

Appendix 4G

Key to Disclosures
Corporate Governance Council Principles and Recommendations

Name of entity:

STOKES LIMITED

ABN / ARBN:

ABN 24 009 554 929

Financial year ended:

30 JUNE 2015

This Corporate Governance Statement is accurate and up to date as at 4 August 2015 and has been approved by the Board.

The Company's corporate governance policies and charters are all available on the Company's website www.stokes.com.au/corporate-governance

Date: 31 August 2015

Hemant Amin
Company Secretary

¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX. Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

| Corporate Governance Council recommendation | | We have followed the recommendation in full for the whole of the period above. We have disclosed ... ³ | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ³ |
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| PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT | | | |
| 1.1 | <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>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management):</p> <p><input checked="" type="checkbox"/> at http://stokes.com.au/corporate-governance/</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |
| 1.2 | <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 in its possession relevant to a decision on whether or not to elect or re-elect a director.</p> | <p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input checked="" type="checkbox"/> at http://stokes.com.au/corporate-governance/</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |
| 1.3 | <p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p> | <p>... the fact that we follow this recommendation:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [<i>insert location</i>]</p> | <p><input type="checkbox"/> There are no written agreement with any director setting out the terms of their agreement, considering the size and level of current activity</p> |

³ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

| Corporate Governance Council recommendation | | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ³ |
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| 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. | <p>... the fact that we follow this recommendation: The company secretary is responsible for co-ordination of all Board business, and communication with regulatory bodies, ASX, ASIC and all statutory and other filings.</p> <p>The company secretary is accountable to the Board and all Directors have access to the company secretary. The decision to appoint or remove the company secretary is made by the Board.</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |

| Corporate Governance Council recommendation | | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ³ |
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| 1.5 | <p>A listed entity should:</p> <p>(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 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 the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) 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>(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.</p> | <p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input checked="" type="checkbox"/> at http://stokes.com.au/corporate-governance/</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |
| 1.6 | <p>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>... the evaluation process referred to in paragraph (a):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input checked="" type="checkbox"/> The full board attend to process for periodical evaluation the performance of the board</p> |

| Corporate Governance Council recommendation | | We have followed the recommendation in full for the whole of the period above. We have disclosed ... ³ | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ³ |
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| 1.7 | <p>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>... the evaluation process referred to in paragraph (a):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input checked="" type="checkbox"/> The full board attend to process for periodical evaluation the performance of the senior executives</p> |
| PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE | | | |
| 2.1 | <p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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;</p> <p>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, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p> | <p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input checked="" type="checkbox"/> The Company does not have a separate Nomination Committee.</p> <p>The company is of a size and a level of current activity that enables the full Board to be able to attend to the matters normally attended to by the attended to by a Nomination Committee.</p> |

| Corporate Governance Council recommendation | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ³ |
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| PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE | | |
| 2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership. | <p>... our board skills matrix:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input checked="" type="checkbox"/> When a Board vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the service of a new director with particular skills, the full board will recommend a candidate or panel of candidates with the appropriate expertise.</p> |
| 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. | <p>... the names of the directors considered by the board to be independent directors:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and, where applicable, the information referred to in paragraph (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the length of service of each director:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input checked="" type="checkbox"/> No directors of Stokes who are considered to be independent:</p> <p>Information on director's interest is disclosed in the annual report. The board is of the opinion that such interest does not compromise the independence of the director</p> |
| 2.4 A majority of the board of a listed entity should be independent directors. | <p>... the fact that we follow this recommendation:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input checked="" type="checkbox"/> Considering the size and a level of current activity, the Company has not considered expanding the composition of the current board and appoint more director.</p> <p>The Company may consider to appoint new independent director in future as the level of it's business activity increases</p> |

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| 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 fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input checked="" type="checkbox"/> at http://stokes.com.au/corporate-governance/ | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement |
| 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 role as directors effectively. | ... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i> | <input checked="" type="checkbox"/> There are procedures in place, agreed by the Board, to enable the Directors in furtherance of their duties to seek independent professional advice at the company's expense. |
| PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY | | | |
| 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. | ... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input checked="" type="checkbox"/> at http://stokes.com.au/corporate-governance/ | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement |

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| PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING | | |
| <p>4.1 The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(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</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 corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p> | <p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input checked="" type="checkbox"/> The Company does not have a separate Audit Committee.</p> <p>The company is of a size and a level of current activity that enables the full Board to be able to attend to the matters normally attended to by the Audit Committee.</p> |

| Corporate Governance Council recommendation | | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ³ |
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| 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. | ... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input checked="" type="checkbox"/> at http://stokes.com.au/corporate-governance/ | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement |
| 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 fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at [insert location] | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable |
| PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE | | | |
| 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. | ... our continuous disclosure compliance policy or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input checked="" type="checkbox"/> at http://stokes.com.au/corporate-governance/ | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement |
| PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS | | | |
| 6.1 | A listed entity should provide information about itself and its governance to investors via its website. | ... information about us and our governance on our website: <input checked="" type="checkbox"/> at http://stokes.com.au/corporate-governance/ | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement |
| 6.2 | A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | ... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input checked="" type="checkbox"/> at http://stokes.com.au/corporate-governance/ | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement |

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| 6.3 | A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. | <p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input checked="" type="checkbox"/> at http://stokes.com.au/corporate-governance/</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable</p> |
| 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. | <p>... the fact that we follow this recommendation:</p> <p><input type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at http://stokes.com.au/corporate-governance/</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |
| PRINCIPLE 7 – RECOGNISE AND MANAGE RISK | | | |
| 7.1 | <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(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.</p> | <p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input checked="" type="checkbox"/> at http://stokes.com.au/corporate-governance/</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |

| Corporate Governance Council recommendation | | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ³ |
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| 7.2 | <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p> | <p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |
| 7.3 | <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>[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement at http://stokes.com.au/corporate-governance/</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |
| 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. | <p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input checked="" type="checkbox"/> The Company does not have any material exposure to economic, environmental and social sustainability risks</p> |

| Corporate Governance Council recommendation | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ³ |
|--|--|---|
| PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY | | |
| <p>8.1 The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</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>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ 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><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input checked="" type="checkbox"/> The Company does not have a separate Remuneration Committee.</p> <p>The company is of a size and a level of current activity that enables the full Board to be able to attend to the matters normally attended to by the Remuneration Committee.</p> |
| <p>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.</p> | <p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input checked="" type="checkbox"/> The Company does not have a separate Remuneration Committee.</p> <p>The company is of a size and a level of current activity that enables the full Board to be able to attend to the matters normally attended to by the Remuneration Committee.</p> |

| Corporate Governance Council recommendation | | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ³ |
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| 8.3 | <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> | <p>... our policy on this issue or a summary of it:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [<i>insert location</i>]</p> | <p><input checked="" type="checkbox"/> The Company does not have any equity based remuneration scheme</p> |

STOKES LIMITED

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Stokes Limited (“Stokes” or “the Company”) is responsible for the corporate governance of the economic entity. The Board guides and monitors the business and affairs of Stokes on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines and accountability as the basis for the administration of corporate governance.

CORPORATE GOVERNANCE DISCLOSURES

The Board and management are committed to good corporate governance and have followed the “Principles of good Corporate Governance and Best Practice Recommendations” issued by the Australian Securities Exchange (“ASX”) Corporate Governance Council to the extent that they are applicable to the company.

In summary, Stokes departs from the Guidelines in four key areas:

- First, the majority of the Board is not deemed to be independent Directors. There are currently no independent directors on the Company’s board of directors. This is a departure from Recommendation 2.1;
- Second, Stokes does not have a separate Nomination Committee. This is a departure from Recommendation 2.4. The full Board attends to the matters normally attended to by a Nomination Committee;
- Third, Stokes does not have a separate Remuneration Committee. This is a departure from Recommendation 8.1. The full Board attends to the matters normally attended to by a Remuneration Committee. Remuneration levels are set by the company in accordance with industry standards to attract suitable qualified and experienced Directors and senior executives; and
- Fourth, Stokes currently does not have a separate audit committee. This is a departure from Recommendation 4.1. The company is of a size and a level of current activity that enables the full Board to be able to attend to the matters normally attended to by the Audit Committee.

ROLE OF THE BOARD

The key responsibilities of the Board include:

- appointing, evaluating, rewarding and if necessary the removal of senior management;
- development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the company;
- overseeing the management of business risks, safety and occupational health, environmental issues and community development;
- satisfying itself that the financial statements of the company fairly and accurately set out the financial position and financial performance of the company for the period under review;
- satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and financial and other reporting; including reporting under listing rules 3.19A and 3.19B and section 205G of the Corporations act 2001, are in place and functioning appropriately.
- assuring itself that appropriate audit arrangements are in place;

STOKES LIMITED

CORPORATE GOVERNANCE STATEMENT (continued)

- ensuring that the company acts legally and responsibly on all matters and assuring itself that the company has adopted, and that the company's practice is consistent with, a number of guidelines, being:
 - Directors and Executive officers Code of Conduct;
 - Dealings in Securities; and
 - Reporting and Dealing with Unethical Practices.
- reporting to and advising shareholders.

STRUCTURE OF THE BOARD

Directors of Stokes are considered to be independent when they are independent 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 exercise of their unfettered and independent judgment.

An independent director is a non-executive director (that is, is not a member of management) and:

- is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- within the last three years has not been employed in an executive capacity by the company or its subsidiaries, or been a director after ceasing to hold any such employment;
- is not a principal or employee of a professional advise to the company or its subsidiaries whose billings are a material amount of the adviser's total revenue;
- is not a significant supplier or customer of the company or its subsidiaries, or an officer of or otherwise associated directly or indirectly with a significant supplier or customer. A significant supplier is defined as one whose revenues from the company are a material amount of the supplier's total revenue. A significant customer is one whose amounts payable to the company are a material amount of the customer's total operating costs;
- has no material contractual relationship with the company or its subsidiaries other than as a director of the company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

In accordance with the definition of independence above, there are currently no directors of Stokes who are considered to be independent:

There are procedures in place, agreed by the Board, to enable the Directors in furtherance of their duties to seek independent professional advice at the company's expense.

The term in office held by each director is as follows:

| Name | Term |
|-------------|-------------|
| Peter Jinks | No Contract |
| Greg Jinks | No Contract |
| Con Scrinis | No Contract |

When a Board vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the service of a new director with particular skills, the full board will recommend a candidate or panel of candidates with the appropriate expertise.

The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

The company secretary is responsible for co-ordination of all Board business, and communication with regulatory bodies, ASX, ASIC and all statutory filings and is accountable to the Board and all Directors have access to the company secretary. The decision to appoint or remove the company secretary is made by the Board

STOKES LIMITED

CORPORATE GOVERNANCE STATEMENT (continued)

STRUCTURE OF THE BOARD (continued)

Remuneration and Nomination Committee

The Board has not established a formal Remuneration or Nomination Committee. The full Board attends to the matters normally attended to by a Remuneration and a Nomination Committee. Remuneration levels are set by the company in accordance with industry standards to attract suitable qualified and experienced Directors and senior executives.

For full discussion of the company's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period please refer to the Remuneration Report, which is contained within the Director's Report.

There is no scheme to provide retirement benefits to Non-Executive Directors other than superannuation as required by law.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves.

Audit and Risk Management Committee

The Board has not established an Audit and Risk Management Committee. The full Board attends to the matters normally attended to by such a Committee.

The Board acknowledges that when the size and nature of the company warrants an Audit and Risk Management Committee that the Committee will operate under a Charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the company. 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 key performance indicators.

The Board will delegate responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit and Risk Management Committee.

The company's policy is to appoint external auditors who clearly demonstrate independence. The performance of the external auditor is reviewed annually by the Board. The auditors have a policy of rotating the audit partner at least every 5 years. External auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

RISK MANAGEMENT

The Board recognises that the identification and management of risk, including calculated risk taking, is an essential part of creating long term shareholder value. The identification and management of risk by the Board will continue to be monitored. However, until such time as a business or project is acquired by the company, specific risks related to that business or project are currently unknown.

The company will undertake a comprehensive due diligence process, in consultation with its external legal and other advisors prior to making any acquisitions. The preparation of a comprehensive risk management matrix will be prepared once a suitable acquisition has been identified.

The equivalent of the CEO and CFO provide written assurance to the board on an annual basis that to the best of their knowledge and belief, the declaration provided by them 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 relation to financial reporting risks.

The assurances from the equivalent of the CEO and CFO can only be reasonable rather than absolute due to factors such as the need for judgement and possible weaknesses in control procedures.

Any material changes in the company's circumstances are released to the ASX and included on the company's website.

STOKES LIMITED

CORPORATE GOVERNANCE STATEMENT (continued)

BEST PRACTICE RECOMMENDATION

Outlined below are the 8 Essential Corporate Governance Principles as outlined by the ASX and the Corporate Governance Council. The company has complied with the Corporate Governance Best Practice Recommendations except as identified below:

| Corporate Governance Policy | Action Taken and reasons if not adopted |
|--|--|
| <p>Lay solid foundation for management and oversight</p> <p>Principle 1: Recognise and publish the respective roles and responsibilities of the board and management</p> <p>1.1 Formalize and disclose the functions reserved to the board and those delegated to management</p> <p>1.2 Disclose the process for evaluating the performance of senior executives.</p> <p>1.3 Provide the information indicated in ‘Guide to reporting on Principle 1’.</p> <p>Structure the board to add value</p> <p>Principle 2: Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties</p> <p>2.1 A majority of the Board should be independent.</p> <p>2.2 The chairperson should be an independent Director.</p> <p>2.3 The roles of chairperson and Managing Director should not be exercised by the same individual</p> <p>2.4 The board should establish a nomination committee.</p> <p>2.5 Disclose the process for evaluating the performance of the board, its committees and the individual directors.</p> <p>2.6 Provide the information indicated in ‘Guide to Reporting on Principle 2’.</p> | <p>Adopted.</p> <p>The company’s Corporate Governance Policies includes a Board Charter, which discloses the specific responsibilities of the Board</p> <p>The Board monitors the performance of senior management including measuring actual performance against planned performance.</p> <p>The company has provided details of any departures from Principle 1 in this Annual Report</p> <p>Adopted except as follows:</p> <p>Stokes does not comply with this recommendation as none of the Directors are independent.</p> <p>The Chairperson is not an independent director of the company.</p> <p>The roles of the chairperson and Managing Director are not exercised by the same individual.</p> <p>The company is not of a size to justify having a Nomination Committee. Matters typically dealt with by such a Committee are dealt with by the full Board.</p> <p>The Board has adopted a policy to assist in evaluating board performance.</p> <p>The specified information, including details of any departures from principle 2 has been provided in this Annual Report.</p> |

STOKES LIMITED

CORPORATE GOVERNANCE STATEMENT (continued)

BEST PRACTICE RECOMMENDATION (continued)

| Corporate Governance Policy | Action Taken and reasons if not adopted | | | | | | | | | | | | | | | |
|--|---|----|--------|--|--|--------|---|--------------------|---|---|----------------------------------|---|---|------------------------------|---|----|
| <p>Actively promote ethical and responsible decision-making</p> <p>Principle 3: Promote ethical and responsible decision - making</p> <p>Establish a code of conduct to disclose the code or a summary of the code as to:</p> <p>the practices necessary to maintain confidence in the company’s integrity.</p> <p>the practices necessary to take into account their legal obligations and reasonable expectations of their stakeholders.</p> <p>the responsibility and accountability of individuals for reporting or investigating reports of unethical practices.</p> <p>Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.</p> <p>Disclose in each annual report measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.</p> <p>Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.</p> | <p>Adopted.</p> <p>The company’s Corporate Governance Policies include a Directors’ and Executive officer’s Code of Conduct Policy, which provides a framework for decisions and actions in relation to ethical conduct in employment.</p> <p>Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits of, and arising from, employee and Board diversity and the importance of benefiting from all available talent.</p> <p>The diversity policy outlines requirements for the Board to develop measurable objectives for achieving diversity and annually assess both the objectives and the progress in achieving those objectives</p> <p>The diversity policy outlines requirements for the Board to develop measurable objectives for achieving diversity and annually assess both the objectives and the progress in achieving those objectives. Accordingly, the Board has developed the following objectives regarding gender diversity and aims to achieve these objectives over the next five years as Director and senior executive positions become vacant and appropriately qualified candidates become available:</p> <table><tr><td></td><td>Actual</td><td></td></tr><tr><td></td><td>Number</td><td>%</td></tr><tr><td>Women on the Board</td><td>0</td><td>0</td></tr><tr><td>Women in senior Management roles</td><td>0</td><td>0</td></tr><tr><td>Women employees in the group</td><td>4</td><td>16</td></tr></table> | | Actual | | | Number | % | Women on the Board | 0 | 0 | Women in senior Management roles | 0 | 0 | Women employees in the group | 4 | 16 |
| | Actual | | | | | | | | | | | | | | | |
| | Number | % | | | | | | | | | | | | | | |
| Women on the Board | 0 | 0 | | | | | | | | | | | | | | |
| Women in senior Management roles | 0 | 0 | | | | | | | | | | | | | | |
| Women employees in the group | 4 | 16 | | | | | | | | | | | | | | |

CORPORATE GOVERNANCE STATEMENT (continued)

STOKES LIMITED

BEST PRACTICE RECOMMENDATION (continued)

| Corporate Governance Policy | Action Taken and reasons if not adopted |
|---|---|
| <p>Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy</p> <p>Provide the information indicated in 'Guide to Reporting on Principle 3'</p> <p>Safeguard integrity in financial reporting</p> <p>Principle 4: Establish a structure to independently verify and safeguard integrity in financial reporting</p> <p>The Board should establish an audit committee.</p> <p>Structure the audit committee so that it consists of:</p> <ul style="list-style-type: none"> • Only non-executive directors • A majority of independence directors <p>An independent chairperson who is not the chairperson on the Board</p> <p>The audit committee should have a formal operating charter.</p> <p>Provide the information indicated in the 'Guide to reporting on Principle 4'.</p> <p>Promote timely and balanced disclosure</p> <p>Principle 5: Make timely and balance disclosure of all material matters concerning the company</p> <p>Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance and disclose those policies or a summary of those policies.</p> <p>Provide the information indicated in the 'Guide to reporting on Principle 5'.</p> | <p>The Company's Corporate Governance Policies includes a Dealing in Securities Policy which provides comprehensive guidelines on trading in the company's securities.</p> <p>The company has provided details of any departures from principle 3 in this Annual Report.</p> <p>Adopted except as follows:</p> <p>The company is not of a size to justify having a separate Audit and Risk Management Committee. However, matters typically dealt with by such a Committee are dealt with by the full Board</p> <p>Not applicable</p> <p>Not applicable</p> <p>The company has provided details of any departures from principle 4 in this annual Report</p> <p>Adopted.</p> <p>The company has a Continuous Disclosure Policy which is designed to ensure compliance with the ASX Listing Rules requirements on disclosure and to ensure accountability at a board level for compliance and factual presentation of the company's financial position.</p> <p>The company will provide details of any departures from Principle 5 in its Annual Report.</p> |

STOKES LIMITED

CORPORATE GOVERNANCE STATEMENT (continued)

BEST PRACTICE RECOMMENDATION (continued)

| Corporate Governance Policy | Action Taken and reasons if not adopted |
|--|--|
| <p>Respect the rights of shareholders</p> <p>Principle 6: Respect the rights of shareholders and facilitate the effective exercise of those rights</p> <p>Design and disclose a communications policy to promote effective communication with shareholders and encourage effective participation at general meetings and disclose the policy or a summary of the policy.</p> <p>Provide the information indicated in the 'Guide to reporting on Principle 6'.</p> | <p>Adopted.</p> <p>The company's Corporate Governance Policies includes a Shareholder Communications Policy which aims to ensure that the shareholders are informed of all material developments affecting the company's state of affairs.</p> <p>The company has provided details of any departures from Principle 6 in its Annual Report</p> |
| <p>Recognise and manage risk</p> <p>Principle 7: Establish a sound system of risk oversight and management and internal control</p> <p>The Board or appropriate Board committee should establish policies on risk oversight and management of material business risk and disclose a summary of those policies.</p> <p>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 Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.</p> <p>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 risk management and internal control and that the system is operating effectively in all material respects in relation to the financial reporting risks.</p> <p>Provide the information indicated in the 'Guide to reporting on Principle 7'.</p> | <p>Adopted.</p> <p>The company's Corporate Governance Policies includes a Risk Management Policy which aims to ensure that all material business risks are identified and mitigated. The Board identifies the company's 'risk profile' and is responsible for overseeing and approving risk management strategies and policies, internal compliance and internal controls. The Company's Risk Management policy is available on the company's website</p> <p>The Board requires that the Managing Director designs and implements continuous risk management and internal control systems and provides reports at relevant times.</p> <p>The board seeks, at the appropriate times, these relevant assurances from the individuals appointed to perform the role of Managing Director and the Chief Operating Officer.</p> <p>The company has provided details of any departures from Principle 7 in this Annual Report.</p> |

STOKES LIMITED

CORPORATE GOVERNANCE STATEMENT (continued)

BEST PRACTICE RECOMMENDATION (continued)

| Corporate Governance Policy | Action Taken and reasons if not adopted |
|--|---|
| <p>Remuneration fairly and responsibly</p> <p>Principle 8: Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined</p> <p>The board should establish a remuneration committee.</p> <p>The remuneration committee should be structured so that it: consists of a majority of independent directors; is chaired by an independent director; and has at least three members.</p> <p>Clearly distinguishes the structure of non-executive director's remuneration from that of executive directors and senior executives.</p> | <p>Adopted except as follows:</p> <p>The company is not of a size to justify having a separate remuneration committee. However, matters typically dealt with by such a committee are dealt with by the full Board.</p> <p>Not applicable.</p> <p>The board distinguishes the structure of non-executive Director's remuneration from that of executive Directors and senior executives. The company's Constitution provides that the remuneration of non-executive Directors will be not more than the aggregated fixed sum by a general meeting of shareholders.</p> |