



# Corporate Governance Statement

For the year ended 31 December 2018

Australis Oil & Gas Limited  
ABN 34 609 262 937

# Corporate Governance Statement

The Board of Australis Oil & Gas Limited (“Australis” or “Company”) monitors the operational and financial performance of the Company and oversees its business strategy, including approving the strategic goals of the Company. The Board is committed to maximising performance, generating Shareholder value and financial returns and building the growth and success of the Company. In conducting business with these objectives, the Board aims to ensure Australis is properly managed to protect and enhance Shareholder interests, and the Company, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing Australis, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Australis’ business and which are designed to promote the responsible management and conduct of the Company. Australis reviews and amends its corporate governance policies as appropriate to reflect the growth of the Company, current legislation and good practice. The main charters, policies and procedures that form the basis of corporate governance practices at Australis and which are referred to in this Statement, can be found in the corporate governance section of Australis’s website, [www.australisoil.com](http://www.australisoil.com).

Where the Company’s corporate governance practices follow a recommendation during the financial period from 1 January 2018 to 31 December 2018 (“Disclosure Period”), the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company’s corporate governance practices depart from a recommendation during the Disclosure Period, the Board has offered disclosure and reason for the adoption of its own practice, in compliance with the “if not, why not” regime.

Below is a statement disclosing the extent to which the Company follows the Principles and Recommendations of the ASX Corporate Governance Council. The ASX principles and recommendations are identified below in bold with corresponding statements of compliance. This statement covers the period 1 January 2018 to 31 December 2018, is current as at 25 February 2019 and has been approved by the Board.

## **PRINCIPLE 1: Lay Solid Foundations for Management and Oversight**

### **1.1 Board Role & Responsibilities**

*Complied*

The respective roles and responsibilities of Board and management are outlined within clauses 1, 2.1, 3.1, 3.4 and 5 of the Company’s Board Charter, which is available on the Company’s website, [www.australisoil.com](http://www.australisoil.com). The Charter also outlines which matters are expressly reserved to the Board and those delegated to management.

### **1.2 Director Appointments**

*Complied*

The Company’s Remuneration and Nomination Committee Charter outlines the procedures undertaken when appointing or nominating a candidate for election as a director. To assist the Company’s shareholders in making an informed decision about whether to vote in favour of a director standing for election or re-election, the notice of meeting for the annual meeting contains the candidate’s biographical details. These include a career summary; a list of other directorships and material outside interests; the date of their first appointment to the Board; and a statement as to whether the Board considers the director to be independent and supports her or his election or re-election. The Remuneration and Nomination Committee Charter is available via the Company’s website.

### **1.3 Term of Appointment**

*Complied*

As set out in clause 4.2 of the Company’s Board Charter, each director is provided with a formal letter of appointment to the Board setting out the key terms and conditions of their appointment.

Senior executives are employed under written contracts, of which the key terms and conditions for key management personnel are outlined in the Company’s 2018 Remuneration Report contained in the Annual Report available on the ASX or via the Company’s website. The hire of senior executives is approved by the CEO.

### **1.4 Company Secretary**

*Complied*

As set out in clause 3.6 of the Company’s Board Charter, the Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

# Corporate Governance Statement

## 1.5 Diversity

*Partial Compliance*

The Board has adopted a diversity policy that sets out the purpose of the policy and the employee selection and appointment guidelines, which are consistent with the recommendations of the Corporate Governance Council. The Board believes that the adoption of an efficient diversity policy has the effect of broadening the employee recruitment pool, supporting employee retention, incorporating different perspectives and is socially and economically responsible governance practice. The Diversity Policy is available via the Company's website.

The Company employs new employees and promotes current employees on the basis of performance, ability and attitude. The Board is continually reviewing its practices with a focus on ensuring that the selection process at all levels within the organisation is formal and transparent and that the workplace environment is open, fair and tolerant.

The Company has not implemented specific measurable objectives regarding the proportion of females to be employed within the organisation or implemented requirements for a proportion of female candidates for employment and Board positions during the Disclosure Period. Whilst no target for company-wide gender diversity was formally adopted during 2018, since the reporting date the Board has determined that the Company's operations and associated employee numbers are now of a size that measurable objectives should be set. Oil & Gas industry data shows that the rate of female employment globally is currently at 22% of the total workforce. As such, the Board has set a target that 30% of Australis employees should be women and at the date of this report the Company continued to meet this target.

Whilst the Company continues to review its Human Resource Policies to ensure they are consistent with the achievement of the gender measurable objectives, recruitment policies will continue to promote merit and ability as a primary factor in recruitment.

The following is a summary of information regarding the proportion of gender diversity in the organisation which applied as at 31 December 2018.

	2018	2017
	Proportion of Women	Proportion of Women
Whole Company	19 out of 50 (38%)	10 out of 34 (29%)
Senior Executives (Vice President and above)	1 out of 6 (17%)	1 out of 6 (17%)
Directors	0 out of 5	0 out of 5

## 1.6 - 1.7 Performance Evaluation

*Complied*

The Board undertakes an annual review of its own performance and that of its committees. The process is led by the Chair of the Remuneration and Nomination Committee (RNC Chair) and is based on an evaluation questionnaire that is provided to all directors. The RNC Chair collates the results and the outcomes of the review are presented to the Board and used to set activities and key performance indicators to continue to improve board performance and efficiency. A performance evaluation was undertaken in the second half of 2018.

Senior executives are subject to annual performance evaluations carried out by the Managing Director/CEO or the Chair (for the Managing Director/CEO). These performance evaluations were undertaken during the Disclosure Period. The performance evaluation takes the form of an evaluation of an individual against pre-determined and approved key performance indicators (KPIs). The KPIs also include corporate goals and targets and allow for the achievement of stretch targets for exceptional performance. The KPIs for executive directors are approved by the Board and the KPIs for senior executives are approved by the CEO.

Remuneration details of senior executives designated by the Board as Key Management Personnel (KMP) per definition in AASB 24 are contained in the Remuneration Report section of the Company's 2018 Annual Report, available on the ASX or via the Company's website.

## PRINCIPLE 2: Structure the Board to Add Value

### 2.1 Remuneration and Nomination Committee

Complied

The Company's Remuneration and Nomination Committee Charter, which is available on the Company's website, provides that the Remuneration and Nomination Committee (RNC) should comprise at least three members, a majority of whom should be independent directors, and should be chaired by an independent director.

During the reporting period, the RNC comprised three members, Alan Watson (Chair), Jon Stewart and Steve Scudamore. Alan Watson and Steve Scudamore are independent directors and therefore the Company has complied with this recommendation.

Details on the number of meetings held and each member's attendance throughout 2018 are set out in the Directors' Report contained in the Company's 2018 Annual Report.

### 2.2 Board Skills Matrix

Complied

The Board considers it has an appropriate mix of skills and experience given its current size and future strategy.

A skills matrix has been adopted to assess each director's skills and experience against core competencies, and hence assess the combined capabilities of the Board.

These competencies are set out below:

Area	Competence
Executive leadership	<ul style="list-style-type: none"> <li>• Previous senior management positions</li> <li>• Outside public company Directorships</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>• Previous experience in setting and delivering on strategy</li> <li>• Ability to analyse information in order to make informed decisions</li> <li>• Assess performance against strategy</li> </ul>
Industry experience	<ul style="list-style-type: none"> <li>• Oil &amp; gas experience or engineering or science qualification</li> <li>• Previous Director appointment in an oil &amp; gas company</li> </ul>
Corporate finance	<ul style="list-style-type: none"> <li>• Experience in large scale project outlays and financing, experience in mergers and acquisitions</li> </ul>
Financial acumen	<ul style="list-style-type: none"> <li>• Financial literacy including senior management or equivalent experience in financial accounting, reporting, corporate finance or internal audit</li> <li>• Accounting or finance qualification</li> </ul>
Remuneration and HR	<ul style="list-style-type: none"> <li>• Experience in relation to remuneration and retention management, including incentive programs</li> </ul>
International experience	<ul style="list-style-type: none"> <li>• Experience with international assets, cultures, communities and business environments</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• Membership of governance organisation</li> <li>• Previous experience in governance of organisations</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>• Experience in applying and overseeing broad based risk management frameworks in various country, regulatory or business environments</li> </ul>
HSE and CSR	<ul style="list-style-type: none"> <li>• Experience in workplace and worksite HSE and environmental and social responsibility</li> </ul>

The Board considers that current Board skills and expertise are adequate for the current size and stage of development of the Company.

Whilst the majority of the Board have previous US oil and gas experience, the Company continues to monitor the appropriateness of appointing a US-based director with oil and gas experience when suitable.

Information on the directors of the Company, including their length of service are set out in the Directors' Report of the Company's 2018 Annual Report, available on the ASX or via the Company's website.

The Company's Remuneration and Nomination Committee Charter, and specifically clause 3.5(b) relating to directors skills, is available on the Company's website.

# Corporate Governance Statement

## 2.3 Independent Directors

Complied

Information on the directors of the Company, including their length of service are set out in the Directors' Report of the Company's 2018 Annual Report. The Board currently comprises Jon Stewart (Non-Executive Chair) who is not considered independent, Ian Lusted and Graham Dowland (Executive Directors) who are not considered independent, and Alan Watson and Steve Scudamore (independent Non-Executive Directors).

The Board considers an independent director to be a Non-Executive Director who is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Australis and its security holders generally. The Board will consider the materiality of any given relationship on a case-by-case basis. The Board reviews the independence of each director in light of interests disclosed to the Board from time to time. The Board will consider whether there are any factors or considerations which may mean that a director's interest, position, association or relationship might influence, or reasonably be perceived to influence, the capacity of the director to bring an independent judgement to bear on issues before the Board and to act in the best interests of Australis and its security holders generally.

The Board considers that Alan Watson and Steve Scudamore are free from any interest, position, association or relationship that might influence, or reasonably be perceived to influence, the independent exercise of their judgement and that they are able to fulfil the role of independent director. Jon Stewart, is not currently considered to be Independent as he holds a relevant interest of 6.92% of the shares in the Company. Ian Lusted and Graham Dowland hold the positions of Managing Director/CEO and CFO respectively and therefore do not meet the definition of independent director due to their executive appointments. The directors believe that they are able to objectively analyse the issues before them in the best interests of all Shareholders and in accordance with their duties as directors.

## 2.4 Majority Independent Directors

Not complied

The Board does not consist of a majority of independent directors. The Board acknowledges the ASX Corporate Governance Council's recommendation that a majority of the Board should be independent directors.

The Board does not consist of a majority of independent directors. The Board acknowledges the ASX Corporate Governance Council's recommendation that a majority of the Board should be independent directors.

The current independent directors have extensive experience as non-executive board members and as such the Board believes this allows the Company to benefit from the significant oil & gas, public company and financial experience that Messers Stewart, Lusted and Dowland bring to the Board. The Board will consider in due course the appointment of additional independent director(s) with growth in the size and/or complexity of its business such that it will be comprised of a majority of independent directors in the future and this has been reflected in clause 4.3 of the Board Charter, available via the Company's website.

## 2.5 Chair Independence

Not complied

Mr Stewart is not an independent director however the Board believes that the Mr Stewart has significant board chair, public company, oil and gas industry and financial experience and this results in a sound understanding of the business of the Company which enable Mr Stewart to provide knowledgeable yet unfettered judgement to the Board's deliberations.

The position of CEO is held by Ian Lusted.

## 2.6 Director Induction and Development

Complied

The Company provides new directors with access to professional development if required and it provides an appointment letter and induction pack which describes the expectations and responsibilities that will come with the role. Further information is set out in clause 3.5 of the Company's Board Charter, available via the Company's website.

The Board 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 and the Board committees effectively using a board skills matrix. Where any gaps are identified, the Board considers what training or development should be undertaken to fill those gaps.

## PRINCIPLE 3: Promote Ethical and Responsible Decision-Making

### 3.1 Code of Conduct

Complied

The Company's Code of Conduct addresses all recommended practices and issues and is available via the Company's website.

## PRINCIPLE 4: Safeguard Integrity in Corporate Reporting

### 4.1 Audit and Risk Management Committee

Complied

For the reporting period, the Audit and Risk Management Committee (ARMC) comprised three members, Steve Scudamore (Chair), Jon Stewart and Alan Watson. As Alan Watson and Steve Scudamore are independent directors, the ARMC comprises a majority of independent directors and is chaired by an independent director who is not chair of Board.

The Audit and Risk Management Committee Charter is available via the Company's website.

The relevant qualifications and experience of each member are outlined in the Directors' Report contained in the Company's 2018 Annual Report.

Details on the number of meetings held and each member's attendance throughout 2018 are set out in the Directors' Report contained in the Company's 2018 Annual Report.

### 4.2 Financial Integrity

Complied

Prior to Board approval of the Company's full year financial report to 31 December 2018 (contained in the Company's 2018 Annual Report), the Managing Director/CEO and CFO provided the Board with the declarations required under section 295A of the *Corporations Act 2001* (Cth) ("Corporations Act").

The declarations state that, in their opinion, the financial records of Company had been properly maintained and that the financial statements were compiled with the appropriate accounting standards and gave a true and fair view of the financial position and performance of the Company and that those opinions had been formed on the basis of a sound system of risk management and internal control which was operating effectively.

The basis of the CEO/CFO declaration is an executed management sign off report which is provided to the ARMC and Board.

### 4.3 External Auditor's Attendance at AGM

Complied

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 or 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. The Company has informed the Company's auditor 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 Chair will allow 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 Chair will also allow a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the *Corporations Act*.

## PRINCIPLE 5: Make Timely and Balanced Disclosure

### 5.1 Written Policy

Complied

The Company's written policies and procedures for compliance with the ASX Listing Rule disclosure requirements are included in the Company's Continuous Disclosure Policy which is available on the Company website.

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## PRINCIPLE 6: Respect the Rights of Shareholders

### 6.1 Information Disclosure via Company Website

Complied

The Company provides information about itself and its governance including copies of the Board Charter, key governance charters, policies and other documents to investors on its website at [www.australisoil.com](http://www.australisoil.com).

### 6.2 Investor Relations Program

Complied

The Company has adopted a Shareholder Communication Policy which is available on the Company's website.

The Managing Director and executives engage in webinars, informal meetings and telephone calls with a range of investors on a regular basis. This year a corporate LinkedIn profile was created for the Company, to further increase engagement with current and prospective investors.

### 6.3 - 6.4 Security Holder Participation & Communication

Complied

The Board supports practices that provide effective and clear communications with security holders and allow security holder participation at general meetings.

The Company has adopted a Shareholder Communications Policy which encourages the use of electronic communications. Shareholders are able to communicate with the Managing Director and Company Secretary via the Company email address at [contact@australisoil.com](mailto:contact@australisoil.com), and the Managing Director also hosts webinars which allows shareholders to directly ask questions.

Australis shareholders have the option to receive company information electronically by registering their email address online with the Registry. The website provides shareholders and others the opportunity to receive additional information such as press releases and other materials electronically. Additionally, the Company's Registry provides online portal access to security owners.

The Shareholder Communications Policy is available via the Company's website.

## PRINCIPLE 7: Recognise and Manage Risk

### 7.1 Audit and Risk Management Committee Disclosure

Complied

For the reporting period, the ARMC comprised three members, Steve Scudamore (Chair), Jon Stewart and Alan Watson. Alan Watson and Steve Scudamore are independent directors. The ARMC comprises a majority of independent directors and has an independent chair.

Day-to-day risk management is delegated to the Managing Director/CEO, who is supported in monitoring and managing risks by the Board and the Company Secretary.

Details on the number of meetings held and each member's attendance throughout 2018, and the relevant qualifications and experience of each member are outlined in the Directors' Report contained in the Company's 2018 Annual Report.

The Audit and Risk Management Committee Charter is available via the Company's website.

### 7.2 Review of Risk Management Framework

Complied

The Company has adopted a Risk Management Policy which is available on the Company's website.

The Policy states that the Board retains overall responsibility for reviewing, ratifying and monitoring systems of risk management and internal control and legal compliance and for satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Implementation of the risk management system and day-to-day management of risk is the responsibility of the Managing Director/CEO, with the assistance of senior management, as required.

The Managing Director/CEO is required to report on the progress of, and on all matters associated with, risk management to the ARMC at least twice a year. The Managing Director/CEO is to report to the Board as to the effectiveness of the Company's management of its material business risks, at least annually.

The Board conducted a review of the Company's Risk Management Policy during the Reporting Period.

## 7.3 *Internal Audit Function*

*Not applicable*

The Company does not have an internal audit function.

The Board oversees risk management with the assistance of the ARMC.

The ARMC regularly reviews internal control processes.

The Board considers that the strategy adopted is appropriate for the Company's current size and stage of development.

## 7.4 *Material Exposure & Social Sustainability Risks*

*Complied*

The key risk factors affecting the Company and how the Company intends to manage those risks is set out in the Company's 2018 Annual Report.

## **PRINCIPLE 8: Remunerate Fairly and Responsibility**

### 8.1 *Remuneration Committee*

*Complied*

The Remuneration and Nomination Charter provides that the RNC should comprise at least three members, a majority of whom should be Independent Directors, and should be chaired by an independent director.

For the reporting period, the RNC comprised three members, Alan Watson (Chair), Jon Stewart and Steve Scudamore. Alan Watson and Steve Scudamore are independent directors. The RNC has a majority of independent directors and an independent chair.

Details on the number of meetings held and each member's attendance throughout 2018 are set out in the Directors' Report contained in the Company's 2018 Annual Report.

The Remuneration and Nomination Charter is available via the Company's website.

### 8.2 *Directors' Remuneration Report*

*Complied*

The structure of Non- Executive Directors' remuneration is clearly distinguished from that of Executive Directors and Senior Executives as set out in the Remuneration Report, which forms part of the Company's 2018 Annual Report.

### 8.3 *Equity-based Remuneration*

*Complied*

The Company has adopted an equity-based remuneration scheme which is summarised in the 2018 Annual Report.

The Company's Securities Trading Policy, which is available via the Company website, specifically prohibits Directors, Senior Executives and employees of the Company from entering into arrangements for the purpose of limiting the economic risk of any Company securities which they hold.





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