

Elk Petroleum Ltd
Corporate governance
30 June 2018

Elk Petroleum Ltd (the company) and its controlled entities (the group) have adopted a corporate governance framework and practices that are intended to meet the interests of shareholders, taking into account the company's size and activities. The framework and practices have been in place throughout the financial year, and comply with the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (the Recommendations), unless otherwise stated.

This statement has been approved by the Board, and the information provided is for the year ended 30 June 2018 and remains current as at 28 September 2018. This statement has been approved by the board 28 September 2018. Company policies and charters are available on the 'Corporate Governance' page of the 'company's website, at <http://elkpet.com/about-elk/corporate-governance/>

The table below summarises the company's compliance with the Recommendations:

Principle	ASX Corporate Governance Council Recommendations	Comply
1.	Lay solid foundations for management and oversight	
1.1	Companies should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the Board and those delegated to management	Comply
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Comply
1.3	A listed entity should have written agreements with each director and senior executive setting out the terms of their appointment.	Comply
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.	Comply
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the Board or relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined 'senior executive' for these purposes); or (2) if the entity is a 'relevant employer' under the Workplace Gender Equality Act, the entity's most recent 'Gender Equality Indicators' as defined in and published under the Act.	Partially comply as no set targets for the representation of women employees in senior executive positions and on the Board
1.6	A listed entity should: (a) have and disclose a process for evaluating the performance of the Board, its Committees and individual Directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Comply
1.7	A listed entity should:	Comply

	(a) have and disclose a process for evaluating the performance of its senior management; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	
2.	Structure the Board to add value	
2.1	The Board of a listed entity should: (a) have a Nomination Committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director; and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as 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; or (b) if it does not have a nomination committee, disclose that fact and the process it employees to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	Does not comply as does not have separate committee as it is undertaken as the Board level
2.2	A listed entity 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 in its membership.	Comply
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in the governance principles but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director	Comply
2.4	A majority of the Board should be independent Directors	Comply
2.5	The Chair of the board should be an independent Director and in particular, should not be the same person as the CEO of the entity.	Comply
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Comply
3	Act ethically and responsibly	
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose the code or a summary of it.	Comply
4	Safeguard integrity in Corporate reporting	
4.1	The Board of a listed entity should: (a) have an Audit Committee which:	Comply

	<p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director who is not the chair of the board; and disclose</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) 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; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the process it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity 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 entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Comply
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Comply
5	Make timely and balanced disclosure	
5.1	<p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	Comply
6.	Respect the rights of security holders	
6.1	A listed entity should provide information about itself and its governance to investors via its website	Comply
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Comply
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Comply
6.4	A listed entity should give security holders the option to receive communications form, and send communications to, the entity and its security register, electronically.	Comply
7.	Recognise and manage risk	
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director; and disclose</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as 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; or</p>	Comply

	(b) if it does not have a risk committee or committees that satisfy (a), disclose that fact and the process it employs for overseeing the entity's risk management framework.	
7.2	The board or committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review have taken place	Comply
7.3	A listed entity should disclose (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) 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.	Comply
7.4	A listed entity 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.	Comply
8	Remunerate fairly and responsibly	
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director; and disclose (3) the charter of the committee; (4) the members of the committee; and (5) as 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; or (b) if it does not have a remuneration committee, disclose that fact and the process it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Comply
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and senior executives	Comply
8.3	A listed entity which has an equity-based remuneration scheme should: (a) 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 (b) disclose that policy or a summary of it.	Comply

Principle 1

Lay solid foundations for management and oversight

Recommendation 1.1 - Compliant

The Board's role is to govern the group, while it is the role of executive management to manage the group in accordance with the direction of the Board. The Board has the final responsibility for the successful implementation of the strategies, and the ongoing operations and performance of the company.

The detailed functions and responsibilities of the Board include:

- determining the vision and objectives of the company;
- formulating short and long term strategies to enable the company to achieve its objectives, and ensuring adequate resources are available to meet strategic objectives;
- reviewing periodically the process, outcomes and effectiveness of the company's decisions and strategies;
- appointing and approving the terms and conditions of the chief executive officer (CEO);
- endorsing the terms and conditions of the appointments of senior executives through the remuneration committee;
- reviewing the performance of the CEO and other senior executives;
- overseeing the implementation and monitoring of compliance, including policies such as the code of conduct;
- reviewing strategies to manage material business risks pertaining to the company's operations and internal control systems;
- approving major operating and capital budgets, and material variations to those budgets;
- approving all mergers, acquisitions and disposals of projects and businesses;
- approving processes, procedures and internal control systems relating to financial reporting; and
- approving periodic financial reports.

A copy of the Board charter is available on the company's website.

Recommendation 1.2 – Compliant

The Company has in place an external supplier to undertake appropriate checks on any potential director appointments (if required by the board in addition to their internal checking).

Under the Company's Constitution, all directors appointed throughout the year as an additional director or to fill a casual vacancy hold office to the AGM. Current directors hold office and are required to be considered by Shareholders for re-election under the Listing Rules.

All directors, whether appointed throughout the year as an additional director or to fill a casual vacancy or who are due for election under the Listing Rules, are disclosed in the Notice of AGM, with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. The company's constitution provides that at each annual general meeting, one third of the Board (other than any managing director in office from time to time) or, if their number is not a multiple of three, the number nearest to one third, must retire and, if the retiring directors so chose, may offer themselves for re-election.

Recommendation 1.3 – Compliant

On appointment, directors are provided with a formal letter of appointment and executive management with written employment agreements incorporating job descriptions (where relevant).

Recommendation 1.4 – Compliant

The company secretarial role is held jointly by David Franks and Andrew Bursill. The company secretaries are accountable to the board through the chairman on corporate governance matters pertaining to the company secretarial role. All directors have access to the company secretaries.

Recommendation 1.5 – Partially Compliant

The company has a workforce comprising individuals with diverse skills, values, background and experiences. The company values this diversity and recognises the organisational strength and opportunities that it brings. The

company is committed to providing an environment in which all employees are treated with fairness and respect and have equal access to opportunities at work.

The company has adopted a diversity policy.

As at 30 June 2018 and 30 June 2017, the company had the following number of women employed at the following levels:

	2018	2018	2018	2017	2017	2017
Description	Number of women	Total employees	Proportion of women	Number of women	Total employees	Proportion of women
Whole organisation	22	111	20%	1	9	11%
Management positions	-	5	0%	-	5	0%
Board members	-	5	0%	-	4	0%

The Company does not presently have set targets for the representation of women employees in senior executive positions and on the Board. However the Board will seek to promote and increase diversity within the organisation as positions and appropriately skilled candidates become available.

The Company defines 'senior executive' or 'management positions' as those persons who have the responsibility for planning and directing their business division's operations.

Recommendation 1.6 – Compliant

From time to time, the Board evaluates its performance and the performance of its committees and individual directors. There are currently no formal policies in place for these evaluations. The company believes the informal processes adopted are effective and efficient at the current time.

The Board, its committees and non-executive directors continually monitors its performance during the year in accordance with the processes described above.

Recommendation 1.7 – Compliant

For the year ended 30 June 2018, the company had five senior executives, in addition to the CEO/Managing Director Bradley Lingo and Executive Director/ CEO of Elk Petroleum Inc Jim Piccone, being the Corporate CFO Alexander Hunter, Corporate COO David Evans and USA COO Brian Dolan. Given the size and the nature of the company's operations, the performance of these executives is monitored on an ongoing basis by the CEO/Managing Director. The performance of the CEO/Managing Director is monitored on an ongoing basis by the non-executive directors. The company believes these informal processes adopted are effective and efficient at the current time.

A performance evaluation of the executives in accordance with the processes described above is presently being undertaken.

Principle 2

Structure the Board to add value

Recommendation 2.1 – Not Compliant

Recommendation 2.1 is that the Board should establish a nomination committee. Due to the size of the company and the Board, no nomination committee has been established. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board, given the size and nature of the company's activities. In the commentary for Recommendation 2.1, it is noted that for smaller boards, the same efficiencies may not be derived from a formal committee structure. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

The company is engaged in the oil and gas exploration and production business. The critical skills required by the Board in pursuing the company's business plan continue to be expert geological, engineering and exploration and evaluation project management skills together with strong fiscal management skills. In addition, each director is

charged with having a thorough understanding of and responsibility for the protection of the rights of the company and its shareholders.

The Board considers the following factors when selecting new directors and when recommending directors to shareholders for appointment or re-election:

- the aim of having a majority of independent directors on the Board and of having an independent non-executive chairman;
- that between them, the directors have appropriate range of skills, expertise, experience and diversity to discharge the Board's mandate;
- that each individual Board member has sufficient time to meet his/her commitments as a director of the company;
- the duration of each existing director's tenure, noting the retirement provisions of the Constitution, as set out above; and
- whether the size of the Board is appropriate to facilitate effective discussions and efficient decision making.

There is no nomination committee charter (as no such committee is in place).

Recommendation 2.2 – Compliant

The Board has developed a Board skills matrix, to simplify the process for identifying any 'gaps' in the Board's skills, expertise and experience. As part of the review of the skills matrix the Board monitor the skills, expertise and experience that are relevant to the company and assesses those requirements against the collective attributes of the directors. The Board skills matrix will be reviewed by the directors on an annual basis.

The board achieved its assessed skills rating for all criteria, being for skills in Financial/Audit, Legal/Governance, Investor Relations, Risk Management and Compliance, Human Resources/Remuneration, IT/Technology, Marketing/Social Media, Strategic Planning, Government Affairs, Policy Development, Executive Management, International Experience, Listed Company Director Experience, Mining/Resources Experience, Petroleum Specific Industry Experience, EOR Specific Industry Experience, Acquisition skills and Project Management skills.

Details of the Directors' skills, experience, expertise and attendance at meetings are set out in the Directors' Report in each year's Annual Report.

Recommendation 2.3 – Compliant

Throughout the year, the following directors served on the Board: Neale Taylor (independent non-executive chairman), Bradley Lingo (non-independent CEO/Managing Director), Jim Piccone (non-independent Executive Director appointed 2 February 2018), Russell Krause (independent non-executive director) and Timothy Hargreaves (independent non-executive director). The Company is compliant, with the majority of the board considered independent.

The Board annually assesses the independence of each director. For this purpose an independent director is a non-executive director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with - the exercise of unfettered and independent judgment, and who:

1. is not a substantial shareholder of the company, is not an officer of, or is not otherwise associated with a substantial shareholder;
2. within the last three years, has not been employed in an executive capacity by the company or group;
3. within the last three years, has not been a principal of a material professional advisor or a material consultant to the company or group, or an employee materially associated with the service provided;
4. is not a material supplier to, or customer of, the company or group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
5. has no material contractual relationship with the company or group, other than as a director.

Russell Krause, Timothy Hargreaves and Neale Taylor have been assessed as independent directors. In reaching that determination, the Board has taken into account (in addition to the matters set out above):

1. the specific disclosures made by each independent director as referred to above;
2. that no independent director has ever been employed by the company or any of its subsidiaries;
3. that no independent director is, or has been associated with a supplier, professional adviser, consultant to or customer of the company which is material under accounting standards; and
4. that no independent director personally carries on any role for the company otherwise than as a director of the company.

Timothy Hargreaves is the Research Director – Resources of a major shareholder. Notwithstanding this relationships, Mr Hargreaves considers himself independent as he has no financial interest in the respective major shareholders' investments and hold his position as a director of the company personally. The remaining directors concur with his determination.

The appointment date of each director is disclosed in the Company's Annual report.

Recommendation 2.4 –Compliant

Recommendation 2.4 is that a majority of the Board should be independent directors. Throughout the year, the following directors served on the Board: Neale Taylor (independent non-executive chairman), Bradley Lingo (non-independent CEO/Managing Director), Jim Piccone (non-independent Executive Director appointed 2 February 2018), Russell Krause (independent non-executive director) and Timothy Hargreaves (independent non-executive director). The Company is compliant, with the majority of the board considered independent.

Recommendation 2.5 –Compliant

Recommendation 2.5 is that the chair should be an independent director.

At the request of the company, Neale Taylor accepted a short-term relocation to the US, to act as an executive director of the company until 31 December 2013. As three years have passed since he held this executive position, he is considered an independent director from 1 January 2017.

There is a clear division of responsibilities between the chairman and the CEO/Managing Director. The Board has delegated to the CEO/Managing Director the authority to manage the day-to-day operations of the company. The Board ensures that the CEO/Managing Director is appropriately qualified and experienced to discharge his responsibilities.

The chairman's responsibilities are set out in the Board charter, and include leadership of the Board and ensuring the effective performance of the Board.

Recommendation 2.6 – Compliant

The Board implements an induction program for new Directors which involves a detailed briefing in regards to their role as a Director of the Company and the business of the Company. The Board is continually informed by Senior Management of key developments in the Company's business and the industry in which the Company operates.

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense. Prior written approval of the chairman is required.

Principle 3

Act ethically and responsibly

Recommendation 3.1 – Compliant

Throughout the year, the company has had a code of conduct that applies to directors, executives, employees and consultants. The code of conduct includes requirements to:

- strive to be honest and fair in all dealings with customers, business partners, investors, suppliers and communities;
- avoid situations which may give rise to a conflict of interest; and
- comply with the laws and regulations relating to the company.

A copy of the Code of Conduct is available on the company's website.

Principle 4
Safeguard integrity in corporate reporting

Recommendation 4.1 – Compliant

The purpose of the audit committee is to provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities, including by reviewing the integrity of the company's financial reporting and the processes to ensure the independence and competence of the external auditors.

Recommendation 4.1 is that the audit committee should consist only of non-executive directors a majority of whom are independent, have an independent chair who is not chair of the Board and have at least three members.

Throughout the year and to date, the audit committee was comprised of a combination of the following directors: The audit committee has complied with Recommendation 4.1.

From 1 July 17

Russell Krause (C)
Timothy Hargreaves
Neale Taylor

All members of the audit committee are financially literate and have an appropriate understanding of the industry in which the group operates.

The committee charter is available on the company's website.

Details of the Committee members' qualifications and attendance at Audit and Risk Committee meetings are set out in the Directors' Report in each year's Annual Report.

The company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. The company requires the periodic rotation of the audit partner in accordance with the Corporations Act 2001.

The Company requires the periodic rotation of the audit partner in accordance with the *Corporations Act 2001*.

Recommendation 4.2 – Compliant

The Board requires that the CEO/Managing Director and CFO, for all financial reports that are released to the ASX, confirm in writing that the declaration provided in accordance with section 295A of the Corporations Act is 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 the report from management required and the written assurance from the CEO/Managing Director and CFO required under Recommendation 4.2 in respect of the financial year ended 30 June 2018.

Recommendation 4.3 – Compliant

The external auditor is required to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principle 5

Make timely and balanced disclosure

Recommendation 5.1 – Compliant

The Company has a Disclosure and Communication Policy and a Disclosure and Materiality Guidelines for Officers and Employees. These policies promote timely and balanced disclosure of material matters concerning the Company.

The Disclosure and Communication Policy provides that the Company must immediately disclose to the market any 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. Disclosure of any such price sensitive information is not required where:

- one or more of the following applies:
 - (i) it would be a breach of law to disclose the information;
 - (ii) the information concerns an incomplete proposal or negotiation;
 - (iii) the information comprises matters of supposition or is insufficiently definite;
 - (iv) the information is generated for internal management purposes;
 - (v) the information is a trade secret;
 - (vi) the information is confidential and the ASX has not taken a contrary view; and
 - (vii) a reasonable person would not expect the information to be disclosed;

The CEO/Managing Director is responsible for coordinating market disclosure requirements. To ensure appropriate procedures, all directors, officers and employees of the company coordinate disclosures through the CEO/Managing Director.

A copy of the Disclosure and Communication Policy and the Disclosure and Materiality Guidelines is available on the Company's website.

Principle 6

Respect the rights of security holders

Recommendation 6.1 – Compliant

The company discloses information about itself, its Corporate Governance Statement and all its Corporate Governance Policies on the Company's website

Recommendation 6.2 – Compliant

The company understands the importance of timely and effective communication to shareholders. A shareholder communications policy was in place throughout the year.

Shareholders and members of the public may subscribe to receive email alerts when the financial reports and/or company announcements are available by going to the 'Elk Updates' webpage in the 'Investor Centre' section of the company's website.

The Company's Disclosure and Communication Policy outlines the procedures in place to promote effective communication with Shareholders.

The Company seeks to ensure that shareholders are well informed of the Company's activities.

The Company communicates with shareholders through annual, half yearly and quarterly reports, ASX releases, general meetings and the Company's website.

The disclosure and communication policy can be found on the company's website.

Recommendation 6.3 – Compliant

The board encourages shareholder participation at general meetings. Shareholders who are unable to attend general meetings are encouraged to lodge proxy appointments in advance of the meeting. Shareholders may electronically lodge proxy instructions for items of business to be considered at general meetings.

Recommendation 6.4 – Compliant

Shareholders may elect to receive electronic notifications when the Annual Report is available on the Company's website, and may electronically lodge proxy instructions for items to be considered at general meetings.

Principle 7 **Recognise and manage risk**

Recommendation 7.1 – Compliant

The Board is responsible for reviewing 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. Risks, and also opportunities, are identified on a timely basis, so that the group's objectives and activities can be aligned by the Board. The material risks considered include operational, environmental, sustainability, compliance, strategic, ethical conduct, reputational, technological, human resources, financial reporting and market-related risks. The day to day management of risk has been delegated by the Board to the CEO/Managing Director.

Management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system. Key elements of the group's internal control systems include:

- standing items for Board meetings
 - o operations updates including occupational health and safety
 - o finance updates including monthly accounts, monthly cashflow forecasting, annual budgets with monthly review of performance, audit related matters
 - o compliance with ASX/ASIC/ATO and legal requirements
 - o corporate matters including capital requirements, share price and volume details, ASX announcements and dealing in shares
- strategic and business planning
- limits for approval of capital expenditure
- limits on authorities for the execution of contracts and legal documents
- insurance program to address insurable risk
- due diligence procedures for acquisitions, divestments and financing
- the code of conduct
- financial and reporting systems to provide timely, relevant and reliable information.

The Company has a separate Risk Committee. Throughout the year and to date, the risk committee was comprised of a combination of the following directors:

From 1 July 17

Tim Hargreaves(C)
Brad Lingo
Neale Taylor

The Board has formalised its process for documenting risks and risk mitigation plans in the form of a risk matrix.

Details of the Committee members' qualifications and attendance at Risk Committee meetings are set out in the Directors' Report in each year's Annual Report.

The committee charter is available on the company's website.

Recommendation 7.2 – Compliant

During the year, ongoing monitoring, mitigating and reporting on material risks by senior executives, the Risk Committee and the Board took place in accordance with the process disclosed.

Recommendation 7.3 – Compliant

Under the Charter of the Risk Committee, the committee reviews if an internal audit function is required and how the function should be structured and what role it performs. Where there is an internal audit function, it reviews and recommends the appointment or removal of the head of internal audit, the scope and adequacy of the internal audit work plan and the objectivity and performance of the internal audit function.

The Risk Committee and the Board has determined not to have an internal audit function due to the size of the Company.

The Company's external auditors under a half year review and full year audit as required under the Corporations Act 2001. The Audit and Risk Committee have regular meetings and contact with the external auditors during the year and for the review and audits.

The Company adheres to its Risk Management Policy and Procedures, including management of its risk management and internal control processes.

Recommendation 7.4 – Compliant

The Company monitors whether it has any material exposure to economic, environmental and social sustainability risks through its Risk Management Policy and Procedures.

A copy of the Risk Management Policy and Procedures is available on the Company's website.

The Company also has in place a Health and Safety and Environmental Policy.

A copy of the Health and Safety and Environmental Policy is available on the Company's website.

Principle 8

Remunerate fairly and responsibly

Recommendation 8.1 – Compliant

The remuneration committee assists the Board in fulfilling its corporate governance and oversight responsibilities in relation to the company's remuneration functions, including by reviewing:

- the remuneration framework for non-executive directors;
- the remuneration and incentive framework for the CEO and other executives and employees;
- superannuation arrangements; and
- recruitment, retention and termination policies and practices generally.

Executive directors and CEO are not permitted to have direct involvement in the determination of their remuneration.

Recommendation 8.1 is that the remuneration committee should consist only of directors a majority of whom are independent, have an independent chair who is not chair of the Board and have at least three members.

Throughout the year and to date, the remuneration committee was comprised of a combination of the following directors: The remuneration committee has complied with Recommendation 8.1.

From 1 July 17

Russell Krause (C)
Brad Lingo
Timothy Hargreaves

The committee charter is available on the company's website.

Details of the Committee members' qualifications and attendance at Audit and Risk Committee meetings are set out in the Directors' Report in each year's Annual Report.

Recommendation 8.2 – Compliant

The structure of non-executive directors' remuneration is clearly distinguished from the structure of executive director and senior management remuneration. Non-executive directors may receive retention rights under the company's Non-executive Directors and Advisers Plan. Executive directors and senior management may receive both retention and performance rights under the company's Employee Incentive Rights plan, providing strong link between their remuneration and the performance of the Group.

The non-executive directors receive no retirement benefits, other than statutory superannuation contributions. Any increase in the maximum total remuneration of the non-executive directors of the company, which is set at \$350,000 per annum, would be subject to the approval of shareholders.

The Non-Executive Directors receive no retirement benefits, other than statutory superannuation contributions (where applicable).

Further information on directors' and executives' remuneration is set out in the Directors' Report in each year's Annual Report.

Recommendation 8.3 – Compliant

Any employees participating in equity based remuneration schemes are prohibited from entering into transactions in products which would limit the economic risk of holding unvested entitlements under those schemes.

A copy of the Share Trading Policy is available on the Company's website.
