

Corporate Governance

The Board is responsible for the overall corporate governance of the Company, and it recognises the need for the highest standards of ethical behaviour and accountability. The Board is committed to administering its Corporate Governance structures to promote integrity and responsible decision-making.

The following policies and procedures have been implemented and are available in full on the company's website at www.laconia.com.au

- Statement of Board and Management Functions;
- Nomination Committee Charter;
- Code of conduct for directors and key executives;
- Code of conduct for dealing in securities;
- Audit Committee Charter;
- Continuous Disclosure Policy;
- Shareholder Communications Strategy;
- Risk Management Charter;
- Remuneration Committee Charter; and
- Corporate Code of Conduct.

In accordance with the recommendations of the ASX, information published on the Company's web site includes charters of the Board and its subcommittees, codes of conduct and other policies and procedures relating to the board and its responsibilities.

To the extent that they are relevant to the organisation, the Company has adopted the Eight Corporate Governance Principles and Best Practice Recommendations as published by the ASX Corporate Governance Council.

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1: *Companies should establish the functions reserved to the board and those delegated to senior executives*

The Board's primary role is to represent shareholders and to promote and protect the interests of Laconia Resources Limited by governing the Company.

To fulfill this role the Board is responsible, amongst other things, for:

- overseeing the activities of the Company, including its control and accountability systems;
- providing input into and final approval of corporate strategy and performance objectives;
- reviewing, ratifying and monitoring systems of risk management and internal control;

- monitoring performance and implementation of strategy;
- approving policies of Company-wide and general application;
- approving and monitoring budgets, capital management and acquisitions and divestments;
- approving and monitoring all financial reporting to the market;
- formal determinations that are required by the Company's constitutional documents or by law or other external regulation.

Beyond those matters, the Board has delegated all authority to the Managing Director for management of the Company's business within any limits imposed by the Board.

Recommendation 1.2: *Companies should disclose the process for evaluating the performance of senior executives*

The company currently only employs one executive being the Managing Director. The Company has established a nomination committee which is responsible for the evaluation of all executives and board members.

Principle 2 – Structure the board to add value

Recommendation 2.1: *A majority of the board should be independent directors.*

The board comprises three directors, two of whom are non-executive however only the chair is classified as independent. The board believes that this is both appropriate and acceptable at this stage of the Company's development

Recommendation 2.2: *The chair should be an independent director.*

The chair is independent.

Recommendation 2.3: *The roles of chair and chief executive officer should not be exercised by the same individual.*

These positions are held by separate persons

Recommendation 2.4: *The board should establish a nomination committee*

Established and operates under the Nomination Committee Charter. The nomination committee's main responsibilities include, but are not limited to:

- to implement processes to assess the necessary and desirable competencies of board members including, experience, expertise, skills and performance of the board and its committees;
- evaluate on the performance of the managing director;
- annually evaluate the performance and effectiveness of the Board to facilitate the directors fulfilling their responsibilities in a manner that serves the interests of shareholders;
- before recommending an incumbent, replacement or additional director, review his or her qualifications, including capability, availability to serve, conflicts of interest, and other relevant factors;

- assist in identifying, interviewing and recruiting candidates for the Board; and
- annually review the composition of each committee and present recommendations for committee memberships to the Board as needed.

Recommendation 2.5: *Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.*

Disclosed under the Nomination Committee Charter which is available on the company's website.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1: *Companies should establish a code of conduct and disclose the code*

The board has established Code of Conduct which all employees and directors are expected, at a minimum to follow. The Code of conduct categorises five main areas:

- the treatment each other with respect and dignity;
- respect for the law and acting accordingly;
- fairness and honest in our dealings;
- use of the Company's property responsibly and in the best interest of the Company and its reputation; and
- responsibility for our actions and accountable for their consequence.

Recommendation 3.2: *Companies should establish a policy concerning trading in company securities*

Laconia has established a Code for Dealing in Securities (**Code**) which sets out the requirements for Directors, employees, consultants and contractors of Laconia dealing in Laconia securities. In order to ensure that Laconia Personnel do not inadvertently breach the insider trading provisions of the Corporations Act, they are only permitted to deal in Laconia securities in limited circumstances determined by this Code. These limited circumstances are called "**trading windows**" and are determined by the provisions of this Code.

Even during trading windows, a securities dealing written request must be submitted to and approved by the Chair or his delegate prior to any dealing in Laconia securities.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1: *The board should establish an audit committee*

Recommendation 4.2: *The audit committee should be structured so that it:*

- *consists only of non-executive directors*
- *consists of a majority of independent directors*
- *is chaired by an independent chair, who is not chair of the board*
- *has at least three members*

Recommendation 4.3: *The audit committee should have a formal charter*

Laconia has established an Audit Committee consisting of the Company Secretary and 2 non-executive directors, only one of whom is classified as independent. As there are only three directors, it is not possible to have an independent chair who is not chair of the board. The Audit Committee operates under the Audit Committee Charter which lists the main responsibilities of the Committee being:

- review any financial reports externally;
- monitor corporate risk assessment processes;
- review the nomination and performance of the external auditor;
- monitor the establishment of appropriate ethical standards;
- monitor the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements;
- address any matters outstanding with auditors, Australian Taxation Office (ATO), Australian Securities and Investments Commission (ASIC), ASX Limited (ASX) and financial institutions; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls and to monitor the implementation of any recommendations made.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1: *Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance*

Laconia has adopted a Continuous Disclosure Policy, a copy of which is available on the Company's website

The policy aims to:

- ensure that the Company, as a minimum, complies with its continuous disclosure obligations under the Corporations Act and ASX Limited Listing Rules and as much as possible seeks to achieve and exceed best practice;
- provide shareholders and the market with timely, direct and equal access to information issued by the Company; and
- promote investor confidence in the integrity of the Company and its securities

Principle 6 – Respect the rights of shareholders

Recommendation 6.1: *Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings.*

The Company has a Shareholder Communication policy, a copy of which is available on the Company's website. The Policy specifically encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and

identification with the Company's strategy and goals and outlines the various ways in which the Company communicates with shareholders.

Principle 7 – Recognise and manage risk

Recommendation 7.1: *Companies should establish policies for the oversight and management of material business risks*

The Company has established a Risk Management Committee to monitor and review on behalf of the Board the system of risk management which the Group has established. This system should identify, assess, monitor and manage operational and compliance risks.

Recommendation 7.2: *The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively.*

The Risk Committee determines the Group's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and non-financial internal control.

The Committee will report to the Board on this system of risk management and make appropriate recommendations to ensure the adequacy of the system.

Recommendation 7.3: *The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of 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*

When required, the Board will receive written assurances from the CEO and CFO in relation to the above statement.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1: *The board should establish a remuneration committee.*

A remuneration committee has been formed which operates under the Remuneration Committee Charter. Its primary responsibilities are:

- assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and policies including incentive policies for directors and senior executives;
- assess the market to ensure that senior executives are being rewarded commensurate with their responsibilities;
- obtain the best possible advice in establishing salary levels;
- set policies for senior executives' remuneration;
- review the salary levels of senior executives and make recommendations to the Board on any proposed increases;
- review recommendations from the MD relating to proposed merit increases;

- propose, for full Board approval, the terms and conditions of employment for the MD;
- undertake a review, which will be reported to and confirmed by the full Board, of the MD's performance, at least annually, including setting the MD goals for the coming year and reviewing progress in achieving those goals;

The Board will consider on an ongoing basis its Corporate Governance procedures and whether they are sufficient as the Company's activities develop in size, nature and scope