



## 2019 Corporate Governance Statement

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The Board of Lakes Oil NL ACN 004 247 214 (the “**Company**”) is responsible for the overall corporate governance of the Company. The Board believes that good corporate governance helps ensure the future success of the Company, adds value to stakeholders and enhances investor confidence.

The ASX Listing Rules require listed companies to prepare a statement disclosing the extent to which they have complied with the recommendations of the ASX Corporate Governance Council (**Recommendations**) during the reporting period. The Recommendations are not prescriptive, such that if a company considers a recommendation to be inappropriate having regard to its own circumstances, it has the flexibility not to follow it. Where a company has not followed all the Recommendations, it must identify which Recommendations have not been followed and provide reasons for not following them.

This Corporate Governance Statement (**Statement**) discloses the extent to which Lakes Oil NL has followed the Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation. This Statement should be read in conjunction with the material on our website [www.lakesoil.net.au](http://www.lakesoil.net.au), including the 2019 Annual Report.

This Statement is current as at 4 October 2019 and has been approved by the Board of Directors of Lakes Oil NL.

### **PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

#### **Recommendation 1.1 - Role of the Board and Management**

The role of the Board is to provide overall strategic guidance and effective oversight of management.

The Board has a formal Board Charter which is available on our website at <http://lakesoil.net.au/2017/10/20/corporate-governance/>.

The Board charter sets out the specific responsibilities of the Board, requirements as to the Board’s composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment and operation of management of Board Committees, Directors’ access to Company records and information, details of the Board’s relationship with management, details of the Board’s performance review and details of the Board’s disclosure policy.

The Board delegates responsibility for the day-to-day management of the Company and its business to the Chief Executive Officer (**CEO**). The CEO is supported by the senior executive team and delegates authority to appropriate senior executives for specific activities. The Board maintains ultimate responsibility for strategy, control and risk profile of the Company.

#### **Recommendation 1.2: Appointment of Directors**

The Company has guidelines for the appointment and selection of the Board which require the Board to undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a Director.

We provide our shareholders with all material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in a Notice of Meeting pursuant to which the resolution to elect or re-elect a Director will be voted on.



### **Recommendation 1.3: Appointment Terms**

Each director and senior executive is party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment. Details of executive contracts in place are detailed in the Company's Annual Remuneration Report in the 2019 Annual Report.

### **Recommendation 1.4: Company Secretary**

The Board is supported by the Company Secretary, whose role includes supporting the Board on governance matters, assisting the Board with meetings and directors' duties, and acting as an interface between the Board and senior executives across the Group. The Board and individual Directors have access to the Company Secretary.

Under the Company's governance framework, the Company Secretary is accountable to the Board, through the Chair, on all matters regarding the proper functioning of the Board. The Board is responsible for the appointment of the Company Secretary.

Details regarding our Company Secretary, including experience and qualifications, is set out in the 2019 Annual Report.

### **Recommendation 1.5: Diversity Policy**

The workforce of the Company comprises individuals with diverse skills, backgrounds, perspectives and experiences and this diversity is valued and respected.

For further information please refer "Principal 1 – Lay Solid Foundations for management and oversight" under Company's Corporate Governance Charter on the Company's website at <http://lakesoil.net.au/2017/10/20/corporate-governance/>.

The proportion of women on the Board, in senior executive positions and women across the entire organisation as at date of the report was as follows:

- Women on the Board – 0%
- Women in senior executive positions – 14%
- Women across the entire organisation – 12%

The Board has set the following diversity objectives:

The Company is still in the process of developing measurable objectives for achieving gender diversity. The measurable objectives are proposed to be set by the Board will be included in the annual key performance indicators for the CEO and senior executives. In addition, the Board will review progress against the objectives in its annual performance assessment (once adopted).

### **Recommendation 1.6: Board Performance Assessment**

The Board is committed to formally evaluating its performance, the performance of its committees (if applicable) and individual Directors, as well as the governance processes supporting the Board. The Board does this through an annual assessment process.

The review process involves:



- completion of a questionnaire/survey by each director, facilitated by the Company Secretary;
- the preparation and provision of a report to each director with feedback on the performance of the Board based on the survey results; and
- The Board meeting to discuss any areas and actions for improvement.

A Board performance assessment took place for the financial year ended 2019. An analysis of the data collected indicated that the Board is functioning effectively against the majority of its criteria.

#### **Recommendation 1.7: Senior Executive Performance Assessment**

Senior Executives are appointed by the Board and their Key Performance Indicators (**KPI's**) contain specific financial and non-financial objectives.

These KPI's are reviewed annually by the Board. The performance of each Senior Executive against these objectives is evaluated annually.

Performance evaluations were undertaken during the reporting period by the Company in accordance with the process.

#### **PRINCIPLE 2 – BOARD STRUCTURE**

##### **Recommendation 2.1: Nomination Committee**

The Board has established a Remuneration & Nomination Committee to assist the Board in ensuring it is equipped to discharge its responsibilities. The Committee has guidelines for the nomination and selection of directors and for the operation of the Board.

Whilst the Committee has been formed, given the size and nature of the Company's operations to date the Board has chosen to discuss those matters usually considered by the Nomination & Remuneration Committee on a regular basis at the full Board during its regular meetings.

At the date of this report the Committee comprised of:

- Prof Ian Plimer (Non - Independent Chair)
- Nicholas Mather (Non - Independent Member)
- Kyle Wightman (Independent Member)

The Committee did not have a majority of Independent members at all times during the year. Due to the current size and nature of the Company's operations the Board considers this committee the most efficient and effective composition.

The Nomination & Remuneration Committee Charter is available on the Company's website at <http://lakesoil.net.au/2017/10/20/corporate-governance/>.

Details of meetings held by the Committee during the year and member attendances are set out in the 2019 Annual Report.

##### **Recommendation 2.2: Board Skills Matrix**

The Company has an objective to have an appropriate mix of expertise and experience on our Board so that it can effectively discharge its corporate governance and oversight responsibilities. The Board Charter requires the disclosure of each Board member's qualifications and expertise.



A Board Skills Matrix Review took place for the financial year ended 2019. An analysis of the data collected indicated that the current directors possess a broad mix of relevant skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the Company's strategic objectives.

To the extent that any skills are not directly represented on the Board, they are augmented through management and external advisors.

Full details of each Directors' relevant skills and experience are set out in the June 2019 Directors' Report.

### **Recommendation 2.3: Independent Directors**

An independent director is a non-executive director who is not a member of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of judgement.

The Board regularly assesses the independence of each Non-Executive Director in light of the information which each Director is required to disclose in relation to any material contract or other relationship with the Company in accordance with the director's terms of appointment, the Corporations Act 2001, and the Board Charter.

When appointing an independent director or reviewing the independence of its Directors, the Board will have regard to the definition of independent director and the factors set out in the Recommendations, in particular the factors relevant to assessing the independence of a director set out in Recommendation 2.3.

The Board currently has three independent directors, Mr Richard Ash, Mr Chris Tonkin and Mr Kyle Wightman. Professor Ian Plimer and Mr Nicholas Mather are not considered independent due to their relationships with the substantial shareholders of the Company.

The Board considers the Non-Executive directors to be independent having regard to the indicia in Box 2.3 in the ASX Recommendations. The Board has considered the holdings of shares in the Company by these Non-Executive directors and is of the opinion that their respective interests in shares would not materially interfere with, or could be reasonably perceived to interfere with, the independent exercise of their judgement in their position as a Director. The Board also considers that they are otherwise free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their judgement, and that each of these Directors is able to fulfil the role of independent Director for the purposes of the ASX Recommendations.

The Board's assessment of each current Director is set out below.

<b>Name</b>	<b>Position</b>	<b>Appointment date</b>	<b>Status</b>
Richard Ash	Non-Executive Director	20 August 2018	Independent
Chris Tonkin	Non-Executive Chairman	9 September 2015	Independent
Prof Ian Plimer	Non-Executive Director	27 January 2013	Non-Independent
Kyle Wightman	Non-Executive Director	4 August 2014	Independent
Nicholas Mather	Non-Executive Director	1 February 2012	Non-Independent

### **Recommendation 2.4: Majority Independence**

As at 30 June 2019, three of our five Directors are deemed independent and the Company does have a majority of independent directors.



The Company has a majority of independent directors on the Board consistent with Recommendation 2.4.

Further information regarding our Directors, including their experience and qualifications, is set out in the Directors' Report of our 2019 Annual Report.

#### **Recommendation 2.5: Board Chair**

The Chairman, Mr Chris Tonkin is an independent Non-Executive Director.

The roles of Chairman and Chief Executive Officer are exercised by different individuals, being Mr Chris Tonkin and Mr Roland Sleeman, respectively.

#### **Recommendation 2.6: Induction, Education and Training**

In accordance with the Company's Remuneration & Nomination Committee Charter, the Remuneration & Nomination Committee is responsible for establishing and reviewing induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.

Directors are also encouraged to personally undertake appropriate training and refresher courses as appropriate to maintain the skills required to discharge their obligations to the Company.

### **PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY**

#### **Recommendation 3.1: Code of Conduct**

The Board expects all directors, employees and contractors to act with the utmost integrity and objectivity, and in compliance with the letter and the spirit of the law and Company policies striving at all times to enhance the reputation and performance of the Company, in the following areas;

- Business ethics;
- Compliance with laws;
- Personal and professional conduct;
- Respect for others and improper behaviour;
- Dealings with suppliers, customers, advisers and regulators;
- Dealing with the community; and
- Dealing with other employees.

The Company and its directors have always promoted ethical and responsible decision-making and the Company's Code of Conduct and this may be viewed on the Company's website <http://lakesoil.net.au/2017/10/20/corporate-governance/>.

### **PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

#### **Recommendation 4.1: Audit Committee**

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board has established an Audit & Risk 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:

- Kyle Wightman (Independent Chair)
- Prof Ian Plimer (Non- Independent Member)
- Richard Ash (Independent Member)

The Committee consists of majority of Independent members as at the date of the report.

The Audit & Risk Committee Charter is available on the Company's website at <http://lakesoil.net.au/2017/10/20/corporate-governance/>.

Details of meetings held by the Committee during the year and member attendances are set out in the 2019 Annual Report.

#### **Recommendation 4.2: Assurances**

The Chief Executive Officer (**CEO**) and Chief Financial officer (**CFO**) provide an annual declaration to the Board prior to the Board's approval of the Company's full year financial results. This process was followed for the June 2019 full year financial results, where the CEO and CFO provided a declaration to the Board that, in their opinion, the financial records 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 Group, and their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. On this basis, the June 2019 full year financial results were approved by the Board.

#### **Recommendation 4.3: External Auditor**

Our external auditor, Pitcher Partners, attends our AGM and a representative is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Pitcher Partners's independence declaration is contained in the 2019 Annual Report.

The effectiveness, performance and independence of the external auditor is reviewed annually by the Audit & Risk Committee.

### **PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE**

#### **Recommendation 5.1: Continuous Disclosure Policy**

We are committed to providing information to shareholders and to the market in a manner that is consistent with the meaning and intention of the ASX Listing Rules and the Corporations Act.

To comply with these obligations, the Company has adopted "Principal 5 – Make Timely and Balanced Disclosure" in its Corporate Governance Charter, which is available on our website at <http://lakesoil.net.au/2017/10/20/corporate-governance/>.

The Board has overarching responsibility for compliance with continuous disclosure obligations.



The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market and in compliance with our Securities Trading Policy (as applicable). In accordance with continuous disclosure obligations under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner. The Company website includes a link to all information disclosed to the ASX.

## **PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS**

### **Recommendation 6.1: Information and Governance**

Information about the Company and its corporate governance policies is available on our website at <http://lakesoil.net.au/2017/10/20/corporate-governance/>.

### **Recommendation 6.2: Investor Relations**

We endeavour to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions.

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.

### **Recommendation 6.3: Shareholder Meeting Participation**

Shareholders are forwarded the Company's Annual Report, if requested (it is otherwise made available on the Company's website), and documents relating to each general meeting, being the notice of meeting, any explanatory memorandum and a proxy form and shareholders are invited to attend these meetings.

The Board regards each general meeting as an important opportunity to communicate with shareholders and it provides a key forum for shareholders to ask questions about the Company, its strategy and performance. At shareholder meetings, the Company provides an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and if applicable our external auditor.

One of the Company's key communication tools is its website located at [www.lakesoil.net.au](http://www.lakesoil.net.au). The Company endeavours to keep its website up to date.

### **Recommendation 6.4: Electronic Communication 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. Links are made available to the Company's website on which all material information provided to the ASX are posted.

For more information refer to "Principal 6 – Respect the Rights of Shareholders" of the Company's Corporate Governance Charter available on the Company's website at <http://lakesoil.net.au/2017/10/20/corporate-governance/>.

## **PRINCIPLE 7 – RECOGNISE AND MANAGE RISK**

### **Recommendation 7.1: Risk Committee**

The Company's Audit & Risk Committee also has delegated responsibilities in relation to risk management as set out in the Audit & Risk Committee Charter. Its role includes assisting the Board to:



- (i) Review and make recommendations regarding the adequacy and integrity of the Company's risk management framework and system of internal controls; and
- (ii) Reviewing compliance with relevant laws and regulations.

At the date of this report the Committee comprises of:

- Kyle Wightman (Independent Chair)
- Prof Ian Plimer (Non-Independent Member)
- Richard Ash (Independent Member)

The Committee consists of majority of Independent members as at the date of the report.

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 Audit & Risk Committee Charter is available on the Company's website at <http://lakesoil.net.au/2017/10/20/corporate-governance/>.

Details of meetings held by the Committee during the year and member attendances are set out in the 2019 Annual Report.

#### **Recommendation 7.2: Review of Risk Management Framework**

The Company regularly undertake reviews of its risk management framework to establish an effective and efficient system for:

- (i) identifying, assessing, monitoring and managing risk; and
- (ii) disclosing any material change to the Company's risk profile.

The Board continually monitors the Company's risk management framework.

#### **Recommendation 7.3: Internal Audit**

The Audit & Risk Committee Charter provides for the Committee to monitor the need for an internal audit function.

The Company did not have an internal audit function for the past financial year. Due to the size of the Company, the Board does not consider it necessary to have an internal audit function.

The Company will employ the following process for evaluating and continually improving the effectiveness of its risk management and internal control processes:

- (i) the Audit & Risk Committee will monitor the need for an internal audit function having regard to the size, location and complexity of the Company's operations.
- (ii) the Audit & Risk Committee will periodically undertake an internal review of financial systems and processes where systems are considered to require improvement these systems are developed.

#### **Recommendation 7.4: Economic, Environmental and Social Sustainability 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.



For more information refer to “Principal 7 – Recognise and Manage Risk” of the Company’s Corporate Governance Charter available on the Company’s website at <http://lakesoil.net.au/2017/10/20/corporate-governance/>.

## **PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBILITY**

### **Recommendation 8.1: Remuneration Committee**

The Board has established a Nomination & Remuneration Committee to assist the Board in ensuring it is equipped to discharge its responsibilities. The Committee has guidelines for the managing remuneration-related matters.

At the date of this report the Committee comprises of:

- Prof Ian Plimer (Non - Independent Chair)
- Nicholas Mather (Non-Independent Member)
- Kyle Wightman (Independent Member)

The Chair of the Remuneration Committee is currently not considered as an independent director.

The Remuneration & Nomination & Committee Charter is available on the Company’s website at <http://lakesoil.net.au/2017/10/20/corporate-governance/>.

Details of meetings held by the Committee during the year and member attendances are set out in the 2019 Directors’ Report.

### **Recommendation 8.2: Remuneration Policies and Practices**

Details of the Company’s remuneration practices for its Directors and senior executives are disclosed in the Remuneration Report in the Company’s 2019 Annual Report.

Separate disclosure regarding the remuneration of the Company’s directors (executive and non-executive) is disclosed in the Company’s Annual report, as lodged with the ASX and issued to shareholders.

### **Recommendation 8.3: Equity Based Remuneration Scheme**

The Company does not have an equity-based remuneration scheme.