

LAKE RESOURCES N.L. CORPORATE GOVERNANCE STATEMENT 2017

Introduction

This statement outlines the corporate governance practices of Lake Resources N.L. (the “Company”) and its board of directors (the “Board”) during the financial year ended 30 June 2017.

The Company and the Board have operated for the entire year in accordance with the ASX Corporate Governance Principles and Recommendations 3rd Edition and as required under ASX listing rules unless otherwise stated below. The Directors have reviewed the recommendations and approved the Company’s Corporate Governance Statement as at 30 June 2017.

It should be noted that the small size of the company and the specialised nature of the mineral exploration industry has necessitated modification in the application of some of the recommendations, whilst endeavouring to keep faith with the underlying principles of the recommendations. For many of the recommendations the Company achieved the standard required. For some recommendations, where certain aspects of the recommendation are considered by the Board to be unduly onerous for a Company of the size of Lake Resources, the Company has implemented alternative arrangements.

The Company’s position in respect to each of the eight principles outlined in the ASX Corporate Governance Principles and Recommendations 3rd Edition are set out below.

A copy of this statement can be found on the company’s website at www.lakeresources.com.au

Principle 1: Lay solid foundations for management and oversight.

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

Recommendation 1.1:

A listed entity should disclose:

- (a) the respective roles and responsibilities of its board and management; and**
- (b) those matters expressly reserved to the board and those delegated to management.**

The board is responsible for the performance and overall corporate governance of the company including the strategic direction, selection of executive directors, establishing goals for management and monitoring the achievement of those goals and approval of budgets.

Day to day management of the company’s affairs and implementation of the corporate strategy are delegated by the board to the managing director and ultimately to senior contract employees.

For the purposes of the proper performance of their duties, the directors are entitled to seek independent advice at the company’s expense, unless the board determines otherwise. The board schedules meetings on a regular basis and other meetings as and when required.

The company has not formally established the functions reserved to the board and those delegated to senior executives in accordance with Recommendation 1.1 of the ASX Corporate Governance Council. Given the small size of the company and the limited scope of its activities, the board has not considered it necessary to formulate a formal board charter at this time.

Recommendation 1.2

A listed entity should:

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and**
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.**

A brief biography of each director is published on the Company’s website and in the annual financial reports of the Company.

In accordance with Recommendation 1.2, appropriate background checks are carried out prior to the appointment of new directors in respect of checking qualifications and experience, and screening for bankruptcy or criminal convictions.

Directors are elected by shareholders and, in accordance with the Company's constitution; no Director may hold office for a period longer than three years without standing for re-election by shareholders at the Annual General Meeting. Each Director appointed by the board of directors during the year will also, in accordance with the Company's constitution stand for re-election at the next annual General Meeting following his or her appointment.

The Board ensures that the Notice of Meeting sent to all shareholders prior to the AGM includes all material information obtained by the Company to enable shareholders to make an informed decision in respect of the re-election of directors at the AGM.

Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointments.

The Company has written agreements in place with its current directors setting out the terms of their appointment.

Recommendation 1.4

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.

The Company Secretary reports directly and is accountable to the Board, in relation to all governance matters. The Company Secretary advises the board members on governance matters, implements adopted governance procedures and coordinates circulation of meeting agendas and papers. The appointment and removal of the Company Secretary is decided by the Board.

Recommendation 1.5

A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess both the objectives and the entity's progress in achieving them;**
- (b) disclose that policy or a summary of it; and**
- (c) disclose at the end of each reporting period 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 either;**
 - (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organization (including how the entity has defined "senior executive" for these purposes); or**
 - (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.**

The Board recognizes the importance of diversity in the workplace including gender, ethnicity, cultural background and age. The Company does not discriminate on any of these grounds for appointments, remuneration or promotion or other matters. However because of the small size of the Company and the limited scope of its operations, the Company has not developed or made formal disclosures in accordance with Recommendation 1.5 of the ASX Corporate Governance Council.

It should be noted that the Company has no permanent employees – its exploration activities are usually undertaken by contractors and consultants on an "as-needed" basis.

Recommendation 1.6

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Because of the small size of the Company and the limited scope of its operations, the Company has not established or disclosed a formal process for evaluation of the Board, Board Committees or individual directors. Nor has it been considered necessary to seek outside assistance in performance evaluation.

Recommendation 1.7

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the senior executives; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Because of the small size of the Company and the limited scope of its operations, the Company has not established or disclosed a formal process for evaluation of senior executives. As with performance evaluation of directors, performance evaluation for executives is a discretionary matter for consideration by the entire board and in the normal course of events, the board reviews the performance of the executives and management as a whole.

Principle 2: Structure the Board to add value

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

The Board currently has three directors - two non-executive directors and one executive director:

Stuart Crow – Non-executive Chairman of the Company.

Stuart has global experience in financial services, corporate finance, investor relations, international markets, salary packaging and stock broking. Stuart is passionate about assisting emerging listed companies to attract investors and capital and has owned and operated his own businesses. Mr Crow is a director of a number of listed entities; TNG Limited and Todd River Resources Limited (both ASX listed) and Ironridge Resources Limited (listed on AIM) and unlisted entity Bryah Resources Limited.

Steve Promnitz - Chief Executive officer,

Steve has considerable technical and commercial experience in Argentina, a geologist fluent in Spanish, and a history of exploring, funding and developing projects. Mr Promnitz has previously been CEO and 2IC of mid-tier listed mineral explorers and producers (Kingsgate Consolidated, Indochine Mining), in corporate finance roles with investment banks (Citi, Westpac) and held technical, corporate and management roles with major mining companies (Rio Tinto/CRA, Western Mining).

Nick Lindsay - Non-executive Director

Nick has over 25 years' experience in Argentina, Chile and Peru in technical and commercial roles in the resources sector with major and mid-tier companies, as well as start-ups. Nick has a BSc (Hons) degree in Geology, a PhD in Metallurgy and Materials Engineering as well as an MBA.

A fluent Spanish speaker, he has successfully taken companies in South America, such as Laguna Resources which he led as Managing Director, from inception to listing, development and subsequent acquisition. Nick is currently CEO of Manuka Resources Ltd, an unlisted company, having previously held the position of President – Chilean Operations for Kingsgate Consolidated Ltd is a member of the AusIMM and the AIG.

The three directors are dedicated to building long-term value in the Company for shareholders. The small size of the Company and the specialist nature of the minerals exploration industry have generally led

shareholders to place importance on increasing shareholder value by having a board with strong industry experience.

The high-risk nature of exploration funding has also led to shareholders preferring directors to be directly or indirectly involved in the provision of capital.

Recommendation 2.1:

The Board of a listed entity should:

(a) have a nomination committee which:

- (1) has at least three members, a majority of whom are independent directors; and**
- (2) is chaired by an independent director; and disclose:**
- (3) the charter of the committee;**
- (4) the members of the committee; and**
- (5) 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**

(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, knowledge, experience and diversity to enable it to discharge its duties and responsibilities effectively.

The Company does not have a nomination committee at the present time because of the small size of the company and the limited scope of its operations. As set out above (Principle 2), the current board has the appropriate balance of skills, knowledge, experience and diversity to enable it to discharge its duties and responsibilities effectively.

Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out a mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Company does not currently have a board skills or diversity matrix. The Board considers that such a matrix is not necessary given the small size of the company and the limited scope of its operations. Adoption of a board skills and diversity matrix would be considered if there is a material change in the scope and activities of the Company and its Board.

Recommendation 2.3

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;**
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 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**
- (c) the length of service of each director.**

The Chair, Mr Stuart Crow, appointed on 14 November 2016, is a non-executive director and shareholder, yet is not a substantial security holder of the Company that it would breach the factors relevant to assessing the independence of a director per box 2.3. The Board considers that Mr Crow has demonstrated the appropriate experience, skills and integrity to act independently and without compromise in the best interests of the company, its shareholders and the community.

Mr Nick Lindsay was appointed on 18 July 2017 and is considered to be independent by the Board.

Recommendation 2.4

A majority of the Board of a listed entity should be independent directors.

Two out of the three directors of the Board are independent, namely Mr Stuart Crow and Mr Nick Lindsay.

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.

The Chair, Mr Stuart Crow, is a non-executive director. Whilst Mr Crow is a shareholder of the Company he is deemed not to be a substantial security holder and therefore meets the criteria as set out in the ASX guidance on corporate governance. Mr Promnitz is the CEO.

Recommendation 2.6

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their roles as directors effectively.

The directors have the appropriate balance of skills, knowledge, experience and diversity to enable them to perform their roles and responsibilities effectively. The directors are also involved in other public companies and they attend seminars and industry conferences which enable them to maintain their understanding of relevant industry matters and technical advancements. The Board ensures that its members understand the company's operations, including site visits where appropriate.

Because of the small size of the Company and the limited scope of its operations, the Company has not yet established a formal program for inducting new directors.

Principle 3: Act ethically and responsibly

A listed entity should act ethically and responsibly.

Recommendation 3.1

A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and**
- (b) disclose that code or a summary of it.**

The Board acknowledges and emphasises the importance of all directors, employees, contractors and agents maintaining the highest standards of corporate governance and ethical conduct. Directors are obliged to be independent in judgment and ensure that all reasonable steps are taken to ensure due care is taken by the board in making sound decisions. The Company has an established reputation for the highest standard of ethical conduct - for example, it has never made facilitation payments to government officials in overseas countries.

The Company has a code of conduct, updated from time to time and published in the Corporate Governance Statement on the Company's website. The Company's code of conduct, which has been strictly adhered to, is summarised below;

- act honestly with integrity and in good faith
- avoid conflicts and make full disclosure of any possible conflicts of interest,
- take great care to ensure the integrity and security of all the Company's confidential information
- All personal information of the Company's suppliers, customers and employees is to be treated as confidential
- Treat each other and all suppliers, competitors, clients, customers and other stakeholders fairly and with respect
- Comply with all laws and regulations relating to the Company

- Ensure timely and full disclosure of material to the ASX
- Report any instances of actual or suspected fraudulent or unethical behaviour

The Board takes ultimate responsibility for these matters. In fulfilling their duties, each director may obtain independent professional advice at the Company's expense, subject to prior approval of the Chair, whose approval will not be unreasonably withheld.

Principle 4: Safeguard integrity in corporate reporting

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation 4.1:

The board of a listed entity should:

- (a) have an audit committee which:**
 - (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and**
 - (2) is chaired by an independent director, who is not chair of the board, and disclose:**
 - (3) the charter of the committee;**
 - (4) the relevant qualifications and experience of the members of the committee; and**
 - (5) 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**
- (b) if it does not have an audit committee, disclose the fact, and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.**

The Board is small and acts as a whole as the audit committee. The small size of the Company with the three directors as the only persons handling company operations including signing all contracts and disbursements, means there is close and direct contact in all aspects of implementing and monitoring all financial systems and reporting.

The half-yearly and annual reports are audited by external auditors, Nexia Brisbane Audit Pty Ltd, who demonstrate quality and independence. The external auditor provides an annual declaration of their independence to the company. The external auditor attends the annual general meetings of the Company to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Recommendation 4.2:

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, in their opinion, 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.

Prior to approving the Company's financial statements, the managing director advises the Board that the declaration in accordance with the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 4.3

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.

The external auditor attends each annual general meeting of the Company and is available to answer questions from security holders relevant to the audit.

Principle 5: Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and**
- (b) disclose that policy or a summary of it.**

The Company has a policy that all shareholders, investors and the general public have timely and equal access to the company's information.

As an exploration company, there is regular reporting to shareholders through the ASX Periodic Disclosure requirements, which call for quarterly operational and cash flow reporting. This reporting is additional to more conventional reporting by all companies of half yearly and annual financial results. All of the company's quarterly and annual reports and other disclosures are made available on the comprehensive company website and copies of the annual financial and activities reports are distributed in hard copy to all shareholders by mail.

The Board is thoroughly aware of its Continuous Disclosure obligations which require immediate reporting of material events, particularly in relation to exploration progress. The Company has a demonstrated history of disclosure, through ASX announcements, of material events such as exploration results and joint ventures.

The Company has not established a formal written policy to ensure compliance with ASX Listing Rule disclosure requirements. The Board takes ultimate responsibility for these matters by following the ASX Listing Rule disclosure requirements rigorously, and does not consider adoption and disclosure of a formal disclosure policy is appropriate at this stage.

Principle 6: Respect the rights of security holders

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

The Company maintains a website containing comprehensive information on the Company including a company profile, corporate strategy, policy statements including corporate governance, board of directors, newsflashes and contact information. All of the Company's quarterly and annual reports and other disclosures are available on the Company website.

Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual and interim financial statements. The Directors are personally acquainted with many of the shareholders of the Company and encourage them to visit the Company's office to view the exploration data and discuss the progress of the exploration program with the managing director.

Telephonic, email and written communications from shareholders are dealt with promptly, usually by the managing director.

The Board takes ultimate responsibility for these matters and does not consider that the adoption of a formal written investor relations program is appropriate at this stage.

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

Shareholders are encouraged to attend and participate in the annual general meetings of the company, to lodge questions to be responded to by the board, and are able to appoint proxies.

The Board takes ultimate responsibility for these matters and does not consider that the adoption of a formal written investor participation policy is appropriate at this stage.

Recommendation 6.4

A listed entity should give security holders the option to receive communications from and send communications to, the entity and its security registry electronically.

All material reports and disclosures are made by the company through ASX announcements and on the company website. As noted above, telephonic, email and written communications from security holders are dealt with promptly, usually by the managing director. Security holders with registry matters are referred to the Company's share registry, Link Market Services Limited.

Principle 7: Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1

The Board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:**
 - (1) has at least three members, a majority of whom are independent directors; and**
 - (2) is chaired by an independent director; and disclose:**
 - (3) the charter of the committee;**
 - (4) the members of the committee; and**
 - (5) 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**
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.**

The small size of the Company does not warrant establishment of a separate risk management committee. The role of the risk management committee is undertaken by the full board. The Board sets the framework for the company's long term success, approving its annual budget, assessing business risks and providing overall risk management policy guidance. The Board monitors all aspects of the business from the operational level through to strategic level risks, including safety, ethical and environmental performance, on a continuing basis to ensure compliance with laws and ethical behaviour.

The Company has not publicly disclosed a formal policy in accordance with Recommendation 7.1 of the ASX Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider adoption and disclosure of a formal oversight and risk management policy is appropriate at this stage.

Recommendation 7.2

The board or a committee should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and**
- (b) disclose, in relation to each reporting period, whether such a review has taken place.**

The managing director reports regularly to the Board on the effectiveness of the Company's management of its material business risk. The greatest risk, of course, is the low probability of success for minerals exploration. The managing director has advised the Board that he believes the company's management of its material business risks is effective.

Recommendation 7.3

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs;**
or
- (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.**

The internal audit function is undertaken by the Board as a whole and where appropriate by the managing director, who approves all significant invoice payments. The effectiveness of the Company's risk management and internal control processes are subject to continual review by the Board.

Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Board considers that the Company does not have, currently or in the foreseeable future, any material exposure to economic, environmental and social sustainability risks.

Principle 8: Remunerate fairly and responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

The Company is small and since its foundation in 1997, has had no full-time employees. Contract services are purchased at market rates. Where possible, contract employees are remunerated using a combination of cash and company shares. The remuneration of all directors is detailed in the Remuneration Report section of the Directors' Report in the company's annual financial report. Any increase in director's fees is subject to approval by security holders at the annual general meeting.

Recommendation 8.1

The board of a listed entity should:

- (a) have a remuneration committee which:
 - (1) has at least three members, a majority of whom are independent directors; and**
 - (2) is chaired by an independent director; and disclose:**
 - (3) the charter of the committee;**
 - (4) the members of the committee; and**
 - (5) as at the end of the reporting period, the number of times the committee met****

- throughout the period and the individual attendances of the members at those meetings;
or
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.**

The Company does not have a remuneration committee – that function is performed by the Board as a whole. As noted above, the Company is small and has no full-time employees. Contract services are purchased at market rates. Where possible, contract employees are remunerated using a combination of cash and company shares. Any increase in director's fees is subject to approval by security holders at the annual general meeting.

Recommendation 8.2

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.

As noted above, the Company is small and has no full-time employees. Contract services are purchased at market rates. Where possible, contract employees are remunerated using a combination of cash and company shares. Any increase in director's fees is subject to approval by security holders at the annual general meeting.

Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

- (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**
- (b) disclose that policy or a summary of it.**

The Company does not have a formal equity-based remuneration scheme. From time to time, contractors may be paid using a combination of cash and company shares with the value of the shares component determined by the board based on recent average share price or recent share issue price.