



# CORPORATE GOVERNANCE STATEMENT

as at 5 September 2018

## INTRODUCTION

The Company and the Board are committed to achieving and demonstrating high standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Group seeks to follow the best practice recommendations for listed companies to the extent that it is practicable.

The Company is required to disclose the extent to which it has not adopted the ASX Corporate Governance Principles and Recommendations. Set out below are the principal corporate governance practices of the Company along with the reasons for non-adoption of the recommendations (including 2014 Amendments) where applicable.

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

### 1.1 Roles and Responsibilities of the Board of Directors

The Board of Directors guides and monitors the business and affairs of the Company on behalf of its shareholders, by whom the directors are elected and to whom they are accountable.

The Board's primary role is the protection and enhancement of long-term shareholder value. The Board is responsible for the overall corporate governance of the Company, including engaging with management in the development of strategic and business plans, preparation of annual budgets and establishment of goals for management and monitoring the achievement of those goals on a regular basis. The role of Senior Management is to manage the Company in accordance with the direction and delegations of the Board and it is the responsibility of the Board to oversee the activities of management in carrying out those delegated duties. Management will report to the Board and execute the directives of the Board.

The Board is also responsible for:

- reviewing the performance of the managing director and senior management;
- planning the development, retention and succession of the management team;
- reviewing and ratifying systems of risk management and internal compliance, including approving and monitoring the policies and procedures relating to occupational health and safety and the environment;
- approving and monitoring financial and other reporting, including the progress of major capital expenditure and capital management;
- approving and monitoring acquisitions and divestitures; and
- preparing, implementing and monitoring policies to ensure that all major developments affecting the financial position and state of affairs of the Company and any subsidiaries are announced to the ASX in strict accordance with the Listing Rules.

The Board has also established a framework for the management of the Company, including a system of internal control and business risk management and the establishment of appropriate ethical standards.

## 1.2 Appointment of Directors

Appropriate checks are made of each Director before their appointment and stakeholders are made aware of all material information on their election or re-election.

## 1.3 Directors under Written Agreement

The Company has written agreements with each Director and Senior Executive setting out the terms of their employment.

## 1.4 Company Secretary Accountable to the Board

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

## 1.5 Diversity

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. The Company has formulated a diversity policy, which can be viewed on its website.

The Company has adopted a three pronged approach set by the Board for achieving gender diversity. The three objectives for achieving gender diversity within the Company are as follows:

1. **Representation** – Increase the representation of female skilled employees in the Company;
2. **Remove Gender Bias** – Increase awareness of gender bias and develop solutions to remove gender bias within the Company; and
3. **Review Practices** – Ongoing review aimed at identifying any inequities and take any necessary action.

At the end of the current reporting period there were 18 women in the whole organisation representing 22% of total employees. There were two women in senior executive or Board positions. Senior executive is made up of those employees that report directly to the Managing Director and which influence and drive the strategic direction of the Company's business.

## 1.6 Performance Evaluation - Directors

The Company conducts an annual independent external review of the Board and its Chairman. Each member of the Board is required to complete two confidential online questionnaires relating to Board performance and the Chairman. The results of the questionnaire are reviewed and evaluated by an independent party. The resulting reports are discussed confidentially with the Board. Such review was undertaken in this performance period.

## 1.7 Performance Evaluation – Senior Executives

The Board from time to time carries out the process of considering and determining relevant KPI's and other measures to evaluate the performance of its senior executives. Such review was undertaken in this performance period.

# PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

## 2.1 Nominations Committee

Due to the size of the Company, a decision was made by the Board to have a single Remuneration and Nominations Committee.

This committee consists of the following Directors:

- Dr Peter Moore (Chairman)
- Wrixon Gasteen
- Dr Sarah Ryan

The Chairman of this Committee is an independent director.

Details of these Directors' qualifications are set out in the directors' report.

The role of the Nominations Committee is to review Board composition, performance and Board succession planning. The Nomination Committee's Charter can be viewed on the Company's website.

## 2.2 Board Skills Matrix

The following table summarises the key skills and experience of the Board of Central Petroleum Limited across areas relevant to the Company and its strategy:

| <b>Skills, Experience and Diversity</b>  | <b>No. of Directors</b> |
|--|-------------------------|
| <b>Executive Leadership</b>  |                         |
| • Executive Management positions   | 6                       |
| • External Directorships   | 6                       |
| <b>Governance</b>  |                         |
| • Experience in governance of organisations  | 5                       |
| <b>Strategy</b>  |                         |
| • Experience in setting and delivering company strategy  | 6                       |
| • Ability to analyze information, think strategically and review and challenge management recommendations  | 6                       |
| <b>Health, Safety and Environment</b>  |                         |
| • Experience in oversight of health, safety and environmental and sustainability issues in an organisation | 5                       |
| <b>Risk Management</b>   |                         |
| • Experience in risk management and oversight  | 6                       |
| <b>Industry Experience</b>   |                         |
| • Experience in the Resources Industry   | 6                       |
| • Experience within the Oil and Gas Industry   | 5                       |
| • Engineering or Science qualification   | 3                       |
| <b>Financial &amp; Legal Acumen</b>  |                         |
| • Financial Literacy   | 6                       |
| • Accounting or Finance qualification  | 2                       |
| • Legal qualification  | 2                       |

## 2.3 Details of the Board

The Board consists of six Directors – one Executive Director and five Non-Executive Directors. Details of their skills, experience and expertise and the period of office held by each Director have been included in the directors' report. The number of board meetings and the attendance of the Directors are set out in the directors' report.

The Board has assessed the independence of the Non-Executive Directors and the Chairman. Although Non-executive Directors hold fully paid ordinary shares, the Board considers these holdings to be immaterial, being significantly below the holdings threshold to be considered as substantial shareholders as defined by the Corporations Act.

The Non-Executive Directors have no business or other relationship which is likely to compromise their independence. Individual Directors are required to keep the board advised of any interests that could potentially create conflict with those of the Company.

## 2.4 Independent Directors

The majority of the Board are independent directors. The Board monitors the independence of each Board member on a regular ongoing basis.

## 2.5 Chair of the Board

The Chairman, Mr Kriewaldt, is a Non-Executive Director. The roles of Chairman and the Executive Director are not exercised by the same individual as there is a clear division of responsibility between them.

## 2.6 Induction of Board Members

Upon appointment, new Directors undergo a structured program of induction. Each new Director is provided with an induction pack containing copies of the Company's Constitution, Board Charter, Committee Charters, corporate policies and other relevant information pertaining to the Company's ongoing operations and objectives.

## 2.7 Term of Office

Under the constitution of the Company, the directors, other than the Managing Director, are obliged to present one third of their company for retirement and potential re-election at each annual general meeting of the Company.

## 2.8 Independent Professional Advice

In the proper performance of their duties, each Director has the right to seek a reasonable level of independent professional advice on matters concerning the Company at the Company's expense, after obtaining the Chairman's approval, which will not be unreasonably withheld. Each Director has the right of access to all relevant Company information and to the Company's executives.

# PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

## 3.1 Ethical Standards and Code of Conduct

The Directors acknowledge the need for, and continued maintenance of, the highest standards of ethical conduct by all Directors and employees of the Company. All Directors, executives and employees are required to abide by laws and regulations, to respect confidentiality and the proper handling of information and act with their highest standards of honesty, integrity, objectivity and ethics in all dealings with each other, the Company, customers, suppliers and the community.

The Board has developed a Code of Conduct reflecting its high standards and expectations. The Code of Conduct will be regularly reviewed and updated as necessary to ensure it reflects the highest standards of behavior and professionalism.

The Code of Conduct is available on the Central Petroleum Limited website.

### 3.2 Share Trading

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

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

It should be noted that either positive or negative information may be material.

An employee, officer or Director, whilst in possession of unpublished price sensitive information, is subject to three restrictions:

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

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

### 3.3 Related Party Matters

Directors and senior management are required to advise the Chairman of any related party contract or potential contract. The Chairman will inform the board and the reporting party will be required to remove himself/herself from all discussions and decisions involving the matter. Prior board approval will be required for all proposed contracts.

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

### 4.1 Audit and Risk Committee

The Board has established an Audit and Risk Committee which consists of the following Non-Executive Directors:

- Wrixon Gasteen (Chairman)
- Martin Kriewaldt
- Timothy Woodall

The Chairman of this Committee is an independent director.

Details of these Directors' qualifications are set out in the directors' report. The Audit and Risk Committee's Charter can be viewed on the Company's website.

### 4.2 Reporting and Assurance

Monthly results are circulated to the board of directors and Chief Financial Officer for review. Rolling cash flow forecasts are prepared on a regular basis. Exploration expenditure is measured against approved program budgets.

When considering the financial reports, the board receives a written statement declaration in accordance with section 295A of the Corporations Act, signed by the Managing Director and Chief Financial Officer that the Company's financial reports give a true and fair view, in all material respects, of the Company's financial position and its performance and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

Similarly, in a separate written statement the Managing Director and Chief Financial Officer also confirm to the board that the Company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

### 4.3 External Auditors

The Company and Audit Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed regularly. PwC was appointed auditor for the first time for the financial year ended 30 June 2011. It is PwC's policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 5 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit and Risk Committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

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

### **5.1 Continuous Disclosure**

The Company has adopted policies and procedures to ensure compliance with its continuous disclosure obligations and ensure full and timely disclosure of material price-sensitive information.

The practice followed by the Company is for Directors, Senior Management and external advisors to review and authorise any Company announcement to ensure that the information is factual, timely, clearly expressed and contains all material information so that investors can make appropriate assessments of the information for investment decisions.

The Company provides information necessary for investors to make informed decisions about investing in the Company. Information in the form of quarterly and annual reports, presentations and announcements made under the ASX listing rules and other announcements are all readily available on the Company's website ([www.centralpetroleum.com.au](http://www.centralpetroleum.com.au)).

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

The Directors aim to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Company.

### **6.1 Shareholder Access to Information through Company's Website**

Information on all major developments affecting the Company is available to shareholders on the Company's website ([www.centralpetroleum.com.au](http://www.centralpetroleum.com.au)) and includes the Company's:

- annual reports;
- quarterly and half yearly reports;
- ASX announcements; and
- media releases.

### **6.2 Shareholder Relations**

Shareholder engagement is encouraged at the annual general meetings and generally through communications with the Company Secretary. Contact details for the Company Secretary can be found on the Company's website ([www.centralpetroleum.com.au](http://www.centralpetroleum.com.au)).

### **6.3 Participation at the Annual General Meeting**

The Company strongly supports shareholder participation at all security holder meetings and as such has adopted policies and procedures to facilitate shareholder participation.

The avenues available to shareholders to participate include the Proxy Form, the online voting process or at the appropriate time during the course of security holder meetings.

### **6.4 Online Communications**

On the Company's website there is an option for shareholders to register their email address for updates made by the Company from time to time along with the ability to communicate via email with the Company. Contact details of the Company's security registry are also available on the Company's website.

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control.

### 7.1 Audit and Risk Committee

The Audit and Risk Committee consists of the following Non-Executive Members:

- Wrixon Gasteen (Chairman)
- Martin Kriewaldt
- Timothy Woodall

The Chairman of this Committee is an independent director.

Details of these Directors' qualifications are set out in the directors' report. The Audit and Risk Committee's Charter can be viewed on the Company's website.

The Audit and Risk Committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In providing this oversight they review and obtain reasonable assurance that the financial risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information.

The Audit and Risk Committee is responsible for the overall internal control and risk management framework. The Audit and Risk Committee has implemented the following control framework:

#### 1. Special Functional Reporting:

The Audit and Risk Committee has identified a number of key areas which are subject to regular reporting to the board such as safety, environmental, insurance and legal matters.

#### 2. Investment Appraisal:

The Company has set clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements. Capital expenditure and revenue commitments above a certain size require prior board approval. Procedures exist to ensure that business transactions are properly authorised and executed.

### 7.2 Review of Risk Management Framework

The Audit and Risk Committee reviews the Company's risk management framework annually. Such review was undertaken in this performance period.

### 7.3 No Internal Audit Function

|                | RECOMMENDATION  | EXPLANATION / REFERENCE  |
|----------------|---|--|
| <b>Rec 7.3</b> | A Company should disclose if it has an internal audit function and if it does not, the process it employs for evaluating and continually approving the effectiveness of its risk management and internal control process. | The Company does not have an internal audit function, however there is a continual review process in place overseen by the Chief Financial Officer and the Audit and Risk Committee. |



## 7.4 Material Exposure

The main risks which the Company is exposed to are those inherent in the industry in which it operates. As with any oil and gas explorer and producer, the Company may be exposed to economic down turn or fluctuations in oil and gas prices, changes to government regulations or environmental operating risks. These risks are managed through the internal control and risk management framework as set out above.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

On matters of remuneration, the Board has policies that were established to review the remuneration policies and practices of the Company to ensure that it remunerates fairly and responsibly.

### 8.1 Remuneration Committee

Due to the size of the Company, a decision was made by the Board to have a single Remuneration and Nominations Committee.

The Remuneration Committee consists of the following Directors:

- Dr Peter Moore (Chairman)
- Wrixon Gasteen
- Dr Sarah Ryan

The Chairman of this Committee is an independent director.

Details of these Directors' qualifications are set out in the directors' report. The Remuneration Committee's Charter can be viewed on the Company's website.

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

- decisions in relation to executive and non-executive remuneration policy;
- decisions in relation to remuneration packages for executive Directors and Senior Management;
- decisions in relation to merit recognition arrangements and termination arrangements; and
- ensuring that any equity-based executive remuneration is made in accordance with the thresholds set in plans approved by shareholders.

### 8.2 Directors' Remuneration Policy

The structure of Non-Executive Directors' remuneration is distinguished from that of executives. Remuneration for Non-Executive Directors is fixed. Total remuneration for all Directors, as approved by shareholders, is not to exceed \$750,000 per annum. Neither the Non-Executive Directors nor the Executives of the Company receive any retirement benefits, other than superannuation.

Executive Directors are employed pursuant to employment agreements. A summary of the Executive Director's employment agreement is set out in the remuneration report.

### 8.3 Equity-Based Incentive Plans

It is the Company's policy that Directors, and executives participating in an equity-based incentive plan are prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any person the risk of any fluctuation in the value of an unvested entitlement in Company securities.