

STATEMENT OF CORPORATE GOVERNANCE PRACTICE

PO VALLEY ENERGY LIMITED

Current as at 31 December 2015

The Po Valley Energy Board of Directors is committed to the principles underpinning good corporate governance, applied in a manner which is most suited to Po Valley Energy, and to best addressing the directors' accountability to security holders and other stakeholders. This is supported by a commitment to the highest standards of legislative compliance and financial and ethical behaviour.

The Company continues to address directors' accountability to stakeholders in a manner consistent with the Company's individual circumstances enhanced through the introduction of publicly available policies and procedures which are designed to foster a culture of transparency in the way Po Valley Energy is directed and managed.

Report on Compliance with the ASX Corporate Governance Principles and Recommendations 3rd Edition

Currently, the ASX Listing Rules require listed companies to issue a statement disclosing the extent to which they have followed the ASX Corporate Governance Principles and Recommendations 3rd Edition ("**Recommendations**") during the reporting period, in this case the 12 month period ending 31 December 2015 (**reporting period**).

The Company has elected to publish its Statement of Corporate Governance Practices on its website and will lodge annually an Appendix 4G which sets out a Key to Disclosures - Corporate Governance Council Principles and Recommendations at the same time it lodges its Annual Report.

As detailed within this Statement of Corporate Governance Practices, Po Valley Energy considers its governance practices during 2015 complied with:

- Each of the ASX Corporate Governance Principles ("Principles"); and
- The Recommendations, except for those detailed, and for the reasons outlined, in this Report.

Where the Company's corporate governance practices follow a Recommendation, the Board has made appropriate statements reporting on the adoption of the Recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Board has elected not to follow a specific Recommendation, the Board has explained its reasons for not following the Recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

Principle 1: Lay solid foundations for management and oversight.

Recommendation 1.1:

The Company should disclose:

- ***The respective roles and responsibilities of the Board and management; and***
- ***Those matters expressly reserved to the Board and those delegated to management.***

Board and Management Roles

The primary responsibility of the Board and management is to preserve and increase the value of the Company for its shareholders, while respecting the legitimate interests and expectations of employees, customers, creditors, the communities in which PVE operates and other stakeholders. The Board is responsible for establishing a company culture of high ethical, environmental, health and safety standards.

Board Responsibilities

The Board has general responsibility for the oversight, management and performance of the Company. Its specific responsibilities include the following:

- Set the strategic direction for the Company and monitor implementation of those strategies;
- Monitor performance of the Company, the Board and management;
- Appoint and manage performance of the CEO, approve the Company's overall remuneration policy and oversee the senior management team in terms of performance evaluation, succession planning and remuneration;
- Approve and monitor the business plan, annual exploration and development work programs and budgets in accordance with the approved strategy and monitor the Company's overall financial position and capital requirements;
- Authorize and monitor significant investment and strategic commitments;
- Approve and monitor financial and other reporting to shareholders;
- Review and ratify the Company's policies and systems for health, safety and environmental management, risk management and internal control; codes of conduct and regulatory compliance;
- Appoint and remove the external auditors;
- Evaluate the performance of the Board and identify and appoint new directors to the Board;
- Take responsibility for corporate governance.

Delegation to Senior Management

Other than the matters specifically reserved for the Board, responsibility for the operation and administration of the Company has been delegated to the Chief Executive Officer. Internal control processes are in place to allow management to operate within Board approved limits and the Chief Executive Officer cannot commit the Company to additional obligations or expenditure outside of those delegated authorities without Board approval.

Recommendation 1.2:

- ***The Company should undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election as a director; and***
- ***Provide all material information in its possession relevant to enabling security holders to make an informed decision on whether or not to elect or re-elect a director.***

Director's appointment

When considering the appointment of a new director, the Remuneration & Nomination Committee conducts an analysis of the candidate's professional and technical experience and expertise, character, standing and reputation in the corporate community. The candidates are required to

provide the committee with details of all other professional commitments so that the committee can evaluate whether the candidate has sufficient time to fulfill his or her role as a director and/or committee member of the Company.

To date the Company has not undertaken formal criminal history or bankruptcy checks at the time of appointment as the candidates appointed have been well known to other directors on the Board.

Where a candidate is standing for election or re-election as a Director, the Company will provide information regarding their biographical details, relevant qualifications, experience and skills they bring to the Board together with details of any other material directorships currently held. If standing for the first time the Company will also advise if there were any material adverse information revealed by the checks the Company has performed about the candidate together with any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders generally; and a statement to the effect that if the Board considers that the candidate will, if elected, qualify as an independent director. Where a candidate seeks election or re-election the Board will issue a statement as to whether it supports the election or re-election of the candidate.

Recommendation 1.3:

Companies should have a written agreement with each director and senior executive setting out the terms of their appointment.

Agreements with Directors and senior executives

Po Valley Energy ensures that all Directors and senior executives enter into written agreements setting out the terms of their appointment to ensure that they have a clear understanding of their roles and responsibilities and of the Company's expectations of them.

Recommendation 1.4:

The company secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

Company Secretary

The Company Secretary reports to the Board, through the chair, on all matters relating to the functioning of the Board and its committees and corporate governance.

Recommendation 1.5:

The Company should:

- ***Have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the Company's diversity policy and its progress towards achieving them;***
- ***Disclose that policy or a summary of it; and***
- ***Disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or the relevant committee of the Board in accordance with the Company's diversity policy and its progress towards achieving***

them and the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation.

Diversity

The Company's policy is to ensure that hiring, employment and Board selection policies avoid gender bias and encourage diversity to the extent possible for a small organisation. However, at this stage of development of the Company, the Board has elected not to establish a formal diversity policy and not to implement measurable objectives for gender diversity. The Board believes that given the size of the Company's workforce and nature of activities, it would not be possible to set meaningful and achievable objectives at this time.

As at the balance date, Po Valley employed 10 full time employees, of whom, 6 are men and 4 are women. The Company's senior executives include women in the roles of CEO and Company Secretary. The Company currently has no female directors.

Recommendation 1.6:

The Company should:

- ***Have and disclose the process for periodically evaluating the performance of the Board, its committees and individual directors; and***
- ***Disclose, in respect of each reporting period whether a performance evaluation was undertaken.***

Board Performance Evaluation

In past years, Board performance and individual director performance has been reviewed annually by the Remuneration & Nomination Committee. Since the last formal review of this nature was conducted in March 2015, the Board has been conducting an ongoing internal review of its composition and suitability for the Company. The conclusion of this review was that the Board determined to reduce its size during the course of 2016 to three members.

Recommendation 1.7

A listed entity should :

- (a) ***have and disclose a process for periodically evaluating the performance of its senior executives; and***
- (b) ***disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.***

The Board, with the assistance of the Remuneration & Nominations Committee, oversees the performance evaluation of the CEO and senior executive team. Each year, the Board establishes performance objectives comprising a combination of strategic and operational company targets together with some specific individual objectives. The Board exercises its discretion when determining any payment of any incentives having regard to the overall performance of the Company and of the relevant executive during the year. A performance evaluation of the CEO and senior executives was conducted during the year.

Principle 2:

Structure the Board to add value.

Recommendation 2.1:

The Board should have a nomination committee and structure that committee so that it:

- ***Has at least three (3) members and consists of a majority of independent directors; and***
- ***Is chaired by an independent chair, who is not chair of the Board;***

and disclose:

- ***The nomination committee charter;***
- ***The members of the committee;***
- ***At the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings;***

Remuneration & Nominations Committee

Po Valley Energy has a Remuneration & Nominations Committee which provides recommendations to the Board on matters including:

- The appointment and evaluation of the CEO and the process for evaluation of senior executives;
- The Company's remuneration policies and practices and the remuneration of the CEO, senior executives and Non Executive Directors;
- The composition of the Board and competencies of Board members;
- Succession planning for Directors and senior management;
- Processes for the evaluation of the performance of the Directors.

The members of the Remuneration & Nomination Committee during 2015 were Graham Bradley (Chairman), Dr Byron Pirola and Michael Masterman.

Attendance details of the committee meetings held during 2015 can be found in the Company's Annual Report.

The Committee is chaired by an independent chair and has three members, however, it does not comply with Recommendation 2.1 in so far as it does not consist of a majority of independent Directors given that two of its members, Mr Masterman and Dr Pirola are not considered independent due to their substantial shareholdings.

Recommendation 2.2:

The Company should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve.

Skills matrix

During 2015 Po Valley Energy had five non-executive directors.

The Board has been structured to include directors with a versatile set of skills, expertise and

experience to enable the Board to execute its duties and responsibilities for the proper and effective management of the Company. The Board seeks to ensure that its members together have the following combination of skills and experience:

- Technical expertise and experience in oil and gas exploration, development and production;
- Finance and accounting;
- Company strategy and business planning and business and corporate development;
- Local and international experience; and
- Public company affairs and corporate governance.

The Directors Report in the 2015 Annual Report contains further details of the experience of each Director and his term of office.

Po Valley Energy has elected not to adopt Recommendation 2.2 and accordingly does not disclose a formal Board skills matrix as it considers that its current practices of identifying skills and competency are an efficient means of meeting the needs of the Company, particularly having regard to the fact that Po Valley Energy is a relatively small publicly listed company by comparison to other listed entities which is reflected by the size of its operations, Board structure and composition.

Recommendation 2.3:

The Company should disclose:

- ***The names of the directors considered by the Board to be independent directors.***
- ***If a director has an interest, position, association or relationship which may influence or cast doubts about his or her independence, but the Board is of the opinion that it does not compromise the independence of the direct, the Company should disclose the nature of the interest, position, association or relationship in question and the explanation of why the Board is of that opinion; and***
- ***The length of service of each director.***

Independence

During 2015, the Board was composed of five Non Executive Directors, three of whom were independent including the Chairman. The independence of Directors is regularly assessed by the Board and in doing so it has careful regard to the guidelines set out in the ASX Corporate Governance Recommendations for the evaluation of director independence. Based on the application of those guidelines, the Board considers that for all of 2015 it had three independent Directors being Graham Bradley (the Chairman), Kevin Eley and Gregory Short. Byron Pirola and Michael Masterman are not considered to be independent as they each have substantial shareholdings of more than 5% of the Company's shares.

A director will be considered independent where he or she is:

- Independent of management, that is a non-executive director; and

- Free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of his or her unfettered and independent judgement.

Recommendation 2.4:

The majority of the Board should be independent directors.

Composition of the Board

As detailed above, the Po Valley Energy Board comprised a majority of independent directors throughout 2015.

There is no shareholding requirement imposed upon directors under the Company's Constitution; however all of the directors of Po Valley Energy hold shares either directly or indirectly in the Company. Details of all holdings by directors in the Company are included within the Directors' Report each year.

Recommendation 2.5:

The chair should be an independent director.

Chairman

Po Valley Energy's chairman during 2015, Graham Bradley, is an independent non-executive director.

Recommendation 2.6:

The Company should have a program for the induction of new directors and provide appropriate professional development opportunities to all Board members in order to develop and maintain the skills and knowledge needed to effectively perform their duties as a director.

Induction program

Procedures for induction of new directors are in place to allow new directors to participate fully and actively in Board decision making at the earliest opportunity.

All directors are offered an induction program appropriate to their experience upon appointment so as to familiarise them with matters relating to the business, strategy and any current issues under consideration by the Board. This program consists of written background material on the Company and its operations, scheduled meetings with the Chairman and CEO and other senior executives as appropriate.

Director education

The Board does not have a formal programme for director education. The Company Secretary provided directors with on-going information on matters such as corporate governance, the Company's constitution and the law.

All directors have access to company records and information, and receive regular detailed financial and operational reports from senior management. In particular, Directors are provided with detailed financial, operational and management reports prior to each Board meeting.

The Company Secretary is available to all Directors and may be consulted on on-going issues of corporate governance, the Po Valley Energy constitution and the law. In addition the Chairman and other non-executive Directors consult with each other and the senior executives regularly.

Term of office, skills, experience and expertise of each director

The qualifications, experience and expertise of the directors, and the respective terms of office held by individual directors, are set out in the Directors Report contained within the Po Valley Energy Annual Report.

Independent professional advice

Po Valley Energy has in place a procedure whereby, after appropriate consultation and the approval of the Chairman, not to be unreasonably withheld, directors are entitled to seek independent professional advice, at the expense of Po Valley Energy, to assist them to carry out their duties as directors.

Principle 3: Promote ethical and responsible decision-making

Recommendation 3.1:

The Company should:

- ***Establish a code of conduct for its directors, senior executives and employee; and***
- ***Disclose that code or a summary of it.***

Code of conduct

All Po Valley Energy executives and employees are required to abide by laws and regulations, to respect confidentiality and the proper handling of information and act with the highest standards of honesty, integrity, objectivity and ethics in all dealings with each other, the Company, customers, suppliers and the community. The Company has adopted a code of conduct which is published on the Company's website.

Principle 4: Safeguard integrity of financial reporting.

Recommendation 4.1:

The Board should have an audit committee which:

- ***has at least three (3) members all of whom are non-executive directors and a majority of whom are independent directors; and***
- ***Is chaired by an independent director, who is not chair of the Board;***

The Company should disclose:

- ***The audit committee charter;***
- ***The relevant qualifications and experience of the committee members;***

- ***In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.***

Audit & Risk Committee

The Company has established an Audit & Risk Committee which provides advice and assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to internal and external audit, risk management systems, financial and market reporting, internal accounting, financial control systems and other items as requested by the Board.

The committee has adopted a formal charter which is available on the Company's website. In fulfilling its obligations, the committee has direct access to employees, the auditors or any other independent experts and advisers it considers appropriate to carry out its duties. Throughout 2015, Kevin Eley (who chairs the committee), Dr Byron Pirola and Gregory Short were members of the committee. Throughout 2015, the committee was structured to comply with the ASX Corporate Governance Recommendations so that it:

- Had three members;
- Consisted only of Non Executive Directors;
- Had a majority of independent Directors;
- Was chaired by an independent chair, who is not the chair of the Board; and
- Comprised members with the appropriate financial and business expertise to act effectively as a member of the committee.

The number of Audit & Risk Committee meetings held in 2015 and director attendance is set out in the Directors Report in the 2015 Annual Report as are the Committee member qualifications.

Recommendation 4.2:

The Board should, before it, approves the Company's financial statements, receive from its CEO and CFO a declaration 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 control which is operating effectively.

CEO and CFO assurance

The Chief Executive Officer and the Chief Financial Officer of Po Valley Energy report in writing to the Board that:

- Consolidated financial statements of Po Valley Energy and its controlled entities for each half year and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with accounting standards; and
- Declarations provided in accordance with Section 295A of the Corporations Act are founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer equivalent under Recommendation 4.2 in respect of each financial year.

Recommendation 4.3:

The Company should ensure that its external auditor attends its AGM and is available to answer questions from security holders pertaining to the audit.

External auditor attendance at AGM

Po Valley Energy ensures that the lead audit partner or his or her representative attends the AGM in order to be available to answer questions from security holders pertaining to the audit.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1:

Establish a written policy for complying with ASX Listing Rule continuous disclosure obligations and disclose that policy or a summary of it.

The Board is committed to ensuring that investors can readily access sufficient information to ascribe a fair value to the Company's securities, understand the Company's objectives and strategies and evaluate the Company's financial position and growth prospects. The Company has adopted policies and procedures, including a Continuous Disclosure Policy, designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance. A copy of the Continuous Disclosure policy is available on the Company's website.

Senior management and the Board are responsible for scrutinising events and information to determine whether the disclosure of the information is required in order to maintain the market integrity of the Company's shares listed on the ASX.

The Company Secretary is responsible for all communications with the ASX.

Principle 6: Respect the rights of security holders

Recommendation 6.1:

The Company should provide information about itself and its governance to investors via its website.

Security holder communication policy

Po Valley Energy has implemented a Shareholder Communications Policy to ensure that shareholders and the financial market have timely access to material information concerning the Company.

The Company website is used to complement the official ASX release of material information and periodic reports to the market. The website ensures that all press releases, ASX announcements, notices and presentations from the past three years are easily accessible to the public.

Recommendation 6.2:

The Company should design and implement an investor relations program to facilitate effective two-way communication with investors.

Investor relations program

As a small listed company, Po Valley Energy currently does not have the resources for a dedicated investor relations employee or consultant. Security holders are given the opportunity to meet management immediately following general meetings and management and the Board respond to investors' requests for meetings or enquiries in a timely fashion. In addition, all ASX and media releases include contact details for shareholders or investors wishing to discuss the matters dealt with in the announcement further.

Recommendation 6.3:

The Company should disclose the policies and processes it has in place to facilitate and encourage participation at meeting of security holders.

Participation at meetings of security holders

The Board encourages active participation by security holders at each Annual General Meeting, or other general meetings, to ensure a high level of accountability and understanding of Po Valley Energy's strategy, performance and goals.

The Company is committed to ensuring that all shareholders have the opportunity to participate in the Company's annual general meetings. In order to facilitate this, the Company provides shareholders the opportunity to submit written questions for consideration by the Board at the annual general meeting.

Annual General Meetings are held at readily accessible venues in either Sydney or Perth, to maximise the number of security holders present, and able to participate, at the meeting. Security holders are provided with opportunities of asking the Board questions regarding the management of the Company.

Recommendation 6.4:

The Company should give security holders the option to receive communications from, and send communications to, the entity and its security register electronically.

Shareholders are given the option to receive communications from, and send communications to, the Company and its share registry electronically. Shareholders are also able to contact the Company via its website. The Company's Notice of AGM invites Shareholders to submit questions to the Company via email ahead of the AGM.

Principle 7: Recognise and manage risk.

Recommendation 7.1:

The Board should have a risk committee which:

- ***has at least three (3) members a majority of whom are independent directors; and***
- ***is chaired by an independent director, who is not chair of the Board.***

The Company should disclose:

- ***the risk committee charter;***
- ***the members of the committee;***
- ***at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings.***

Risk committee

Po Valley Energy has a combined audit and risk committee (Audit & Risk Committee). Please refer to the commentary in relation to the Audit & Risk Committee above at Recommendation 4.1.

Recommendation 7.2:

The Board or a committee of the Board should:

- ***review the risk management framework at least annually to satisfy itself that it continues to be sound; and***
- ***disclose, in relation to each reporting period, whether a review has taken place.***

The Board as a whole is responsible for oversight of the Company's risk management and control system, although may be assisted on specific matters by the Audit & Risk Committee where appropriate. Responsibility for control and risk management is delegated to the appropriate executives, with the Chief Executive Officer having ultimate responsibility to the Board for implementing the risk management and control framework. The Company has not adopted a formal process for review of the risk management policy but rather risks to the Company are reviewed at regular Board meetings as necessary and during any reviews of operating and strategic plans and budgets which are all approved by the Board. Appropriately skilled consultants are engaged when necessary to advise upon operational risks.

Recommendation 7.3:

The Company should disclose:

- ***if it has an internal audit function, how that function is structured and what role it performs; or***
- ***if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.***

Internal audit function and review of risk management framework

Po Valley Energy is a relatively small publicly listed company by comparison to other listed entities which is reflected by the size of its operations, Board structure and composition. As such it is not practical to have a formal internal audit function.

The Board regularly monitors the operational and financial performance of the Company against budget and other key performance measures. The Board also receives and reviews advice on areas of operational and financial risk and develops strategies, in conjunction with management, to mitigate those risks.

Management reports to the Board on the effectiveness of the Company's management of its material business risks at least annually.

Recommendation 7.4:

The company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The key risks facing the Company are summarized on pages 11-12 of the Company's Annual Report.

Principle 8: Remunerate fairly and responsibly.

Recommendation 8.1: The Board should establish a remuneration committee which should:

- ***have at least three (3) members and consist of a majority of independent directors; and***
- ***be chaired by an independent director, who is not chair of the Board;***

The Company should disclose:

- ***the remuneration committee charter;***
- ***the members of the committee;***
- ***at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings.***

Remuneration & Nominations Committee

The Company has a Remuneration & Nominations Committee which provides recommendations to the Board on matters including:

- The appointment and evaluation of the CEO and the process for evaluation of senior executives;
- The Company's remuneration policies and practices and the remuneration of the CEO, senior executives and Non Executive Directors;
- The composition of the Board and competencies of Board members;
- Succession planning for Directors and senior management;
- Processes for the evaluation of the performance of the Directors.

For the entire reporting period, Graham Bradley (Chairman), Byron Pirola and Michael Masterman were the members of the committee.

Attendance details of the committee meetings held during 2015 can be found in the Directors Report of the 2015 Annual Report.

During the reporting period, the committee was structured in accordance with the ASX Corporate Governance Recommendations in so far as it was chaired by an independent chair and had three members, however, it did not consist of a majority of independent Directors given that two of its members, Mr Masterman and Dr Pirola are not considered independent due to their substantial shareholdings.

Recommendation 8.2:

The Company should separately disclose its policies and practices regarding the remuneration of non-executive directors' and the remuneration of executive directors and other senior executives.

Executive director and non-executive director remuneration

The aggregate remuneration of non-executive directors is approved by security holders. Individual directors' remuneration is determined by the Board within the approved aggregate total.

Non-executive directors of Po Valley Energy are:

- not entitled to participate in performance based remuneration practices unless approved by security holders.
- currently remunerated by means of the payment of cash benefits in the form of directors' fees or alternatively by issue of securities in lieu of cash benefits provided it is approved by security holders.
- Not entitled to any retirement benefits other than superannuation.

The Remuneration & Nominations Committee is also responsible for ensuring an appropriate process is followed for the review of the performance of the CEO and senior executives.

At the beginning of each year, the committee approves company and individual performance objectives for the CEO and senior executives. Performance is evaluated and any performance based remuneration for the CEO, senior executives and management is approved following the end of each year. Performance objectives are a combination of company and individual objectives.

Policy disclosure

The Company's policies relating to the remuneration of Directors and Senior Executives and the level of their remuneration are detailed annually in the Directors' Report contained within the Company's Annual Report and Notes to and forming part of the Financial Statements.

Recommendation 8.3:

If the Company has an equity-based remuneration scheme then it should:

- ***have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and***
- ***disclose that policy or a summary of it.***

The Company does not currently have an equity-based remuneration scheme.