

Corporate governance statement

This document discloses the extent to which Lakes Oil NL ACN 004 247 214 (**Company**) has followed the recommendations set by the ASX Corporate Governance Council in the third edition of its Corporate Governance Principles and Recommendations (**ASX Recommendations**) during the relevant part of the reporting period.

This document is current as at 28 September 2018 and has been approved by the board of the Company.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 1: Lay solid foundations for management and oversight		
<p>Recommendation 1.1</p> <p>A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	<p>Yes</p> <p>Yes</p>	<p>Refer to “Principal 1 – Roles and responsibilities of the Board and management” in the Company’s Corporate Governance Charter for further detail which is located on the Company’s website at the following link:</p> <p>http://lakesoil.net.au/2017/10/20/corporate-governance/</p>
<p>Recommendation 1.2</p> <p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>Yes</p> <p>Yes</p>	<p>Refer to “Principal 2 – Structure the Board to add value” in the Company’s Corporate Governance Charter for further detail which is located on the Company’s website at the following link:</p> <p>http://lakesoil.net.au/2017/10/20/corporate-governance/</p> <p>Information regarding the proposed re-election of directors is included in the Company’s Notice of Meetings to shareholders.</p>
<p>Recommendation 1.3</p> <p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>Yes</p>	<p>Details of current Executive contracts are included in the Company’s Annual Remuneration Report in the 2018 Annual Report.</p>
<p>Recommendation 1.4</p> <p>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.</p>	<p>Yes</p>	<p>Refer to “Principal 1 – Roles and responsibilities of the Board and management” in the Company’s Corporate Governance Charter for further detail which is located on the Company’s website at the following link:</p> <p>http://lakesoil.net.au/2017/10/20/corporate-governance/</p>

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<p>Recommendation 1.5 A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board:</p> <p>(i) to set measurable objectives for achieving gender diversity; and</p> <p>(ii) to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period:</p> <p>(i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and</p> <p>(ii) either:</p> <p>(A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.</p>	<p>No</p> <p>No</p> <p>Yes</p> <p>Yes</p> <p>N/A</p>	<p>The Company has not adopted a formal diversity policy.</p> <p>The Board supports the ASX Recommendations with respect to gender diversity and diversity more broadly, but considers that, given the size of the Company, the profile of the current Board and the limited number of employees, it is inappropriate at this time to adopt a formal diversity policy. In the future, as the Company increases activity and size, it will assess all staff and Board appointments on merit with consideration of diversity as an important element in the decision making.</p> <p>The Board is committed to establishing measurable objectives for achieving gender diversity (as well as broader forms of diversity to include matters of age, race, disability, religious or cultural background and sexual orientation) when the Company has grown to a point where it is appropriate to do so.</p> <p>The proportion of men and women on the board, women in senior executive positions and women employees in the whole organisation as at reporting date was as follows:</p> <table border="1" data-bbox="1368 855 2018 975"> <thead> <tr> <th>Gender</th> <th>Board</th> <th>Senior executive positions</th> <th>Whole organisation</th> </tr> </thead> <tbody> <tr> <td>No of women</td> <td>0</td> <td>1</td> <td>1</td> </tr> <tr> <td>% women</td> <td>0%</td> <td>12.5%</td> <td>12.5%</td> </tr> </tbody> </table>	Gender	Board	Senior executive positions	Whole organisation	No of women	0	1	1	% women	0%	12.5%	12.5%
Gender	Board	Senior executive positions	Whole organisation											
No of women	0	1	1											
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<p>Recommendation 1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Yes</p> <p>Yes</p>	<p>Refer to "Principal 1 – Roles and responsibilities of the Board and management" in the Company's Corporate Governance Charter for further detail which is located on the Company's website at the following link:</p> <p>http://lakesoil.net.au/2017/10/20/corporate-governance/</p> <p>The performance of the Board is monitored and appraised on a continuous basis against agreed work goals. A performance evaluation in accordance with the above process was not undertaken in 2018, and would be included in future reports.</p>												

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<p>Recommendation 1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Yes</p> <p>Yes</p>	<p>Refer to “Principal 1 – Roles and Responsibilities of the Board and Management” in the Company’s Corporate Governance Charter for further detail which is located on the Company’s website at the following link:</p> <p>http://lakesoil.net.au/2017/10/20/corporate-governance/</p> <p>The performance of Senior Executives is monitored and appraised on a continuous basis against agreed work goals for the Senior Executives. A performance evaluation in accordance with the above process was undertaken in the 2018 financial year.</p>
Principle 2: Structure the board to add value		
<p>Recommendation 2.1 The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</p>	<p>(a) No</p> <p>(i) N/A</p> <p>(ii) N/A</p> <p>(iii) N/A</p> <p>(iv) N/A</p> <p>(v) N/A</p> <p>(b) Yes</p>	<p>Due to the size of the Company and the Board, the Board will fulfil the roles and responsibilities in relation to nomination.</p> <p>Refer to “Principal 2 – Structure the Board to add value” in the Company’s Corporate Governance Charter for further detail which is located on the Company’s website at the following link:</p> <p>http://lakesoil.net.au/2017/10/20/corporate-governance/</p>
<p>Recommendation 2.2 A listed entity should have and disclose a board skill matrix setting out the mix of</p>	<p>Yes</p>	<p>Refer to “Principal 2 – Structure the Board to add value” in the Company’s Corporate Governance Charter for further detail which is located on the</p>

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
skills and diversity that the board currently has or is looking to achieve in its membership.		Company's website at the following link: http://lakesoil.net.au/2017/10/20/corporate-governance/
<p>Recommendation 2.3 A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>The Board consists of seven Directors, all of whom are Non-Executive Directors.</p> <p>Of the Directors, Mr Richard Ash, Mr Barney Berold and Mr Chris Tonkin, are considered to be independent having regard to the factors relevant to the consideration of independence of a director set out in the ASX Corporate Governance Principles and Recommendations.</p> <p>Mr Nicholas Mather is Executive Chairman and Mr William Stubbs is a Non-Executive Director of Armour Energy Ltd, a substantial shareholder of the Company and on these bases are not characterised as independent (noting that being an officer of a substantial shareholder is an example of a relationship described in the Corporate Governance Principles and Recommendations as indication that a director may not be independent).</p> <p>Professor Ian Plimer and Mr Kyle Wightman are not considered independent as they have been nominated to the Board by Timeview Enterprises Pty Ltd, a substantial shareholder of the Company.</p> <p>The Directors are satisfied that Mr Mather, Mr Stubbs, Professor Plimer and Mr Wightman bring relevant experience and focus to the Board to ensure that decisions are made in the best interests of the Company as a whole.</p> <p>The lengths of service are as follows:</p> <ul style="list-style-type: none"> • Barney Berold (Appointed 13 February 2007) • Nicholas Mather (Appointed 1 February 2012) • Kyle Wightman (Appointed 4 August 2014) • William Stubbs (Appointed 1 February 2012) • Chris Tonkin (Appointed 9 September 2015) • Ian Plimer (Appointed 27 January 2013) • Richard Ash (Appointed 20 August 2018)

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<p>Recommendation 2.4 A majority of the board of a listed entity should be independent directors.</p>	No	<p>As noted above in Recommendation 2.3, the Board is composed of all Non-Executive Directors, three of whom are independent (Mr Richard Ash, Mr Barney Berold and Mr Chris Tonkin).</p> <p>Whilst the Board recognises that it is desirable for the majority of the Board to be Independent Directors, the Directors are satisfied that the structure of the Board, with seven Non-Executive Directors, is appropriate for the Company, given its size and the nature and scope of its current operations. Should the Company's operations expand, the composition of the Board, including the number of independent directors, would be further considered.</p>
<p>Recommendation 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.</p>	Yes	<p>The Chairman, Mr Chris Tonkin is an independent Non-Executive Director.</p> <p>The roles of Chairman and Chief Executive Officer are exercised by different individuals, being Mr Chris Tonkin and Mr Roland Sleeman, respectively.</p>
<p>Recommendation 2.6 A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.</p>	Yes	<p>Refer to "Principal 2 – Structure the Board to Add Value" in the Company's Corporate Governance Charter for further detail which is located on the Company's website at the following link:</p> <p>http://lakesoil.net.au/2017/10/20/corporate-governance/</p>
<p>Principle 3: Act ethically and responsibly</p>		
<p>Recommendation 3.1 A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<p>Yes</p> <p>Yes</p>	<p>For further detail refer to the Company's Code of Conduct which is located on the Company's website at the following link:</p> <p>http://lakesoil.net.au/2017/10/20/corporate-governance/</p>

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Principle 4: Safeguard integrity in financial reporting		
<p>Recommendation 4.1</p> <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the relevant qualifications and experience of the members of the committee; and</p> <p>(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>No</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>N/A</p>	<p>The Board has established an Audit Committee, which operates under a formal charter approved by the Board, to which it has delegated the responsibility to establish and maintain the framework of internal control and ethical standards for the management of the company. The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. At the date of this report the Committee comprises of three members, the majority of whom are non-independent Directors and the Chair of the Committee is not the Chair of the Board as follows:</p> <ul style="list-style-type: none"> - Mr Barney Berold – Independent Chairman - Mr William Stubbs – Non-Independent Member - Professor Ian Plimer – Non-Independent Member <p>For further information, refer to the Company’s Audit Committee Charter which is located on the Company’s website at the following link:</p> <p>http://lakesoil.net.au/2017/10/20/corporate-governance/</p> <p>Refer to the Company’s 2018 Annual Report which is located on the Company’s website at the following link:</p> <p>http://lakesoil.net.au/announcements/</p>
<p>Recommendation 4.2</p> <p>The board of a listed entity should, before it approves the entity’s financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>Yes</p>	<p>The CEO and Chief Financial Officer execute Section 295A declarations and submit to the Audit Committee and Board prior to approving the Annual Report.</p>
<p>Recommendation 4.3</p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>Yes</p>	<p>The External Auditor attends the Company Annual General Meeting.</p>

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Principle 5: Make timely and balanced disclosure		
<p>Recommendation 5.1</p> <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>Yes</p> <p>Yes</p>	<p>Refer to “Principal 5 – Make Timely and Balanced Disclosure” in the Company’s Corporate Governance Charter for further detail which is located on the Company’s website at the following link:</p> <p>http://lakesoil.net.au/2017/10/20/corporate-governance/</p>
Principle 6: Respect the rights of security holders		
<p>Recommendation 6.1</p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	<p>Yes</p>	<p>Refer the company Corporate Governance charter located on the Company’s website at the following link:</p> <p>http://lakesoil.net.au/2017/10/20/corporate-governance/</p>
<p>Recommendation 6.2</p> <p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>Yes</p>	<p>Refer to “Principal 6 – Respect the Rights of Shareholders” of the Company’s Corporate Governance statement located on the Company’s website at the following link:</p> <p>http://lakesoil.net.au/2017/10/20/corporate-governance/</p>
<p>Recommendation 6.3</p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	<p>Yes</p>	<p>Refer to “Principal 6 – Respect the Rights of Shareholders” of the Company’s Corporate Governance statement located on the Company’s website at the following link:</p> <p>http://lakesoil.net.au/2017/10/20/corporate-governance/</p>
<p>Recommendation 6.4</p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	<p>Yes</p>	<p>Refer to “Principal 6 – Respect the Rights of Shareholders” of the Company’s Corporate Governance statement located on the Company’s website at the following link:</p> <p>http://lakesoil.net.au/2017/10/20/corporate-governance/</p>

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 7: Recognise and manage risk		
<p>Recommendation 7.1</p> <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.</p>	<p>(a) No</p> <p>(i) N/A</p> <p>(ii) N/A</p> <p>(iii) N/A</p> <p>(iv) N/A</p> <p>(v) N/A</p> <p>(b) Yes</p>	<p>The Board is ultimately responsible for setting the Company's risk appetite and ensuring that management have implemented processes to identify and manage risk.</p> <p>For more information refer to "Principal 7 – Recognise and Manage Risk" of the Company's Corporate Governance Statement at the following link:</p> <p>http://lakesoil.net.au/2017/10/20/corporate-governance/</p>
<p>Recommendation 7.2</p> <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and</p> <p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p>	<p>Yes</p> <p>Yes</p>	<p>The Company regularly undertake reviews of its risk management framework to establish an effective and efficient system for:</p> <p>(i) identifying, assessing, monitoring and managing risk; and</p> <p>(ii) disclosing any material change to the Group's risk profile.</p> <p>For more information refer to "Principal 7 – Recognise and Manage Risk" of the Company's Corporate Governance Statement at the following link:</p> <p>http://lakesoil.net.au/2017/10/20/corporate-governance/</p>

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<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>a. N/A</p> <p>b. Yes</p>	<p>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.</p> <p>For more information refer to "Principal 7 – Recognise and Manage Risk" of the Company's Corporate Governance Statement at the following link: http://lakesoil.net.au/2017/10/20/corporate-governance/</p>
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Yes</p>	<p>For more information refer to "Principal 7 – Recognise and Manage Risk" of the Company's Corporate Governance Statement at the following link: http://lakesoil.net.au/2017/10/20/corporate-governance/</p>
<p>Principle 8: Remunerate fairly and responsibly</p>		
<p>Recommendation 8.1</p> <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>No</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>N/A</p>	<p>The Remuneration Committee comprises all members of the Board, the majority of whom are non-independent, and meets when necessary to consider and select candidates for the position of director. The Chair of the Remuneration Committee is an independent director. The composition of the Remuneration Committee, and details on the number of meetings, can be found in the Directors' Report of the Annual Report. A copy of the Remuneration Committee charter can be found on the Company's website. The Committee Comprises of:</p> <ul style="list-style-type: none"> - Barney Berold – Independent Chairman - Nicholas Mather – Non-Independent Member - Kyle Wightman - Non-Independent Member <p>Refer to the Company's Remuneration Committee Charter which is located on the Company's website at the following link: http://lakesoil.net.au/2017/10/20/corporate-governance/</p> <p>Refer to the Company's 2018 Annual Report which is located on the Company's website at the following link: http://lakesoil.net.au/announcements/</p>

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<p>Recommendation 8.2</p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	Yes	<p>Separate disclosure regarding the remuneration of the Company's directors (Executive and Non-Executive) and CEO is disclosed in the Company's Annual report, as lodged with the ASX and issued to shareholders.</p> <p>A copy of the latest Annual Report containing this disclosure can be accessed at http://lakesoil.net.au/announcements/</p>
<p>Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	N/A	The Company does not have an equity based remuneration scheme in place.