

Galilee Energy Limited (“Galilee”) and its Board of Directors (the “Board”) are committed to achieving and implementing the highest standards of corporate governance.

This statement outlines the key aspects of Galilee’s governance framework and practices. The charters, policies and procedures are reviewed regularly and updated to comply where practical with the law and best practice. This statement contains specific information and discloses the extent to which the Company intends to or is able to follow the Corporate Governance Principles and Recommendations 3<sup>rd</sup> Edition (“3<sup>rd</sup> Edition Recommendations” or ‘ASX Recommendations’). A 4<sup>th</sup> edition of the Corporate Governance Principles and Recommendations has since been released and the Company is now working towards, for the current financial year, reporting against the updated Principles. Where there has been progress made towards adopting or addressing the Fourth Edition of the Principles, details have been included below.

The charters and policies of the Company can be viewed on Galilee’s website at:

[www.galilee-energy.com.au](http://www.galilee-energy.com.au) (the “Website”)

The ASX Recommendations are not prescriptive and, if certain recommendations are not appropriate for the Company given its circumstances, it may elect not to adopt that particular practice in limited circumstances. The Company believes that during the reporting period ending 30 June 2019 its practices are largely consistent with those of the 3<sup>rd</sup> Edition Recommendations and where they do not follow a recommendation this statement identifies those that have not been followed and details reasons for non-adherence. Even where there is a deviation from the ASX Recommendations the Company continues to review and update its policies and practices in order that it keeps abreast of the growth of the Company, the broadening of its activities, current legislation and good practice.

Before referring to the specific principles set out in the 3<sup>rd</sup> Edition Recommendations and the extent to which the Company complies with the recommendations, the following observations are made:

- ❖ The Company does not have a large market capitalisation and (as a hydrocarbon exploration entity) limited sources of ongoing income. As a consequence, the available cash reserves of the Company (and its controlled entities) are intended to be applied so as to maximise shareholder value.
- ❖ Again, because of limited directly operated activities, the Company (apart from its Directors and Company Secretary) has relatively few executives. Rather than the task of rigorously adhering to the ASX Recommendations (which are still acknowledged as being important), the principal focus of the Company is to maximise the technical skill and expertise of its Directors and employees, so as to enhance the value of the Company’s assets.
- ❖ The Non-executive Directors dedicate reasonable time and effort to the affairs of the Company. They do so within busy

schedules for other work and business commitments and, as a consequence, the principal focus of their endeavours (while operating within a sound base for corporate governance) must necessarily be the promotion of the Company’s activities and improving shareholder value.

It is within the above context that the Directors believe they have established the most appropriate processes to ensure compliance wherever reasonably possible with the ASX Recommendations, as outlined below.

This Corporate Governance statement reports on the main practices of Galilee as at the 12<sup>th</sup> day of September 2019 and has been approved by the Board of Directors.

## ***Principle 1 - Lay solid foundations for management and oversight***

Functions reserved to the Board and Directors’ responsibilities are set out in this Statement and in a separate Board Charter which is supported by detailed Board Protocols. A copy of the Board Charter is available on the Website.

(ASX Recommendation 1.3)

The Company has a small group of experienced senior management personnel. Each of these persons has entered into arrangements with the Company (and/or its controlled entities) making provision for the conduct of the individual’s responsibilities in respect of the day-to-day activities of the Company. The authorities granted to senior executives are delegated by the Board. The Board and management work closely meeting at regular intervals, or as necessary, and executive management personnel communicate directly with Board members between Board meetings both to inform them and/or seek their counsel as appropriate.

The primary role of the Board is to govern the Company rather than to manage it. Nevertheless, given the size of the Company and the current status of the operations, the directors do have a close relationship with management to ensure that activities are monitored closely. The role of the Board amongst other things includes:

- ❖ Setting strategic direction and approving objectives set by management with a view to maximising shareholder value;
- ❖ Adopting an annual budget and monitoring financial performance;
- ❖ Ensuring adequate internal controls exist and are appropriately monitored for compliance;
- ❖ Identifying and appropriately managing significant business risks;
- ❖ Ensuring that the Company has the appropriate corporate governance controls in place such as standards of ethical behaviour;

- ❖ Having a Board that comprises Directors with an appropriate level of expertise, experience and skill, so as to ensure that commercial opportunities are taken advantage of and risks managed; and
- ❖ Setting the highest of business standards and codes of ethical behaviour.

(ASX Recommendation 1.1)

## Board of Directors

### Responsibilities

The Board is responsible for the Company's corporate governance and approves the business strategy of the Company. It authorises all major transactions and reviews operational and financial performance. The Managing Director conducts the day-to-day affairs of the Company and is accountable to the Board.

### Composition

The Board currently comprises five members, a mix of independent non-executive Directors (one of which is the Chair) and non-independent executive Director. Details of each Director's background appear in the Company's Annual Report and on the Company's web site.

ASX Recommendation 2.4 requires a majority of the Board to be independent Directors.

The 3<sup>rd</sup> Edition Recommendations defines "independence" as being a non-executive director who is not a member of management and who is 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 their judgment.

The Board has adopted this basis for determining the independence status of the Board members.

The names of the current directors, whether the Board considers them to be independent and the length of service are below:

Name	Independence Status	Appointment Date	Resignation Date
Raymond Shorrocks (Chair)	Independent	2 Dec 2013	
David King	Independent	24 Sept 2013	
Peter Lansom	Executive	24 Sept 2013	
Stephen Kelemen	Independent	31 March 2018	

Gordon Grieve	Independent	5 September 2019	
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(ASX Recommendation 2.4)

The Company does comply with ASX Recommendation 2.4 as the majority of the Board is constituted by independent directors.

The Chair of the Board is an independent director and is not the current or previously been the CEO or Managing Director of the Company.

(ASX Recommendation 2.4)

### Nomination and Election of Directors

The Board can at any time appoint any suitably qualified and experienced person to be a Director. Which it has recently done with the appointment of Gordon Grieve. That person holds office until the next Annual General Meeting and is then eligible for election at that meeting. One third of the Non-executive Directors (excluding the Managing Director) must retire by rotation at each Annual General Meeting and are eligible for re-election.

The skills, experience and expertise relevant to the position of each Director are set out in the Directors' Report of this Annual Report. Prior to the appointment of a person, or putting forward to shareholders a candidate for election, as a director, the Company undertakes checks which it believes are appropriate to verify a director's character, experience, educations, criminal record and bankruptcy history. The Company will ensure that all material information in its possession relevant to a shareholder's decision to elect or re-elect a director is provided to shareholder in the Company's Notice of Annual General Meeting.

(ASX Recommendation 1.2)

## Company Secretary

The Company Secretary is directly accountable to the Board through the Chair who the Company Secretary has a direct line of reporting to. The Company Secretary is responsible for advising the Chair and the Board to manage the day to day governance framework of the Company. The responsibilities of the Company Secretary are contained in the Board Charter.

The decision to appoint or remove the Company Secretary is made and approved by the Board.

(ASX Recommendation 1.4)

### Directors' indemnity

Under the Company's Constitution and pursuant to respective Deeds of Indemnity, each Director of the Company (and its subsidiaries) is indemnified to the extent permitted by law against:

- ❖ Liability to third parties arising out of conduct undertaken in good faith in their capacity as a Director; and
- ❖ The costs and expenses of defending legal proceedings arising out of conduct undertaken in their capacity as a current or former Director, unless the defence is unsuccessful.

The Company also has in place a Directors and Officers Liability Insurance Policy, for which the Company pays the premium, insuring the Directors against certain liabilities they may incur in carrying out their duties and responsibilities for the Company.

#### Diversity Policy

The Company seeks to treat everyone with fairness and respect which includes valuing diversity. The Board is committed to creating a fair and inclusive work environment that recognises that diversity can be a contributing factor to the Company's commercial success. The Board has adopted a Diversity Policy in compliance with the ASX Guidelines but is cognisant of the considerable constraints of a small hydrocarbon exploration company, particularly in relation to gender diversity in the workplace.

This Policy includes measurable objectives for achieving gender diversity over the longer term. The Company has not fully complied with recommendation 1.5 in setting measurable objectives for achieving gender diversity.

As the Company has a relatively small staff at present the Board does not believe that any benefit would be obtained striving to meet the measurable objectives for achieving gender diversity and has not done so. Neither is the Company a 'relevant employer' under the Workplace Gender Equality Act.

Notwithstanding this the Company strives to provide the best possible opportunities for current and prospective employees of all backgrounds.

A copy of the Company's Diversity Policy can be found on the Website.

For the year under review the Company had a total of 1 female employee out of a total of 5 employees. There were no females in either an executive role or as a member of the Board during the year under review.

(ASX Recommendation 1.5)

#### Board and Management Reviews

The Board believes that due to the size of the Company and that all of the senior executive positions in the Company are held by directors there would be no added benefit to shareholders at this juncture to implement a formal review process of the Board's performance. While there is no formal process being followed at this juncture the Board does carry out informal and ad hoc reviews of each other's performance. While the ASX Recommendation is not strictly followed the Directors believe

that the level of evaluation of the Company's Directors is more than sufficient and effective. A more formal process of Board evaluation will be considered in the future as the size and operations of the Company develops.

(ASX Recommendation 1.6)

While the Company does not have in place a formal process for evaluation of its key executives, it is the responsibility of the Managing Director to assess, annually or as necessary, the performance of all key executives. Both qualitative and quantitative measures will be used consistent with performance targets set annually by the Managing Director in consultation with those executives. The Managing Director reports to the Board acting as a defacto Remuneration and Nomination Committee on their performance and the Board acting in its capacity as the Remuneration and Nomination Committee will then consider any changes to remuneration and the establishment of new performance targets. There are only two senior executives employed currently and the Managing Director has completed a review of their performance.

(ASX Recommendation 1.7)

#### Ethical standards

The Company is committed to high ethical standards in its operations and in its dealings with shareholders and other stakeholders. All Directors are required to adhere to a Code of Conduct and they are governed by a Securities Trading Policy which restricts them and key management personnel from dealing in Company securities during closed periods and when they are in possession of price sensitive information, but otherwise allows share dealings, particularly during specified trading window periods after the release of first and third quarter reports and half and full year results.

#### Shareholder communication

The Board ensures that shareholders are provided with adequate information regarding the performance of the Company and any price sensitive information in a timely manner. The Company's policy is to lodge with the ASX and place on its web-site market sensitive information, including annual and half yearly results announcements and any relevant analyst presentations, as soon as practicably possible. This web-site contains recent announcements, shareholders' circulars and relevant financial data as well as the Company's Corporate Governance Statement, its Charters and Policies, and related documents.

#### Directors' remuneration

Non-executive Directors are remunerated for the value of their work and commitment to the Company as it strives to maximise the worth of its assets. The level of total annual remuneration

which may be paid to Non-executive Directors of the Company and its subsidiaries (as last approved by shareholders in November 2009) is \$600,000 and is allocated among the Non-executive Directors as they decide. The amount paid to Directors from this pool of funds for the year ended June 2019 was \$216,250.00.

Subject to shareholder approval, Non-executive Directors may also be granted performance rights as a reward and incentive for services they provide to assist in furthering the Company's progress, future growth and success.

### **Principle Two - Structure the Board to add value**

The Board now comprises four non-executive Directors, including the Chair, and one executive Director (the Managing Director). The names of the Directors of the Company in office as at 30 June 2019, and their qualifications are set out in the section of the Annual Report headed "Directors' Report". Details of the Director recently appointed are contained in the Company's market announcement of 5 September 2019.

The composition and size of the Board is determined so as to provide the Company with a broad base of industry, business, technical, administrative, financial and corporate skills and experience considered necessary to achieve the strategic objectives of the Company taking into consideration the size of the Company and the nature of its current operations.

The Board has not formed a separate Nomination committee, which it finds unnecessary at this stage of the Company's evolution, favouring a 'whole-of-board' approach to the selection of replacement or additional Directors or senior management. The Board believes the appropriate mix of skills and diversity of Directors should encompass relevant industry, financial and commercial experience.

The Board intends to reconsider the requirement for, and benefits of, a separate nomination committee as the Company's operations grow and evolve.

(ASX Recommendation 2.1)

The Board operates an on-going self-assessment and evaluation process which includes from time-to-time the assessment of director competencies and suitability to the Company as it evolves over time. The Board's principal benchmarks are the Company's operational and financial performance compared to similar organisations. If a Board vacancy becomes available it will be the responsibility of the Board as a whole to identify the skills, experience and diversity that will best complement the Board and will then embark on a process to identify a candidate who can best meet those criteria. A Board Skills matrix has been developed and adopted by the Board to help assess the relevant criteria of candidates. The Directors believe the skill base of the current Directors is appropriate for the Company given its size and the nature of its operations.

(ASX Recommendation 2.2)

Given the size of the Company there is no formal induction process for new directors. Rather any new Director will be provided with a personalised induction which will be dependent upon the skills and experience that any new Director might possess. Any new Director induction will include comprehensive meetings with senior management and the provision of relevant materials such as all the Company's policies and procedures as well as instruction in relation to these.

All Directors are expected to maintain the skills required to effectively discharge their obligations and are encouraged to undertake continuing professional education such as industry seminars and approved education courses.

(ASX Recommendation 2.6)

The Board has determined and is also provided for in the Charter that individual Directors have the right to seek independent professional advice in connection with any of their duties and obligations as Directors of the Company. Before a Director may obtain that advice at the Company's expense, the Director must obtain the approval of the Chair who will not unreasonably withhold that consent. If appropriate any advice received will be made available to the full Board. No member of the Board availed himself of this entitlement during the year under review.

The Company Secretary plays an integral role in monitoring the conduct of activities of the Board and any committee, as well as the despatch of material to Board members; he is responsible for overseeing adherence to Board policies and procedures and is accountable on governance matters.

### **Principle Three – Act Ethically and Responsibly**

The Company has established a formal Code of Conduct which governs Directors and employees. Specific features of the Code include:

- ❖ Compliance with applicable laws, rules and regulations;
- ❖ Dealings with customers, employees and other stakeholders;
- ❖ Protection of Company property and assets;
- ❖ Restrictions on Directors' dealings with Company shares;
- ❖ Requirements in terms of disclosure of information to the ASX and the Company's continuous disclosure obligations generally;
- ❖ Protocol for accepting gifts and the like; and
- ❖ Guidelines for reporting unethical practices.

In addition, the Company's executive team continues to work hard to establish and maintain good relationships with key stakeholders involved with the projects in which the Company has an interest. As a potential producer of gas, the Board recognises a strong need to maintain good relations with



government departments, local authorities, landowners, indigenous peoples, potential joint venture partners and the like. A copy of the code is available on the Website.

The Company has also recently adopted an updated Whistle Blowers policy in compliance with the recommendations in the 4<sup>th</sup> Edition of the Principles as well as planning for the adoption of an Anti-Bribery and Corruption Policy. Both of these policies will be placed on the Company's website.

(ASX Recommendation 3.1)

#### **Principle Four – Safeguard Integrity in Corporate Reporting**

The Chief Financial Officer (CFO) oversees the Company's financial resources, records and reporting. These reports are subsequently audited by the Company's external auditors BDO.

The Board requires the persons performing the roles of CEO/Managing Director and CFO to declare in writing to the Board at the time of approving and signing the annual and half-yearly accounts that, in their opinion, the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards, as required by Section 295A of the *Corporations Act*. Both these officers also report to the Board at its regular meetings.

(AS Recommendation 4.2)

Additionally, an Audit Committee has been established that works in conjunction with the Company's external auditors to ensure the presented accounts are in accordance with accounting principles. In terms of the ASX Guidelines the Committee's Chair is a Non-executive Director (not being Chair of the Board) who has a strong commercial finance and accounting background making him an appropriate person for this role.

The Committee has in the past only had two members both of whom are independent. The size of the Board did not allow for the minimum number required by the ASX Recommendations. With the recent appointment of a fourth non-executive director this Recommendation has now been satisfied with the appointment of a third member to the committee which now sees all 3 members of the Audit committee as independent non – executive directors.

The Audit Committee keeps minutes of its meetings and includes them for review at the following Board Meeting. The Audit Committee members' attendance at meetings as compared to total meetings held is set out in the Directors' Report contained in the Annual Report.

(ASX Recommendation 4.1)

The external auditors lead engagement partner attends the committee meetings at least twice a year and on other occasions where circumstances warrant, as well as being available at the Company's AGM to answer shareholders

questions about the conduct of the audit and the preparation and content of the audit report.

(ASX Recommendation 4.3)

#### **Principle Five – Make Timely and Balanced Disclosure**

The Company is a "disclosing entity" pursuant to section 111AR of the Corporations Act and, as such, complies with the continuous disclosure requirements of Chapter 3 of the ASX Listing Rules and section 674 of the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company is required to disclose to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is committed to the promotion of investor confidence by ensuring that it meets its ASX reporting obligations and that trading in the Company's securities takes place in an informed market. In addition, there is an internal protocol that has been established involving the Executives of the Company, to arrange for the timely preparation and release of all announcements to the ASX.

In addition, all changes in Directors' interests in the Company's securities are promptly reported to the ASX in compliance with Section 205G of the *Corporations Act* and the ASX Listing Rules.

The Company has adopted a Continuous Disclosure Policy in compliance with ASX Recommendation 5.1 and ASX Guidance Note 8: Continuous Disclosure. A copy of the policy can be found on the Company's Website.

Each employee and consultant engaged by the Company will be provided with a copy of the policy while impressing upon them during their induction the importance of the same.

The Company Secretary has primary responsibility for discharging the Company's continuous disclosure obligations to the ASX. All officers and employees must immediately notify the Company Secretary of any material information which may need to be disclosed under Listing Rule 3.1-3.1B. Where uncertainty arises as to the meeting of continuous disclosure obligations, the Company Secretary may seek external legal advice.

A copy of the Continuous Disclosure Policy is available at the Company's website.

(ASX Recommendation 5.1)

#### **Principle Six – Respect the Rights of Shareholders**

The Company has not yet established a formal communications policy. Rather, it does have an informative website as the basis for maintaining close contact with shareholders and it is regularly updating the site, in recognition that these days the Company's website is one of the main avenues for keeping

shareholders and market participants aware of the Company's activities.

In addition, the Company has implemented other strategies so as to provide shareholders with an opportunity to access reports and other releases by way of email, subject to the *Privacy Act* requirements.

(ASX Recommendation 6.1)

The Board aims to ensure that shareholders are kept informed of all material developments affecting the Company and its operations. As per the obligations under Listing Rule 3.1 and the Continuous Disclosure Policy adopted by the Board, the Company will immediately disclose any information that a reasonable person would expect to have a material effect on the value of the Company's securities.

(ASX Recommendation 6.2)

Shareholders are also encouraged to participate in Annual (and other) General Meetings to ensure a high level of accountability and identification with the Company's strategies and goals. The Company permits shareholders to cast their proxies or vote directly online prior to the General Meeting if they are unable to attend. Mechanisms for encouraging and facilitating shareholder participation will be reviewed regularly to encourage the highest level of shareholder participation.

(ASX Recommendation 6.3)

The Company's website contains a function to allow interested parties to subscribe to receive electronic notification of public releases and other relevant material concerning the Company and its activities.

(ASX Recommendation 6.4)

### **Principle Seven – Recognise and Manage Risk**

Given the Company's involvement in exploration for hydrocarbons, the Board is cognisant of the risks that can potentially impact on its people and its business operations and the need for active risk management and mitigation.

To this end, the Board has established a dedicated Risk Committee, which has the overall responsibility for ensuring that necessary controls are in place to manage operational, corporate and financial risk, complimenting the Audit Committee's role in respect to the latter. A copy of the Committee's charter which has recently been updated is available on the Company's website. The Committee members and their relevant qualifications and experience as well as the details of the number of meetings held by the Committee and the attendance of members are contained in the section headed "Directors Report" of the Company's Annual Report.

The Risk Committee is made up of three directors, one of which, being the Chair of the Committee is independent. The Committee also has two representatives from the executive team, namely the Chief Operating Officer who has the most

dealings with the operations of the Company and the CFO who oversees the financial matters of the Company.

(ASX Recommendation 7.1)

The Board with the assistance of the Risk Committee has completed a review of the Company's risk management framework during the year under review and determined that the risk management framework that was in place continues to be sound and robust enough to address the risks that face the Company.

(ASX Recommendation 7.2)

The Company does not have a formal internal audit function. Management led by the Chief Financial Officer periodically undertakes an internal review of financial systems and processes and where systems are considered to require improvement these systems are developed. Delegations of Authority are reviewed annually by the Audit Committee.

HS&E/Rsk management is a standing Board agenda item, and relevant matters are discussed regularly by the Board

The ongoing mitigation and management of financial and operational risks are standing agenda items of the Audit and Risk Committees. The Chief Executive Officer and the Chair of the Audit Committee are responsible for reporting to the Board on a regular basis in relation to whether the Company's material business risks are being managed effectively by the existing management and internal controls systems.

The Board considers that an internal audit function is not currently necessary given the current size and scope of the Company's operations and that only one Director holds an executive position in the Company.

(ASX Recommendation 7.3)

The Company undertakes oil & gas exploration activities and as such faces inherent risks to its business, including economic, environmental and social sustainability risks which may materially impact the Company's ability to create or preserve value for shareholders over the short, medium or long term.

The Board appreciates that operating in such an area means that the Company needs to constantly monitor risks across all aspects of its business.

Risks associated with economic, environmental and social sustainability have been included as part of the risk management register to ensure that they are continually being monitored and assessed.

The Board is regularly briefed by management, as well as keeping itself abreast of possible material exposure to risks that the Company may face.

Of core importance to the Company is safety and best practice in operations, which it considers a priority not only in respect to its employees and contractors but also to the community and environment in which it operates. The Company believes that if

these matters are priorities then they will act as drivers for value to shareholders.

(ASX Recommendation 7.4)

#### ***Principle Eight – Remunerate Fairly and Responsibly***

No separate Remuneration Committee has been formed as the Directors consider it appropriate, given the size of the Company, for such matters to be determined at Board level.

The Board considers that the Directors are sufficiently qualified to consider and decide on matters covering recruitment and remuneration of senior executives, superannuation arrangements, Directors' remuneration and retirement benefits. However, external professional advice may be sought from experienced consultants where appropriate to assist in the Board's deliberations.

(ASX Recommendation 8.1)

The Board maintains a view that a remuneration policy exists which provides the requisite degree of incentive so as to not only attract but to maintain suitably qualified personnel. In addition, the Company has a performance rights scheme in place to allow rights to be issued to deserving staff as a reward for performance. Also, the Board's policies prohibit transactions by executives which might limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme.

The Board takes the view that the Company's future success lies in the quality of its team. As a result, a highly-competent and experienced management team has been assembled, but in order to keep that team together adequate financial rewards must be provided. Full details of the remuneration of Directors and key management personnel are contained in the Remuneration Report section of the Company's Annual Report.

There is no retirement benefit scheme for any Directors, including non-executive Directors, other than the payment of statutory superannuation.

(ASX Recommendation 8.2)

The Company has an equity based remuneration plan. The Company's Policy for Trading in its securities which would include performance rights issued under the remuneration plan prevent participants in the scheme from entering into a transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of the unvested equity interest.

The Policy for Trading in its securities also requires that all dealings in its securities have to be first approved by the Company. A copy of this policy is available on the Website.

(ASX Recommendation 8.3)