



CORPORATE GOVERNANCE STATEMENT 2020

In fulfilling its obligations and responsibilities to its various stakeholders, the Board of Elixir Energy Limited (“Elixir”) is a strong advocate of corporate governance. The Board has adopted corporate governance policies and practices consistent with the ASX Corporate Governance Council’s *Corporate Governance Principles and Recommendations – 4th Edition* issued on 27 February 2019 (**Recommendations**) where considered appropriate for a company of Elixir’s size and complexity.

This statement describes how Elixir has addressed the Council’s guidelines and eight corporate governance principles. Where the Company’s corporate governance practices depart from a recommendation, the Company discloses the reason for the adoption of its own practices.

Given the size and stage of development of the Company and the cost of strict compliance with all the Recommendations, the Board has adopted a number of modified procedures and practices which it considers appropriate to enable it to meet the principles of good corporate governance. At the end of this statement is a summary of the Recommendations with which the Company does not comply. The information in this statement is current as at 31 July 2020 and this statement has been approved by the Board.

The Company’s corporate governance practices and procedures have been developed in conjunction with the Company’s purpose and values, as follows:

“Elixir Energy Limited is an ASX listed petroleum exploration company, focusing on the development of a significant coal-seam gas project in southern Mongolia. Inherent in the pursuit of its strategy are the Company’s key values:

- **To operate and conduct its business affairs with honesty and integrity;**
- **To operate with the safety of its staff and sub-contracted personnel foremost in mind;**
- **To improve and enhance the economic well-being and quality of life of the regions and communities in which it operates; and**
- **To communicate regularly and openly with the Company’s shareholders and stakeholders.”**

The following governance-related documents can be found on the Company’s website at www.elixirenergy.net.au, under the menu item “Corporate Governance”.

Charters

- Board
- Audit Committee
- Remuneration Committee

Policies and Procedures

- Code of Conduct
- Policy and Procedure for Selection and (Re)Appointment of Directors
- Policy on Assessing the Independence of Directors
- Securities Trading Policy
- Risk Management Policy
- Procedure for the Selection, Appointment and Rotation of External Auditor
- Policy on Continuous Disclosure
- Shareholder Communication Policy
- Whistleblower Policy
- Diversity Policy

Principle 1 – Lay solid foundations for management and oversight

The main function of the Board is to lead and oversee the management and strategic direction of the Company. The Board meets regularly to review the performance of the Company and Management and to provide direction in implementing the Company's strategy.

Elixir has adopted a formal board charter delineating the roles, responsibilities, practices and expectations of the Board collectively, individual directors and Management.

Role of the Board

The Board's key responsibilities are as follows:

- Setting the strategic aims of the Company and overseeing Management's performance within that framework;
- Establishing the Company's values and code of conduct to underpin the desired culture and ensuring adherence those values and the code of conduct;
- Evaluating the performance of the Board and recommending the appointment or removal of directors;
- Approving the remuneration of the Board within the limits approved by shareholders;
- Selecting and appointing a Chairperson and Managing Director (or equivalent) with the appropriate skills to help the Company in the pursuit of its objectives;
- Ensuring the necessary resources (financial and human) are available to the Company and Management to meet its objectives;
- Ensuring an adequate system is in place for the proper delegation of duties for the effective day to day running of the Company;
- Ensuring the health, safety and well-being of all employees including, in conjunction with Management, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems;
- Overseeing and measuring Management's performance in making progress on the Company's strategic plan;
- Ensuring that the Company's obligations to shareholders, other stakeholders and the community are understood and met;
- Oversight of reporting to and communication with shareholders;
- Reviewing and approving financial reporting, budgets, capital structures and material contracts;

- Ensuring that a sound framework of risk management and internal controls is in place for financial and non-financial risk, and setting the risk appetite within which management are expected to operate;
- Ensuring an appropriate framework exists for relevant information to be reported by Management to the Board;
- Management are challenged and held to account, as required; and
- Undertaking a formal and rigorous review of the Company's policies and procedures to ensure best practice standards of corporate governance are maintained, including with reference to the ASX Corporate Governance Council principles.

Delegation to Management

Other than matters specifically reserved for the Board, responsibility for the operation and administration of the Company has been delegated to the Managing Director. This responsibility is subject to an approved delegation of authority which is reviewed regularly and at least annually.

Internal control processes are designed to allow the Managing Director and Management to operate within the parameters approved by the Board and in such a way as to not commit the Company to activities or obligations outside of delegated authorities.

Election of Directors

The Board is responsible for overseeing the selection process of new directors and will undertake appropriate checks before appointing a new director or put forward a candidate for election as a director. All relevant information is to be provided in the Notice of Meeting seeking the election or re-election of a director including:

- biographical details including qualifications and experience;
- other directorships and material interests;
- term of office;
- statement by the Board on the independence of the director;
- statement by the Board as to whether it supports the election or re-election; and
- any other material information.

Retirement and rotation of directors

Retirement and rotation of directors are governed by the Corporations Act 2001 and the Constitution of the Company. Each year, one third of directors must retire and may offer themselves for re-election. Any casual vacancy filled will be subject to shareholder vote at the next Annual General Meeting of the Company.

Terms of appointment

Non-Executive Directors

To facilitate a clear understanding of roles and responsibilities, all non-executive directors have a signed letter of appointment. This letter of appointment includes acknowledgement of:

- director responsibilities under the Corporations Act, ASX Listing Rules, the Company's Constitution and other applicable laws;
- corporate governance processes and Company policies;
- Board and Board committee meeting obligations;

- conflicts and confidentiality procedures;
- securities trading and required disclosures;
- access to independent advice and employees;
- confidentiality obligations;
- director fees;
- expense reimbursement;
- directors and officers insurance arrangements;
- other directorships and time commitments; and
- Board performance review process.

Managing Director

The Managing Director has a signed executive services agreement which outlines, amongst other things, services to be provided to the Company and remuneration arrangements. Further information is contained in the Remuneration Report section of the 30 June 2020 Directors' Report.

Role of Company Secretary

The Company Secretary is accountable to the Board for:

- advising the Board and committees on corporate governance and legal and regulatory compliance matters;
- the completion and distribution of Board and committee papers;
- completion of board and committee minutes; and
- the facilitation of director induction processes and ongoing professional development of directors.

All directors have access to the Company Secretary who has a direct reporting line to the Chairman.

Diversity

The Board values diversity in all aspects of its business and is committed to recognising and utilising the contributions of all its employees and providing a working environment that is respectful and values equality. The Company appoints and employs personnel on the basis of ability and qualifications, irrespective of gender, age, ethnicity or cultural background. The Company opposes all forms of unlawful and unfair discrimination and the Board encourages a culture that is inclusive and opposes discrimination, harassment or bullying in any form.

The Board believes the composition of the Board has an appropriate range of qualifications, skills and expertise relevant to the Company's operations and industry, and that the Board as a whole can competently deal with current and emerging business issues and effectively review and challenge the performance of Management. While there are no female Board members at present, Victoria Allinson has been Company Secretary since August 2019.

The Company currently only has one full-time employee, being the Managing Director, who is male. Consultants and contractors are utilised by the Company in carrying out its exploration and administrative activities, a number of whom are female. Further, the Company's Mongolian office consists entirely of local personnel. Overall, the Board is of the view that the Company's directors, management and staff have appropriately diverse backgrounds.

The Company has no measurable objectives for achieving gender diversity. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity as it operates in a very competitive labour market where positions are sometimes difficult to fill. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

Board meetings

The frequency of Board meetings and the nature and extent of reporting from Management at Board meetings are as follows:

- a minimum of six scheduled meetings are to be held per year;
- other meetings will be held as required;
- meetings can be held wherever practicable including by electronic means;
- information provided to the Board includes all material information related to the operations of the Company including
 - exploration, development and production activities and the financial results therefrom;
 - budgets, cash flow forecasts, funding requirements;
 - investment and divestment proposals, business development activities and investor relations matters;
 - statutory financial reports and taxation;
 - reports of external audits, internal controls, risk assessments; and
 - personnel and occupational health, safety and environmental reports and statistics.
- the Chairman of a Board committee reports the outcomes and provides the minutes of that committee meeting to the Board at the next Board meeting

The number of directors' meetings held (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are set out in the annual Directors' Report.

Performance review

Board and Board Committees

A review of the Board's performance and effectiveness is generally conducted annually and the performance of individual directors is undertaken regularly. The Board has the discretion for these reviews to be conducted either independently or on a self-assessment basis.

The review focuses on:

- strategic alignment and engagement;
- Board composition and structure;
- processes and practices;
- culture and dynamics;
- relationship with Management; and
- personal effectiveness.

A formal review of the Board's performance and effectiveness in respect of the June 2020 financial year occurred on 31 July 2020.

Managing Director and senior executives

Performance evaluation of the Managing Director, senior executives and employees is undertaken annually through a performance appraisal process which involves reviewing and assessing performance against agreed corporate and individual key performance indicators and deliverables.

Independent Professional Advice

Each director of the Company has the right to seek independent professional advice at the expense of the Company; however prior approval of the Chairman is required which will not be unreasonably withheld.

Access to employees

Directors have the right of access to any employee in order to properly discharge their responsibilities.

Employees are asked to report any breach of corporate governance principles or Company policies to the Managing Director who must remedy the breach and/or take appropriate action. Under the Company's Whistleblower Policy, any wrongdoing identified can be reported confidentially (and anonymously if so desired) to the Company's Compliance Officer, Victoria Allinson who will document and investigate the matter. External advice will be sought if considered necessary. The outcome of any investigation will be reported to the whistleblower, and the whistleblower will be protected from any 'detrimental conduct' as defined in the Policy. The outcome of any investigation is also reported to the Board.

If any matter raised is not rectified to the satisfaction of the employee, he or she has the right to report it to an independent director without further reference to Management of the Company.

Directors' and Officers' liability insurance

Directors' and Officers' liability insurance is maintained at the Company's expense for directors and senior executives.

Principle 2 - Structure the Board to be effective and add value

Composition of the Board

The directors of the Company and their qualifications are set out in the annual Directors' Report and available on the Company's website.

The composition of the Board has been structured so as to provide the Company with an adequate mix of directors with industry knowledge, technical, commercial and financial skills together with integrity and leadership skills considered necessary to represent shareholders and fulfill the business objectives of the Company. The composition of the Board is reviewed on an on-going basis by the Chairperson to determine if additional core strengths are required in light of the nature of the Company's business and its objectives and strategy.

The ASX Corporate Governance Council recommends that a company's Board should consist of a majority of independent directors and that the Chairperson should be independent. The Board currently consists of three directors of whom two are considered independent, being:

- Mr Richard Cottee, Independent Chairman appointed on 29 April 2019; and

- Mr Stephen Kelemen, Independent Non-Executive Director appointed 6 May 2019.

Neither Mr Cottee nor Mr Kelemen provide any other services to the Company, and neither are or have been substantial shareholders (>5%) of the Company. While Mr Cottee has received performance-based remuneration in the form of Performance Rights, the existence of these Rights is not considered to impair his independence or cause him to make judgements or act in a manner inconsistent with shareholder objectives. Mr Kelemen has received share options in the past however these are not performance-based. Over the period 1 October 2019 to 14 July 2020, the Board had an additional independent director, Mr Bayanjargal Byambasaikhan, a Mongolian national. Managing Director Neil Young is non independent due to his role as the Company's Managing Director.

The Board does not keep a formal skills matrix of directors, as it is not considered necessary for a company of Elixir's size and complexity. The principal business of the Company at present is oil and gas exploration and identifying new business opportunities, therefore requiring a skillset of geological and geophysical expertise, executive management, and financial and commercial skills and experience.

The Company has one independent director who has extensive technical expertise and one independent director and one executive director with financial and commercial expertise. Each Board member individually has varying levels of executive management expertise. As and when the Company expands its business into other areas (e.g. development and production operations) the Board will reconsider the required skills, experiences and knowledge of its Board and make any changes that it considers necessary and appropriate.

Nomination of Board Members

The Board does not have a separate Nomination Committee and does not believe it is necessary for a company of Elixir's size. The duties of a nomination committee are currently carried out by the Board as part of its overall responsibilities.

Director induction and ongoing professional development

The Company provides new directors with an information pack detailing the corporate governance framework of the Company, including its policies and procedures, as well as the various other requirements and responsibilities of being a director of an ASX listed company. Due to the size and nature of the business, directors are expected to already possess a level of industry and commercial expertise, including the ability to understand statutory financial reports, before being considered for a directorship of the Company. If any specific professional development needs are identified, for example during the Board performance review, action is taken to address the matter. Directors are provided with the opportunity to access employees of the business and any information as they require about the business, including access to regular news articles and publications where considered relevant.

Principle 3 – Instil a culture of acting lawfully, ethically, and responsibly

Code of Conduct

Directors, officers, employees and consultants to the Company are required to observe high standards of behavior and business ethics in conducting business on behalf of the Company and are required to maintain a reputation of integrity on the part of both the Company and themselves.

The Company does not contract with or otherwise engage any person or party where it considers integrity or the Company's reputation may be compromised.

Conflicts of Interest

Directors are required to disclose to the Board on appointment and at each Board meeting any actual or potential conflicts of interest that may reasonably be thought to exist in so far as it affects the activities of the Company and the decision-making process. If a conflict cannot be removed, the director will abstain from the relevant Board discussion and decisions.

Trading in Company Securities

Directors are required to make disclosure at each Board meeting of any trading in Company securities. Under the Company's Security Dealings Policy, directors and employees are prohibited from trading in Company securities whilst in possession of unpublished information that a reasonable person would view as potentially price sensitive or within a specified period of the release of financial results ('blackout period'). Company personnel must receive approval to acquire or sell shares from the directors or the Company Secretary prior to doing so, which includes confirming to the Board that he or she is not aware of any undisclosed and potentially price sensitive information. Any trading in Company securities by directors is notified to the ASX in accordance with the ASX Listing Rules.

Anti-bribery and Corruption

The Company does not have a formal anti-bribery and corruption policy due to its relatively small size and complexity. All significant contracts entered into by the Company are vetted by the Managing Director and are reported to and approved by the Board if outside of the delegated authority of the Managing Director. Under the Company's Production Sharing Contract with the Minerals Resources and Petroleum Authority of the Mongolian government, the Company makes payments each year to support local training and regional development initiatives. These do not represent payments made to a particular public official in Mongolia. The Board is not aware of any offers of gifts or benefits to its personnel (whether in Australia or Mongolia) as a bribe or as a means of influencing Company decisions. Mongolian personnel must report any such activity, should it occur in the future, to the Company's Managing Director who will ensure no such offers are accepted and communicate the matter to the Board.

Reporting material breaches to the Board

Management must report all material breaches of internal controls or other relevant incidents to the Board.

Whistleblower Policy

Employees are asked to speak up about any unlawful, unethical or irresponsible behaviour within the organisation through the Company's Whistleblower Policy.

The Company's Whistleblower Policy was approved by the Board in January 2020. Under the policy, any material incidents of 'wrongdoing', as defined in the policy, will be reported to the Board and appropriate action will be taken.

Principle 4 - Safeguard the integrity of corporate reports

All periodic financial reports, including the annual, half year, quarterly reports and other corporate reports, are reviewed and approved by the Board before they are released to the market. As part of this process, the Board receives a signed declaration (as required by the Corporations Act) from its Managing Director and Chief Financial Officer/Company Secretary that the financial reports have been properly prepared under Australian Accounting Standards and that internal controls related to financial reporting have been adhered to.

The Board also reviews prior to the release of, and receives copies of, all material market announcements. Investor presentation documents are released to the market ahead of the actual presentation.

An Audit Committee has been established which operates in accordance with the guidelines of good corporate governance. Its responsibilities are delineated in the Audit Committee Charter.

The Audit Committee provides assistance to the Board in fulfilling its corporate governance and oversight responsibilities. The Audit Committee reviews and reports to the Board on all matters related to financial reporting and taxation, risk management and internal controls, the external audit function, and other matters of regulatory and legal compliance. In doing so, the Audit Committee carries out the duties that a formal internal audit function would perform in a larger and more complex company.

In discharging its oversight role, the Audit Committee is empowered to investigate any matter brought to its attention and has full access to all books, records, facilities, and personnel of the Company. It has the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the appointment of the external auditor as recommended by the Audit Committee. The external auditor must demonstrate independence from the Company throughout the engagement period, and provides the Board with a declaration of its independence which forms part of the annual and half-year financial reports. The performance of the external auditor is reviewed on an annual basis by the Audit Committee and any recommendations are made to the Board.

The Company's external auditor attends each Annual General Meeting and is available to answer questions from shareholders relevant to the conduct of the external audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company and the independence of the auditor.

Principle 5 - Make timely and balanced disclosure

Elixir has a formal policy that outlines its continuous disclosure responsibilities. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and

- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The policy also addresses the Company's obligations to prevent the creation of a false market in its securities. Elixir ensures that all information necessary for investors to make informed decisions is provided through its ASX announcements and is available on its website.

The Board considers its continuous disclosure obligations in respect of each and every item of business it deals with. The Managing Director has ultimate authority and responsibility for approving market disclosure which, in practice, is exercised in consultation with the Board and Company Secretary. Each Director receives a copy of every material ASX release.

When the Company gives a new or substantive investor or analyst presentation it will release a copy of the presentation to the ASX ahead of the presentation. As such, the provision of the presentation to the market in advance of the actual presentation ensures any new information relevant to the Company is available to all stakeholders at the same time, in accordance with the Company's continuous disclosure obligations.

Principle 6 - Respect the rights of security holders

The Board's fundamental responsibility to shareholders is to work towards meeting the Company's objectives so as to add value for them. The Board communicates with shareholders in a number of ways, including through its continuous disclosure process and the holding of an annual general meeting. The Company also engages specialists in investor relations and marketing to assist in communicating to shareholders the status of and developments in its key projects, prospects, and financial and corporate affairs. Significant communications to and with shareholders:

- announcements concerning planned exploration and corporate activities (including capital raising) and progress regarding the Company's projects and results of exploration activities;
- annual, half yearly and quarterly financial reports;
- all other Company and director updates required under the ASX Listing Rules;
- information provided on the Company's website;
- the holding of the Annual General Meeting of shareholders which includes opportunity for shareholders to meet and ask questions of the Board; and
- The voluntary release of other information believed to be in the interest of shareholders which includes presentations and media releases.

All shareholders are encouraged to attend the Annual General Meeting in person and meet directors. Shareholders not attending a meeting in person may participate via a technological platform (if the meeting is a 'virtual meeting' or is webcast) where they can ask questions or make comments, or by written communication. The Company provides all shareholders with a Notice of Meeting so they can be fully informed and be able to vote on all resolutions proposed. Shareholders are able to, and are encouraged to, discuss any matter of concern or interest with the directors and can ask questions of the external auditor of the Company in relation to the audit and the Company's annual financial report. All substantive resolutions put to General Meetings of shareholders are now decided by poll and both poll and proxy voting results are communicated to the market after the meeting.

Shareholders have the option to receive all Company and share registry communications electronically and may also communicate with the Company by emailing the Company via its website. All shareholders have the ability to request copies of ASX releases, all of which are published and available on the Company's website immediately after they are released to ASX.

The Company regularly reviews its stakeholder communication policy and endeavours to maintain a program appropriate for a company of its size and complexity.

Principle 7 - Recognise and manage risk

The Board has adopted a Risk Management Policy which sets out the Company's key risks and the process of managing those risks. Under the policy, the Board is responsible for setting the risk appetite and approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Board does not have a separate Risk Management Committee. The Board delegates day-to-day management of risk to the Managing Director who is responsible for identifying, assessing, monitoring and managing risks, including the reporting to the Board of any material breaches of controls or procedures. The Managing Director in conjunction with the Company Secretary maintains a risk register which summarises key business risks, an assessment of the magnitude and likelihood of such risks, and the controls in place to manage the risks.

The risk register is reviewed by the Audit Committee and Board at least annually which includes consideration of any new or emerging risks and whether overall the Company is operating within the risk appetite set by the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter he believes appropriate, with the prior approval of the Board.

The Audit Committee monitors and reviews the integrity of financial reporting and the Company's internal financial control systems. A report by management on the effectiveness of internal financial controls is provided to the Audit Committee on an annual basis. The Company's external auditors also report annually to the Audit Committee any weaknesses in internal controls related to financial reporting identified during their audit.

The following is a summary of risk management measures adopted by the Board to manage the Company's material business risks:

- establishment of financial control procedures and authority limits for management;
- approval of an annual budget;
- adoption of a continuous disclosure policy for the purpose of ensuring compliance with the Company's continuous disclosure obligations;
- adoption of a corporate governance manual which contains policies to assist the Company to establish and maintain its governance practices;

- maintenance and review of a risk register to identify the Company's material business risks, magnitude and likelihood of such risks, and risk management strategies to address these risks. The risk register is reviewed at least annually (last reviewed 31 July 2020) and updated as required. Management reports to the Board on any changes to material business risks and any material breaches of controls at each Board meeting; and
- The Managing Director and Chief Financial Officer/Company Secretary provide a declaration to the Board in accordance with section 295A of the Corporations Act in relation to the preparation of periodic financial reports including that the financial report is founded on a sound system of risk management and internal controls over financial reporting and that the system is operating effectively in all material respects.

Internal Audit

As noted previously, the Company does not have an internal audit function as the Board believes the business is neither the size nor complexity that requires such a function. The Audit Committee meets at least twice a year and is responsible for monitoring the effectiveness of internal controls, risk management procedures and governance.

Cyber Security and Privacy Risks

Risks related to protecting the security and integrity of the Company's database of information, including personal data, have increased in recent times. Like most other entities, the Company conducts a significant amount of business online, including banking transactions and email correspondence. As such, it is exposed to risks of cyber-attacks, viruses spread on the internet, and targeted hacking of information technology systems. To date, the Company has not suffered any of these attacks. The Company utilises anti-virus software and external information technology consultants to manage the majority of its IT risks.

Data is backed up regularly and password use is enforced, both in Australia and Mongolia. The Board monitors IT risks on a continuous basis.

Environmental, Social and Sustainability Risks

The Company's primary focus at present is exploration for petroleum, in particular coal seam methane gas (CSG), in Mongolia. Exploration activities include the drilling of exploratory and delineation holes, as well as seismic and other geophysical surveys. At present, the Company does not emit a significant quantity of greenhouse gases from its operations. Site remediation work required for any abandoned hole is typically is not extensive and is conducted shortly after a hole is abandoned such that the Company's environmental footprint is minimised.

If the Company reaches the development stage with its CSG project, its environmental impact and obligations will increase. The Board will continue to monitor environmental regulations in Mongolia.

More broadly, the impact of climate change, such as the possibility of more extreme weather events, is not significant on the Company's CSG exploration activities at present, as the Company is already operating in a fairly harsh environment. Further, as the Company's projects are located in a fairly remote part of Mongolia social impacts are minimal.

The principal sustainability risks facing the Company are typical of a small listed exploration company and include:

- reliance on key executives;
- inability to access new exploration capital;
- volatility in oil and natural gas prices and the US/AUD exchange rate;

- safety of all personnel in the Company's workplaces, and compliance with occupational health, safety and environmental standards;
- legislative and/or political changes in Mongolia adversely affecting the Company's CSG projects; and
- exposure to a global health crisis and related economic turmoil, such as the Covid-19 pandemic or other possible future pandemics.

Regarding the Covid-19 pandemic, the Company's operations and activities have not been significantly impacted to date; however the Managing Director and Board are continuing to monitor the situation on a day-to-day basis. At present activities are continuing as per normal.

The Board reviews sustainability risks in its normal course of business and does not produce a separate sustainability report for public issue.

Principle 8 - Remunerate fairly and responsibly

The Company has a Remuneration Committee that is made up of two independent directors.

Details of remuneration, including the Company's policy on remuneration, are contained in the 'Remuneration Report' which forms part of the annual Directors' Report. The Company's policy is to remunerate non-executive directors at a fixed fee for time, commitments and responsibilities. Remuneration for non-executive directors is not linked to individual performance with the exception of the performance rights issued to Richard Cottee noted previously. From time-to-time the Company may grant options to non-executive directors. The grant of options is designed to recognise and reward efforts as well as to provide non-executive directors with additional incentive to continue those efforts for the benefit of the Company. The maximum aggregate amount of fees (including superannuation payments) that can be paid to non-executive directors is subject to approval by the shareholders at general meeting and is currently \$500,000. There are no termination or retirement benefits for non-executive directors (other than for superannuation).

Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options and/or performance rights granted at the discretion of the Remuneration Committee and subject to obtaining any required shareholder approval. The grant of options and/or performance rights is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles. Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness.

The Company's Remuneration Committee Charter prohibits transactions in associated products such as derivatives which could act to limit the risk of participating in unvested entitlements under an equity based remuneration scheme.

Note regarding areas of non-compliance with the ASX Corporate Governance Council Recommendations

The Company is not in full compliance with the following recommendations contained in the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations – 4th Edition*:

- **Principle 1 – ‘Lay solid foundations for management and oversight’** – requirement to have measurable objectives for achieving gender diversity.
 - **Principle 2 ‘Structure the Board to be Effective and Add Value’** – requirement to have a Nominations Committee.
 - **Principle 2 ‘Structure the Board to be Effective and Add Value’** – requirement to have and disclose a Board skills matrix.
 - **Principle 3 ‘Instil a Culture of Acting Lawfully, Ethically, and Responsibly’** – requirement to have an ‘Anti-Bribery and Corruption Policy’.
 - **Principle 7 ‘Recognise and Manage Risk’** - requirement to have a Risk Management Committee.
 - **Principle 7 ‘Recognise and Manage Risk’** - requirement to have an Internal Audit function
- The reasons as to why the Company has not fully complied with the recommendations above are due primarily to the size and availability of resources within the Company, as outlined and addressed in the relevant sections of this Corporate Governance Statement.