

## 2023 Corporate Governance Statement

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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 updates 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 Principles and Recommendations (**ASX Recommendations**). The ASX Recommendations are guidelines designed to improve the efficiency, quality, and integrity of the Company.

This Corporate Governance Statement (**Statement**) discloses the extent to which Melbana Energy Limited has followed the Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation. This Statement should be read in conjunction with the material on our website [www.melbana.com](http://www.melbana.com) including the 2023 Annual Report.

This Statement is current as at 27 September 2023 and has been approved by the Board of Directors of the Company. The statement, with the supplementary policies and charters, is 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 approve the strategic direction of the Group, guide and monitor the management of the Company and its businesses and oversee the implementation of appropriate corporate governance with respect to the Group's affairs. The Board aims to protect and enhance the interests of its shareholders, while taking into account the interests of other stakeholders, including employees, customers, suppliers, and the wider community.

The Board has a formal Board Charter which is available on our website at [www.melbana.com](http://www.melbana.com) that clearly sets out those matters expressly reserved for the Board's determination and those matters delegated to management.

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

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

The Remuneration and Nomination Committee facilitates the selection and appointment of Directors.

The Remuneration and Nomination Committee 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.

The Executive Chairman is responsible for ensuring that appropriate checks (including work experience, education, criminal record, character reference and bankruptcy history) are undertaken before a director candidate is appointed or put forward to security holders for election.

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**

Upon appointment, each Director receives a letter of appointment which sets out the formal terms of their appointment. Directors also receive a deed of indemnity, insurance, and access.

Each senior executive has a written contract with the Company, setting out the terms of his or her appointment, including remuneration entitlements and performance requirements.

Details of executive contracts in place are detailed in the Company's Annual Remuneration Report in the 2023 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 of the Company. 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 2023 Annual Report.

### **RECOMMENDATION 1.5 – DIVERSITY**

The Company recognises the benefits of diversity of gender, skills, backgrounds, perspectives and experiences and this diversity is valued and respected. 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.

At this stage, the Board believes that the Company is not of a size and does not have a large enough workforce to warrant the setting of formal gender diversity objectives. However, the Company's position on this matter will be monitored and reviewed on a regular basis.

The proportion of women on the Board, in senior executive positions and women across the entire organisation as of 27 September 2023 was as follows:

- Women on the Board - 0%
- Women in senior executive positions - 38%
- Women across the entire organization - 34%

The Company is committed to ensuring that the appropriate mix of skills, expertise, and diversity are considered when employing staff at all levels of the organisation and when making new senior executive and Board appointments, and is satisfied that the composition of employees, senior executives and members of the Board is currently appropriate. Due to the current size and composition of the organisation, the Board does not consider it appropriate to provide specific measurable objectives at this time. As such, the Company does not comply with this Recommendation in its entirety.

#### **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 Board and Committees' performance assessment is conducted through the completion of a questionnaire / survey by each director, and which is facilitated by the Chair of the Remuneration & Nomination Committee. The Company Secretary subsequently prepares and provides a report to the Board outlining the feedback received on the Board's and Committees' performance. The Board then discusses areas and strategies for improvement.

A Board performance assessment took place in July 2023. An analysis of the data collected indicated that the Board is functioning effectively against the majority of its criteria. The Board and Committees are committed to their roles and each Board member is dedicated to proactively support the Company and its stakeholders.

The Chair undertook an informal annual performance evaluation of the Board during the period given the composition of the Board has not changed since the previous assessment.

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

The performance of the Company's senior executives is reviewed by the Executive Chairman as part of the annual remuneration review process and reported to the Board during the period. The reviews are undertaken annually, prior to the commencement of the new financial year against the targets set by the Executive Chairman. Further details regarding the remuneration review process are set out in the Remuneration Report.

Each year, senior executives (including the Executive Chairman) accept a set of performance targets. These targets are aligned to the Company's overall strategy and strategic goals. In the case of the Executive Chairman, these targets are agreed between the Executive Chair and the Remuneration and Nomination Committee and approved by the full Board. The Remuneration and Nomination Committee evaluates the Executive Chair's performance annually by reference to those targets.

A performance evaluation was undertaken in respect of the reporting period in accordance with the above process.

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

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

The Board has established a Remuneration and Nomination 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.

During the 2023 financial year, the Remuneration and Nomination Committee consisted of three members, two of them are considered independent being Mr. Peter Stickland (Committee Chair) and Mr. Michael Sandy. Mr. Andrew Purcell 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 2022 Directors' Report.

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

In accordance with the Company's Remuneration and Nomination Committee Charter the primary function of the Committee is to assist the Board to carry out the following:

- review director competence standards;
- review Board succession plans;
- evaluate the Board's performance;
- make recommendations for the appointment and removal of directors to the Board; and
- make recommendations to the Board on recruitment, retention, and termination policies for senior management.

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

Our objective is to have an appropriate mix of expertise and experience on our Board so that it can effectively discharge its corporate governance and oversight responsibilities. It is the Board's view that the current directors possess an appropriate mix of relevant skills, experience, expertise, and diversity to enable the Board to discharge its responsibilities and deliver the Company's strategic objectives. This mix is subject to review on a regular basis as part of the Board's performance review process.

The skills and experience represented in the Board and relevant to the Company's business are set out in the matrix below:

**Skills and experience**

Risk and Compliance	Stakeholder engagement
Financial and Audit	Industry Relations
ASX Governance	Leadership
Strategy	Ethics and Integrity
Business Operations	Contribution
Policy Development	Negotiation
Capital Markets	Critical Thinker
Technology	Crisis Management
People and Performance	Previous Board Experience
Executive Management	Corporate History
Oil and Gas industry experience	Project evaluation

To the extent that any skills are not directly represented on the Board, they are augmented through management and external advisors.

Full details of each Directors' relevant skills and experience are set out in the Company's 2023 Annual 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 regularly 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 (Cth)*, 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's assessment of each current Director is set out below:

Director	Position	Independence Status	Appointment Date
Andrew Purcell	Executive Chairman	Non-Independent	21 February 2020
Michael Sandy	Non-Executive Director	Independent	First appointed 30 July 2015. Most recently re-appointed (on rotation) 26 November 2021.
Peter Stickland	Non-Executive Director	Independent	First appointed 30 January 2015. Most recently re-

Director	Position	Independence Status	Appointment Date
			appointed (on rotation) 22 November 2022.

Mr. Peter Stickland is an independent Director. He was formerly the Managing Director of the Company from which position he resigned on 12 January 2018.

Mr. Andrew Purcell is considered a Non-Independent Director on the basis that he was appointed Executive Chairman and is a substantial shareholder in the Company.

Mr. Sandy is an independent Director. He was formerly the Chief Executive Officer on an interim basis for a short period but resigned from that position upon the appointment of Andrew Purcell as Executive Chairman on 21 February 2020. Mr Sandy recommenced as Non-executive Director on 21 February 2020 and the Board is of the view that Mr. Sandy is again appropriately considered 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.

Directors' shareholdings are set out in the 2023 Annual Report.

#### **RECOMMENDATION 2.4 – MAJORITY INDEPENDENCE**

As at the date of this Statement, two out of three of the Board's Directors are deemed independent. The current Board composition reflects an appropriate balance of skills, expertise, and experience to fulfil its obligations to act in the best interests of the Company and all stakeholders. The Board also considers that there are appropriate safeguards in place including policies and protocols to ensure independent thought and decision making.

It is noted that the composition of the Board will be reassessed in the future in line with changes in the Group's operations and will be adjusted as deemed appropriate. The Board will consider the Recommendations in assessing any future changes in board composition.

Further information regarding our directors,' including their experience and qualifications, is set out in the Directors' Report of our 2023 Annual Report.

#### **RECOMMENDATION 2.5 – INDEPENDENT CHAIR**

Mr. Andrew Purcell was appointed Executive Chairman of the Company on 21 February 2020 and is currently considered non-independent on the basis outlined in Recommendation 2.3. The Board is of the view that during this period, Mr. Purcell has and continues to exercise independent judgement and has acted in the best interest of the Company and its shareholders at all times.

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

In accordance with the Company's Remuneration & Nomination Committee Charter, new Directors are provided with copies of all relevant documents and policies governing the Company's business, operations, and management, at the time of joining the Board.

All Directors are provided with ongoing professional development and training opportunities to enable them to develop and maintain their skills and knowledge. 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 – STATEMENT OF VALUES**

The Company's values are the guiding principles and norms that define what type of organisation it aspires to be and what it requires from its directors.

#### **CORE VALUES**

- Integrity
- Teamwork
- Respect
- Accountability

The Company's Executive Team are responsible for instilling these values across the organisation.

### **RECOMMENDATION 3.2 – 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 (Code) 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.

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;
- have responsibility and accountability for individuals for reporting and investigating reports of unethical practices; and
- use the Company's resources and property properly.

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

The Code of Conduct requires that the Company Secretary, who is designated to receive reports under the Company's Whistleblower Policy, report any material breaches to the Board.

The Company's Executive Chairman, the Company's CFO and the Company Secretary have confirmed to the Board that they have not received any reports of material breaches of the Code of Conduct.

### **RECOMMENDATION 3.3 – WHISTLEBLOWER POLICY**

The Whistleblower Policy demonstrates that the Company is committed to the highest standards of conduct and ethical behaviour in all of its business activities. The Company supports a culture of honest and ethical behaviour in ensuring good corporate compliance and governance. The policy sets out, amongst other things, instances of suspected misconduct which can be reported to the internal and external parties and summarises the protections offered to whistleblowers. The Whistleblower Policy is available on our website at <http://www.melbana.com/site/About-Us/corporate-governance>.

Material breaches of the Company's policies, including any breach of the Whistleblower Policy, are raised and reviewed at Board Meetings.

The Whistleblower Policy requires that the Company Secretary, who is designated to receive reports under the Policy, report any material incidents reported under the Policy to the Board.

The Company's Executive Chairman and the Company's Company Secretary has confirmed to the Board that they have not received any whistleblower reports of material incidents.

### **RECOMMENDATION 3.4 – ANTI-BRIBERY & CORRUPTION POLICY**

The Anti-Bribery and Corruption Policy demonstrates that the Company is committed to maintain high standards of integrity and accountability in conducting its business. The policy provides a framework of guidelines and principles to encourage ethical behaviour in the conduct of business.

Any material breach of the Company's policies, including any breach of the Anti-Bribery and Corruption Policy, is raised, and reviewed at each Board Meeting.

The Anti-Bribery and Corruption Policy is available on the Company's website <http://www.melbana.com/site/About-Us/corporate-governance>.



The Anti-Bribery and Corruption Policy requires that the Company's Executive Chairman and the Company's CFO and Company Secretary, who are designated to receive reports under the Company's Whistleblower Policy, report any material breaches of the Policy to the Board.

The Company's Executive Chairman and the Company's CFO and Company Secretary have confirmed to the Board that they have not received any reports of material breaches of the Policy.

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

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

The Company's Audit and Risk Committee Charter provides for the creation of an Audit and Risk Committee, with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director who is not the Board Chair.

The Audit and Risk Committee Charter is available on our website at <http://www.melbana.com/site/About-Us/corporate-governance>.

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.

During the 2023 financial year, the Audit and Risk Committee consisted of three members, two of them are considered independent being Mr. Michael Sandy (Committee Chair) and Mr. Peter Stickland. Mr. Andrew Purcell was considered non-independent on the basis outlined in Recommendation 2.3.

The members of the Audit and Risk Committee are financially literate and have an appropriate understanding of the industry in which the Melbana Group operates.

The relevant qualifications and experience of the members of the Committee are contained in the Directors' Report of the Annual Report.

The number of meetings held and individual attendances of Committee members at those meetings are disclosed in the 2023 Directors' Report.

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

The Executive Chairman and 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 2023 full year financial results, where the Executive Chairman 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 (Cth)*. 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. The external auditor's independence declaration is contained in the Directors' Report in our 2023 Annual Report.

Any periodic corporate report the Company releases to the market that is not audited or reviewed by an external auditor is reviewed and approved by the Board so that it is satisfied the report in question is materially correct, balanced and provides investors with appropriate information to make an informed investment decision. Following review by the Board the report is formally approved prior to release.

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

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

We are committed to providing information to shareholders and to the market in a manner that is consistent with the meaning and intention of the ASX Listing Rules and the *Corporations Act 2001 (Cth)*.

To comply with these obligations, the Board has adopted a Continuous Disclosure Policy, which is available on our website at <http://www.melbana.com/site/About-Us/corporate-governance>. This Continuous Disclosure Policy sets out the key obligations of directors and employees in relation to the Company's continuous disclosure requirements.

The Board has overarching responsibility for compliance with continuous disclosure obligations and Board approval is required for certain key matters (as set out in the Continuous Disclosure Policy) and matters may be referred to the Board for approval by the Executive Chairman or the Company Secretary.

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive, and informed market and in compliance with our Securities Trading Policy (as applicable). In accordance with continuous disclosure obligations under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management, and disclosed to the ASX in a timely manner. The Company website includes a link to all information disclosed to the ASX.

The Company's Company Secretary has been nominated as the person responsible for communications with the ASX, which includes the responsibility for meeting the continuous disclosure requirements.

## **RECOMMENDATION 5.2 – PROVIDE THE BOARD WITH COPIES OF ALL MATERIAL MARKET ANNOUNCEMENTS**

The Company ensures that its Board receives copies of all material market announcements prior to release to the market followed by immediate notification including announcement following each release to the market.

## **RECOMMENDATION 5.3 – INVESTOR PRESENTATIONS**

In accordance with the recommendation, the Company ensures that all substantive presentations are released to the market to enable security holders the opportunity to participate in the presentation.

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

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

The Company's website ([www.melbana.com](http://www.melbana.com)) 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.

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

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.

Regular briefings are held with professional investors. Prior to such briefings, any new information to be given is first released to the ASX.

All shareholders are notified in writing of general meetings and are strongly encouraged to attend and participate in the Annual General Meetings of the Company, to lodge questions to be answered by the Board and / or Executive Chairman and to appoint proxies if they cannot participate personally.

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

Shareholders are forwarded the Company's Annual Report, if requested (it is otherwise made available on the Company's website), and documents relating to each general meeting, being the notice of meeting, any explanatory memorandum and a proxy form and shareholders are invited to attend these meetings.

The Board regards each general meeting as an important opportunity to communicate with shareholders and it provides a key forum for shareholders to ask questions about the Company, its strategy and performance. At shareholder meetings, the Company will provide an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and if applicable our external auditor.

#### **RECOMMENDATION 6.4 – ALL SUBSTANTIVE RESOLUTIONS AT A SECURITY HOLDER MEETING ARE DECIDED BY POLL**

In order to ascertain the true will of the Company's security holders attending and voting at its security holder meetings, whether they attend in person, electronically or by proxy or other representative, in most situations where this can be achieved the company will conduct the voting procedure by a poll.

The Company uses polls for voting on all resolutions included in a notice of meeting, as required by the *Corporations Act 2001 (Cth)*.

#### **RECOMMENDATION 6.5 – 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, Boardroom Pty Limited, 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.

Through the Company's website, security holders are invited to provide their email address to enable electronic communication to and from the Company and its share registry.

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

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

The Company's Audit and Risk Committee Charter provides for the creation of an Audit and Risk Committee, with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director who is not the Board Chair. The Audit and Risk Committee Charter is available on our website at <http://www.melbana.com/site/About-Us/corporate-governance>.

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.

During the 2023 financial year, the Audit and Risk Committee consisted of three members, two of them are considered independent being Michael Sandy (Committee Chair) and Mr Peter Stickland. Mr. Andrew Purcell is 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 2023 Directors' Report.

In accordance with the Company's Audit and Risk Committee Charter the Committee also has delegated responsibilities in relation to risk management which includes assisting the Board to:

- review and make recommendations regarding the adequacy and integrity of the Company's risk management framework and system of internal controls; and
- reviewing compliance with relevant laws and regulations

### **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 reviewing the Company's risk management strategy and policy. Management is responsible for monitoring that appropriate processes and controls are in place to manage risk effectively and efficiently.

Management, through the Executive Chairman, 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 Charter provides for the Committee to monitor the need for an internal audit function.

The Company did not have an internal audit function for the past financial year and due to the size of the Company the Board does not consider it necessary to have an internal audit function.

The Company will employ the following process for evaluating and continually improving the effectiveness of its risk management and internal control processes:

- the Audit and Risk Committee will monitor the need for an internal audit function having regard to the size, location, and complexity of the Company's operations; and
- the Audit and Risk Committee will periodically undertake an internal review of financial systems and processes where systems are considered to require improvement these systems are developed.
- The Audit and Risk Committee seeks the advice and recommendations of its external auditor in relation to its system of financial control and compliance.

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

Management reports to the Board on material risks, along with their associated controls, based on standard risk assessment and acceptance criteria.

Any material exposure to economic risk is disclosed in the Annual Report of the Company.

The Company manages its exposure to economic risk by having a sound system of control and accountability systems to ensure the Company is progressing towards goals set by the Board. These controls are reviewed annually with the input of the Company's auditors.

The Audit and Risk Committee is responsible for reviewing at least annually the effectiveness of the Company's risk management and internal control systems and make relevant recommendations to the Board. In discharging its duties, the Committee has unrestricted access to all staff and to the Company's auditors, both internal and external, to seek information and explanations from them. The Committee proactively makes recommendations to the Board in relation to the outputs of the financial reporting and disclosure processes and with respect to risk management and internal control.

The Board retains the overall Risk Management function. The Board is of the view that:

- the Company does not have any material exposure to environmental risk. As it is not at the stage of production, its activities are unlikely to adversely affect the natural environment and are not materially affected by adverse environmental events.
- the Company does not have any material exposure to social risks. The scale of the Company's activities mean that it is highly unlikely that there are modern slavery practices or corrupt conduct in its supply chain. The Company's activities were not materially adversely affected by the Covid-19 pandemic.
- The Company does not have any material exposure to cyber risk. Procedures are in place for bank account details on all invoices to be manually checked and confirmed with recipients before any payments are paid. In the case of material banking transactions (cash management and payments to third parties inclusive), multiple signatories are required to authorise payments, all of whom have to satisfy two factor authentication.

Therefore, the Board currently has no formal policies in place to manage such risks. However, the Company will continue to monitor exposure to such risks and implement appropriate policies when required.

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

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

The Company's Remuneration and Nomination Committee Charter provides for the creation of a Remuneration and Nomination Committee, with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director. The Remuneration and Nomination Committee Charter is available on our website at <http://www.melbana.com/site/About-Us/corporate-governance>.

During the 2023 financial year, the Remuneration and Nomination Committee consisted of three members, two of them are considered independent being Mr. Peter Stickland (Committee Chair) and Mr Michael Sandy. Mr. Andrew Purcell is considered non-independent on the basis outlined in Recommendation 2.3.

Its role includes assisting the Board in:

- assessing the size and composition of the board, having regard to 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 2023 Directors' Report.

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

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration policies for the directors and senior executives. If necessary, it obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Company.

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. The Remuneration Report highlights the balance between fixed pay, short-term incentive, and long-term incentives and includes details of the remuneration paid and the relationship to the Company's performance.

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

The Company's Long-Term Incentive Plan prohibits participants from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

The Company also has a Securities Trading Policy, as displayed on the Company's website, which provides that participants must not, without prior approval of the Company Secretary, entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.