



## CORPORATE GOVERNANCE

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*. The Company seeks to follow the best practice recommendations for listed companies to the extent that it is practicable.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company does not consider that the practices are appropriate for the Company due to the size of Company operations.

Set out below are the principal corporate governance practices of the Company.

### 1. Board of Directors

#### 1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors, the Managing Director, the Chief Financial Officer and other key executives in the performance of their roles.

#### 1.2 Composition of the Board

The Board consists of four Directors – one Executive Director (the Managing Director) and three Non-Executive Directors. It is the intention of the Company to appoint in the future additional Non-Executive Directors in order to comply with the recommendation that a majority of the Board should be independent. Directors are appointed based on the specific governance skills required by the Company and on the independence of their decision-making and judgment.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. The following criteria for independence has been adopted by the Company.

An Independent Director:

1. is a Non-Executive Director and:
2. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;



3. within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
4. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
5. is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
6. has no material contractual relationship with the Company or other group member other than as a Director of the Company;
7. 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; and
8. 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.

The Chairman is a Non-Executive Director, and there is a clear division of responsibility between the Chairman and the Managing Director.

### ***1.3 Responsibilities of the Board***

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

1. *Leadership of the Organisation:* overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
2. *Strategy Formulation:* working with senior management to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
3. *Overseeing Planning Activities:* overseeing the development of the Company's strategic plan and approving that plan as well as the annual and long term budgets.
4. *Shareholder Liaison:* ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. *Monitoring, Compliance and Risk Management:* overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
6. *Company Finances:* approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting.
7. *Human Resources:* appointing, and, where appropriate, removing the Managing Director and



Chief Financial Officer (CFO) as well as reviewing the performance of the Managing Director and monitoring the performance of senior management in their implementation of the Company's strategy.

8. *Ensuring the Health, Safety and Well-Being of Employees:* in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.

9. *Delegation of Authority:* delegating appropriate powers to the Managing Director to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

#### **1.4 Board Policies**

##### *1.4.1 Conflicts of Interest*

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the *Corporations Act*, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

##### *1.4.2 Commitments*

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

##### *1.4.3 Confidentiality*

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

##### *1.4.4 Continuous Disclosure*

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Upon confirmation of receipt from the ASX, the Company posts all information disclosed in



accordance with this policy on the Company's website in an area accessible by the public.

#### *1.4.5 Education and Induction*

New Directors undergo an induction process in which they are given a full briefing on the Company. Where possible, this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- details of all relevant legal requirements;
- access to a copy of the Board Charter;
- Guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development.

#### *1.4.6 Independent Professional Advice*

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

#### *1.4.7 Related Party Transactions*

Related party transactions include any financial transaction between a Director and the Company and will be reported in writing to each Board meeting. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

#### *1.4.8 Shareholder Communication*

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the Company's website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and



- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

#### *1.4.9 Trading in Company Shares*

The Company has adopted a share dealing code for the Directors and employees, which is appropriate for a company whose shares are admitted to trading on the ASX, and the Company will take all reasonable steps to ensure compliance by its Directors and any relevant employees. The share dealing code is summarised as follows:

- consistent with the legal prohibitions on insider trading contained in the Corporations Act, all employees, officers and directors are prohibited from trading in the Company's securities while in possession of unpublished price sensitive information; and
- unpublished price sensitive information is information, which a reasonable person would expect to have a material affect on the price or value of the Company's securities. Examples may include:
  - the financial results of the Company and any of its subsidiaries;
  - projections of future earnings or losses;
  - changes in senior management; and
  - results of drilling and or production testing.

It should be noted that either positive or negative information may be material. An employee, officer or director, whilst in possession of unpublished price sensitive information, is subject to three restrictions:

- they must not deal in securities affected by information;
- they must not cause or procure anyone else to deal in those securities; and
- they must not communicate the information to any person if they know or ought to know that the other person will use the information, directly or indirectly, for dealings in securities.

Employees, officers, and directors are required to advise the Company Secretary of their intentions prior to undertaking any transaction in Company securities. If an employee officer or director is considered to possess unpublished price sensitive information, they will be precluded from making a security transaction until after the time of public release of that information.

#### *1.4.10 Performance Review/Evaluation*

The Board will conduct an evaluation of its performance annually. The evaluation will be conducted internally. The Board's performance will be measured against both qualitative and quantitative indicators. The objective of this evaluation will be to identify strengths and weaknesses and provide best practice corporate governance to the Company. In future years this process may be carried out by an external consultant.

#### *1.4.11 Business Risk Management*



The Board acknowledges that it is responsible for the overall internal control and risk management framework. Accordingly, the Board will implement the following control framework:

**Financial reporting:** A comprehensive budget will be approved by the Directors. Monthly results will be reported against budget and revised forecasts are prepared regularly;

**Special functional reporting:** The Board has identified a number of key areas which are subject to regular reporting to the Board such as safety, environmental, insurance and legal matters; and

**Investment appraisal:** The Company will set clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements. Capital expenditure and revenue commitments above a certain size will require prior Board approval. Procedures will be established to ensure business transactions are properly authorized and executed.

#### *1.4.12 Attestations by Managing Director and CFO*

In accordance with the Board's policy, the Managing Director and the CFO will make attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing its Annual Report.

## **2. Board Committees**

### **2.1 Audit**

Due to the size and scale of operations of the Company, the Board has not established an Audit Committee. In relation to audit, the Board has policies that were established to protect the integrity of the Company's financial reporting. The audit policy of the Board includes the requirement to:

- (a) oversee the effectiveness of the Company's accounting and financial policies and controls;
- (b) oversee the independence of the external auditors; and
- (c) make recommendations to the Board on the appointment of external auditors and reviewing the performance of the external auditors.

The independent external auditor reports directly to the Board and is required to attend the annual general meeting of the members of the Company to answer shareholder questions about the audit and the preparation and content of the audit reports.

### **2.2 Remuneration**

Due to the size and scale of operations of the Company, the Board has not established a Remuneration Committee. In relation to remuneration issues the Board has policies that were established to review the remuneration policies and practices of the Company to ensure that it remunerates fairly and responsibly.

The remuneration policy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated Directors and employees. The policy is designed for:

- (a) decisions in relation to executive and non-executive remuneration policy;





- (b) decisions in relation to remuneration packages for Executive Directors and senior management;
- (c) decisions in relation to merit recognition arrangements and termination arrangements; and
- (d) ensuring that any equity-based executive remuneration is made in accordance with the thresholds set in plans approved by shareholders.

### **3. Company Code Of Conduct**

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has an established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. This Code includes the following.

#### *Responsibilities to Shareholders and the Financial Community Generally*

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

#### *Responsibilities to Clients, Customers and Consumers*

Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. The Company for its part is committed to providing clients, customers and consumers with fair value.

#### *Employment Practices*

The Company endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.

#### *Obligations Relative to Fair Trading and Dealing*

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers, competitors and other employees and encourages it employees to strive to do the same.

#### *Responsibilities to the Community*

As part of the community the Company:

- is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs;
- encourages all employees to engage in activities beneficial to their local community; and
- supports community charities.

#### *Responsibility to the Individual*



The Company is committed to keeping private information from employees, clients, customers, consumers and investors confidential and protected from uses other than those for which it was provided.

*Conflicts of Interest*

Where possible, Directors will avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company. Where there is a conflict of interest affecting a Director, the Director must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the *Corporations Act*, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

*How the Company Complies with Legislation Affecting its Operations*

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company’s operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of “gifts”, Company policy will prevail.

*How the Company Monitors and Ensures Compliance with its Code*

The Board, management and all employees of the Company are committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.

In relation to those best practice recommendations not followed by the Company, the Company makes the following comments:

|     | <b>ASX RECOMMENDATIONS</b>                               | <b>COMMENT BY COMPANY</b>   |
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| 2.1 | A majority of the board should be independent directors. | None of the current directors are independent according to the ASX definition. The Board considers that the management method used is cost effective and practical and intends to add further independent directors depending on appropriately scaled discovery and production success. |
| 2.4 | The board should establish a nomination committee.       | The Company currently does not have a nomination committee. Because of the  |



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|     |  | Company's size, the Board believes that such a formal committee would contribute little to its effective management. Nomination matters are reviewed and approved by the Board as a whole.  |
| 4.2 | The board should establish an audit committee. | The Company currently does not have an audit committee. Because of the Company's size, the Board believes that an audit committee would contribute little to its effective management. Audit matters are reviewed and approved by the Board as a whole. |