions.
- (b) Related party transactions, by definition, involve conflicts of interest because related parties are often in a position to influence the decision of whether any relevant financial benefit is provided to them, and the terms of its provision. Such transactions inherently involve the risk of endangering members' interests. Therefore, the Board have implemented the following Related Party Policy (**Policy**) which applies to all members of the Group.
- (c) The purpose of this Policy is to:
 - (1) record the Company's commitment to complying with all related party transaction requirements under the Corporations Act and the ASX Listing Rules;
 - (2) set out a framework for obtaining approval for all related party transactions; and
 - (3) establish a clear process to comply with the Company's related party transaction obligations.
- (d) Defined terms are set out in Section 6 of this Policy.

1.2 Policy

- (a) The Policy applies to all related parties of the Company and its subsidiaries.
- (b) In summary, all related party transactions must be:
 - (1) notified to the company secretary of the Company (**Company Secretary**) prior to their execution;
 - (2) on arm's length terms; and
 - (3) approved by the Board.
- (c) Related party transactions not on arm's length terms must be approved by the Company's shareholders.

1.3 Relevant legislation

- (a) Corporations Act

Chapter 2E of the Corporations Act places strict controls on public companies, and entities controlled by public companies, giving financial benefits to related parties. While this Policy is framed in conjunction with these provisions, the provisions in the Corporations Act dealing with related party transactions take precedence over this



Policy and conduct or dealings permitted in this Policy may still be prohibited under the Act.

(b) ASX Listing Rules

As an ASX listed entity, the Company must comply with the ASX Listing Rules. The Listing Rules are enforceable against listed entities and their associates under the Corporations Act (notably, sections 793C and 1101B). Relevantly, Chapter 10 of the Listing Rules outlines the relevant requirements and prohibitions relating to transactions with persons in a position of influence.

(c) AIM Listing Rules

As an AIM listed entity, the Company must comply with the AIM Rules and the Companies Act. Relevantly, the AIM Rules contain disclosure requirements for all transactions involving related parties.

Section 2 Related party transactions

2.1 Giving financial benefits

- (a) The Company and members of the Group are prohibited from giving a financial benefit to a related party unless:
- (1) the Company's shareholders have approved the giving of the financial benefit; or
 - (2) an exception applies.
- (b) As a Listed entity, the Company is also prohibited from entering into certain transactions with related parties without shareholder approval. For example, Listing Rule 10.11 provides that any company listed on the ASX cannot issue securities to a related party without shareholder approval (unless an exception applies under Listing Rule 10.12).

2.2 Who is a related party?

- (a) For the purposes of this Policy, the Company has adopted the following definition of a related party:
- (1) any person or entity that controls the Company, or their spouse;
 - (2) a director of the Company, or of a member of the Group, or of an entity that controls the Company;
 - (3) the parents or children of the persons referred to in 2.2(a)(2) above;
 - (4) any person or entity that holds 10% or more of the shares in the Company or of the voting rights of the Company;
 - (5) any entity controlled by a person referred to in 2.2(a)(1), 2.2(a)(2), 2.2(a)(3) or 2.2(a)(4) above; or

- (6) any other person or entity whose relationship with the Company or a member of the Group is, in the opinion of the Board, such that this Policy should apply to that person or entity.
- (b) The rules regarding related party transactions also apply to:
 - (1) any person who has been a related party (as defined above) at any time in the last six months (even if they are not a related party, as defined above, at the time of the relevant transaction); and
 - (2) any person who the Board believes, or has reasonable grounds to believe, is likely to become a related party (as defined above) at any time in the future.
- (c) If there is any doubt as to whether a particular person or entity is a related party of the Company for the purposes of this Policy, the matter should be referred to the Company Secretary and a decision will be made by the Board.

2.3 What is a financial benefit?

- (a) The term **financial benefit** is to be interpreted broadly.
- (b) When applying this Policy, the Board will have regard to the commercial nature of the transaction, and any consideration given for the benefit will be disregarded (even if the consideration is considered to be adequate).
- (c) Some examples of financial benefits include:
 - (1) giving or providing finance or property (including buying, selling or leasing an asset);
 - (2) supplying or receiving services; and
 - (3) issuing securities or granting options.

Section 3 The exceptions

3.1 Application

There are a number of exceptions to the requirement to obtain shareholder approval for the giving of a financial benefit to a related party. However, unless one of these exceptions applies, shareholder approval must be obtained in accordance with this Policy prior to the giving of a financial benefit to a related party.

3.2 The 'arm's length' exception

- (a) The Company is not required to obtain shareholder approval for the giving of a financial benefit to a related party if the proposed transaction is on arm's length terms, or on terms that are less favourable to the related party.
- (b) In determining whether the arm's length exception applies to a transaction, the Board will have regard to the following factors:
 - (1) the terms of the transaction and how the terms compare with those of any comparable transactions on an arm's length basis;



- (2) any protocols adopted by the Company to ensure that conflicts of interest were appropriately managed;
 - (3) the impact of the proposed transaction on the Company and its shareholders;
 - (4) any other options that may be available; and
 - (5) any expert advice received in relation to the proposed transaction.
- (c) The Company will only rely on the arm's length exception in circumstances where the Board is confident that the exception applies. If there is any doubt, shareholder approval will be sought in accordance with this Policy.

3.3 Other exceptions

- (a) Other exceptions to the requirement to obtain shareholder approval for the giving of a financial benefit to a related party include:
- (1) where the financial benefit represents reasonable remuneration payable to the related party as an officer or employee, or the reimbursement of expenses;
 - (2) the giving of an indemnity, exemption or insurance policy in respect of a liability incurred as an officer or employee;
 - (3) where the value of the financial benefit (together with all other financial benefits given to the related party in the relevant financial year without shareholder approval) is less than \$5,000;
 - (4) benefits given to a shareholder of the Company that do not discriminate unfairly against other shareholders of the Company; and
 - (5) benefits given by the Company to a wholly-owned subsidiary (or vice versa).
- (b) Where the Board is satisfied that one of the above exceptions applies, shareholder approval will not be required for the giving of the financial benefit.

Section 4 Dealing with related party transactions

4.1 Protocols for negotiations with related parties

- (a) In respect of negotiations with related parties, the Board should consider putting in place protocols to ensure that the related party does not influence the Company's decisions. For example, it may be appropriate to:
- (1) put in place 'Chinese Walls' in relation to the proposed transaction;
 - (2) form a Board sub-committee to consider the proposed transaction; and
 - (3) seek independent advice.

4.2 All related party transactions to be referred to the Board

- (a) Where a member of the Company proposes to enter into a transaction with a related party the following procedure must be followed:

- (1) Full and appropriate disclosure about the proposed transaction is to be made to the Company Secretary prior to any transactions being entered into. Such disclosure should include the following information:
 - (A) full details of the proposed transaction, including the parties and the nature of their relationship (that is, why they are or might be considered to be related parties);
 - (B) whether an exception to the requirement to obtain shareholder approval applies or may apply;
 - (C) why the exception (if any) applies to the proposed transaction;
 - (D) the risks associated with the related party arrangement;
 - (E) the policies and procedures that the entity has in place for entering into related party transactions; and
 - (F) any other information appropriate or necessary in the circumstances for the Board to determine whether the arm's length or any other exception applies.
 - (2) The Company Secretary will compile the information provided and include an item in the agenda for the Board to consider the proposed transaction at the next Director's meeting.
 - (3) Where appropriate, the Board may refer to any internal or external advice or recommendations on the proposed transaction.
 - (4) Where the Board determines that the proposed transaction is on arm's length terms or subject to any other exception such that shareholder approval is not required, it may resolve to proceed with the proposed transaction on terms it considers appropriate.
 - (5) Where the Board determines, based on the information available to it, that the proposed transaction is:
 - (A) not on arm's length terms;
 - (B) not subject to any other exception; or
 - (C) such that shareholder approval should nevertheless be obtained,and resolves that the proposed transaction should nevertheless proceed (subject to the required shareholder approval), the Board must call a meeting of shareholders to be held to consider and, if thought fit, approve the proposed transaction.
- (b) The procedures set out in this Policy must be complied with in relation to all related party transactions.
 - (c) However, any routine transactions entered into by a member of the Company in the ordinary course of business and on arm's length terms are not required to be referred to the Board in accordance with this Policy.

4.3 Persons with material interest not to participate

- (a) Any person who has a material personal interest in the outcome of a proposed related party transaction must disclose that interest to the Company Secretary, who will notify the Board. The interested person must not participate or be anyway involved in the decision-making process of the Company or the Board in relation to the proposed related party transaction.
- (b) Where the interested person is a director of the Company, he or she must not:
 - (1) be present while the proposed transaction is being considered by the Board; or
 - (2) vote on the proposed transaction.
- (c) All related party transactions (including those that are determined by the Board to be on arm's length terms or otherwise subject to an exception must be appropriately recorded and documented.

4.4 Disclosure of related party transactions

- (a) Details of all related party transactions are to be fully disclosed in each annual report issued by the Company in accordance with Australian Accounting Standard AASB 124.

Section 5 Miscellaneous

5.1 Register

The Company Secretary will keep and maintain a register of all related party transactions involving members of the Company, including details of the transaction, the parties and whether shareholder approval was obtained or one of the exceptions applied.

5.2 Review of Policy

This Policy will be reviewed by the Board as necessary to ensure that it remains relevant and appropriate to the Company, to determine the effectiveness of the Policy, and to make any changes necessary.

Section 6 Definitions

AIM means the Alternative Investment Market which is a sub-market of the London Stock Exchange.

AIM Rules means the AIM Rules for Companies, being the official listing rules of AIM as amended or replaced from time to time.

ASX means the ASX Limited ABN 98 008 624 691.

ASX Listing Rules or Listing Rules means the official listing rules of the ASX as amended or replaced from time to time.

Board means board of Directors of the Company.

Companies Act means the *Companies Act 2006* of the United Kingdom, as amended from time to time.



Company means Atlantic Lithium Limited ACN 127 215 132.

Company Secretary means a person appointed by the Company to be the company secretary.

Corporations Act means the *Corporations Act 2001* (Cth) as amended or replaced from time to time.

Group means the Company and its subsidiaries.

Listed means admitted to the official list of the ASX and AIM.

Policy means this Related Party Policy.

Terms not otherwise defined in this Policy which are given a meaning in the Corporations Act have the same meaning as in the Corporations Act.