



ABN 43 066 447 952  
Level 15, 500 Collins St  
Melbourne Victoria 3000  
Australia  
T +61 3 8625 6000  
E [admin@melbana.com](mailto:admin@melbana.com)  
[melbana.com](http://melbana.com)

## Corporate Governance Statement

Melbana Energy Limited (the “**Company**” or “**Melbana**”) and the Board are committed to conducting business both ethically and in accordance with principles of good corporate governance. The Board and the Company recognise their duties and obligations to shareholders and other stakeholders to implement and maintain a proper system of corporate governance. The Company’s corporate governance framework is reviewed and updated made in response to any business changes or the application of legislation and corporate governance standards.

The ASX Listing Rules require listed companies to prepare a corporate governance statement disclosing the extent to which they have complied with the recommendations of the ASX Corporate Governance Council’s Principles and Recommendations, released in March 2014 (“**ASX Recommendations**”). The ASX Recommendations are guidelines designed to improve the efficiency, quality and integrity of the Company.

This corporate governance statement details the key elements of the Company’s corporate governance framework that has operated during the financial year to 30 June 2018 (the “**reporting period**”), and provides details of the Company’s compliance with the ASX Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation.

This Statement is current as at 27 September 2018 and has been approved by the Board of Directors of the Company. The statement, with the supplementary policies and charters, are available on the Company’s website (<http://www.melbana.com/site/About-Us/corporate-governance>).

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

### **RECOMMENDATION 1.1 – ROLE OF THE BOARD AND MANAGEMENT**

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

The Board has a formal Board Charter which is available on the Company website (<http://www.melbana.com/site/About-Us/corporate-governance>).

The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's responsibilities, functions and composition, the role of the Company Secretary, the establishment, operation and management of Board Committees, details of the Board's performance review and details of the Board's disclosure policy.

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

### **RECOMMENDATION 1.2 – APPOINTMENT OF DIRECTORS**

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

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

### **RECOMMENDATION 1.3 – APPOINTMENT TERMS**

Each director and senior executive is party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment. Details of executive contracts in place are detailed in the Company's Annual Remuneration Report in the 2018 Annual Report.

### **RECOMMENDATION 1.4 – COMPANY SECRETARY**

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

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

Details regarding our Company Secretary, including experience and qualifications, is set out in the Directors' Report in our 2018 Annual Report.

### **RECOMMENDATION 1.5 – DIVERSITY**

The Company recognises the benefits of diversity of gender, age, experience, relationships and background. The Company's Diversity Policy is available on the Company's website (<http://www.melbana.com/site/About-Us/corporate-governance>).

The Company recognises that people are its most important asset and is committed to maintaining an inclusive culture that embraces diversity. Diversity drives the Company's ability to attract, retain and develop the best talent, create an engaged workforce and continue to grow the business.

The proportion of women on the Board, in senior executive positions and women across the entire organisation as at 27 September 2018 was as follows:

- Women on the Board – 0%
- Women in senior executive positions – 33%
- Women across the organization - 40%

The Company's objective is to maintain a significant level of female participation in the Company's workforce at all levels, with a particular emphasis on gender diversity in technical roles. Given the current size of the Company, the Board considers it unrealistic to commit to a specific level of female participation in the Company's workforce on an ongoing basis. However, the Board supports measures to attract women to the Company, including continuing to offer flexible work arrangements and setting out clear expectations of behaviors for employees that foster a supportive and inclusive work environment.

Details regarding the specific measurable objectives that have been set by the Board under the Diversity Policy, and the Company's progress against them, are set out in the table below:

<b>Objective</b>	<b>Status of the objective</b>
<b>A. Objectives for the Board</b>	
Include diversity as one of the selection criteria for Board and senior management appointments.	Ongoing.  There are no female members of the Board at the date of this report. Ms Melanie Leydin was appointed Chief Financial Officer and Company Secretary as announced to the ASX on 12 June 2018.
<b>B. Objectives for the Company</b>	
<i>Recruitment, selection and promotion objectives</i>	
Subject to the availability of suitable candidates, seek to retain or better the existing proportion of women currently in senior management.	Ongoing. See above.
Using selection and assessment methods which are free from bias and do not discriminate on the basis of individual attributes.	Ongoing.
Reviewing the Company's terms and conditions of employment, and remuneration and benefits programs to make sure they are fair and non-discriminatory.	Ongoing.
<i>Induction and training objectives</i>	
Communicate the Diversity Policy to all employees during their induction.	Ongoing.
As needed, provide appropriate education and training in respect of equal employment opportunity, workplace behaviors and awareness of style and cultural differences.	Ongoing. The Board is continuing to set out clear expectations of behaviors for employees that foster a supportive and inclusive work environment.
Provide all employees with the same opportunity to access training based on their role requirements.	Ongoing.
<i>Flexible work practices objectives</i>	
Arrangements to ensure roles are appropriate to maintain career development.	Ongoing. The Board continues to offer flexible work arrangements.

Ensure awareness of the options for flexible work arrangements and family support programs available.	Ongoing. The Board continues to offer flexible work arrangements.
Objective	Status of the objective
Complete an annual analysis of pay equity with a view to identifying any unexplained pay differentials between positions with similar levels of responsibility.	Ongoing.
<i>Other objectives</i>	
Implement an effective measurement and reporting framework for the Diversity Policy.	Ongoing.

#### **RECOMMENDATION 1.6 – BOARD PERFORMANCE ASSESSMENT**

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

The review process involves:

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

A Board performance assessment took place in July 2018. An analysis of the data collected indicated that the Board is functioning effectively against the majority of its criteria. It also noted that there were some opportunities identified to improve Board effectiveness.

#### **RECOMMENDATION 1.7 – SENIOR EXECUTIVE PERFORMANCE ASSESSMENT**

The performance of the Company's senior executives is reviewed by the Chief Executive Officer as part of the annual remuneration review process and reported to the Remuneration and Nomination Committee. The reviews usually take place in May/June of each year, prior to the commencement of the new financial year. Further details regarding the remuneration review process are set out in the Remuneration Report. Given the current CEO was appointed within the last 12 months there hasn't been a formal executive performance review to date.

### **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

#### **RECOMMENDATION 2.1 – NOMINATION COMMITTEE**

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

The Remuneration and Nomination Committee consists of three members, one of whom is considered independent being Michael Sandy. Andrew Purcell (Committee Chair) and Peter Stickland is considered non-independent on the basis outlined in Recommendation 2.3. Details of meetings held by the Committee during the year and member attendances are set out in the 2018 Directors' Report.

The Remuneration and Nomination Committee Charter is available on the Company's website (<http://www.melbana.com/site/About-Us/corporate-governance>).

## **RECOMMENDATION 2.2 – BOARD SKILLS MATRIX**

The Company has a Board skills matrix setting out the mix of skills and diversity that the Board is looking to achieve (refer to Section 3 of the Board Charter). As the Company continues to grow, the Board's skills matrix will be disclosed in future reporting periods.

Full details of each Directors' relevant skills and experience are set out in the 2018 Directors' Report.

## **RECOMMENDATION 2.3 – INDEPENDENT DIRECTORS**

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

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

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

The Board has one independent Director:

<b>Non-Executive Director</b>	<b>Independence Status</b>	<b>Appointment Date</b>
Andrew Purcell	Non-Independent	30 <sup>th</sup> July 2015
Michael Sandy	Independent	30 <sup>th</sup> July 2015
Peter Stickland	Non-Independent	30 <sup>th</sup> January 2015

The Board considers that Mr Andrew Purcell is no longer independent as a result of the guarantee he has provided on the Company's loan facility. The board believes that following the release of this guarantee he will be considered independent. The Board considers Mr Peter Stickland to not be an independent Director on the basis that he was Managing Director of the Company within the last 3 years. The Board considers Mr Michael Sandy as Independent.

The Board has considered the holdings of shares in the Company by Non-Executive directors and is of the opinion that their respective interests in shares would not materially interfere with, or could be reasonably perceived to interfere with, the independent exercise of their judgement in their position as a Director. The Board considers that the independent Director is otherwise free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of his judgement, and that the Director is able to fulfil the role of independent Director for the purposes of the ASX Recommendations. The Board believe that the separation of the roles of Chairman and Chief Executive Officer, and the composition of the Board being comprised of a majority of independent Non-Executive Directors is appropriate.

Directors' shareholdings are set out in the 2018 Annual Report.

## **RECOMMENDATION 2.4 – MAJORITY INDEPENDENCE**

At the date of this Statement, the Board does not comprise a majority of independent Directors.

## **RECOMMENDATION 2.5 – INDEPENDENT CHAIR**

Andrew Purcell is the Non-Executive Chairman of the Company and is currently not considered independent on the basis outlined in Recommendation 2.3.

## **RECOMMENDATION 2.6 – INDUCTION, EDUCATION AND TRAINING**

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

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

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

### **RECOMMENDATION 3.1 – CODE OF CONDUCT**

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Code of Conduct for Directors and Senior Executives designed to:

- provide a framework for decisions and actions in relation to ethical conduct in employment;
- support the Company's business reputation and corporate image; and
- make Directors' and senior executives aware of the consequences if they breach the Code of Conduct for Directors and Senior Executives

The Code of Conduct is available on the Company's website (<http://www.melbana.com/site/About-Us/corporate-governance>).

The key aspects of this code are to:

- act fairly with honesty and integrity in the best interests of the Company and in the reasonable expectations of shareholders;
- act in accordance with all applicable laws, regulations, and the Company policies and procedures; and
- act in an appropriate business-like manner when representing the Company in public forums.

The Code of Conduct for Directors and Senior Executives sets out the Company's policies on various matters including integrity, conflicts of interest, confidentiality and protection and proper use of assets.

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

### **RECOMMENDATION 4.1 – AUDIT COMMITTEE**

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

The Board has established an Audit and Risk Committee, which operates under a formal charter approved by the Board, to which it has delegated the responsibility to establish and maintain the framework of internal control and ethical standards for the management of the company. The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The Committee consists of three members, one of whom is considered independent, being Michael Sandy

(Committee Chair). Andrew Purcell and Peter Stickland is considered non-independent on the basis outlined in Recommendation 2.3. The Committee is Chaired by Michael Sandy, who is not the Chair of the Board, in accordance with the ASX recommendations.

The Audit and Risk Committee Charter is available on the Company's website (<http://www.melbana.com/site/About-Us/corporate-governance>).

The number of meetings held and individual attendances of Committee members at those meetings are disclosed in the 2018 Directors' Report.

#### **RECOMMENDATION 4.2 – ASSURANCES**

The CEO and Chief Financial Officer (CFO) provide an annual declaration to the Board prior to the Board's approval of the Company's full year financial results. This process was followed for the 2018 full year financial results, where the CEO and CFO provided a declaration to the Board that, in their opinion, the financial records of the Company 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 Company, and that the opinion has been formed on the basis of a sound system of risk management and internal controls which is operating effectively.

#### **RECOMMENDATION 4.3 – EXTERNAL AUDITOR ATTENDS ANNUAL GENERAL MEETING**

The Company's external auditor attends every Annual General Meeting, in accordance with the Corporations Act 2001. Shareholders are allowed an opportunity at the meeting to ask the auditor questions relevant to their audit, their report and independence and the accounting policies adopted by the Company.

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

#### **RECOMMENDATION 5.1 – CONTINUOUS DISCLOSURE POLICY**

The Company is committed to providing relevant and timely information to its shareholders and to the broader market, in accordance with its obligations under the ASX Listing Rules and Corporations Act 2001.

To comply with these obligations, the Board has adopted a Disclosure Policy which can be accessed on the Company's website (<http://www.melbana.com/site/About-Us/corporate-governance>).

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

#### **RECOMMENDATION 6.1 – INFORMATION AND GOVERNANCE**

The Company's website (<http://www.melbana.com/site/content/default.aspx>) contains information about the Company, its corporate governance practices and policies and biographies of the Board members.

The Company also maintains a separate investors page on the website to provide shareholders with links to annual and interim reports, ASX announcements, and other key information.

#### **RECOMMENDATION 6.2 – INVESTOR RELATIONS PROGRAM**

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

has a program approved by the Board with respect to investor relations.

The Company's Disclosure Policy which is available on the Company's website (<http://www.melbana.com/site/About-Us/corporate-governance>), sets out the processes regarding interaction with shareholders, investors and the public.

#### **RECOMMENDATION 6.3 – SHAREHOLDER MEETING PARTICIPATION**

Shareholders receive the Company's Annual Report which is made available on the Company's website (<http://www.melbana.com/site/content/default.aspx>), and documents relating to each General Meeting, being the Notice of Meeting, any Explanatory Memorandum and a Proxy Form. Shareholders are invited to attend these meetings. Shareholders may also elect to receive communications electronically.

At shareholding meetings, the Company provides an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and the external auditor of the Company.

#### **RECOMMENDATION 6.4 – ELECTRONIC COMMUNICATIONS WITH SHAREHOLDERS**

The Disclosure Policy provides that security holders are given the option to receive communication from, and send communications to, the Company and its share registry, Link Market Services, electronically. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.

Shareholder queries should be referred to the Company Secretary at first instance.

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

#### **RECOMMENDATION 7.1 – RISK COMMITTEE**

The Company has established an Audit and Risk Committee which has delegated responsibilities in relation to risk and management, which is included in the Audit and Risk Committee Charter on the Company's website (<http://www.melbana.com/site/About-Us/corporate-governance>). Its role includes assisting the Board to:

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

The Committee consists of three members, one of whom is considered independent, being Michael Sandy (Committee Chair). Andrew Purcell and Peter Stickland is considered non-independent on the basis outlined in Recommendation 2.3. The Committee is Chaired by Michael Sandy, who is not the Chair of the Board, in accordance with the ASX recommendations.

Details of meetings held by the Committee during the year and member attendances are set out in the 2018 Directors' Report.

#### **RECOMMENDATION 7.2 – RISK MANAGEMENT FRAMEWORK**

The Group's risk management framework is supported by the Board of directors, management team and the Audit and Risk Committee. The Board is responsible for approving and review the Company's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk.

Management, through the Chief Executive Officer is primarily responsible for identifying, monitoring and responding to risk events and communicating them to the Board. Regular updates are provided to the Board by management on the management of material business risks.

The systems of internal financial control have been determined by the Board as adequate to provide

appropriate but not absolute, protection against fraud, material misstatement or loss.

#### **RECOMMENDATION 7.3 – INTERNAL AUDIT**

The Audit and Risk Committee oversees the effectiveness of the Company's systems for risk management, internal controls and governance and relevant financial and non-financial risks.

#### **RECOMMENDATION 7.4 – ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISK**

There is no material exposure to economic and social sustainability risks. The Company details the environmental risks in the Directors Report of the 2018 Annual Report.

### **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

#### **RECOMMENDATION 8.1: REMUNERATION COMMITTEE**

The Board has established a Remuneration and Nomination Committee that has delegated responsibilities in relation to remuneration matters set out in the Remuneration and Nomination Committee Charter available on the Company's website (<http://www.melbana.com/site/About-Us/corporate-governance>). Its role includes assisting the Board to:

- assessing the size and composition of the board, having regard the objective that the board comprise directors with a broad range of skills, expertise and experience from a broad range of backgrounds, including gender;
- assisting the board in reviewing the performance of the board, its committees and individual non-executive directors;
- reviewing and recommending to the board candidates for election and re-election as directors in accordance with the board's criteria; and
- annually reviewing and making recommendations to the board about the board diversity policy.

Details of meetings held by the Committee during the year and member attendances are set out in the 2018 Directors' Report.

#### **RECOMMENDATION 8.2: REMUNERATION POLICIES AND PRACTICES**

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

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

#### **RECOMMENDATION 8.3: EQUITY BASED REMUNERATION SCHEME**

The Company had an Employee Share Plan (ESP) and Employee Option Plan (EOP) during the financial year. The Company's Share Trading Policy provides details of whether participants can enter into transactions which limit the economic risk of participating in the ESP and EOP. The Share Trading Policy is available on the Company's website at [www.melbana.com](http://www.melbana.com).