

# CORPORATE GOVERNANCE

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## STATEMENT

The Board of IPB Petroleum Limited (“Company”) is responsible for the Company’s corporate governance. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, and commensurate with the Company’s needs.

The Board has the authority to delegate any of their powers to committees consisting of such Directors and external consultants, as the Directors see fit. At present, the Board has only constituted one committee, the Audit Committee. The Directors consider that because of the relatively small size of the Company and its Board, and the straight forward structure of the Company, any potential benefits achieved by the establishment of other committees would be minimal.

The following Corporate Governance Statement (“CGS”) is prepared in accordance with the Australian Securities Exchange Corporate Governance Council’s ‘Corporate Governance Principles and Recommendations 3rd Edition (“ASX Guidelines”). In accordance with the ASX Guidelines, the CGS must consider each of the principles and accompanying recommendations detailed in the ASX Guidelines and disclose the extent to which the Company has followed them during the reporting period. To date, due to the size of the Company and the stage of its development, the Board has not formally adopted all recommendations required for complete compliance with the ASX Guidelines. However the Board considers that where there has not been complete compliance, alternate processes and policies have been adopted to address the underlying principles of the ASX Guidelines.

The following statement outlines the corporate governance practices adopted by the Company.

### **Principle 1: Laying Solid Foundation for Management and Oversight**

The ASX Guidelines are that companies should establish and disclose the respective roles and responsibilities of Board and management. The Board distinguishes between the respective roles and responsibilities of the Board and management. The roles and responsibilities of the Board and Management are set out in the Company’s Board Charter (available on the Company’s website at [www.ipbpet.com.au](http://www.ipbpet.com.au) under ‘Investors – Corporate Governance’) and are consistent with the ASX Guidelines.

The Board assists with development of strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of these corporate governance processes are to:

- i. ensure a prudential and ethical basis for the Company’s conduct and activities;
- ii. ensure compliance with the Company’s legal and regulatory objectives; and
- iii. support maintenance and increase of shareholder value.

Consistent with these goals, the Board assumes the following responsibilities:

- i. supporting and monitoring the development initiatives for profit and asset growth;
- ii. reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- iii. identifying business risks and implementing actions to manage those risks and corporate systems to ensure quality and thereby
- iv. acting on behalf of, and being accountable to, the shareholders

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The Company seeks to attract and retain suitably credentialed Directors with a mix of qualifications, experience and expertise that are appropriate to the furtherance of the Company's goals. The details of Directors who held office during the year can be included in the Directors' Report to shareholders.

At the appointment of each Director, the agreement entered into between the Director and the Company clearly outlines the expected roles, responsibilities and obligations of that Director, and the current term of employment.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate fully informed Directors' participation in the Board discussions.

The Board has delegated authority for the running of the day to day business of the Company to the Managing Director as disclosed in the Company's Board Charter.

The Company Secretary is accountable directly to the Board, through the Chair on all matters to do with the proper functioning of the Board.

Currently, no formal diversity policy has been put in place by the Company. The Company is aware of, and values, the benefits diversity can bring. However, given the Company's size and operational activities no formal diversity policy or objectives for achieving gender diversity have yet been established.

The Company has in place, and undertakes, periodic reviews of the performance of each Director, the Board, Board Committees and Senior Executives as outlined in the Board Charter.

The Board and management believe that they are compliant with all seven recommendations of Principle 1 of the ASX Guidelines – Lay Solid Foundations for Management and Oversight except for recommendation 1.5 relating to Diversity.

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### Principle 2: Structure the Board to Add Value

Election of Board members is substantially the province of the shareholders in a general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the Board is to comprise Directors with an appropriate blend of skills, experience and attributes appropriate for the company and its business; and
- (b) the principal criterion for the appointment of new Directors is their ability to add value to the company and its business.

No formal nomination committee has been constituted by the Company. Given the size of the Company and its Board, and the straight forward structure of the Company, the Directors consider that any benefits that maybe achieved by the establishment of a separate nomination committee would be minimal. The Board has to date efficiently and effectively dealt with issues that would otherwise be considered by a nomination committee including a process of self-assessment and review of the performance of the Board, Committees and individual Directors undertaken at least annually. This process ensures that the Board and its Committees are operating effectively.

The Directors of the company are shown in Table 1 below.

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Bruce McKay	Non-Executive Chairman	Independent
Brendan Brown	Managing Director	Non-Independent
Phil Smith	Technical Director	Non-Independent
Geoff King	Non-Executive Director	Independent
Brodrick Wray	Non-Executive Director	Independent

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**Table 1 – IPB Petroleum Directors**

The Board comprises five Directors of which two are Executive Directors and are considered not independent and the other three are Non-Executive Directors and are considered independent.

Information on each Director, including their qualifications, experience and length of service is available in the annual Directors' Report.

The size, nature and specialised operations and relatively recent listing of the Company have not necessitated the need for a skills and diversity matrix to be determined.

The Board and Management induct new Directors into their role with the Company and the Company actively supports Directors in maintaining and developing their abilities to perform their roles on the Board and its committee.

Other than, as outlined above, in respect of recommendations 2.1 and 2.2 the Board is comfortable that it complies with all other recommendations contained in Principle 2 of the ASX Guidelines – Structure the Board to Add Value.

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### Principle 3: Promote Ethical and Responsible Decision-making

The Company's Code of Conduct sets out the Company's expectations for the conduct by the Company's Directors, Executives and employees, including in relation to business conduct, personal and professional conduct (such as confidentiality, personal behaviour, diversity and respect for others). The Code of Conduct is available on the Company's website ([www.ipbpet.com.au](http://www.ipbpet.com.au)) under 'Investors – Corporate Governance'.

The Company also has in place a Securities Trading Policy which is specifically applicable to all persons noted in the policy as Designated Persons but is also more generally applicable to all officers, employees, consultants, contractors and advisors of the Company and their associated parties. The Securities Trading Policy is also available on the Company's website at [www.ipbpet.com.au](http://www.ipbpet.com.au) under Investors – Corporate Governance.

The Board and Management are comfortable that the Company is compliant with its obligations under Principle 3 of the ASX Guidelines – Act Ethically and Responsibly.

### Principle 4: Safeguard Integrity in Financial Reporting

The Company seeks to safeguard the integrity of its financial reporting through the Board's Audit Committee. The Audit Committee was established to ensure the Company has an adequate control framework for the oversight of the external audit and the internal audit arrangements and report to the Board. The Audit Committee Charter is available on the company's website ([www.ipbpet.com.au](http://www.ipbpet.com.au)) under 'Investors – Corporate Governance' and its responsibilities include monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

The Audit Committee comprises of the three Non-Executive Directors Brodrick Wray, Bruce McKay and Geoffrey King, all of whom are independent. The Chair of the Audit Committee is Non-Executive Director Brodrick Wray.

Prior to the sign off of the Company's periodic reporting requirements a declaration is received from the officer, employee or consultant acting in the capacity as Chief Executive Officer ("CEO") and/or Chief Financial Officer ("CFO") equivalent that the Company's financial statements having been properly maintained, 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.

At the Annual General Meeting ("AGM") of the Company the Company's auditor is available to answer questions relevant to the audit.

In relation to Principle 4 of the ASX Guidelines – Safeguard Integrity in Financial Reporting, the Board and Management are satisfied that the Company is compliant.

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### Principle 5: Make Timely and Balanced Disclosure

The Company has adopted a Continuous Disclosure Policy to ensure that the Company complies with its disclosure obligations under the Corporations Act and the ASX Listing Rules. This Continuous Disclosure Policy has established formal responsibilities, guidelines and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and accountability for compliance. This policy sets out the company's procedures with regard to the reporting of material price sensitive information to the ASX subject to confidentiality carve-out exceptions. The Continuous Disclosure Policy is available on the Company's website ([www.ipbpet.com.au](http://www.ipbpet.com.au)) under the 'Investors – Corporate Governance' area.

The Company Secretary is responsible for disseminating disclosure obligations within the company. The Company's continuous disclosure processes and policies are consistent with the shareholder communications recommendations set out in the ASX Guidelines.

The policy also sets out other principles that the company will apply in relation to disclosure of material information, including that the Company:

- i. will not give analysts any material price-sensitive non-public information at any time before it is disclosed to ASX;
- ii. will not generally respond to market rumours and speculation, except where ASX formally requests disclosure by the Company on the matter or the Board considers it appropriate to make a disclosure in the circumstances; and
- iii. will only allow the Chair and Managing Director or another person expressly authorised in writing by the Board to make public statements on behalf of the Company.

The policy emphasises a proactive approach to continuous disclosures. The objective is to create a culture of openness, which is conducive to the fulfilment of the Company's disclosure obligations.

In relation to Principle 5 of the ASX Guidelines – Make Timely and Balance Disclosure the Board and Management are satisfied that the Company is compliant.

### Principle 6: Respect the Rights of Shareholders

The Company places a high priority on communications with its shareholders, and although it does not have a standalone communications policy, the company considers that its Continuous Disclosure Policy, together with disclosure through the following means, is sufficient to promote effective communications with shareholders:

- announcements released through the ASX company announcements platform;
  - provision of the Annual Report either by email or in printed form if requested,
  - notices of meetings to shareholders; and
  - a website that provides detail on the Company including ASX announcements, financial reports, research reports, corporate governance policies and other background materials.
- In relation to Principle 6 of the ASX Guidelines – Respects the Rights of Security Holders the Board and Management are satisfied that the Company is substantially compliant with the intent of the Principle.

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### **Principle 7: Recognise and Manage Risk**

The Board Charter stipulates it is the Board's responsibility to approve the Company's risk and audit framework, systems of risk management and internal control, as well as approving compliance with any risk and audit policies and protocols in place at the time. The Company does not have a standalone risk management policy because it is relatively small with limited business operations. The Audit Committee has assumed a role in assessment for the risk management processes in place. In addition, the Board has established a review process whereby the key risk areas both financial and operational are systematically assessed on a regular basis by the Directors to ensure effective control systems are in place.

The Board has established a review process whereby the key risk areas both financial and operational are systematically assessed on a regular basis by the Directors to ensure effective control systems are in place.

In relation to Principle 7 of the ASX Guidelines – Recognise and Manage Risk the Board and Management are satisfied that the Company is substantially compliant with the intent of the Principle.

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

The ASX Guidelines recommend the establishment of a remuneration committee, but given the size of the company and its Board, and the straightforward structure of the company, the Directors consider that it is more efficient for the remuneration of the Executive Directors to be decided by the Board. The Executive Directors do not participate in a decision in respect of their own remuneration.

The total maximum remuneration of Non-Executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the company of the respective contributions by each Non-Executive Director. The current aggregate amount has been set at an amount not to exceed \$500,000 per annum.

In addition, a Director may be paid fees or other amounts (eg. subject to any necessary shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the company to attract and retain Executives and Directors who can create value for shareholders, having consideration of the amount seen as commensurate with a company of the size and level of activity as well as the relevant person's time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

The Board of Directors is satisfied that the Company's remuneration policies and processes meet the requirements of Principle 8 of the ASX Guidelines – Remunerate Fairly and Responsibly.

### **Further Information**

For further information on the Company's corporate governance refer to the Company's website [www.ipbpet.com.au](http://www.ipbpet.com.au)