

Corporate Governance Charter

The Company's corporate governance principles and policies are structured with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition). This charter discloses the extent to which the Company has followed the recommendations during the year ended 30 June 2017.

A copy of the Appendix 4G for the year ended 30 June 2017 is available in the "Corporate Governance" section of the Company's website. The Appendix 4G provides a key to where the Company's relevant corporate governance disclosure can be found either in this annual report or on the Company's website.

Copies of the Charters and Policies referred to in this charter are available in the "Corporate Governance" section of the Company's website.

Principle 1- Lay Solid Foundations for management and oversight

Roles and responsibilities of the Board and management

The roles and responsibilities of the Board are set below. These include:

- providing leadership and setting the strategic objectives of the Company;
- appointing the Chairman, and when necessary, replacing the Chairman;
- approving the appointment and induction, and when necessary, replacement of other Senior Executives;
- approving the Company's annual budget;
- approving significant capital expenditure or strategic developments;
- approving the Company's remuneration framework;
- approving the Company's risk appetite setting and ensuring management have established and are maintaining a framework of internal control mechanisms for the management of the Company having regard to the Company's risk appetite;
- ensuring management have adopted procedures to oversee the integrity of the Company's accounting and corporate reporting systems, including the external audit;
- monitoring management's performance; and
- monitoring the effectiveness of the Company's governance practices.

Whenever necessary, individual directors may seek independent professional advice at the expense of the Company in relation to fulfilling their duties as directors.

The Board has delegated the day-to-day management of the Company to the Chief Executive Officer, including responsibility for those matters not expressly reserved to the Board. As part of the Company's internal control mechanisms, the Board has also established cascading delegated authority levels its employees.

Some specific matters that have been delegated to the Chief Executive Officer include:

- reviewing the Company's quarterly reports;
- making or approving statements and representations on the Company's behalf; and
- monitoring and appraising the performance of Senior Executives against agreed work goals.

Principle 1- Lay Solid Foundations for management and oversight (cont.)

In addition, the Board has also delegated to the Chief Executive Officer and Chief Financial Officer such matters as the Company's liquidity, currency, interest rate and credit policies and exposures.

Given the nature and scope of the Company's operations, the Board considers that the division of functions between the Board and management is appropriate. The Board regularly reviews this division to ensure that it continues to be appropriate to the needs of the Company.

Terms of appointment

The Company intends to confirm any informal agreement with each Director as written agreements which will clearly outline the terms of their appointment. Each Non-Executive Director will be provided with a letter of appointment which will detail:

- their term of appointment;
- the time commitment envisaged;
- their remuneration;
- the requirement to disclose interests and any matters which may affect their independence;
- the requirement to comply with the Company's policies and Code of Conduct;
- the circumstances in which the Director's office becomes vacant;
- indemnity and insurance arrangements;
- ongoing rights of access to corporate information; and
- ongoing confidentiality obligations.

In the case of Executive Directors and other Senior Executives, the Company intends to confirm any informal employment contracts as written contracts. These employment contracts will generally contain:

- a description of their positions, duties and responsibilities;
- the person or body to whom they report;
- the circumstances in which their service may be terminated (with or without notice); and
- any entitlements on termination.

The Remuneration Report in the Company's Annual Report also contains information about the terms of the Senior Executive's employment arrangements.

Company Secretary

Ms Melanie Leydin, in her role as Company Secretary, is directly accountable to the Board through the Chairman on all matters to do with the proper functioning of the Board. Her role includes:

- advising the Board and its Committees on governance matters;
- implementing measures that aim to ensure that Board and Committee policy and procedures are followed;
- coordinating the timely completion and despatch of Board and Committee papers;
- ensuring that the business at Board and Committee meetings is accurately captured in the minutes; and
- helping to organise and facilitate the induction and professional development of Directors.

Principle 1- Lay Solid Foundations for management and oversight (cont.)

Diversity

The Company is committed to diversity at all levels: gender, age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation or gender identity. In order to have a properly functioning diverse workplace, the Company has adopted a 'zero tolerance' policy towards discrimination, harassment, vilification and victimisation. The Company's Code of Conduct requires that all employees are treated fairly and with respect.

The Company has not adopted a formal diversity policy. The Company has seven employees and contractors and its operations are focused on exploration work on the Company's properties. Given the small size of the Company's workforce and its relative stability, the Board has chosen not to develop a diversity policy with measurable objectives at this time. As the Company's operations grow and expand, the Board will review its approach to adopting a formal diversity policy.

The practices that the Company has adopted to encourage gender diversity include:

- encouraging, where practicable, a wide pool of applicants for all advertised positions, and ensuring all candidates are fairly considered for such positions;
- providing appropriate maternity and paternity leave entitlements to support female employee careers and female retention; and
- recognising that both male and female employees may have domestic responsibilities, and adopting flexible work practices that will allow them to meet those responsibilities.

Evaluating the performance of the Board and senior executives

The Company has no formal performance evaluation procedure for the Board. However, the Remuneration Committee is charged with developing appropriate evaluation procedures.

The evaluation processes to be developed by the Remuneration Committee will involve the following elements:

- the Board or the relevant Committee considering its functions under the relevant charter and whether those have been addressed throughout the year and whether there are any additional activities that should be undertaken by the Board or Committee and whether there are any activities that could be allocated to another Committee;
- the Board or relevant Committee reflecting on whether there are any steps that could be taken to improve the functioning of the Board or Committee;
- each Director reflecting on the activities of the Board and its Committees and on the contribution of each other Director.

Responses will be considered by the Board and the relevant Committee to identify actions that need to be taken to improve the effectiveness and performance of the Board and its Committees. Contributions of Directors will be considered by the Board, with the Chairman of the Remuneration Committee responsible for providing feedback to the Chairman.

The performance of Senior Executives is monitored and appraised on a continuous basis by the Chief Executive Officer against agreed work goals for the Senior Executives.

Principle 2 – Structure the Board to add value

Composition of the Board

The Board comprises six Directors:

- Barney Berold (Non-executive Director)
- Nicholas Mather (Non-executive Director)
- Ian Plimer (Non-executive Director)
- William Stubbs (Non-executive Director)
- Chris Tonkin (Non-executive Chairman)
- Kyle Wightman (Non-executive Director)

Details of the Directors' skills and experience, attendance at meetings and length of service are set out in the Company's Directors' Report.

The Directors are satisfied that the structure of the Board, with six non-executive directors, is appropriate for the Company, given its size and the nature and scope of its current operations. If the Company's operations were to expand, the composition of the Board – including the number of independent directors – may be further considered.

As noted above (under Principle 1), the Company has a Chairman performing certain executive functions. The Board considers that this combined role is appropriate for the Company given its current size and the nature and scope of its operations and the environment in which it operates. Given this combined role, the Remuneration Committee and the Audit Committee play an important oversight role in evaluating the Chairman's performance and the internal controls and compliance systems of the Company.

Board skills matrix

When considering the overall composition of the Board, the Board considers that it should have a mix of Directors with an appropriate level of experience in the oil and gas exploration industry and business experience, in particular corporate finance skills and accounting expertise. The Board considers this skills matrix to be appropriate for the Company, giving the current nature and scope of its operations. As the Company's activities change, this skills matrix will be further considered.

The Board considers that these skills are currently represented on the Board as a whole. Details of the Directors skills and experience are set out in the Company's Directors' Report.

Principle 2 – Structure the Board to add value (cont.)

Processes for Board succession and director nomination

The Board has not established a separate nomination committee. The functions of a nomination committee are carried out by the Board as it considers that the full Board is best able to perform the functions of a nomination committee given the size of the Company and the expertise of Board members.

The processes the Board uses to address the matters normally considered by a nomination committee involve reflecting on, at least annually, the needs of the Board and the intentions of each Director concerning their ongoing role. The Board and Director evaluation process discussed above (under Principle 1) is also relevant for this purpose. Where the Board anticipates that Board succession is emerging as an issue, efforts are undertaken to identify possible candidates for appointment to the Board.

The Board aims to ensure that appropriate checks are undertaken before it appoints a person, or puts forward to shareholders a new candidate for election as a Director. These include checks as to character, investigations into the person's experience and other commitments and reference checks.

A Director appointed by the Board is required by the Company's Constitution to retire at the next Annual General Meeting in order to stand for election as a Director by shareholders. Information provided to shareholders in the relevant notice of meeting where the Board has recommended shareholders elect a person as a Director include:

- the candidate's relevant skills and experience;
- details of material directorships currently held by the candidate;
- details of any material adverse information revealed by the checks the Company undertakes; and
- details of any other relevant position, association, interest or relationship.

In the case of a candidate standing for re-election as a Director, shareholders will also be advised of the term of office currently served by the Director and whether the Board considers the Director to be an independent director.

Before recommending a person be elected, or re-elected, as a Director the Board (excluding the relevant Director) considers the performance of the Director and the needs of the Company.

Director induction and continuing professional development

New Directors are provided with an induction concerning the Company and its operations. The induction program involves briefings from other Directors and management, with the opportunity for the Director to meet with the external auditor. The Director is also provided with briefings on the Board's committees, the roles of the Directors and the Company's business structure. Directors also have the opportunity to undertake professional development activities. These activities include developments relevant to the Company's operations as well as developments in financial reporting, governance matters and legal issues.

Principle 3 – Act ethically and responsibly

The Company's business ethos is to operate in a manner which addresses three fundamental objectives to achieve balanced outcomes. These fundamental objectives are:

- social acceptability;
- economic viability; and
- environmental responsibility.

The Company is committed to meeting these objectives, to monitoring the meeting of these objectives, and to amending its approach if it proves to be inadequate in complying with its stated intentions and plans. In addition, the Company is committed to the public dissemination of this information.

Principle 3 – Act ethically and responsibly (cont.)

Code of Conduct

The Directors, Management and staff of the Company are committed not only to complying with their legal obligations, but also to acting ethically and responsibly, consistent with the reasonable expectations of investors and the broader community. The Company has adopted a Code of Conduct which describes, among other things, the Company's values, and the standards of behaviour expected of all Directors and staff.

The Code of Conduct provides principles for conducting the Company's business including:

- acting with integrity and professionalism, and being scrupulous in the proper use of Company information, funds, equipment and facilities;
- exercising fairness, equity, proper courtesy, consideration and sensitivity in dealing with suppliers, land holders, employees and other stakeholders; and
- avoiding real or apparent conflict of interests.

The Company periodically monitors and ensures compliance with its Code of Conduct. All employees are required to provide annual certification of compliance with the Code.

The Code of Conduct encourages the reporting of unlawful and unethical behaviour, and protects "whistle-blowers" who report known or suspected breaches of the Code in good faith. The Chairman of the Audit Committee has been designated as the person to whom "whistle-blower" reports should be made in the first instance.

Securities Trading Policy

The Company has a Securities Trading Policy which applies to Directors, employees and consultants (insiders). The Securities Trading Policy has two purposes. First, to inform insiders about the legal prohibitions on insider trading (including the consequences of insider trading). Secondly, to establish processes that confine trading in the Company's securities by insiders to circumstances where there is no risk of insider trading or damage to the Company's reputation.

The Securities Trading Policy:

- establishes a blackout period during which trading by insiders is prohibited, except in exceptional circumstances and as approved by the Clearance Officer; and
- requires that, at all other times, the insiders discuss their intention to trade in the Company's securities with the Clearance Officer prior to trading.

Lakes Oil and the Community

The Company is committed to protecting the environment and safeguarding public and employee health in all aspects of its operations. Environmental protection and safe conduct are the responsibility of the Company, its employees, its alliance partners and suppliers of goods and services.

Specifically, the Company seeks to:

- comply with the intent and provision of all applicable laws, regulations and standards;
- minimise environmental impacts;
- ensure that employees, partners, suppliers and the public are made fully aware of the Company's responsibility for the effect of its operations on the environment;
- ensure adequate management systems and procedures are in place to manage and mitigate the risks to the environment from the Company's operations; and
- commit to continual improvement in environmental management performance.

Principle 4 -Safeguard integrity in corporate reporting

Audit Committee

The Board has established an Audit Committee consisting of:

- Mr Barney Berold (Chairman of the Committee);
- Mr William R Stubbs; and
- Professor Ian R. Plimer.

The qualifications and experience of the Committee members, as well as attendance at meetings of the Committee, can be found in the Company's Directors' Report.

Under its Charter, the Audit Committee is responsible for:

- considering the Company's financial statements for the half and full year, including Chairman / Chief Financial Officer letter of representation to the Board and Management;
- recommending the operational and compliance risk policies for approval by the Board;
- reviewing assurances on the effectiveness of the internal control systems;
- recommending to the Board the appointment of the external auditor;
- overseeing and appraising the independence, effectiveness and scope of work of the external auditor;
- approving proposals for the external auditor to provide non-audit services;
- reviewing the effectiveness of the process implemented to monitor compliance with applicable laws and regulations; and
- providing an avenue of communication between the external auditor and the Board.

Assurance process for financial statements

The Company has adopted internal control processes aimed at ensuring the integrity of the Company's financial statements. A key part of this process involves the Chairman and the Chief Financial Officer providing declarations to the Board in respect of the financial statements and the Company's internal control processes.

The declaration, which addresses the matters required by section 295A of the Corporations Act and recommendation 4.2 of the Corporate Governance Principles and Recommendations, provides assurance to the Board that, in the opinion of the Chairman and the Chief Financial Officer:

- the financial records of the Company, for the financial year, have been properly maintained in accordance with the Corporations Act; and
- the financial statements, and the notes for the financial year, comply with the accounting standards; and
- the financial statements and notes for the financial year give a true and fair view.

The declaration also confirms that the opinion expressed by the Chairman and Chief Financial Officer has been formed on the basis of a sound system of risk management and internal control which, in their opinion, is operating effectively.

Principle 4 -Safeguard integrity in corporate reporting (cont.)

Role of the external auditor

The principal function of the Company's external auditor is to provide an audit report on the Company's statutory financial reports in accordance with the requirements of the Corporations Act and applicable standards. As noted above, the Audit Committee engages with the external auditor throughout that process.

The Company's external auditor attends the annual general meeting and is available to answer questions from shareholders regarding the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in the preparation of its financial statements and the independence of the auditor in relation to the conduct of the audit.

Principle 5 – Make Timely and balanced disclosure

The Board and Senior Management are aware of the Continuous Disclosure requirements of the ASX, and acknowledge that they have an obligation to keep ASX fully informed of the Company's activities.

The Company has adopted a Disclosure Policy which addresses:

- the Company's disclosure obligations, in particular its obligations of continuous disclosure;
- the Company's processes for identifying potentially market sensitive information and for disclosing to ASX market sensitive information which does not fall within the carve-outs in Listing Rule 3.1A, promptly and without delay;
- the role of the Company's disclosure officer in coordinating the disclosures of the Company;
- procedures to prevent premature disclosure of otherwise market sensitive information; and
- the process for requesting a trading halt if considered necessary, including where there may be a false market in the Company's shares on ASX.

The Company Secretary has been appointed as the disclosure officer for the purpose of the Company's Disclosure Policy.

The Chairman and Chief Executive Officer are the only persons authorised to make statements on the Company's behalf as a matter of course. The Company Secretary is responsible for overseeing and coordinating the disclosure of information to the ASX, analysts, stockbrokers, shareholders, the media and the public.

Principle 6 – Respect the Rights of Shareholders

Information about the Company and its governance

The Company provides information about itself and its governance processes on the Company's website. Information about the Company, its history and operations is available on the website, as well as recent developments.

In the "News and Reports" section of the Company's website, copies of the Company's ASX announcements, annual reports and financial statements, half-yearly reports, quarterly reports and copies of notices of meetings are all available. In the "Corporate Governance" section of the Company's website, the following documents are available:

- Corporate Governance Statement;
- Constitution;
- Code of Conduct;
- Securities Trading Policy;
- Audit Committee Charter; and
- Remuneration Committee Charter.

Principle 6 – Respect the Rights of Shareholders (cont.)

Investor relations program and communications with shareholders

The Company's investor relations program is intended to build on the disclosures made by the Company to shareholders through its periodic reports (and on the Company's website) and the annual general meeting. The Chairman is responsible for facilitating communication with shareholders, and responds directly to shareholder inquiries in a responsible way having regard to the Company's continuous disclosure obligations and the processes in the Company's Disclosure Policy (described above). Also, throughout the year, shareholders can submit questions to the Company (via email at lakes@lakesoil.com.au).

Maintaining communications with shareholders also provides the opportunity for the Company to receive and, where appropriate, consider further, views provided by the Company's shareholders.

Shareholders have the option of providing their email address to the Company's share registry for the purpose of receiving communications from the Company electronically.

Participation at shareholder meetings

The Board encourages all shareholders to participate in the meetings of the Company.

All shareholders are encouraged to attend the annual general meeting and are invited to raise any questions or concerns regarding the Company both in advance of the meeting and at the meeting.

Copies of presentations made at the annual general meeting are lodged with ASX and made available on the Company's website after the meeting.

Principle 7 – Recognise and Manage Risk

The Board is ultimately responsible for setting the Company's risk appetite and ensuring that management have implemented processes to identify and manage risk.

The risk management framework and the Company's approach to risk is described in this section.

Role of the Board and the Audit Committee

The Company has not established a separate committee to oversee risk. The Board considers that oversight of risk is a function for the whole Board, given the size of the Company and the nature and scope of its operations. In the area of financial risk, the Audit Committee has a role to play (as described above at Principle 4).

The processes employed by the Board to oversee the Company's risk management framework involves:

- adopting a Risk Management Strategy for the Company which covers areas that include financial risk, operational risk, insurance and internal control;
- monitoring management implementation of that strategy; and
- periodically considering, with management, the effectiveness of that strategy and whether improvements or modifications should be made.

Principle 7 – Recognise and Manage Risk (cont.)

The Risk Management Strategy involves, among other things:

- regular reporting to the Board about the Company's financial performance and business and operational trends. These reports assist in identifying any key variations from prior periods and/or budget. They also highlight credit, foreign exchange and other business risks.
- project approval processes that require extensive review by technical staff and detailed submissions to the Board. The operations of the Company consist of a search for oil, gas and minerals, and projects are only considered after a review and evaluation of all technical data on record. External consultants are engaged as required as part of this process. Environmental matters are considered with every new project and are fully evaluated and reported before approval by the Board.
- the reporting to the Board (and the Audit Committee) of material or systemic instances of fraud, regulatory non-compliance or events or accidents with the potential to harm employees or other people or the environments in which the Company operates.
- maintaining appropriate insurances for the Company, having regard to its operations, the availability of cover and the costs involved. A leading insurance broker is engaged to ensure that appropriate insurance cover is in place at all times.

The Risk Management Strategy will be reviewed by the Board and management, annually.

Internal control processes

The Board does not have an internal audit function. Having regard to the Company's size, nature and scope of its operations, transactional volume, and fixed administration costs, the Board considers that it is not appropriate at this time.

The Audit Committee's responsibilities include some internal audit functions. The Audit Committee is responsible for reviewing assurances on the effectiveness of the internal control system provided by management. The Directors believe this system of internal control is appropriate to the Company's level of potential risk.

Material exposures to sustainability risks

The company's Annual Report includes details of certain business and operational risks applicable to the Company, including the current regulatory risk associated with the Victorian Government's moratorium on hydraulic fracturing and all exploration for oil and gas in Victoria, adversely impacting the ability of the Company to undertake exploration activities. The Company is seeking to manage that risk, by looking at possibilities for exploration interstate.

The Company does not consider that it has material exposure to sustainability risks. However, the Company seeks to identify and pre-empt sustainability risks, even though they do not currently give rise to material exposure. Given the nature of the Company's activities and the industry in which it operates, some possible sustainability risks that the Company may face are discussed below.

Economic sustainability risks

The ASX Corporate Governance Principles and Recommendations define economic sustainability risks as those risks going to the ability of the Company to continue operating at a particular level of economic production over the long term.

Principle 7 – Recognise and Manage Risk (cont.)
Economic sustainability risks (cont.)

As the Company's operations and strategy involves identifying and ultimately extracting carbon fossil fuels, changes in the regulatory regime (eg. greenhouse gas emission legislation or restrictions) could significantly impact the Company's economic production over the long term.

The Company's economic sustainability over the long term could be impacted by the actions of lobby groups, landholders and community members opposed to oil and gas exploration and development. The Company can seek to manage these by complying with all applicable environmental regulatory requirements and through engagement with the community to explain the nature of the Company's operations and their potential benefits.

Environmental sustainability risks

The ASX Corporate Governance Principles and Recommendations define environmental sustainability risks as those risks going to the ability of the Company to continue operating in a manner that does not compromise the health of the ecosystems in which it operates over the long term.

Exploration for oil and gas involves technical analysis of geological information and drilling programs. The extraction of unconventional oil and gas involves hydraulic fracturing to stimulate the wells. Some sectors of the community have raised concerns about the risks that hydraulic fracturing may pose to the environment, including water resources. A desire to address the concerns of some in the community is one reason why the Victorian Government introduced its moratorium on hydraulic fracturing activities and all exploration for oil and gas in Victoria.

The Company's approach to hydraulic fracturing and all other exploration techniques has been to employ significant safeguards to ensure that the risk of harm to the environment is appropriately managed. The Company also seeks to understand and employ the latest technology and processes in its drilling and exploration activities to ensure that environmental sustainability risks are managed.

Social sustainability risks

The ASX Corporate Governance Principles and Recommendations define social sustainability risks as those risks going to the ability of the Company to continue operating in a manner that meets the accepted social norms and needs over the long term.

The Company understands the direct social impact that it can have on the areas and communities in which it is licensed to operate. The Company recognises the need to understand the cultural and spiritual significance to the community of these areas, and works closely with relevant community groups and people to identify significant cultural and heritage sites and any impact the Company's activities may have on them.

The Company is very actively involved in the communities in which it operates. These activities not only facilitate the operational performance of the Company, but they are vital to the Company's strategy to support progress in the development of the oil and gas resources in Victoria. This will not only benefit the local communities but ultimately benefit the State of Victoria.