

## **CORPORATE GOVERNANCE STATEMENT**

### **APPROACH TO CORPORATE GOVERNANCE**

Oilex Ltd ABN 50 078 652 632 (**Company**) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3<sup>rd</sup> edition (**Principles & Recommendations**). The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at [www.oilex.com.au](http://www.oilex.com.au), under the section marked "Corporate Governance":

#### **Charters**

Board  
Audit and Risk Committee  
Nomination and Remuneration Committee

#### **Policies and Procedures**

Process for Performance Evaluations  
Policy and Procedure for the Selection and (Re)Appointment of Directors  
Induction Program  
Procedure for the Selection, Appointment and Rotation of External Auditor  
Code of Conduct (summary)  
Diversity Policy (summary)  
Policy on Continuous Disclosure (summary)  
Compliance Procedures (summary)  
Risk Management Policy  
Shareholder Communication and Investor Relations Policy  
Securities Trading Policy  
Whistleblower Policy  
Anti-bribery and Corruption Policy

The Company reports below on whether it has followed each of the recommendations during the year ended 30 June 2017 (**Reporting Period**). The information in this statement is current at 11 September 2017. This statement was approved by a resolution of the Board on 11 September 2017.

## PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management and has documented this in its *Board Charter*, which is disclosed on the Company's website.

### Recommendation 1.2

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Appropriate checks were undertaken before Paul Haywood was appointed to the Board as a non-executive director on 29 May 2017. The Company provided shareholders with all material information in relation to the election of Bradley Lingo as a director at its 2016 Annual General Meeting.

### Recommendation 1.3

The Company has, and had during the Reporting Period, a written agreement with each non-executive director and each senior executive setting out the terms of their appointment.

### Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board as outlined in the Company's *Board Charter*. The Company's Secretary's role is also outlined in the employment agreement between the Company Secretary and the Company.

### Recommendation 1.5

The Company has a *Diversity Policy*, which includes requirements for the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them. A summary of the Company's *Diversity Policy* is disclosed on the Company's website.

The following measurable objectives for achieving gender diversity have been set by the Board:

Measurable objective	Progress made towards achieving measurable objectives during the Reporting Period
Increase the overall percentage of females employed by the Company to 20%.	The Company has reduced employee numbers during the reporting period as part of its cost reduction strategy. After the reduction 19% of the Company's employees as at 30 June 2017 were female, an increase of 3% over June 2016.
At least one female candidate to be considered when the Board is next appointing a director.	In its search for an additional non-executive director, the Company requested that female candidates were presented and one female candidate was interviewed.
When recruiting senior and technical roles, at least one female candidate to be considered.	The Company did not recruit for any senior or technical roles in the Reporting Period.

The respective proportions of men and women on the Board, in senior executive positions and across the whole organisation are set out in the following table. Senior executive for these purposes means those employees that report directly to the Managing Director:

	Proportion of women
Whole organisation	Six out of thirty one (19%)
<ul style="list-style-type: none"> <li>• Administration and operations support</li> </ul>	Three out of nineteen (16%)
<ul style="list-style-type: none"> <li>• Professional specialty - technical</li> </ul>	Zero out of three (0%)
<ul style="list-style-type: none"> <li>• Professional specialty - finance/commercial</li> </ul>	Three out of seven (43%)
<ul style="list-style-type: none"> <li>• Total employees</li> </ul>	Six out of twenty nine (21%)
<ul style="list-style-type: none"> <li>• Senior executive positions</li> </ul>	Zero out of two (0%)
Board	Zero out of four (0%)

### Recommendation 1.6

Evaluations of the Board and individual directors for the reporting period ended 30 June 2016 were undertaken during the Reporting Period (in July 2016) in accordance with the process set out in the Company's Process for Performance Evaluations except that the Chair used the services of an independent third-party facilitator to evaluate the performance and competencies of the Board and the Chair. Each Board member completed a Board skills questionnaire, the responses to each of the questionnaires were summarised and collated by the facilitator. The facilitator also conducted individual director interviews, with specific attention on the areas of governance and leadership. The facilitator reported back to the Board on 24 August 2016, and the Board reviewed and discussed the responses, recommendations and addressed issues as required.

In July, August and September 2017, evaluations of the Board and individual directors (including the Chairman and Managing Director, but excluding non-executive director Paul Haywood) were undertaken in relation to the Reporting Period, and were conducted in accordance with the process disclosed in the Company's *Process for Performance Evaluations*. The evaluations for the Reporting Period were not undertaken during the Reporting Period due to the Chairman's travel commitments. Mr Haywood's performance was deferred until the next round of evaluations, given his recent appointment to the Board.

### Recommendation 1.7

The Managing Director is responsible for evaluating the performance of senior executives in accordance with the process disclosed in the Company's *Process for Performance Evaluations*. During the Reporting Period, the Managing Director undertook an evaluation of senior executives. The evaluations were carried out in accordance with the process disclosed in the Company's *Process for Performance Evaluations*.

## PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

### Recommendation 2.1

The Board has not established a separate Nomination Committee. Given the size and composition of the Board, the Board considers that there are no efficiencies to be gained by having a separate Nomination Committee, and accordingly the role is performed by the Board. The Board had adopted a *Nomination and Remuneration Committee Charter*, which describes the role, composition, functions and responsibilities of the committee. The Nomination and Remuneration Committee Charter is disclosed on the Company's website.

Items that are usually required to be discussed by a Nomination and Remuneration Committee are marked as separate agenda items at Board meetings when required, and when the Board convenes as a Nomination and Remuneration Committee, it carries out those functions which are delegated to it in the *Nomination and Remuneration Committee Charter*. These functions include addressing Board succession issues, and ensuring that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities

effectively. The functions also include fulfilling the Board's corporate governance responsibilities with respect to remuneration by reviewing the Company's remuneration policy, senior executives' remuneration and incentives, the remuneration framework for directors and remuneration related reporting requirements. The Board deals with any conflicts of interest that occur when it performs the functions of a Nomination and Remuneration Committee by ensuring that any director with a conflicting interest is not party to the relevant discussions.

## Recommendation 2.2

During the Reporting Period, the Board, with the assistance of the independent third-party facilitator, evaluated the Board's skills and diversity to identify the priority skill set it wishes to see represented in its membership. The following skills were identified, which reflect the Company's focus on its assets located around the Indian Ocean rim, with a particular focus on applying tight oil/tight gas technologies from North America into the Cambay Field in Gujarat, India:

- International oil and gas industry experience.
- Capital markets experience.
- Corporate and commercial skills.
- Legal.
- Strategic Human Resources.
- Strategic Information Technology.
- Strategic Marketing.

Whilst the Board possesses some of these skills, the Board is looking to appoint an additional non-executive director and who may potentially chair the Board. This person will have significant public company experience in the junior oil and gas resources sector, be independent and possess the strategic skills the Board is seeking.

## Recommendation 2.3

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles & Recommendations. The Board considers the independence of each of its non-executive directors at least annually.

The following table sets out the directors during the Reporting Period, and their independence status:

Director	Independent (Yes/No) If no, reason.	Date of appointment/length of service
Max Cozijn	No, due to his length of service as a director of the Company, and additional director fees that he has received for services performed outside the scope of his ordinary duties as a non-executive director. However, the Board considers that Mr Cozijn acts Independently in the discharge of his duties as a non-executive director.	3 June 1997 Company listed on ASX October 2003
Jonathan Salomon	No, Managing Director.	29 November 2015 (appointed Managing Director on 18 March 2016)
Bradley Lingo	Yes	11 February 2016
Paul Haywood	Yes	29 May 2017

## Recommendation 2.4

The Board does not have a majority of directors who are independent, but does have equal numbers of independent and non-independent directors. The Board considers that its current composition is an appropriate mix of skills and experience

relevant to the Company's business. The Board did appoint Paul Haywood on 29 May 2017, who is an independent non-executive director. In addition, the Company is seeking to appoint an additional non-executive independent director to potentially chair the Board.

### **Recommendation 2.5**

For the period 1 July 2016 to 23 February 2017, the Chairman of the Board was Max Cozijn, who is not an independent director for the reasons outlined above in relation to Recommendation 2.3. The Board considered that Max Cozijn was the most appropriate person to chair the Board, notwithstanding that he is not an independent director, due to his extensive industry and Australian public company director experience.

However, the position of chairman was reviewed by the Board, and in particular the importance of having an independent director as its chair, and on 23 February 2017 the Board appointed Bradley Lingo as its Chairman. The Company has initiated a formal search process to identify a potential new Chair.

Both Mr Cozijn and Bradley Lingo are not also the Company's Managing Director.

### **Recommendation 2.6**

The Company has an induction program that it uses when new directors join the Board and when new senior executives are appointed. The goal of the program is to assist new directors to participate fully and actively in Board decision-making at the earliest opportunity and to assist senior executives to participate fully and actively in management decision-making at the earliest opportunity. The Company's *Induction Program* is disclosed on the Company's website.

The Board, performing the functions of the Nomination and Remuneration Committee, regularly reviews whether the directors as a group have the skills, knowledge and familiarity with the Company and its operating environment required to fulfil their role on the Board effectively. Where any gaps are identified, the Board considers what training or development should be undertaken to fill those gaps. In particular, the Board ensures that any director who does not have specialist accounting skills or knowledge has a sufficient understanding of accounting matters to fulfil his or her responsibilities in relation to the Company's financial statements. Directors also receive education on relevant developments in accounting standards.

## **PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY**

### **Recommendation 3.1**

The Company has established a *Code of Conduct* for its directors, senior executives and employees, a summary of which is disclosed on the Company's website. The Company has also established a *Whistleblower Policy* (disclosed on the Company's website) to encourage the reporting of violations (or suspected violations) of the *Code of Conduct* and provide effective protection from victimisation or dismissal to those reporting by implementing systems for confidentiality and report handling.

The Company has also established an *Anti-bribery and Corruption Policy*, which sets out the Company's policy and approach to bribery and corruption. This policy is also disclosed on the Company's website.

## **PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

### **Recommendation 4.1**

The Board has not established a separate Audit Committee, having resolved that it would perform the function of an Audit and Risk Committee. The Board has adopted an *Audit and Risk Committee Charter*, which describes the role, composition, functions and responsibilities of the Board in its capacity as the committee, and which is disclosed on the Company's website. Items that are usually required to be discussed by an Audit and Risk Committee are marked as separate agenda items at Board meetings when required, and when the Board convenes as the Audit and Risk Committee, it carries out those functions which are delegated to it in the *Audit and Risk Committee Charter*. These functions include reviewing the adequacy of the Company's corporate reporting processes, and reviewing whether the Company's financial statements reflect the understanding of the Board members, and otherwise provide a true and fair view of, the financial position and performance of the Company. The functions also include reviewing the adequacy of the Company's processes for

managing risk. The Board deals with any conflicts of interest that occur when it performs the functions of an Audit and Risk Committee by ensuring that any director with a conflicting interest is not party to the relevant discussions.

Details of the relevant qualifications and experience of the members of the Board are set out in the Directors' Report on pages 14 to 15 of the Company's Financial Report for year ended 30 June 2017.

The Company has also established a *Procedure for the Selection, Appointment and Rotation of its External Auditor*. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

#### **Recommendation 4.2**

Before the Board approved the Company financial statements for the half year ended 31 December 2016, for each of the quarters ending 30 September 2016, 31 December 2016, 31 March 2017 and 30 June 2017 and for the full-year ended 30 June 2017 it received from the Managing Director and the Chief Financial Officer a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated 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.

#### **Recommendation 4.3**

Under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the audit report is considered, and must arrange to be represented by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit. Each year, the Company writes to the Company's auditor to inform them of the date of the Company's annual general meeting. In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chairman allows a reasonable opportunity for the members as a whole at the meeting to ask the auditor (or its representative) questions relevant to the conduct of the audit; the preparation and content of the auditor's report; the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the auditor in relation to the conduct of the audit. The Chairman also allows a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

Mr Graham Hogg, a representative of the Company's auditor KPMG, attended the Company's annual general meeting held on 23 November 2016.

### **PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE**

#### **Recommendation 5.1**

The Company has established written policies and procedures for complying with its continuous disclosure obligations under the ASX Listing Rules. A summary of the Company's *Policy on Continuous Disclosure and Compliance Procedures* are disclosed on the Company's website.

### **PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS**

#### **Recommendation 6.1**

The Company provides information about itself and its governance to investors via its website at [www.oilex.com.au](http://www.oilex.com.au) as set out in its *Shareholder Communication and Investor Relations Policy*, which is disclosed on the Company's website.

#### **Recommendation 6.2**

The Company has designed and implemented an investor relations program to facilitate effective two-way communication with investors. The program is set out in the Company's *Shareholder Communication and Investor Relations Policy*, which is disclosed on the Company's website.

### Recommendation 6.3

During the Reporting Period, the Company had in place a *Shareholder Communication and Investor Relations Policy* which outlines the policies and processes that it has in place to facilitate and encourage participation at meetings of shareholders.

### Recommendation 6.4

Shareholders are given the option to receive communications from, and send communications to, the Company and its share registry electronically. New shareholders are mailed a communication form providing a choice of communication, either electronic or hard copy. Existing shareholders can amend their form of communication at any time. Shareholders can also subscribe via the Company's website to receive the Company's announcements made to ASX by email.

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

### Recommendation 7.1

The Board has not established a separate Risk Committee, having resolved that it would perform the function of an Audit and Risk Committee. Please refer to the disclosure under the heading "Recommendation 4.1" in relation to the Board performing the function of the Audit and Risk Committee.

### Recommendation 7.2

During the Reporting Period, the Board reviewed the Company's risk management framework to satisfy itself that it continued to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board.

### Recommendation 7.3

The Company does not have an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's *Risk Management Policy*.

### Recommendation 7.4

The Company has material exposure to the following economic, environmental and/or social sustainability risks:

Risk	How risk is managed/intended to be managed
Health and safety management	Oilex is committed to protecting the health and safety of everybody who plays a part in its operations or lives in the communities where the Company operates. Oilex has implemented a HSES framework that promotes responsibility and accountability within the Company for health and safety matters.
Environmental	Oilex has an active program of education, monitoring and reporting within the business to identify and mitigate environmental risks.
Future funding	Funding requirements are reviewed on a regular basis through internal cash flow models and scenario analysis. Alternative funding options are identified and reviewed on a regular basis.
Commodity Pricing	The Company's ability to secure funding is partially impact by prevailing commodity prices. The Company adjusts its work programmes and budgets to ensure it is aligned with its capacity to secure the necessary funding.
Joint Venture Alignment	The Company is in continuous discussions with its Joint Venture Partner working towards the approval and funding of the work programmes and

	budgets. As the operator of several PSCs, the Company is liable for expenditure commitments and accordingly, may be required to fund the unpaid cash calls by its joint venture partners.
Cambay Production Sharing Contract Extension	The Company intends to submit in September 2017, an application to the Government of India (GOI), for an extension to the Cambay PSC for up to ten years. The extension is subject to approval by the GOI and accordingly cannot be assured.
Delays to schedule	Oilex regularly reviews and updates work programmes and plans to ensure critical path items are identified and appropriate contingencies are in place to manage schedule risk.
Regulatory framework	The Company continually liaises with governments, employs staff, consultants and specialists experienced in operating within the relevant regulatory and commercial environment for each jurisdiction.
Exploration risk	The Company utilises the services of suitably qualified personnel and consultants, appropriate systems and reviews all available material data prior to undertaking any substantial exploration activities.

The Managing Director has responsibility for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for identifying any material changes to the Company's risk profile and ensuring, with approval of the Board, the risk profile of the Company is updated to reflect any material change.

The Managing Director is to report to the Board as to the effectiveness of the Company's management of its material business risks, at least annually. During the Reporting Period, the reports were provided quarterly.

## **PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY**

### **Recommendation 8.1**

The Board has not established a separate Remuneration Committee, having resolved that it would perform the function of a Nomination and Remuneration Committee. Please refer to the disclosure under the heading "Recommendation 2.1" in relation to the Board performing the function of a Nomination and Remuneration committee.

### **Recommendation 8.2**

Details of remuneration, including the Company's policy on remuneration and "clawback policy" regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements, are contained in the "Remuneration Report" which forms part of the Directors' Report and commences at page 21 of the Company's Financial Report for year ended 30 June 2017.

### **Recommendation 8.3**

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