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## Corporate Governance Statement

For the year ended 30 June 2016

The Board is committed to conducting the business of MEO Australia Limited (**MEO** or the **Company**) both ethically and in accordance with principles of good corporate governance. The Company's corporate governance framework is kept under review and changes are made in response to changes in the Company's business or applicable legislation and standards.

This corporate governance statement sets out the key elements of our corporate governance framework that have operated throughout the year, unless otherwise indicated. The Company considers that the corporate governance framework and practices comply with the 3<sup>rd</sup> edition of ASX Corporate Governance Council's Principles and Recommendations, released in March 2014 (and have effect for financial year commencing on or after 1 July 2014) (the **ASX Principles**), unless indicated otherwise below.

As required by the ASX Listing Rules, this Corporate Governance Statement (CGS) discloses the extent to which MEO has followed the ASX Principles during the financial year ended 30 June 2016. MEO has also prepared an "ASX Appendix 4G – Key to Disclosures", which reports on the Company's compliance with each of the ASX Principles. This together with the CGS will be lodged with the ASX and may be viewed and downloaded from the Company's website.

The table at the end of this statement provides cross references between the disclosures and statements in this corporate governance statement and the relevant ASX Principles.

### 1 The Board of Directors

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The Board operates in accordance with the Company's Constitution and has adopted a Board Charter which outlines a framework for the Board's operation, the matters reserved to the Board and the functions delegated to management. The Charter was reviewed at the board meeting held in June 2016 and can be viewed in the Corporate Governance section of the Company's website.

#### 1.1 Role of the Board

The role of the Board of Directors is to create sustainable shareholder wealth in a manner consistent with the Company's constitution and principles of good corporate governance. The Board achieves this by representing the interests of shareholders in setting and overseeing the Company's values, direction, strategies, financial objectives and performance within a framework of prudent and effective controls for the assessment and management of risk.

The Board is responsible for appointing and monitoring the performance of the Managing Director and Chief Executive Officer (hereafter referred to as the **Managing Director**), to whom it has delegated responsibility for the operation and administration of the Company. Directors receive regular and comprehensive reports from the Managing Director and have unrestricted access to Company records, information and the senior management team.

The Board strives to create shareholder value and ensure that shareholder funds are safeguarded.

To fulfil this role, the Board is concerned with:

- approving the corporate strategy;
- overseeing the Company's long-term performance against targets and objectives;
- monitoring systems of risk management and internal control, ethical standards, environmental and safety performance and legal compliance;
- monitoring the Group's financial performance;
- approving operating budgets and major capital expenditures;
- monitoring and assessing the performance of the Managing Director;
- assessing business risk profile, risk management and business continuity plans, the adequacy of corporate governance and other policies, internal controls and organisation structures; and
- reporting to shareholders on the direction, governance and performance of the Company.

The Board reviews its composition and processes annually (as detailed below).

## 1.2 Composition of the Board and Expertise

The composition of the Board is determined using the following principles:

- the Board may, in accordance with the Constitution, comprise up to ten Directors, a majority of whom should be independent; and
- the Chairman of the Board should be an independent non-executive Director.

The Board comprises Directors with a broad range of experience having a proper understanding of the current and emerging issues facing the Company, who can effectively review and challenge management's decisions. Each Director brings different skills and professional expertise to the Board. The Board seeks to achieve a mix of skills and diversity that includes exploration (Australia and overseas), marketing and financial experience as well as an understanding of the oil and gas industry in which the Company operates. The Board assesses existing and potential directors' skills to ensure they are appropriate for the current and future needs of the Company.

At 30 June 2016, the Board was comprised of two Non-Executive Directors (including the Chairman) and one Executive Director (the Managing Director). Details of the skills, experience and expertise of the Directors, and of the Company Secretary, as well as the period for which the Directors have held office are set out in the 2016 Annual Report.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

The following table summarises the skills and experience of non-executive directors serving on the Board as at the end of the Reporting Period:

|   | <b>Andrew Purcell</b> | <b>Michael Sandy</b> |
|---|-----------------------|----------------------|
| Leadership and governance               | ✓                     | ✓                    |
| Strategy and risk management            | ✓                     | ✓                    |
| Financial acumen                        | ✓                     | ✓                    |
| Health and safety                       | ✓                     | ✓                    |
| Oil and gas experience                  | ✓                     | ✓                    |
| Directorships of other listed companies | ✓                     | ✓                    |

## 1.3 Independence

The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time and at least once a year. The Board has determined that the Chairman, Mr Andrew Purcell, and Non-Executive Director, Mr Michael Sandy, are independent in accordance with the definition recommended in the ASX Principles, having no business or other relationship that could compromise their independence.

The Board has adopted guidelines to determine materiality thresholds for the purposes of that definition. Broadly speaking, these guidelines seek to determine whether the Director is generally free of any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company. The Board will consider thresholds of materiality for the purposes of determining 'independence' on a case by case basis, having regard to both quantitative and qualitative principles. Directors have agreed to advise the Board, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Further details of the Company's guidelines for determining the independence of Directors are set out in the Company's Board Charter.

The Board believes the separation of the roles of Chairman and Managing Director, 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 2016 Annual Report.

**1.4 Term of office and re-election of Directors**

All Non-Executive Directors are appointed under a letter of appointment, setting out the terms of their appointment, including their powers, rights and obligations.

In making recommendations to the Board regarding the appointment of Directors, the Remuneration & Nomination Committee periodically assesses the appropriate mix of skills, experience and expertise required by the Board and assesses the extent to which the required skills and experience are represented on the Board. Nominations for appointment are then approved by the Board as a whole. When a vacancy exists or there is a need for particular skills, the Remuneration & Nomination Committee determines the selection criteria based on the skills deemed necessary. The Committee identifies potential candidates, and if appropriate, will utilise an external consultant to assist in identifying potential candidates. The Board then appoints the most suitable candidate.

The Company will undertake appropriate background checks and screening checks prior to nominating a director for election by shareholders, and provides to shareholders all material information in its possession concerning the director standing for election or re-election in the explanatory notes accompanying the notice of meeting.

New Directors will participate in an induction program to assist them to understand MEO’s business and the particular issues it faces.

All Directors (except the Managing Director) are elected by shareholders at the Annual General Meeting following their appointment and thereafter are subject to re-election at least once every three years.

**1.5 Access to information and independent advice**

Each Director has the right of access to all relevant Company information and to the Company’s senior management, external advisers and auditors.

Directors may also seek independent professional advice at the Company’s expense. Any Director seeking such advice is required to make a formal request to the Board. Any advice so received must be made available to all other Directors unless otherwise agreed.

**2 Board Committees**

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The Board generally operates as a whole across the range of its responsibilities but, to increase its effectiveness, uses committees where closer attention to particular matters is required. The role of the Board Committees is to make recommendations to the Board on matters set out in each Committee’s Charter. The Charters for the Audit & Risk, Remuneration & Nomination and the Health, Safety & Environment Committees are available on the corporate governance section of the Company’s website. The Board currently assumes the role and responsibilities of the Health, Safety & Environment Committee.

The Audit & Risk Committee and the Remuneration & Nomination Committees comprise the two Non-Executive Directors, which is considered appropriate give the size of the company. Details regarding the role of each Committee and their composition as at 30 June 2016 are set out below. Details regarding the number of Board meeting and committee meetings held during the year and the attendance of each member is set out in the 2016 Annual Report.

**2.1 Audit & Risk Committee**

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**Members** Michael Sandy (Committee Chairman) and Andrew Purcell.

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**Role** The Audit & Risk Committee’s role is to assist the Board in the effective discharge of its responsibilities for financial reporting and taxation, internal control structure, risk management systems and the relationship with the external and internal auditors.

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**Responsibilities** The Audit & Risk Committee’s responsibilities include:

- reviewing the Company’s financial statements prior to approval by the Board, including discussing with the external auditor the implications of any major transactions and the accounting policies adopted by the Company;
- regularly reviewing the ongoing solvency of the Company;
- overseeing the relationship with the external auditor, auditor independence and the external audit function;
- overseeing the adequacy of processes and controls established by senior management over the Company’s business processes, including financial information and IT processes;
- reviewing and monitoring the propriety of related party transactions;
- reviewing the adequacy and effectiveness of the MEO's risk management framework, and
- assist the Board with oversight of MEO's risk management by gaining assurance that all major identified risks are being adequately managed and that mitigation practices are appropriate.

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**Composition** The committee is chaired by an independent Non-Executive Director and currently comprises two Non-Executive Directors, both of whom are independent and financially literate. The Chairman of the Board is not permitted to chair the committee. From the beginning of the 2016 financial year the committee comprised two non-executive directors. Mr Purcell has substantial accounting and financial experience and Mr Sandy has industry experience and held non-executive directorships with ASX listed oil & gas companies, and assumed the role of Chairman for the Audit and Risk Committee for ASX listed oil & gas companies.

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**Consultation** The Managing Director is invited to attend all committee meetings. Other members of management may also attend by invitation. The committee has access to financial and legal advisers as it considers appropriate. The committee also meets with the external auditor in the absence of management whenever deemed appropriate to ensure the committee can be satisfied that the auditors have had the full cooperation of management in conducting audit functions, and to give the auditor the opportunity to raise any matters of concern.

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**External Auditor** The external auditor is appointed by the Board and approved by shareholders in accordance with the requirements of the Corporations Act. The Audit & Risk Committee is responsible for reviewing the terms of appointment of the external auditor and for making recommendations to the Board regarding the appointment of the external auditor. It is the Company’s policy to require that the external audit partner be rotated within 5 years from the date of appointment.

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**2.2 Remuneration & Nomination Committee**

**Members** Andrew Purcell (Committee Chairman) and Michael Sandy.

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**Role** The role of the committee is to oversee matters and policies relating to succession planning, recruitment, appointment and remuneration of non-executive directors, the managing director and senior management.

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|-------------------------|---|
| <b>Responsibilities</b> | <p>The responsibilities of the committee in respect of <b>remuneration</b> include:</p> <ul style="list-style-type: none"> <li>• assisting the board in determining an appropriate remuneration framework for senior management and remuneration, recruitment, retention and termination policies;</li> <li>• making recommendations to the board on the managing director’s remuneration, (including short and long term incentive plans, performance targets and bonus payments);</li> <li>• reviewing and making recommendations to the board about the remuneration arrangements for non-executive directors;</li> <li>• liaising with external advisors on remuneration-related matters, if and when external remuneration advice is needed; and</li> </ul> <p>The responsibilities of the committee in respect of <b>nomination</b> include:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• assisting the board in reviewing the performance of the board, its committees and individual non-executive directors;</li> <li>• reviewing and recommending to the board candidates for election and re-election as directors in accordance with the board’s criteria; and</li> <li>• annually reviewing and making recommendations to the board about the board diversity policy.</li> </ul> |
|-------------------------|---|

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|--------------------|--|
| <b>Composition</b> | The committee is chaired by an independent non-executive director and currently comprises two non-executive directors, both of whom are independent. |
|--------------------|--|

|                     |   |
|---------------------|---|
| <b>Consultation</b> | The committee may obtain information from, and consult with, management and external advisers, as it considers appropriate. |
|---------------------|---|

|                |   |
|----------------|---|
| <b>Charter</b> | The remuneration and nomination committee’s charter which sets out further details on the role and duties of the committee is available in the corporate governance section of MEO’s website. |
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**3 Performance evaluation and remuneration**

**3.1 Performance evaluation**

The Board normally undertakes an annual performance and evaluation process led by the Chairman.

The annual performance review typically involves all Directors completing a questionnaire including allowance for additional comments or raising any issues relating to the Board’s or a committee’s operation. The results of the review will be compiled by the Chairman and discussed with Board members as a whole at an appropriate Board meeting. The purpose of the review is to assess the strengths and weakness of the Board and Committees, and identify areas that might be improved. The findings of the performance review are considered by the Board and continue to be taken into account in identifying and nominating new candidates for appointment as Director, and in planning and conducting Board and committee matters. Directors are able to raise concerns regarding an individual Director’s performance with the Chairman at any time during the year.

For the 2016 financial year, a performance review of Directors was not undertaken given the significant changes in the composition of the board.

The performance of the Company’s senior executives is reviewed by the Managing Director 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. There were no executive performance reviews conducted in May/June 2016 following downsizing and reduced workhours of executive staff.

### **3.2 Director and Executive remuneration**

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced personnel. Performance, duties and responsibilities, market comparison and independent advice are all considered as part of the remuneration process.

With respect to executive remuneration, there has been no increase in executive remuneration since June 2013 other than increases in statutory superannuation.

The structure and details of the remuneration paid to the Directors and senior Executives during the 2016 financial year are set out in the Remuneration Report in the 2016 Annual Report.

## **4 Risk management and internal controls**

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### **4.1 Risk management framework**

The Board is responsible for overseeing the effectiveness of systems of risk management and internal control. The identification and effective management of risk, including calculated risk taking is viewed as an essential part of the Company's approach to creating long term shareholder value.

In recognition of this, the Board has delegated responsibility for risk management to the Audit & Risk Committee. This Committee determines for recommendation to the Board, the Company's risk profile and is responsible for overseeing and approving risk management strategy and policy, internal compliance and internal control.

The Company's activities are currently centred on progressing the commercialisation/monetisation of its upstream assets and advancement of its projects to the financial commitment stage, processes, which for the Company, have both uncertainty and moderate to high risk. Existing policies and procedures are appropriate for the business at this stage of its development. In brief, the Company's current risk management framework has been developed to ensure strategic, operational, financial, legal, reputational, technological, environmental and health and safety risks are identified, assessed, effectively and efficiently managed and monitored. At each major milestone of the commercialisation of MEO's upstream assets, further specific risk oversight and management policies will be developed which are consistent with activities at that time.

Where it is appropriate, possible and practicable to transfer a particular risk, and in order to protect shareholders' funds, the Company carries insurance that the Board considers is sufficient for the size and nature of the Company's businesses.

### **4.2 Internal controls framework**

Internal controls refer to the processes designed to address risks and to provide reasonable assurance that, in pursuing its objectives, MEO is complying with applicable laws and regulations and safeguarding company resources against loss, misuse and damage.

Given the size of MEO, the Board does not consider it appropriate to delegate the design of risk management and control systems to management. Instead, the Board has established, and management has implemented, various policies and practices designed to identify and manage significant business risks, including:

- Company business plans and approval of budgets;
- detailed monthly financial and operational reporting to the Board;
- policies regarding authority levels or expenditure;
- policies and procedures relating to health, safety and the environment; and
- policies and procedures relating to financial controls and treasury matters.

Day to day responsibility for risk oversight and management is delegated to the Managing Director who 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.

### **4.3 Managing Director and CFO certifications**

The Managing Director and Chief Financial Officer have made the following certifications to the Board:

- that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control, which implements policies adopted by the Board;
- that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risk; and
- that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operating results and that they are in accordance with relevant accounting standards and the *Corporations Act 2001*.

## **5 MEO governance policies**

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### **5.1 Integrity, ethical standards and compliance**

The Board of Directors believes it is important to provide a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct.

To this end, the Board has adopted a Code of Conduct including policies and standards on issues of business ethics and integrity, and reporting and investigating unethical practices. The Code of Conduct is regularly reviewed to ensure it remains current, relevant and appropriate to the needs of the Company. The Code of Conduct applies to all people employed, contracted by, associated with, or acting on behalf of the Company, including the Company's directors.

The Code of Conduct requires:

- the adoption of the highest standards of integrity in all dealings with customers, shareholders, government, other employees, suppliers and the community;
- awareness of, and compliance with, relevant fair trading laws in the jurisdictions in which the Company operates;
- the avoidance of conflicts of interest (whether perceived or actual);
- employees, contractors and directors to protect any Company assets under their control and not use Company assets for personal purposes without prior Company approval;
- respect for the privacy of others;
- compliance with appropriate protocols prohibiting disclosure or use in any improper manner confidential information, including information about customers, agents or other business affairs.

The Code of Conduct contains procedures for reporting improper conduct and whistleblower protection. Failure to comply with the Code of Conduct is taken very seriously by the Company and may result in the Board requiring the resignation of the individual who breaches it. Full details of the Code of Conduct may be found on the Company's website.

### **5.2 Dealing in securities**

The Company has adopted a Policy for Dealing in Securities. Under that policy there are prohibited periods during which key management personnel may not deal in any MEO securities. Those prohibited periods are:

- the 30-day period immediately preceding the announcement of MEO's full year and half year results or, if shorter, the period between the end of MEO's financial year or half year, and the announcement of the full year results, or half year results, as the case may be; and
- any additional period when inside information exists within the Company.

Subject to the above and subject to the Corporations Act, a Director, Executive or employee or their associates may deal in MEO securities provided that they first notify and receive written clearance to deal from the Company Secretary. If the Company Secretary wishes to deal, he must first notify and seek written clearance from the Managing Director, and if the Managing Director wishes to deal, he must first notify and seek written clearance from the Chairman.

Certain dealings are not subject to the provisions of the Policy for Dealing in Securities, including:

- taking up entitlements under a rights issue or other similar offer; or
- exercising options under a share option scheme;

provided that any such trade would not constitute insider trading or otherwise be prohibited under the Corporations Act.

Full details of the Dealing in Shares policy may be found on the Company's website.

### 5.3 Diversity

MEO 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. In accordance with the ASX Principles, in June 2012, the Board adopted a Diversity Policy, a copy of which is available in the Corporate Governance section of the Company's website.

The Diversity Policy requires 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. The Board reports that the Company's workforce, although small following the downsizing during January–June 2015, includes female participation. As at 30 June 2016, 28% of the Company's employees (inclusive of permanent and casual staff) were women.

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 behaviours 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:

| Objective   | Status of the objective  |
|---|--|
| <b>A. Objectives for the Board</b>  |  |
| Include diversity as one of the selection criteria for Board and senior management appointments.  | Ongoing.<br><br>There are no female members of the key management personnel of the Company or of the Board at the date of this report. If a vacancy arises or the Board is expanded in future, the Board will consider a diverse range of candidates who will be assessed on merit based on their judgment, skills, experience with business and other organisations of a comparable size, the interplay of the candidate's experience with the experience of other Board members and the extent to which the candidate would be a desirable addition to the Board and its committees. |
| <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  |

| <b>Objective</b>  | <b>Status of the objective</b>  |
|---|---|
| As needed, provide appropriate education and training in respect of equal employment opportunity, workplace behaviours and awareness of style and cultural differences. | Ongoing. The Board is continuing to set out clear expectations of behaviours 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>   |   |
| Formal annual review of all part-time work 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.   |
| <i>Pay and performance appraisal objectives</i>   |   |
| 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   |

#### **5.4 Health, safety and environment**

The Company has continued its emphasis on health and safety in the workplace with the aim of ensuring that people achieve outcomes in a safe manner, thereby contributing to operational effectiveness and business sustainability. The Company has an occupational health and safety policy and a management system in place.

The Company's safety performance is reported regularly to the Board to assist the Board in monitoring compliance with the Company's policy and the relevant regulatory requirements.

During FY2016 there were no reported environmental incidents and no Lost Time Injuries (LTI's).

#### **5.5 Continuous disclosure and communication with shareholders**

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 continuous disclosure regime. The Board has a Disclosure Policy, details of which are accessible in the Corporate Governance section on the Company's website.

Directors endeavour to ensure that shareholders are regularly and fully informed of all major developments affecting the Company.

The Annual Report is sent to all shareholders unless shareholders instruct the Company otherwise.

Information relating to the Company, including the Annual Report, half-year announcement to the ASX and other major ASX announcements, is publicly available on the Company's website under Investor Relations.

Through the Company's website, shareholders are able to provide their email address to enable receipt of all electronic communications from the company.

Individual shareholders are given an opportunity to raise questions at the Annual General Meeting. There is regular dialogue with institutional investors and any presentation material is contemporaneously made available to all shareholders by announcement to the ASX.

Documents that are released publicly, including policies and charters described in this Corporate Governance Statement, are made available on the Company's website.

## ASX Corporate Governance Council's Principles and Recommendations

|                    | ASX Principle  | Reference <sup>1</sup>           | Compliance  |
|--------------------|--|----------------------------------|---|
| <b>Principle 1</b> | <b>Lay solid foundations for management and oversight</b>  |                                  |   |
| 1.1                | A listed entity should disclose:<br><br>(a) the respective roles and responsibilities of its board and management; and<br><br>(b) those matters expressly reserved to the board and those delegated to management.   | 1.1                              | Comply  |
| 1.2                | A listed entity should:<br><br>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and<br><br>(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.  | 1.4                              | Comply  |
| 1.3                | A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.  | 1.4 and 2016 Remuneration Report | Comply  |
| 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.  | 1.2                              | Comply - All directors have direct access to the Company Secretary who is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. |
| 1.5                | A listed entity should:<br><br>(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;<br><br>(b) disclose that policy or a summary of it; and<br><br>(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: | 5.3                              | Comply  |

<sup>1</sup> All references are to sections of this Corporate Governance Statement unless otherwise stated

## ASX Corporate Governance Council's Principles and Recommendations

|   | ASX Principle   | Reference <sup>1</sup> | Compliance  |
|---|---|------------------------|---|
|   | <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>   |                        |   |
| 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>3.1</p> <p>3.1</p>  | <p>Comply</p> <p>For the 2016 financial year, a performance review of Directors was not undertaken given the significant changes in the composition of the board.</p>   |
| 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>3.1</p> <p>3.1</p>  | <p>Comply</p> <p>There were no executive performance reviews conducted in May/June 2016 following downsizing and reduced workhours for executive staff.</p>   |
| <b>Principle 2 Structure the board to add value</b> |   |                        |   |
| 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,</p> <p>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>1.3</p> <p>2.2</p>  | <p>The committee comprises two independent non-executive directors given the size of the company.</p> <p>Complies for 2.1 (a)(2),(3),(4)</p> <p>The number of Remuneration &amp; Nomination Committee meetings held throughout the year and the attendance at those meetings is disclosed in the Company's Annual Report.</p> |
| 2.2   | <p>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>  | 1.2                    | <p>Comply</p> <p>The skills of each director are disclosed on the Company Website.</p>  |
| 2.3   | <p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p>  | 1.3                    | <p>Comply</p> <p>These details are disclosed in the Annual Report.</p>  |

## ASX Corporate Governance Council's Principles and Recommendations

|                    | ASX Principle  | Reference <sup>1</sup> | Compliance   |
|--------------------|--|------------------------|--|
|                    | (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<br><br>(c) the length of service of each director.   |                        |  |
| 2.4                | A majority of the board of a listed entity should be independent directors.  | 1.3                    | Comply   |
| 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.  | 1.2,1.3                | Comply   |
| 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.   | 1.4                    | Comply   |
| <b>Principle 3</b> | <b>Act ethically and responsibly</b>   |                        |  |
| 3.1                | A listed entity should:<br><br>(a) have a code of conduct for its directors, senior executives and employees; and<br><br>(b) disclose that code or a summary of it.  | 5.1                    | Comply   |
| <b>Principle 4</b> | <b>Safeguard integrity in corporate reporting</b>  |                        |  |
| 4.1                | The board of a listed entity should:<br><br>(a) have an audit committee which:<br><br>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and<br><br>(2) is chaired by an independent director, who is not the chair of the board, and disclose:<br><br>(3) the charter of the committee;<br><br>(4) the relevant qualifications and experience of the members of the committee; and<br><br>(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; | 2.1                    | The committee comprises two independent non-executive directors given the size of the company.<br><br>Comply with 4.1(a)(2),(3),(4)<br><br>The number of Audit & Risk Committee meetings held throughout the year and the attendances at those meetings is disclosed in the Company's Annual Report. |

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|   | ASX Principle   | Reference <sup>1</sup> | Compliance   |
|---|---|------------------------|--|
| 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. | 4.3                    | Comply   |
| 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.   |                        | Comply<br>Each year, in accordance with Section 250RA and 250T of the <i>Corporations Act 2001</i> , the Company's external auditor attends the Annual General Meeting and is available to answer questions from security holders relevant to the audit. |
| <b>Principle 5 Make timely and balanced disclosure</b>    |   |                        |  |
| 5.1   | A listed entity should:<br>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and<br>(b) disclose that policy or a summary of it.  | 5.5                    | Comply   |
| <b>Principle 6 Respect the rights of security holders</b> |   |                        |  |
| 6.1   | A listed entity should provide information about itself and its governance to investors via its website.  | 5.5                    | Comply   |
| 6.2   | A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.   | 5.5                    | Comply   |
| 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.   | 5.5                    | Comply   |
| 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.  | 5.5                    | Comply   |
| <b>Principle 7 Recognise and manage risk</b>              |   |                        |  |
| 7.1   | The board of a listed entity should:<br>(a) have a committee or committees to oversee risk, each of which:<br>(1) has at least three members, a majority of whom are independent directors; and<br>(2) is chaired by an independent director,<br>and disclose:  | 2.1                    | The committee comprises two independent non-executive directors given the size of the company<br><br>Comply with 7.1(a)(2),(3),(4)   |

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|  | ASX Principle  | Reference <sup>1</sup>   | Compliance  |
|--|--|--------------------------|---|
|  | <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>  |                          | The number of Audit & Risk Committee meetings held throughout the year and the attendances at those meetings is disclosed in the Company's Annual Report.   |
| 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>   | 4.1, 4.2                 | Comply<br><br>Board and management collaborate in design and implementation of risk management systems. See section 4.2.  |
| 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>  | 4.2                      | Comply<br><br>The Company's internal audit function is carried out by the Company's Audit & Risk Committee  |
| 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.  | 4.1                      | Comply  |
| <b>Principle 8 Remunerate fairly and responsibly</b> |  |                          |   |
| 8.1  | <p>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.</p> | 2.2                      | <p>The committee comprises two independent non-executive directors given the size of the company</p> <p>Complies for 8.1(a)(2),(3),(4)</p> <p>The number of Remuneration &amp; Nomination Committee meetings held throughout the year and the attendance at those meetings is disclosed in the Company's Annual Report.</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.   | 2016 Remuneration Report | Comply  |

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|     | <b>ASX Principle</b>   | <b>Reference<sup>1</sup></b>     | <b>Compliance</b> |
|-----|--|----------------------------------|-------------------|
| 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> | 5.2 and 2016 Remuneration Report | Comply            |