

To ensure the Company operates effectively and in the best interests of shareholders, having regard to the nature of the Company's activities and its size, the Board has adopted the revised Corporate Governance Principles and Recommendations 3<sup>rd</sup> Edition (as amended at 1 July 2014) issued by the ASX Corporate Governance Council, subject to the exceptions noted below.

Principles and Recommendations	Adoption Yes/No	If not, Explanation Provided
<b>Principle 1 – Lay Solid Foundations for Management and Oversight</b>		
Recommendation 1.1 - Companies should disclose the roles and responsibilities of its board and management, those expressly reserved to the board and those delegated to management.	Yes	
Recommendation 1.2 - Companies should undertake appropriate checks prior to the appointment or election of a director and provide shareholders with information relevant to the election of a director.	Yes	
Recommendation 1.3 - Companies should have written agreements as to the appointment of directors and senior executives.	Yes	
Recommendation 1.4 – The company secretary should be accountable directly to the board, through the chairman, as to the proper functioning of the board.	Yes	
Recommendation 1.5 – Companies should have and disclose a diversity policy setting measureable objectives for achieving gender diversity and annually assess and disclose the objectives and progress towards their achievement.	Yes	
Recommendation 1.6 – Companies should have and disclose processes for evaluating board, committee and director performance, and disclose any performance evaluation undertaken.	Yes	
Recommendation 1.7 - Companies should have and disclose processes for evaluating senior executive performance, and disclose any performance evaluation undertaken.	Yes	
<b>Principle 2 – Structure the Board to Add Value</b>		
Recommendation 2.1 - The board should establish a nomination committee of at least three non-executive directors (the majority being independent), chaired by an independent director, not being the chairman, and disclose the committee charter, qualifications and experience of the committee members and the frequency and attendees of the committee's meetings. If not, companies should disclose its processes that ensure board succession, skills, knowledge, experience, independence and diversity.	No	Yes
Recommendation 2.2 - Companies should have and disclose a board skills matrix setting out the mix of skills and diversity available to the Board.	Yes	
Recommendation 2.3 - Companies should disclose their independent directors, any interest, position or association that the Board considers does not compromise independence, and why, and the length of each director's service.	Yes	
Recommendation 2.4 - A majority of the Board should be independent directors.	No	Yes
Recommendation 2.5 - Companies should have an independent director as chairman who should not also hold the position of CEO.	No	Yes
Recommendation 2.6 - Companies should have an induction program for new directors and provide professional development opportunities for directors.	Yes	
<b>Principle 3 – Act Ethically and Responsibly</b>		
Recommendation 3.1 - Companies should establish a code of conduct and disclose the code or a summary of the code.	Yes	
<b>Principle 4 – Safeguard Integrity in Corporate Reporting</b>		
Recommendation 4.1 - The board should establish an audit committee of at least three non-executive directors (the majority being independent), chaired by an independent director, not being the chairman, and disclose the committee charter, qualifications and experience of the committee members and the frequency and attendees of the committee's meetings.	No	Yes
Recommendation 4.2 - Companies should prior to approval of financial statements receive from the CEO and CFO a declaration that financial records have been properly maintained, the financial statements comply with the accounting standards, give a true and fair view of the financial position based on sound risk management, and that internal controls are operating effectively.	Yes	
Recommendation 4.3 - Companies should ensure that their external auditor attends the AGM and is available to answer questions relevant to the audit.	Yes	
<b>Principle 5 – Make Timely and Balanced Disclosure</b>		
Recommendation 5.1 - Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	

<b>Principle 6 – Respect the Rights of Shareholders</b>		
Recommendation 6.1 - Companies should provide information about themselves and their governance on their website.	Yes	
Recommendation 6.2 - Companies should design and implement an investor relations program to facilitate communication.	Yes	
Recommendation 6.3 – Companies should disclose their policies and processes to facilitate and encourage participation at shareholder meetings.	Yes	
Recommendation 6.4 – Companies should give shareholders the option to receive and send messages to the Company and its share registry electronically.	Yes	
<b>Principle 7 – Recognise and Manage Risk</b>		
Recommendation 7.1 - The board should establish a committee to oversee risk of at least three directors, the majority being independent, chaired by an independent director, and disclose the committee charter, committee members, and the frequency and attendees of the committee's meetings.	No	Yes
Recommendation 7.2 - The board or a board committee should review the company's risk management framework annually as to soundness and disclose in relation to each reporting period whether the review has taken place.	No	Yes
Recommendation 7.3 - Companies should disclose if they have an internal audit function how the function is structural and what role it performs, and if it does not have an internal audit function disclose that fact and the processes employed for evaluating and continually improving its risk management and internal control processes.	Yes	
Recommendation 7.4 - Companies should disclose if they have any material exposure to economic, environmental and social sustainability risks and if so how it manages those risks.	Yes	
<b>Principle 8 – Remunerate Fairly and Responsibly</b>		
Recommendation 8.1 - The board should establish a remuneration committee of at least three directors, the majority being independent, chaired by an independent director, and disclose the committee charter, members of the committee and the frequency and attendees of the committee's meetings. If the company does not have a remuneration committee that fact should be disclosed and the processes employed for setting directors and senior executives remuneration and ensuring that remuneration is appropriate and not excessive.	No	Yes
Recommendation 8.2 – Companies should separately disclose their policies and practices for remuneration of non-executive and executive directors and senior executives.	Yes	
Recommendation 8.3 - Companies which have equity based remuneration schemes should have a policy on whether participants are permitted to enter transactions (such as derivatives or otherwise) which limit the economic risk of scheme participation, and disclose the policy or a summary.	Yes	

#### Principle 1 – Lay Solid Foundations for Management and Oversight

- 1.1 The Company has formalised the respective roles and responsibilities of the Board and Management, those reserved to the Board and those delegated to Management, in a Board Policy. The Board Policy is available on this website.
- 1.2 The Company has probity processes in place (in accordance with the Board Policy) to confirm the appropriateness of candidates for appointment and election as Directors. The results of these processes are made available to shareholders when recommending a candidate for election as a Director.
- 1.3 The Company has written agreements (in accordance with the Board Policy) with each Director and Senior Executive setting out the terms of their appointment.
- 1.4 The Company Secretary (in accordance with the Board Policy) reports directly to the Board, through the Chairman, as to the proper functioning of the Board.
- 1.5 The Company has a Diversity Policy that sets measurable objectives for achieving gender diversity, assesses progress towards the achievement of those objectives and reports on that progress, and the make-up of its Board and Management by gender each reporting period. The Diversity Policy is available on this website.
- 1.6 The Company has a process for periodically evaluating (in accordance with the Board Policy) its Board, Committee and Director performance and annually discloses the results of that evaluation each reporting period.
- 1.7 The Company has under its MD/CEO Performance Evaluation Policy a process for periodically evaluating (in accordance with the Board Policy) its MD/CEO performance and discloses the results of that evaluation each reporting period. The MD/CEO Performance Evaluation Policy is available on this website.

The Company has established a formal process for evaluating the performance of senior executives which involves a performance and development review cycle where responsibilities and performance objectives are defined and regular feedback is provided through structured performance review meetings which are held in July each year. The performance of all senior executives is reviewed in accordance with this process.

## Principle 2 – Structure the Board to Add Value

- 2.1 A nomination committee has not been formed under recommendation 2.1. The Board as a whole considers the composition of the Board and appointment of new Directors, including the mix of skills, knowledge and experience required for the proper function of the Board. The Board identifies suitable candidates to fill vacancies as they arise.

A board performance evaluation program (in accordance with the Board Policy) has been designed to evaluate the performance of the Board as a whole, individual Directors and Board Committees on an annual basis. All evaluations have regard to the collective nature of board work, the operation of governance processes established in the Board Policy and the attainment of any goals set by the Board. Board evaluation is conducted at a number of levels using a combination of assessment questionnaires and face-to-face meetings.

The performance of the Board, individual Directors and Committees is reviewed in accordance with this process.

The Board has processes in place, in accordance with the Board Policy, for the development of a plan for the succession of the Chairman and periodically evaluates this plan.

The Company has a Diversity Policy that encourages the development of gender diversity on the Board.

The Board Policy, which includes the Company's criteria for independence of directors, and the Diversity Policy are available on this website.

## 2.2 Blue Energy Limited – Board Matrix

DIRECTOR	GENDER	QUALIFICATIONS	SKILLS/ KNOWLEDGE	EXPERIENCE BASED ON SKILLS/KNOWLEDGE					INDEPENDENT
				Corporate Management	Accountancy	Public Sector Audit	Geology		
							Exploration	Production	
John Ellice-Flint (Chairman)	Male	BSc (Hons) Harvard AMP	Corporate Management / Geology	✓			✓	✓	No
John Phillips (CEO/MD)	Male	BSc (Hons) GAICD	Corporate Management / Geology	✓			✓	✓	No
Rodney Cameron	Male	B Admin (Hons) MBA MFM FAICD CPA	Corporate Management / Accountancy	✓	✓				Yes
Karen Johnson	Female	B Comm FCA	Accountancy / Public Sector Audit		✓	✓			Yes
Choongho Je	Male	MBA	Corporate Management	✓					No

- 2.3 The Board has two independent Directors and three non-independent Directors. The Directors considered to be independent are:  
Karen Johnson  
Rodney Cameron

The length of service of each is as follows:

Name	Position	Date Appointed
John Ellice-Flint	Executive Chairman	05/04/2012
John Phillips	Chief Executive Officer / Managing Director	28/06/2010
Karen Johnson	Non-executive Director	30/09/2011
Rodney Cameron	Non-executive Director	15/11/2011
Choongho Je	Non-executive Director	07/05/2015

- 2.4 Due to the size of the Company, there is not a clear majority of the Board who are independent directors. Given the relative size of the Company, the interests of the shareholders represented on the Board and the stage of its development, the Directors consider the current Board composition as appropriate. The situation will be monitored and changed in line with best practice as and when the Directors feel the company is of sufficient size.
- 2.5 The Company has separate roles of Chairman and CEO/MD. The Company's Chairman is an Executive Chairman and as such is not an independent director. The Board believes that given Mr Ellice-Flint's vast executive and board experience in public companies, and specifically oil and gas companies, that Mr Ellice-Flint is best positioned to Chair the Company's Board of Directors. The Board believes that Mr Ellice-Flint appropriately discharges his duties as Chairman.
- 2.6 The Company has (in accordance with the Board Policy) programs in place for the induction and orientation of new directors and also provides (in accordance with the Board Policy) Directors with professional development and continuing education and training opportunities from time to time to develop and maintain the knowledge needed to perform their roles effectively as Directors.

### Principle 3 – Act Ethically and Responsibly

- 3.1 The Company has established a Code of Ethics which sets out the Company's key values and how they should be applied within the workplace and in dealings with those outside of the Company. The Code of Ethics is available on this website.

### Principle 4 – Safeguard Integrity in Corporate Reporting

- 4.1 The Company has formed a Risk and Audit Committee consisting of two non-executive Directors of whom all are independent as defined by the ASX Corporate Governance Council's Principles. The Committee does not have three members. The Board considers, given the size of the Company and the complexity of its operations and financial statements, that a Committee membership of two is currently sufficient to adequately discharge the Committee's functions. The size and make-up of the Committee is periodically reviewed by the Board. The current members of the Risk and Audit Committee are:

Karen Johnson	Chairman, Independent Director
Rodney Cameron	Non-Executive Director, Independent Director

The qualifications, skills, experience and expertise of each committee member are detailed under Principle 2.2 of this Corporate Governance Statement.

The Risk and Audit Committee formally reports to the Board after each of its meetings. Details of the number of meetings of the Risk and Audit Committee during each reporting period and attendance of members are set out under Principle 7.1 of this Corporate Governance Statement.

The external audit firm partner or an appropriate delegate responsible for the Company audit attends meetings of the Board and Audit Committee by invitation.

The Risk Oversight and Management Policy and the Risk and Audit Committee Charter, which includes information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners, are available on this website.

- 4.2 The Company has in place a procedure whereby prior to approval of financial statements by the Board (in addition to any formal management representation letter to the Company's auditor) the CEO and CFO provide a declaration in accordance with Sections 286 and 295(3)(b) of the Corporations Act 2001 (Cth) that financial records have been properly maintained, the financial statements comply with the accounting standards, and give a true and fair view of the financial position based on sound risk management and internal controls operating effectively.
- 4.3 The Company has in place a procedure whereby it ensures that its external auditor attends its AGM, in accordance of the requirements of Section 250RA of the Corporations Act 2001 (Cth) and is available to answer questions relevant to the audit.

### Principle 5 – Make Timely and Balanced Disclosure

- 5.1 The Company has established a continuous disclosure policy to ensure compliance with the continuous disclosure obligations under the ASX Listing Rules and the Corporations Act and to ensure all investors have equal and timely access to material information concerning the Company and that Company announcements are factual and presented in a clear and balanced way.

A summary of the Continuous Disclosure Policy is available on this website.

### Principle 6 – Respect the Rights of Shareholders

- 6.1 & 6.2 The Company has a Shareholder Communication Policy. Through this the Board aims to ensure that the shareholders are informed of the Company's governance and all major developments affecting the Company's state of affairs.

Information is communicated to shareholders through the:

- Company website;
- ASX Company Announcements platform;
- Quarterly Operations Reports;
- Half-year Report;
- Annual Report; and
- other correspondence regarding matters impacting on shareholders (in accordance with the Shareholder Communications Policy) as required.

- 6.3 & 6.4 The Board encourages (through the Shareholder Communication Policy) full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and association with the Company's strategy and goals, and also encourages the use of electronic communication with shareholders.

The Shareholder Communications Policy, designed to promote effective communication with shareholders, is available on this website.

### Principle 7 – Recognise and Manage Risk

- 7.1 The Company has a Risk and Audit Committee to oversee risk. Details of this Committee are given under Principle 4 of this Corporate Governance Statement. Given the Company's size and the scale and complexity of the potential risks it is exposed to it is considered that a committee consisting of two independent, non-executive, Directors is sufficient to adequately manage those potential risks. The Committee meets three times in each reporting period. During the 2014-2015 reporting period the Committee met three times. Ms Johnson attended three meetings and Mr Cameron attended three meetings.
- 7.2 The Company has a Risk Oversight and Management Policy. In accordance with that Policy, the Company has an established enterprise risk management program upgraded in accordance with the International Risk Standard AS/NZS ISO 31000:2009. It also has an established internal control program based upon the principles set out in the Australian Compliance Standard AS 3806:2006.
- The Company's enterprise risk management program addresses its material business risks. Each identified risk is individually assessed in terms of the likelihood of the risk event occurring and the potential consequences in the event that the risk event was to occur. CompliSpace Assurance software has been implemented through which material business risks are linked to mitigating controls. This software gives the Company the ability to monitor the performance of its enterprise risk and compliance programs in real time. It also ensures transparency of data and ease of reporting to the Board.
- Management provides to the Risk and Audit Committee and the Board a report as to the overall effectiveness of the Company's management of its material business risks during each reporting period. In addition, for each reporting period the Board has receives a declaration from the CEO and Finance Manager that in their view:
- the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control; and
  - the system of risk management and internal control, to the extent that they relate to financial reporting, are operating effectively and efficiently in all material respects.
- 7.3 The Company does not have an internal audit function. The Audit and Risk Committee discharges the function of evaluating and continually improving the effectiveness of its risk management and internal control processes, and in doing so is subject to the overall supervision of the Board.
- 7.4 A summary of the Company's Risk Oversight and Management Policy and risk management program is available on this website. The Risk and Audit Committee's Charter is available on this website.

#### **Principle 8 – Remunerate Fairly and Responsibly**

- 8.1 The Company does not have a dedicated Remuneration Committee but rather the task of ensuring that the level of director and executive remuneration is appropriate and not excessive, and that its relationship to performance is clear, is dealt with by the full Board. The Board Policy is available on this website.
- 8.2 The Company's Remuneration Policy sets out its policies and practices regarding the remuneration of non-executive and executive directors and other senior executives. The Remuneration Policy is available on this website.
- 8.3 Under the Remuneration Policy Senior executives and Directors are prohibited from entering into transactions in associated products (such as derivatives or contracts for differences) which limit the economic risk of participating in unvested entitlements under any equity based remuneration packages, such as options and employee incentive rights.